FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1994-03-17** | Period of Report: **1993-12-31**
SEC Accession No. 0000912057-94-000952

FILER

US WEST INC

CIK:**732718**| IRS No.: **840926774** | State of Incorp.:**CO** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-08611** | Film No.: **94516408**
SIC: **4813** Telephone communications (no radiotelephone)

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

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- --

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993
OR
/ / TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NO. 1-8611

U S WEST, INC.

<TABLE>
<S> <C>

A COLORADO CORPORATION	I.R.S. EMPLOYER IDENTIFICATION NO. 84-0926774

</TABLE>

7800 EAST ORCHARD ROAD, ENGLEWOOD, COLORADO 80111
TELEPHONE NUMBER (303) 793-6500

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

<TABLE>
<CAPTION>

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED*
<S>	<C>
Common Stock (without par value)	New York Stock Exchange Pacific Stock Exchange
Liquid Yield Option Notes, due 2011 (convertible to common stock under certain circumstances)	New York Stock Exchange

<FN>
- ------------------------
*Common Stock was delisted from Boston Stock Exchange, Midwest Stock Exchange and Philadelphia Stock Exchange effective January 14, 1992.
</TABLE>

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
NONE

At January 31, 1994, 441,391,370 shares of common stock were outstanding.

At January 31, 1994, the aggregate market value of the voting stock held by non-affiliates was approximately $19,394,736,798.

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

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of the Registrant's 1993 Annual Report to Shareowners are incorporated by reference into Parts I, II and IV.

Portions of the Registrant's definitive Proxy Statement dated March 17, 1994, to be issued in connection with the 1994 Annual Meeting of Shareowners are incorporated by reference into Parts II and III.

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

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- --

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PART I

PART I

ITEM 1. BUSINESS

GENERAL

U S WEST, Inc. ("U S WEST") was incorporated under the laws of the State of Colorado and has its principal executive offices at 7800 East Orchard Road, Englewood, Colorado 80111, telephone number (303) 793-6500. U S WEST is a diversified global communications company engaged in the telecommunications, directory publishing, marketing and, most recently, entertainment services businesses. Telecommunications services are provided by U S WEST's principal subsidiary, U S WEST Communications, Inc., to more than 25 million residential and business customers in the states of Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming (collectively, the "U S WEST Region"). Directory publishing, marketing and entertainment services as well as cellular mobile communications services are provided by other U S WEST subsidiaries to customers both inside and outside the U S WEST Region. (Financial information concerning U S WEST's operations is set forth in the Consolidated Financial Statements and Notes thereto in the U S WEST 1993 Annual Report to Shareowners (the "1993 Annual Report") and is incorporated herein by reference.) U S WEST and its subsidiaries had 60,778 employees at December 31, 1993.

RECENT DEVELOPMENTS

U S WEST COMMUNICATIONS

DEVELOPMENT OF BROADBAND NETWORK. In February, 1993, U S WEST announced its intention to build a broadband telecommunications network (the "Broadband Network") capable of providing voice, data and video services to customers within the U S WEST Region. When completed, the Broadband Network will carry multimedia signals over a mix of optical fiber, coaxial cable and copper wire. U S WEST expects that it will ultimately deliver a variety of integrated communications, entertainment and information services and other high speed digital services, including data applications, through the Broadband Network in selected areas of the U S WEST Region. These integrated services, including video-on-demand, targeted advertising, home shopping, interactive games, high-definition broadcast television and two-way, video telephony are expected to become available over time as the Broadband Network develops. The Broadband Network architecture is currently being installed and technical trials are beginning in Omaha, Nebraska. U S WEST is seeking approval from the Federal Communications Commission (the "FCC") to install Broadband Network architecture in Denver, Minneapolis-St. Paul, Portland, and Boise. U S WEST expects to put the Broadband Network into commercial use in selected areas by 1995, subject to a number of competitive and other factors, some of which are beyond its control, including the receipt of necessary regulatory approvals and the availability of suitable technology.

RESTRUCTURING. On September 17, 1993, U S WEST announced that U S WEST Communications would implement a plan (the "Restructuring Plan") designed to provide faster, more responsive customer services while reducing the costs of providing these services. Pursuant to the Restructuring Plan, U S WEST Communications will develop new systems that will enable it to monitor networks to reduce the risk of service interruptions, activate telephone service on demand, provide automated inventory systems and centralize its service centers so that customers can have their telecommunications needs resolved with one phone call. U S WEST Communications will also gradually reduce its work force by approximately 8,000 employees by the end of 1996 (in addition to a remaining reduction of 1,000 employees pursuant to a restructuring plan announced in 1991) and consolidate the operations of its existing 560 customer centers into 26 customer centers in ten cities. U S WEST expects cost reductions will be realized as these components of the Restructuring Plan are implemented. In connection with the Restructuring Plan, U S WEST recognized a pretax restructuring charge of

$1 billion, the components of which are described under "Costs and Expenses" in Management's Discussion and Analysis of Financial Condition and Results of Operations on page 17 of the 1993 Annual Report, which is incorporated by reference herein.

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

TWE INVESTMENT

On September 15, 1993, U S WEST acquired a 25.51% pro rata priority capital and residual equity interests in Time Warner Entertainment Company, L.P. ("TWE") for an aggregate purchase price of $2.553 billion, consisting of $1.532 billion in cash and $1.021 billion in the form of a four-year promissory note bearing interest at a rate of 4.391% per annum (the "TWE Investment"). TWE owns and operates substantially all of the filmed entertainment (including Warner Bros.), programming (including HBO and Cinemax) and cable operations previously owned and operated by Time Warner Inc. TWE is the second-largest domestic multiple system cable operator, owning or operating 22 of the top 100 cable systems in the United States.

U S WEST and TWE intend to upgrade a substantial portion of TWE's cable systems to "Full Service Network-TM-" capacity over the next five years. U S WEST and TWE will jointly designate the systems to be upgraded, and after any required approvals are obtained, U S WEST will share management control with TWE over those systems. U S WEST believes that each Full Service Network-TM-, when completed, will utilize fiber optics, digital compression, digital switching and storage services to provide consumers with video-on-demand, interactive games, distance learning, full motion video, interactive shopping and alternative access and local telephone service. In January, 1993, TWE announced that its first Full Service Network-TM- was being built in Orlando, Florida. This Full Service Network-TM- is expected to be available to 10,000 residential customers in that area in 1994. Full implementation of the Full Service Network-TM- will require the receipt of certain regulatory approvals.

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

PERSONAL COMMUNICATIONS SERVICES

In September, 1993, Mercury One-2-One, a 50-50 joint venture between U S WEST and Cable & Wireless PLC, launched the world's first commercial Personal Communications Services ("PCS") in

the United Kingdom. Mercury One-2-One's PCS is a form of digital cellular communications designed to offer consumer users both a higher quality of service and more features at lower prices than existing cellular communications systems.

DISCONTINUANCE OF CAPITAL ASSETS SEGMENT

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

The Capital Assets Segment includes U S WEST Financial Services, Inc. ("U S WEST Financial Services"), which provided a variety of financial services to clients, an approximately 92% interest in Financial Security Assurance Holdings Ltd. ("FSA"), which provides financial guarantee insurance policies for corporate and municipal clients and U S WEST Real Estate, Inc., which holds a portfolio of real estate assets. On December 7, 1993, U S WEST Financial Services closed a transaction pursuant to which it sold to NationsBank Corporation assets representing approximately $2.0 billion of U S WEST Financial Services' business and finance receivables, on a consolidated basis.

On October 12, 1993, FSA filed a registration statement with respect to a proposed underwritten initial public offering of 12 million shares of its common stock. In December, 1993, the proposed public offering was postponed indefinitely. U S WEST is continuing to explore its strategic alternatives with respect to FSA, which include a public offering or other disposition of the business.

U S WEST'S CONTINUING OPERATIONS

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

OPERATIONS OF U S WEST COMMUNICATIONS. U S WEST Communications serves approximately 80% of the population in the U S WEST Region and approximately 40% of the land area. At December 31, 1993, U S WEST Communications had approximately 13,843,000 telephone network access lines in service, a 3.7% increase over year end 1992.

Under the terms of the MFJ, the U S WEST Region was divided into 29 geographical areas called "Local Access and Transport Areas" ("LATAs") with each LATA generally centered on a metropolitan area or other identifiable community of interest. The principal types of telecommunications services offered by U S WEST Communications are (i) local service, (ii) intraLATA long distance network service and (iii) exchange access service (which connects customers to the facilities of interLATA service providers). For the year ended December 31, 1993, local service, exchange access service and intraLATA long distance network service accounted for 37%, 27% and 14%, respectively, of the sales and other revenues of U S WEST's continuing operations. In 1993, revenues from a single customer, AT&T, accounted for approximately 11% of the sales and other revenues of U S WEST's continuing operations.

U S WEST Communications incurred capital expenditures of approximately $2.2 billion in 1993 and expects to incur approximately $2.3 billion in 1994. The 1993 capital expenditures of U S WEST

Communications were substantially devoted to the continued modernization of telephone plant, including investments in fiber optic cable and the conversion of central offices to digital technology, in order to improve customer services and network productivity.

Central to U S WEST Communications' operations in 1993 were its initial efforts respecting the Broadband Network and the Restructuring Plan. See "Recent

Developments -- U S WEST Communications."

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

U S WEST Communications has sought alternative forms of regulation ("AFOR") plans which provide for competitive parity, enhanced pricing flexibility and improved capability in bringing to market new products and services. In a number of states where AFOR plans have been adopted, such actions have been accompanied by requirements to refund revenues, reduce existing rates or upgrade service, any of which could have adverse short-term effects on earnings. Similar agreements may have resulted under traditional rate of return regulation. (See "State Regulatory Issues" under Management's Discussion and Analysis of Financial Condition and Results of Operations on p. 21 of the 1993 Annual Report, which is incorporated by reference herein.)

U S WEST Communications is also subject to the jurisdiction of the FCC with respect to interstate access tariffs (that specify the charges for the origination and termination of interstate communications) and other matters. U S WEST's interstate services have been subject to price cap regulation since January 1991. Price caps are a form of incentive regulation and, ostensibly, limit prices rather than profits. However, the FCC's price cap plan includes sharing of earnings in excess of authorized levels with interexchange carriers. The Company believes that competition will ultimately be the determining factor in pricing telecommunications services. In January, 1994, the FCC announced that it will begin reviewing its current form of regulation.

In September, 1993, the FCC adopted licensing rules for Personal Communications Services ("PCS") and announced that it would auction the spectrum frequencies available for PCS in late 1994. PCS offers users mobile voice and data communications capabilities similar to existing analog cellular service. U S WEST intends to pursue PCS opportunities as they become available.

COMPETITION. Historically, communications, entertainment and information services were provided by different companies in different industries. The convergence of these technologies is changing both the competitive environment and the way U S WEST does business. This convergence, which is being fueled by technological advances, will lead to more intense competition from companies with which U S WEST has not historically competed. U S WEST became the first of the regional holding companies to potentially compete beyond its region through its investment in TWE. (See "TWE Investment" under "Recent Developments.")

U S WEST Communications' principal current competitors are competitive access providers ("CAPs"). Competition from CAPs is currently limited to providing large business customers (with high-volume traffic) private line access to the facilities of interexchange carriers. In coming years, CAPs could also become significant competitors for other local exchange services. MCI announced plans in early 1994 to build fiber-optic rings and local switching infrastructures in major metropolitan markets, hence providing the ability to compete directly with the local telephone company. Additionally, AT&T's entrance into the cellular communications market through its proposed acquisition of McCaw Cellular Communications Inc. has the potential to create increased competition in local exchange as well as cellular services. The loss of local exchange customers to competitors would affect multiple revenue streams, including those related to local and access services, and long-distance network services, and could have a material, adverse effect on the Company's operations.

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

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

U S WEST supports regulatory reform. It is increasingly apparent that the legal and regulatory framework under which the Company operates, which includes restrictions on equipment manufacturing, prohibitions on cross-ownership of cable TV by telephone companies and the provision of cable TV programming content, and restrictions on the transport of voice, video and data across LATA boundaries, limits both competition and consumer choice. U S WEST believes that it is in the public interest to lift these restrictions and to place all competitors under the same rules to ensure the industry's technological development and long-term financial health.

For an additional discussion respecting competition, see "Other Items" in Management's Discussion and Analysis of Financial Condition and Results of Operations on page 18 of the 1993 Annual Report, which is incorporated by reference herein.

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

U S WEST Marketing Resources Group, Inc. ("Marketing Resources"), which accounted for about 9% of U S WEST's 1993 revenues from continuing operations, publishes nearly 300 white and yellow page directories in 14 states. Marketing Resources competes with local and national publishers of directories, as well as other advertising media such as newspapers, magazines, broadcast media and direct mail. Marketing Resources intends to focus on enhancing core products, developing and packaging new information products through new and existing databases.

U S WEST NewVector Group, Inc. ("NewVector"), which accounted for approximately 5% of U S WEST's 1993 revenues from continuing operations, provides communications and information products and services, including cellular and radio communications services, over wireless networks in 31 Metropolitan Service Areas and 34 Rural Service Areas, primarily located in the U S WEST Region. Competition for full service cellular customers is currently limited to holders of the two cellular licenses granted in a given cellular market. Despite its rapid growth, the cellular industry is faced with many challenges including the introduction of new technologies, increased competition and an uncertain regulatory environment.

U S WEST Multimedia Communications, Inc. ("Multimedia Communications") was formed to manage the TWE Investment, and has primary responsibility for aiding U S WEST in achieving its strategic goal of becoming a leading provider of interactive, integrated communications, entertainment and information services in the U S WEST Region and other selected domestic and international markets.

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

TWE Investment." U S WEST intends to pursue additional out-of-region opportunities that complement its out-of-region strategy and believes that through the TWE Investment and those other opportunities it will be able to provide a variety of integrated communications, entertainment and information products and services to users through multimedia broadband networks across the United States. However, U S WEST's ability to pursue certain of those opportunities with third parties may be limited by the TWE Agreement.

During 1993, U S WEST continued expanding its international ventures, which include investments in cable television and telecommunications, wireless communications including PCS, and international networks. See "Recent Developments -- Personal Communications Services." U S WEST's net investment in international ventures approximated $477 million at December 31, 1993, approximately 70% of which is in the United Kingdom.

Because U S WEST's international investments are in new, developing businesses, they typically are in a high growth, investment phase for several years and do not show net income or positive cash flow until they become more mature. Consequently, start-up losses, which are part of the expected investment in these businesses, will continue in the near term. The Company's future commitment to international ventures is currently planned at about $450 million over the next five years. The Company will continue to pursue opportunities in attractive local markets around the world that fit its strategic objectives.

ITEM 2. PROPERTIES

The properties of U S WEST do not lend themselves to description by character and location of principal units. At December 31, 1993, the majority of U S WEST property was utilized in providing telecommunications services by U S WEST Communications. Substantially all of U S WEST Communications' central office equipment is located in owned buildings situated on land owned in fee, while many garages and administrative and business offices are in leased quarters. For information regarding the distribution of property, plant and equipment at December 31, 1993, reference is made to Schedule V on page S-1.

ITEM 3. LEGAL PROCEEDINGS.

On May 12, 1992, an alleged shareholder of U S WEST filed an amended class action complaint (the "Amended Complaint") in the United States District Court for the District of Colorado against U S WEST and various individuals, including certain present and former officers of U S WEST (the "Defendants"). ROSENBAUM V. U S WEST, INC. ET AL, Civ. Action No. 91-B-2164 (D. Colo. filed May 12, 1992). The Amended Complaint challenged the Defendants' actions in connection with U S WEST's real estate activities and planned work force reductions, including its December, 1991 decision to write down certain assets of U S WEST Real Estate, and related disclosures, and alleged violations of the Securities Exchange Act of 1934, the Securities Act of 1933 and the rules of the Securities and Exchange Commission. This litigation was settled by the parties and the terms of the settlement were approved by the court in November, 1993. In connection with the settlement, U S WEST issued to certified class members non-transferable rights (the "Rights") to purchase shares of common stock directly from U S WEST on a commission-free basis at a 3% 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. Class members exercised approximately 5.6 million of these Rights and, in March, 1994, approximately 5.6 million shares of U S WEST common stock were issued pursuant to the settlement.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable.

EXECUTIVE OFFICERS OF U S WEST

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

<TABLE>
<CAPTION>

NAME	POSITION	AGE	DATE ASSUMED PRESENT POSITION
A. Gary Ames (1)	President & Chief Executive Officer of U S WEST Communications	49	1990
James T. Anderson	Vice President & Treasurer	54	1984
J. Thomas Bouchard	Senior Vice President & Chief Human Resources Officer	53	1989
Richard J. Callahan	Executive Vice President, U S WEST, & President, U S WEST International and Business Development Group	52	1988
Charles M. Lillis	Executive Vice President & Chief Planning Officer	52	1987
Richard D. McCormick	Chairman of the Board, Chief Executive Officer & President	53	1986(2)
James M. Osterhoff	Executive Vice President & Chief Financial Officer	57	1991
Lorne G. Rubis	Vice President	43	1992(3)
Charles P. Russ III	Executive Vice President, General Counsel & Secretary	49	1992(4)
Judith A. Servoss	Vice President	48	1987
James H. Stever	Executive Vice President	50	1993(5)

<FN>

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

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

(3) Mr. Rubis was elected Vice President effective June 6, 1992.

(4) Mr. Russ was elected Executive Vice President, General Counsel and Secretary effective June 8, 1992.

(5) Mr. Stever was elected Executive Vice President-Public Policy effective January 8, 1993.

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

Each of the above executive officers has held a managerial position with U S WEST or an affiliate of U S WEST since 1989, except for Messrs. Osterhoff, Rubis and Russ. Mr. Osterhoff was Vice President -- Finance and Chief Financial Officer of Digital Equipment Corporation from 1985 to 1991. Mr. Rubis was Vice President -- Quality for U S WEST International and Business Development Group, a division of U S WEST, from 1991 to 1992; Director -- Quality and Service

Improvement for U S WEST NewVector Group, Inc., a subsidiary of U S WEST, from 1990 to 1991. Prior to joining the U S WEST family, Mr. Rubis worked as an independent labor relations consultant and as co-founder and principal of Workplace One, Ltd., a Canadian-based consulting firm, from 1979 to 1988. In 1988, he merged his firm with Deltapoint Corp., a Seattle-based Quality Improvement consulting firm. Mr. Russ was Vice President, Secretary and General Counsel of NCR Corporation from February, 1984 to June, 1992.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The information required by this item is included on page 47 of the 1993 Annual Report under the heading "Note 14: Quarterly Financial Data (Unaudited)" and is incorporated herein by reference. The U.S. markets for trading in U S WEST common stock are the New York Stock Exchange and the Pacific Stock Exchange. As of December 31, 1993, U S WEST common stock was held by approximately 836,328 shareholders of record.

ITEM 6. SELECTED FINANCIAL DATA.

The information required by this item is included on page 3 of the 1993 Annual Report under the heading "Financial Highlights" and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required by this item is included on pages 12 through 26 of the 1993 Annual Report and is incorporated herein by reference.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item is included on pages 28 through 47 of the 1993 Annual Report and is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

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

The information required by this item with respect to Directors is included in the U S WEST definitive Proxy Statement dated March 17, 1994 ("Proxy Statement") under "Election of Directors" on pages 4 and 5 and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is included in the Proxy Statement under "Executive Compensation" on pages 14 through 21 and "Compensation of Directors" on page 10 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Not applicable.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

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

<TABLE>

<CAPTION>

		PAGE NUMBER OF ANNUAL REPORT
(1)	Report of Independent Accountants	27
(2)	Consolidated Financial Statements:	
	Consolidated Statements of Operations -- for the years ended December 31, 1993, 1992 and 1991	28
	Consolidated Balance Sheets as of December 31, 1993 and 1992	29
	Consolidated Statements of Cash Flows -- for the years ended December 31, 1993, 1992 and 1991	30
	Notes to Consolidated Financial Statements	31 through 47
(3)	Consolidated Financial Statement Schedules:	

<CAPTION>

		PAGE NUMBER
	Report of Independent Accountants	16
	V -- Property, Plant and Equipment	S-1
	VI -- Accumulated Depreciation and Amortization	S-2
	VIII -- Valuation and Qualifying Accounts	S-3
	IX -- Short-Term Borrowings	S-4
	X -- Supplementary Income Statement Information	S-5

</TABLE>

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

(b) Reports on Form 8-K:

U S WEST filed the following reports on Form 8-K during the fourth quarter of 1993:

(i) report dated October 13, 1993 relating to a press release announcing the filing by Financial Security Assurance Holdings of an initial public offering of 12,000,000 shares of common stock;

(ii) report dated October 19, 1993 relating to a release of earnings for the period ended September 30, 1993;

(iii) report dated November 10, 1993 filing the U.S. version of a form of Underwriting Agreement among U S WEST, Inc., Goldman, Sachs & Co., Lehman Brothers Inc., Merrill Lynch & Co., Morgan Stanley & Co. Incorporated, and Salomon Brothers, Inc. and the international version of a form of Underwriting Agreement among U S WEST, Inc., Goldman Sachs International Limited, Lehman Brothers International (Europe), Merrill Lynch International Limited, Morgan Stanley International, and Salomon Brothers International Limited; and

(iv) report dated December 8, 1993 restating the condensed consolidated financial statements of Financial Security Assurance Inc. for nine months ended September 30, 1993 and 1992, as amended by Forms 8-K/A dated December 13 and 28, 1993.

(c) Exhibits:

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

<TABLE>
<CAPTION>

EXHIBIT NUMBER		
(3a)	--	Articles of Incorporation of U S WEST, Inc. dated September 22, 1983 (Exhibit 3a to Registration Statement No. 2-87861).
(3a.1)	--	Articles of Amendment to the Articles of Incorporation of U S WEST, Inc. dated June 6, 1988 (Exhibit 3b to Form 10-K, date of report March 29, 1989, File No. 1-8611).
(3a.2)	--	Articles of Amendment to the Articles of Incorporation of U S WEST, Inc. dated May 3, 1991 (Exhibit 3c to Form SE filed on March 5, 1992, File No. 1-8611).
3b	--	Bylaws of the Registrant as amended December 3, 1993.
4	--	No instrument which defines the rights of holders of long and intermediate term debt of U S WEST, Inc. and all of its subsidiaries is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, the Registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.
(10a)	--	Reorganization and Divestiture Agreement dated as of November 1, 1983, between American Telephone

		and Telegraph Company and its affiliates, U S WEST, Inc., The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and NewVector Communications, Inc. (Exhibit 10a to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10b)	--	Shared Network Facilities Agreement dated as of January 1, 1984, between American Telephone and Telegraph Company, AT&T Communications of the Midwest, Inc., The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company and Pacific Northwest Bell Telephone Company (Exhibit 10b to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10c)	--	Agreement Concerning Termination of the Standard Supply Contract effective December 31, 1983, between American Telephone and Telegraph Company, Western Electric Company, Incorporated, The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and Central Services Organization (Exhibit 10d to Form 10-K, date of report March 8, 1984, File No, 1-3501).
(10d)	--	Agreement Concerning Certain Centrally Developed Computer Systems effective December 31, 1983, between American Telephone and Telegraph Company, Western Electric Company, Incorporated, The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and Central Services Organization (Exhibit 10e to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10e)	--	Agreement Concerning Patents, Technical Information and Copyrights effective December 31, 1983, between American Telephone and Telegraph Company and U S WEST, Inc. (Exhibit 10f to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10f)	--	AMPS Software Agreement effective December 31, 1983, between American Telephone and Telegraph Company and NewVector Communications, Inc. (Exhibit 10h to Form 10-K, date of report March 28, 1984, File No. 1-8611).

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER		
<S>	<C>	<C>
(10g)	--	Agreement Concerning Contingent Liabilities, Tax Matters and Termination of Certain Agreements dated as of November 1, 1983, between American Telephone and Telegraph Company, U S WEST, Inc., The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and NewVector Communications, Inc. (Exhibit 10h to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10h)	--	Agreement Concerning Trademarks, Trade Names and Service Marks effective December 31, 1983, between American Telephone and Telegraph Company, American Information Technologies Corporation, Bell Atlantic Corporation, BellSouth Corporation, Cincinnati Bell, Inc., NYNEX Corporation, Pacific Telesis Group, The Southern New England Telephone Company, Southwestern Bell Corporation and U S WEST, Inc. (Exhibit 10i to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10i)	--	U S WEST Executive Short Term Incentive Plan (Exhibit 10i to Form 10-K filed March 19, 1993, File No. 1-8611).
(10j)	--	Financial Counseling Program for Officers of U S WEST (Exhibit 10-ee to Registration Statement No. 2-87861).
(10k)	--	U S WEST Deferred Compensation Plan for Non-Employee Directors (Exhibit 10-ff to Registration Statement No. 2-87861).
(10l)	--	Description of U S WEST Insurance Plan of Non-Employee Directors' Travel and Accident Insurance (Exhibit 10-gg to Registration Statement No. 2-87861).
(10m)	--	Extract from the U S WEST Management Pension Plan regarding limitations on and payments of pension amounts which exceed the limitations contained in the Employee Retirement Income Security Act (Exhibit 10-hh to Registration Statement No. 2-87861).
(10n)	--	U S WEST Executive Non-Qualified Pension Plan (Exhibit 10o to Form 10-K, date of report March 29, 1989, File No. 1-8611).
(10o)	--	U S WEST Deferred Compensation Plan (Exhibit 10o to Form SE filed March 5, 1992, File No. 1-8611).
(10p)	--	Description of U S WEST Directors' Retirement Benefit Plan (Exhibit 10p to Form SE filed March 5, 1992, File No. 1-8611).
(10q)	--	U S WEST Stock Incentive Plan (Exhibit 10r to Form 10-K, date of report March 29, 1989, File No. 1-8611).
(10r)	--	Shareholders' Agreement dated as of January 1, 1988 among Ameritech Services, Inc., Bell Atlantic Management Services, Inc., BellSouth Services Incorporated, NYNEX Service Company, Pacific Bell, Southwestern Bell Telephone Company, The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company and Pacific Northwest Bell Telephone Company (Exhibit 10r to Form SE filed March 5, 1992, File No. 1-8611).
(10s)	--	U S WEST Senior Management Long Term Disability and Survivor Protection Plan (Exhibit 10-dd to Registration Statement No. 2-87861).
(10t)	--	U S WEST Mid-Career Pension Plan (Exhibit 10u to Form 10-K, date of report March 29, 1989, File No. 1-8611).
(10u)	--	Form of Executive Severance Agreement (Exhibit 10v to Form SE filed on March 6, 1990, File No. 1-8611).

</TABLE>

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EXHIBIT
NUMBER
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<S> <C> <C>

(10v)	--	Form of U S WEST, Inc. Non-Incentive Stock Option Agreement Under the Stock Incentive Plan (Exhibit 10v to Form 10-K, filed March 19, 1993, File No. 1-8611).
(10w)	--	Form of U S WEST, Inc. Restricted Stock Agreement Under the Stock Incentive Plan (Exhibit 10w to Form 10-K filed March 19, 1993, File No. 1-8611).
(10x)	--	Employment letter from Richard D. McCormick to James M. Osterhoff dated November 1, 1991 (Exhibit 10x to Form 10-K filed March 19, 1993, File No. 1-8611).
(10y)	--	Assignment Agreement, dated July 13, 1993, between U S WEST Overseas Operations, Inc. and Richard J. Callahan (Exhibit (10a) to Form 10-Q filed November 5, 1993).
(10z)	--	Agreement for Services, dated July 13, 1993, between U S WEST, Inc. and Richard J. Callahan (Exhibit (10b) to Form 10-Q filed November 5, 1993).
(10aa)	--	Admission Agreement dated as of May 16, 1993 between Time Warner Entertainment Company, L.P. and U S WEST, Inc. (Exhibit 10 to Form 8-K filed May 24, 1993).
11	--	Statement Re Computation of Per Share Earnings.
12	--	Computation of Ratio of Earnings to Fixed Charges of U S WEST, Inc. and U S WEST Financial Services, Inc.
13	--	1993 Annual Report to Shareowners.
21	--	Subsidiaries of U S WEST, Inc.
23	--	Consent of Independent Accountants.
24	--	Powers of Attorney.
99a	--	Financial Statements of Financial Security Assurance, a 92% owned subsidiary of U S WEST for the year ended December 31, 1993.
99b	--	Annual Report on Form 11-K for the U S WEST Savings Plan/ESOP for Salaried Employees for the year ended December 31, 1993, to be filed by amendment.
99c	--	Annual Report on Form 11-K for the U S WEST Savings and Security Plan/ESOP for the year ended December 31, 1993, to be filed by amendment.

</TABLE>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Englewood, State of Colorado, on March 17, 1994.

U S WEST, Inc.

By /s/ JAMES M. OSTERHOFF

James M. Osterhoff
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER

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

<TABLE>

<C>	<S>
Principal Executive Officer /s/ Richard D. McCormick*	Chairman of the Board, President and Chief Executive Officer
Principal Financial Officer: /s/ James M. Osterhoff*	Executive Vice President and Chief Financial Officer

</TABLE>

Directors:
/s/ Richard B. Cheney*
/s/ Remedios Diaz-Oliver*
/s/ Grant A. Dove*
/s/ Mary M. Gates*
/s/ Allan D. Gilmour*
/s/ Pierson M. Grieve*
/s/ Shirley M. Hufstedler*
/s/ Allen F. Jacobson*
/s/ Richard D. McCormick*
/s/ Frank P. Popoff*
/s/ Glen L. Ryland*
/s/ Jerry O. Williams*
/s/ Daniel Yankelovich*

*By /s/ JAMES M. OSTERHOFF

James M. Osterhoff
(for himself and as Attorney-in-Fact)

Dated March 17, 1994

INDEPENDENT ACCOUNTANTS' REPORT

Our report on the consolidated financial statements of U S WEST, Inc., which includes an explanatory paragraph regarding the discontinuance of accounting for the operations of U S WEST Communications, Inc. in accordance with Statement of Financial Accounting Standard No. 71, "Accounting for the Effects of Certain

Types of Regulation," in 1993, and a change in the method of accounting for postretirement benefits other than pensions and other postemployment benefits in 1992, has been incorporated by reference in this Form 10-K from page 27 of the 1993 Annual Report to Shareowners of U S WEST, Inc. In connection with our audits of such consolidated financial statements, we have also audited the related consolidated financial statement schedules listed in the index on page 13 of this Form 10-K for the years ended December 31, 1993, 1992 and 1991.

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

/s/ COOPERS & LYBRAND

COOPERS & LYBRAND
Denver, Colorado
January 20, 1994

U S WEST, INC.
SCHEDULE V -- PROPERTY, PLANT AND EQUIPMENT
(DOLLARS IN MILLIONS)

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST (A)	RETIREMENTS (B)	OTHER CHANGES (C)	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
YEAR 1993					
Land and buildings.........................	$ 2,433.1	$ 105.7	$ 26.5	$ 9.1	$ 2,521.4
Telephone network equipment and outside plant....................................	21,242.7	1,646.0	643.1	233.5	22,479.1
Other......................................	3,245.0	613.3	317.2	27.6	3,568.7
Construction in progress...................	682.6	76.2	0.0	(166.6)	592.2
Total.................................	$ 27,603.4	$ 2,441.2	$ 986.8	$ 103.6	$ 29,161.4
YEAR 1992					
Land and buildings.........................	$ 2,317.9	$ 140.0	$ 21.1	$ (3.7)	$ 2,433.1
Telephone network equipment and outside plant....................................	20,040.0	1,717.9	638.2	123.0	21,242.7
Other......................................	3,359.3	506.1	711.3	90.9	3,245.0
Construction in progress...................	658.1	190.2	0.0	(165.7)	682.6
Total.................................	$ 26,375.3	$ 2,554.2	$ 1,370.6	$ 44.5	$ 27,603.4
YEAR 1991					
Land and buildings.........................	$ 2,241.2	$ 104.1	$ 37.5	$ 10.1	$ 2,317.9
Telephone network equipment and outside plant....................................	19,310.1	1,624.4	942.7	48.2	20,040.0
Other......................................	3,227.1	480.6	481.8	133.4	3,359.3
Construction in progress...................	586.1	216.4	0.0	(144.4)	658.1
Total.................................	$ 25,364.5	$ 2,425.5	$ 1,462.0	$ 47.3	$ 26,375.3

<FN>

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

(a) Additions include transfers from construction in progress and interest charged to construction.

(b) Items of telephone plant, when retired or sold, are deducted from the property accounts at the amounts at which they are included. These amounts are estimated if not specifically identifiable. Telephone network equipment and outside plant includes the retirement of approximately $302 of fully depreciated customer premises wiring for 1991.

(c) Includes transfers from construction in progress, adjustments resulting from physical inventories and prior year reclassifications.

</TABLE>

U S WEST, INC.
SCHEDULE VI -- ACCUMULATED DEPRECIATION AND AMORTIZATION
(DOLLARS IN MILLIONS)

<TABLE>
<CAPTION>

CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO EXPENSE	RETIREMENTS (A)	OTHER CHANGES (B)	BALANCE AT END OF PERIOD
YEAR 1993					
Buildings	$ 530.0	$ 80.5	$ 23.1	$ 68.6	$ 656.0
Telephone network equipment and outside plant	7,821.9	1,408.9	629.5	4,787.8	13,389.1
Other	1,305.1	452.2	229.9	357.1	1,884.5
Total	$ 9,657.0	$ 1,941.6	$ 882.5	$ 5,213.5	$ 15,929.6
YEAR 1992					
Buildings	$ 465.5	$ 71.8	$ 18.5	$ 11.2	$ 530.0
Telephone network equipment and outside plant	7,078.8	1,359.9	635.9	19.1	7,821.9
Other	1,538.0	425.9	677.6	18.8	1,305.1
Total	$ 9,082.3	$ 1,857.6	$ 1,332.0	$ 49.1	$ 9,657.0
YEAR 1991					
Buildings	$ 435.6	$ 81.2	$ 30.7	$ (20.6)	$ 465.5
Telephone network equipment and outside plant	6,684.2	1,319.1	954.7	30.2	7,078.8
Other	1,523.3	394.3	404.2	24.6	1,538.0
Total	$ 8,643.1	$ 1,794.6	$ 1,389.6	$ 34.2	$ 9,082.3

<FN>

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

(a) Telephone network equipment and outside plant includes the retirement of approximately $302 of fully depreciated customer premises wiring for 1991.

(b) Consists principally of removal costs and salvage received from disposal, and the 1993 increase in accumulated depreciation recorded in conjunction with the company's 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." The impact on accumulated depreciation by class of plant follows:

</TABLE>

<TABLE>

Buildings	$ 80
Telephone network equipment and outside plant	4,723
Other	348
Total	$ 5,151

</TABLE>

U S WEST, INC.
SCHEDULE VIII -- VALUATION AND QUALIFYING ACCOUNTS
(DOLLARS IN MILLIONS)

<TABLE>
<CAPTION>

	BALANCE AT BEGINNING OF PERIOD	CHARGED TO EXPENSE	CHARGED TO OTHER ACCOUNTS	DEDUCTIONS	BALANCE AT END OF PERIOD
CONTINUING OPERATIONS:					
ALLOWANCE FOR CREDIT LOSSES					
Year 1993	$ 59.0	$ 83.4(a)	$ 0.8	$ 89.2(b)	$ 54.0
Year 1992	59.2	88.9(a)	10.5	99.6(b)	59.0
Year 1991	57.9	104.3(a)	(0.2)	102.8(b)	59.2
RESERVES RELATED TO 1993 BUSINESS RESTRUCTURING, INCLUDING FORCE AND FACILITY CONSOLIDATION					
Year 1993	$ 0.0	$1,000.0	$ 0.0	$ 64.3	$ 935.7
RESERVES RELATED TO 1991 BUSINESS RESTRUCTURING, INCLUDING FORCE REDUCTIONS					

AND THE WRITE-OFF OF CERTAIN INTANGIBLE ASSETS					
Year 1993	$ 215.8	$ 0.0	$ 0.0	$ 120.4	$ 95.4
Year 1992	313.7	0.0	0.0	97.9	215.8
Year 1991	0.0	363.8	0.0	50.1	313.7
DISCONTINUED OPERATIONS:					
ALLOWANCE FOR CREDIT LOSSES					
Year 1993	$ 62.8	$ 64.4	$(52.5)(c)	$ 64.7(b)	$ 10.0
Year 1992	61.5	20.3	7.1	26.1(b)	62.8
Year 1991	48.7	31.3	13.5	32.0(b)	61.5
LOSS RESERVE ON FINANCIAL GUARANTEES (D)					
Year 1993	$ 72.4	$ 102.7	$ 0.0	$ 139.0	$ 36.1
Year 1992	12.4	67.5	0.0	7.5	72.4
Year 1991	0.0	12.4	0.0	0.0	12.4
OTHER (E)					
Year 1993	$ 86.3	$ 0.2	$ 3.3	$ 89.7(c)	$ 0.1
Year 1992	83.8	0.0	8.7	6.2	86.3
Year 1991	96.5	0.0	6.4	19.1	83.8
RESERVES RELATED TO 1991 BUSINESS RESTRUCTURING, INCLUDING REAL ESTATE VALUATION ALLOWANCE AND 1993 PROVISION FOR LOSS ON DISPOSAL OF THE CAPITAL ASSETS SEGMENT					
Year 1993	$ 402.5	$ 120.0(f)	$ 0.0	$ 186.0	$ 336.5
Year 1992	500.0	0.0	0.0	97.5	402.5
Year 1991	0.0	551.1	0.0	51.1	500.0

<FN>

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

(a) Does not include amounts charged directly to expense. These amounts were $9.5, $8.9 and $7.2 for 1993 1992 and 1991, respectively.

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

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

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

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

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

</TABLE>

U S WEST, INC.

SCHEDULE IX -- SHORT-TERM BORROWINGS

(DOLLARS IN MILLIONS)

<TABLE>
<CAPTION>

	BALANCE AT END OF PERIOD	END OF PERIOD WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTANDING DURING THE PERIOD (A)	AVERAGE AMOUNT OUTSTANDING DURING THE PERIOD (B)	WEIGHTED AVERAGE INTEREST RATE DURING THE PERIOD (C)
YEAR 1993					
Commercial paper	$ 1,027.7	2.77%	$ 2,875.5	$ 1,367.5	3.27%
Other	1.6	4.81%	26.2	16.8	7.50%
Current portion of long-term debt	794.7	NA	NA	NA	NA
Allocated to discontinued operations	(47.8)	NA	NA	NA	NA
Total	$ 1,776.2				
YEAR 1992					
Commercial paper	$ 306.6	3.49%	$ 561.3	$ 328.2	4.07%
Other	35.5	6.75%	126.5	64.2	8.04%
Current portion of long-term debt	329.7	NA	NA	NA	NA
Allocated to discontinued operations	(89.3)	NA	NA	NA	NA
Total	$ 582.5				
YEAR 1991					
Commercial paper	$ 267.0	5.00%	$ 1,054.7	$ 600.9	6.26%

Other	26.5	6.93%	39.7	17.5	7.44%
Current portion of long-term debt	73.4	NA	NA	NA	NA
Total	$ 366.9				

<FN>

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

(a) Computed based on amounts outstanding at month end.
(b) Computed as the cumulative monthly average divided by 12 months.
(c) Computed by dividing the aggregate related interest expense by the average amount outstanding.

</TABLE>

U S WEST, INC.
SCHEDULE X -- SUPPLEMENTARY INCOME STATEMENT INFORMATION
(DOLLARS IN MILLIONS)

<TABLE>
<CAPTION>

	CHARGED TO COSTS AND EXPENSES		
ITEM	1993	1992	1991
Maintenance and repairs	$ 1,594.3	$ 1,522.0	$ 1,425.3
Property taxes	305.9	258.8	291.5
Gross receipts taxes	77.2	74.0	94.3
Advertising	116.7	100.2	90.3

<FN>

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

</TABLE>

[LOGO]
RECYCLED PAPER

EXHIBIT 3B

BYLAWS

OF

U S WEST, Inc.

ADOPTED JUNE 6, 1986

As Last Amended on December 3, 1993

2

BYLAWS

OF

U S WEST, Inc.

ARTICLE ONE

SHAREHOLDERS

Section 1. ANNUAL MEETING. The annual meeting of the shareholders shall be held on the first Friday of May in each year, at an hour to be named in the notice of the meeting, unless such day should fall on a legal holiday in the State of Colorado, in which event the meeting shall be held at the same hour on the next succeeding business day that is not a legal holiday. If the annual meeting is not held on the day designated, or at any adjournment thereof, the Board of Directors shall cause a meeting in lieu thereof to be held as soon thereafter as is convenient.

Section 2. SPECIAL MEETINGS. Special meetings of the shareholders may be called for any purpose. Such meetings may be called by the Chairman of the Board or by the Board of Directors, and shall be called by the Chairman of the Board at the request of the holders of not less than one-third (1/3) of the outstanding shares of the corporation entitled to vote at the meeting.
(Amended May 1, 1992)

Section 3. PLACE OF MEETING. Any annual meeting or special meeting may be held at any place either within or without the State of Colorado.

Section 4. NOTICE OF MEETING. Written notice stating the place, day, and hour of the meeting and, in the case of a special meeting, the purpose for which the meeting is called, shall be delivered not less than ten (10) days nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the Chairman of the Board, the Secretary or the person calling the meeting, to each shareholder of record entitled to vote at such meeting; except that, if the authorized shares are to be increased, at least thirty (30) days' notice shall be given.
(Amended May 1, 1992)

Section 5. RECORD DATE. For the purpose of determining those shareholders entitled to notice of or to vote at any meeting of shareholders, or to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors shall fix, in advance, a date as the record date for the determination of shareholders.

Such date shall be not more than fifty (50) days, and for a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action requiring such determination of shareholders is to be taken.

Section 6. QUORUM. A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders, unless the vote of a greater proportion or number is required by law. If a quorum is not represented at any meeting of the shareholders, such meeting may be adjourned for a period not to exceed sixty (60) days at any one adjournment.

Section 7. PROXIES. At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by a duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

Section 8. NOTICE OF SHAREHOLDER PROPOSALS. A proposal for action to be presented by any shareholder at an annual or special meeting of shareholders shall be out-of-order and shall not be acted upon at such meeting unless such proposal was specifically described in the corporation's notice to shareholders of the meeting and the matters to be acted upon thereat or unless such proposal shall have been submitted in writing to the corporation and received by the Secretary at the principal executive offices of the corporation at least thirty (30) days prior to the date of such annual or special meeting by the shareholder who intends to present such proposal, and such proposal is, under law, an appropriate subject of shareholder action. In addition, such shareholder shall include the following information with the proposal: (i) the name and record address of the shareholder proposing such business, (ii) the number of shares of the corporation which are beneficially owned by the shareholder and (iii) any material interest of the shareholder in such business. (Added February 2, 1990)

Section 9. CONDUCT OF SHAREHOLDER MEETINGS. The Chairman of the Board shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of annual meetings, including, without limitation, the establishment of rules for determining if business is proper to be brought before such meeting; the establishment of procedures for the maintenance of order and safety; limitations on the time allotted to questions or comments on the affairs of the corporation; restrictions on entry to such meeting of shareholders after the time prescribed for the commencement thereof and the opening and closing of the voting polls. (Amended May 1, 1992)

Section 10. INSPECTOR OF ELECTION. In advance of any meeting of shareholders, the Chairman of the Board may appoint one or more persons, other than nominees, as inspector of election to act at such meeting and any adjournment thereof. The duties of such inspector shall include: determining the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining the result and doing such acts as may be proper to conduct the election or vote with fairness to all shareholders. If there is more than one inspector of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspector of election is prima facie evidence of the facts stated therein. (Amended May 1, 1992)

ARTICLE TWO

BOARD OF DIRECTORS

Section 1. GENERAL POWERS. The business and affairs of the corporation shall be managed by its Board of Directors.

Section 2. NUMBER, TENURE AND QUALIFICATIONS. The Board of Directors shall consist of fourteen (14) persons of the age of eighteen years or older who need not be shareholders of the corporation or residents of Colorado. Directors of the corporation shall be elected at the annual meeting of the shareholders. Directors elected at the first annual meeting shall hold office for the term for which elected, and Directors elected at subsequent annual meetings shall hold office until the third succeeding annual meeting after their election. Each Director shall hold office for the term for which elected and until a successor has been elected and qualified. The President shall preside at all meetings of the shareholders and the Board of Directors. (Amended December 3, 1993)

Section 3. MEETINGS.

(a) Regular meetings of the Board of Directors shall be held at such times as shall be fixed by resolution of the Board.

(b) Special meetings of the Board may be called at any time by the Chairman of the Board, or, if the Chairman of the Board is absent or unable or refuses to act, by the Secretary or any five (5) members of the Board. (Amended May 1, 1992)

(c) Notice need not be given of regular meetings of the Board of Directors, nor need notice be given of adjourned meetings. Notice of special meetings shall be given in writing by depositing in the U.S. Mail at least three (3) days prior to the date of the meeting or forty-eight (48) hours' notice delivered personally or by telephone or telegraph. Neither the business to be transacted at nor the purpose of any such meeting need be specified in the notice. Attendance of a Director at a meeting shall constitute a waiver of notice of that meeting except when the Director attends for the express purpose of objecting to the transaction of any business in that the meeting because the meeting is not lawfully called or convened.

(d) Members of the Board of Directors or any committee designated by such Board may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other at the same time. Such participation shall constitute presence at the meeting.

Section 4. QUORUM AND VOTING. A majority of the number of Directors fixed by these Bylaws shall constitute a quorum for the transaction of business, and the acts of a majority of Directors present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors. If, at any meeting of the Board of Directors, less than a quorum is present, a majority of those present may adjourn the meeting until a quorum is present.

Section 5. VACANCIES. A vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of that Director's predecessor in office. Any Directorship to be filled by reason of an increase in the number of Directors shall be filled by the affirmative vote of a majority of the Directors then in office or by an election at an annual meeting or at a special meeting of shareholders called for that purpose. A Director chosen to fill a position resulting from an increase in the number of Directors shall hold office until the next annual meeting of shareholders and until a successor has been elected and qualified.

Section 6. COMPENSATION. Directors shall be entitled to receive from the corporation such compensation and reimbursement for expenses as the Board of Directors may determine.

Section 7. COMMITTEES. The Board of Directors may, by resolution adopted by a majority of the full Board of Directors, designate from among its members an Executive Committee and one or more other committees, each of which, to the extent provided in the resolution, shall have all the authority of the Board of Directors;

except that no such committee shall have the authority to (i) declare dividends or distributions, (ii) approve or recommend to shareholders actions or proposals required by the Colorado Corporation Code to be approved by shareholders, (iii) fill vacancies on the Board of Directors or any committee thereof, (iv) amend the Bylaws, (v) approve a plan of merger not requiring shareholder approval, (vi) reduce earned or capital surplus, (vii) authorize or approve the reacquisition of shares unless pursuant to a general formula or method specified by the Board of Directors, or (viii) authorize or approve the issuance or sale of, or any contract to issue or sell, shares or designate the terms of a series of a class of shares. The Board of Directors shall have the power at any time to fill vacancies in, to change the size or membership of, and to discharge any such committee.

ARTICLE THREE

OFFICERS

Section 1. ENUMERATION OF OFFICES. The corporation shall have as officers a Chairman of the Board, a President, a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. The corporation may also have a Chief Financial Officer, a General Counsel, a Controller, and such Executive Vice Presidents, Senior Vice Presidents, and Vice Presidents as the Board may elect. Such other officers as may be deemed necessary may also be elected by the Board of Directors. Any two or more offices may be held by the same person, except the offices of

Chairman of the Board and Secretary, President and Secretary, and the offices of Treasurer and Controller. (Amended May 1, 1992)

Section 2. TERM OF OFFICE. Each officer shall hold office until a successor is elected or until such officer's resignation, death, or removal.

Section 3. REMOVAL. Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the corporation would be served thereby.

Section 4. VACANCIES. A vacancy in any office because of death, resignation, removal, or otherwise, may be filled by the Board of Directors.

Section 5. CHAIRMAN OF THE BOARD; POWERS AND DUTIES. The Chairman of the Board shall be the chief executive officer of the corporation. Subject to the control of the Board of Directors, the Chairman of the Board shall supervise and direct generally all the business and affairs of the corporation. The Chairman of the Board shall preside at all meetings of the shareholders and the Board of Directors. Any document may be signed by the Chairman of the Board

or any other person who may be thereunto authorized by the Board of Directors or the Chairman of the Board. The Chairman of the Board may appoint such assistant officers as are deemed necessary. (Amended May 1, 1992)

Section 6. PRESIDENT, EXECUTIVE VICE PRESIDENTS, SENIOR VICE PRESIDENTS, AND VICE PRESIDENTS; POWERS AND DUTIES. The President shall be the chief operating officer of the corporation. The President and each Executive Vice President, each Senior Vice President, and each Vice President shall have such powers and perform such duties as may be assigned by the Board of Directors or the Chairman of the Board. In case of the absence or disability of the Chairman of the Board or a vacancy in the office, the President, an Executive Vice President, a Senior Vice President, or a Vice President designated by the Chairman of the Board or the Board of Directors shall exercise all the powers and perform all the duties of the Chairman of the Board. (Amended May 1, 1992)

Section 7. SECRETARY AND ASSISTANT SECRETARIES. The Secretary shall attend all meetings of the shareholders and the Board of Directors and shall keep the minutes for such meetings in one or more books provided for that purpose. The Secretary shall be custodian of the corporate records, except those required to be in the custody of the Treasurer or the Controller, shall keep the seal of the corporation, and shall execute and affix the seal of the corporation to all documents duly authorized for execution under seal on behalf of the corporation, and shall perform all of the duties incident to the office of Secretary, as well as such other duties as may be assigned by the Chairman of the Board or the Board of Directors.

The Assistant Secretaries shall perform such of the Secretary's duties as the Secretary shall from time to time direct. In case of the absence or disability of the Secretary or a vacancy in the office, an Assistant Secretary designated by the Chairman of the Board or by the Secretary, if the office is not vacant, shall perform the duties of the Secretary. (Amended April 3, 1992, to be effective May 1, 1992)

Section 8. CHIEF FINANCIAL OFFICER; POWERS AND DUTIES. The Chief Financial Officer shall be responsible for maintaining the financial integrity of the corporation, shall prepare the financial plans for the corporation, and shall monitor the financial performance of the corporation and its subsidiaries, as well as performing such other duties as may be assigned by the Chairman of the Board or the Board of Directors. (Amended May 1, 1992)

Section 9. TREASURER AND ASSISTANT TREASURERS; POWERS AND DUTIES. The Treasurer shall have care and custody of the funds and securities of the corporation, shall deposit such funds in the name and to the credit of the corporation with such depositories as the Treasurer shall approve, shall disburse the funds of the corporation for proper expenses and dividends, and as may be ordered by the Board of Directors, taking proper vouchers for such disbursements. The Treasurer shall perform all of the duties incident to the office of Treasurer, as well as such other duties as may be assigned by the Chairman of the Board or the Board of Directors.

The Assistant Treasurers shall perform such of the Treasurer's duties as the Treasurer shall from time to time direct. In case of the absence or disability of the Treasurer or a vacancy in the office, an Assistant Treasurer designated by the Chairman of the Board or by the Treasurer, if the office is not vacant, shall perform the duties of the Treasurer. (Amended May 1, 1992)

Section 10. GENERAL COUNSEL; POWERS AND DUTIES. The General Counsel shall be a licensed attorney at law and shall be the chief legal officer of the corporation. The General Counsel shall have such power and exercise such authority and provide such counsel to the corporation as deemed necessary or desirable to enforce the rights and protect the property and integrity of the corporation, shall also have the power, authority, and responsibility for securing for the corporation all legal advice, service, and counseling, and shall perform all of the duties incident to the office of General Counsel, as well as such other duties as may be assigned by the Chairman of the Board or the Board of Directors. (Amended May 1, 1992)

Section 11. CONTROLLER AND ASSISTANT CONTROLLERS; POWERS AND DUTIES. The Controller shall be the chief accounting officer of the corporation and shall keep and maintain in good and lawful order all accounts required by law and shall have sole control over, and ultimate responsibility for, the accounts and accounting methods of the corporation and the compliance of the corporation with all systems of accounts and accounting regulations prescribed by law. The Controller shall audit, to such extent and at such times as may be required by law or as the Controller may think necessary, all accounts and records of corporate funds or property, by whomsoever kept, and for such purposes shall have access to all such accounts and records. The Controller shall make and sign all necessary and proper accounting statements and financial reports of the corporation, and shall perform all of the duties incident to the office of Controller, as well as such other duties as may be assigned by the Chairman of the Board or the Board of Directors.

The Assistant Controllers shall perform such of the Controller's duties as the Controller shall from time to time direct. In case of the absence or disability of the Controller or a vacancy in the office, an Assistant Controller designated by the Chairman of the Board or the Controller, if the office is not vacant, shall perform the duties of the Controller. (Amended May 1, 1992)

Section 12. SALARIES. The salaries of all officers of the corporation shall be fixed by or in the manner provided by the Board of Directors. If authorized by a resolution of the Board, the salary of any officer other than the Chairman of the Board may be fixed by the Chairman of the Board or a Committee of the Board. No officer shall be disqualified from receiving a salary by reason of also being a Director of the corporation. (Amended May 1, 1992)

ARTICLE FOUR

STOCK CERTIFICATES

The shares of the corporation shall be represented by certificates in such form as shall be approved by the Board of Directors. Such certificates shall be signed by the Chairman of the Board, the President, an Executive Vice President, or a Vice President and by the Treasurer or an Assistant Treasurer or by the Secretary or an Assistant Secretary of the corporation and may be sealed with the seal of the corporation or a facsimile thereof. Any or all of the signatures upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the corporation itself or an employee of the corporation. If any officer who has signed or whose facsimile signature has been placed upon such certificate has ceased to be such officer before the certificate is issued, it may be issued by the corporation with the same effect as if such person were such officer at the date of its issue. (Amended May 1, 1992)

ARTICLE FIVE

INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

Section 1. SCOPE OF INDEMNIFICATION.

(a) The corporation shall indemnify an indemnified representative against any liability incurred in connection with any proceeding in which the indemnified representative may be involved as a party or otherwise, by reason of the fact that such person is or was serving in an indemnified capacity, except to the extent that any such indemnification against a particular liability is expressly prohibited by applicable law or where a judgment or other final adjudication adverse to the indemnified representative

establishes, or where the corporation determines, that his or her acts or omissions (i) were in breach of such person's duty of loyalty to the corporation or its shareholders, (ii) were not in good faith or involved intentional misconduct or a knowing violation of law, or (iii) resulted in receipt by such person of an improper personal benefit. The rights granted by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification, contribution, or advancement of expenses may be entitled under any statute, certificate or articles of incorporation, agreement, contract of insurance, vote of shareholders or disinterested directors, or otherwise. The rights of indemnification and advancement of expenses provided by or granted pursuant to this Article shall continue as to a person who has ceased to be an indemnified representative in respect of matters arising prior to such time and shall inure to the benefit of the heirs, executors, administrators, and personal representatives of such a person.

(b) If an indemnified representative is not entitled to indemnification with respect to a portion of any liabilities to which such person may be subject, the corporation shall nonetheless indemnify such indemnified representative to the maximum extent for the remaining portion of the liabilities.

(c) The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the indemnified representative is not entitled to indemnification.

(d) To the extent permitted by law, the payment of indemnification provided for by this Article, including the advancement of expenses pursuant to Section 2, with respect to proceedings other than those brought by or in the right of the corporation, shall be subject to the conditions that the indemnified representative shall give the corporation prompt notice of any proceeding, that the corporation shall have complete charge of the defense of such proceeding and the right to select counsel for the indemnified representative, and that the indemnified representative shall assist and cooperate fully in all matters respecting the proceeding and its defense or settlement. The corporation may waive any or all of the conditions set forth in the preceding sentence. Any such waiver shall be applicable only to the specific payment for which the waiver is made and shall not in any way obligate the corporation to grant such waiver at any future time. In the event of a conflict of interest between the indemnified representative and the corporation that would disqualify the corporation's counsel from representing the indemnified representative under the rules of professional conduct applicable to attorneys, it shall be the policy of the corporation to waive any or all of the foregoing conditions subject to such

limitations or conditions as the corporation shall deem to be reasonable in the circumstances.

(e) For purposes of this Article:

(1) "indemnified capacity" means any and all past, present, or future services by an indemnified representative in one or more capacities as a director, officer, employee, or agent of the corporation or, at the request of the corporation, as a

director, officer, employee, agent, fiduciary, or trustee of another corporation, partnership, joint venture, trust, employee benefit plan, or other entity or enterprise; any indemnified representative serving an affiliate of the corporation in any capacity shall be deemed to be doing so at the request of the corporation; an "affiliate of the corporation" means an entity that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the corporation;

(2) "indemnified representative" means any and all directors, officers, and employees of the corporation and any other person designated as an indemnified representative by the Board of Directors of the corporation;

(3) "liability" means any damage, judgment, amount paid in settlement, fine, penalty, punitive damage, excise tax assessed with respect to an employee benefit plan, or cost or expense of any nature (including, without limitation, expert witness fees, costs of investigation, litigation and appeal costs, attorneys' fees, and disbursements); and

(4) "proceeding" means any threatened, pending, or completed action, suit, appeal, or other proceeding of any nature, whether civil, criminal, administrative, or investigative, whether formal or informal, whether external or internal to the corporation, and whether brought by or in the right of the corporation, a class of its security holders or otherwise.

Section 2. ADVANCING EXPENSES. As provided by the Colorado Corporation Code and to the maximum extent permitted by such law, the corporation shall pay the reasonable expenses incurred in good faith by an indemnified representative in advance of the final disposition of a proceeding described in Section 1. Before making any such advance payment of expenses, the corporation shall receive an undertaking by or on behalf of the indemnified representative to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation pursuant to this Article. Such undertaking shall be an unlimited, unsecured general obligation of the indemnified representative and shall be accepted without reference to the ability of such person to make repayment. No advance shall be made by the corporation if

a determination is reasonably and promptly made by the Board of Directors by majority vote of a quorum of disinterested directors, or (if such a quorum is not obtainable or, even if obtainable, a quorum of disinterest directors so directs) by independent legal counsel in a written opinion, that, based upon the facts known to the Board or counsel at the time such determination is made, the indemnified representative has acted in such a manner as to permit or require the denial of indemnification pursuant to the provisions of Section 1. (Amended October 6, 1989)

ARTICLE SIX

MISCELLANEOUS

Section 1. CORPORATE SEAL. The official seal for the corporation shall be circular in form and be inscribed with the name of the corporation, the state of incorporation, and the word "Seal".

Section 2. WAIVER OF NOTICE. When any notice is required to be given to any shareholder or Director of the corporation under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of the Colorado Corporation Code, a waiver thereof, in writing, signed by the person entitled to such notice whether before, at, or after the time stated therein, shall be equivalent to the giving of such notice.

Section 3. ADOPTION OR AMENDMENT OF BYLAWS. New Bylaws may be adopted or the Bylaws may be amended, altered, changed, or repealed either by the affirmative vote of the holders of eighty percent (80%) of the outstanding shares of Voting Stock of the corporation or by the affirmative vote of two-thirds (2/3) of the members of the Board of Directors. (Amended January 8, 1988)

EXHIBIT 11

U S WEST, Inc.
Computation of Earnings Per Share
(In Thousands, Except Per Share Amounts)

<TABLE>
<CAPTION>

	1993 4th Quarter	1993 YTD	1992 4th Quarter	1992 YTD
<S>	<C>	<C>	<C>	<C>
Income from continuing operations	$264,025	$475,858	$261,934	$1,075,779
Discontinued operations:				
Income to June 1, 1993, net of tax*	-	38,526	41,701	103,614
Estimated loss from June 1, 1993 through disposal, net of tax	-	(100,000)	-	-
Income tax rate change	-	(20,000)	-	-
Income before extraordinary items and cumulative effect of change in accounting principles	264,025	394,384	303,635	1,179,393
Extraordinary items:				
Discontinuance of SFAS No. 71, net of tax	-	(3,123,000)	-	-
Early extinguishment of debt, net of tax	-	(77,220)	-	-
Cumulative effect of change in accounting principles related to postretirement and postemployment benefits, net of tax	-	-	-	(1,793,384)
Net income (loss) for per share calculation	$264,025	($2,805,836)	$303,635	($613,991)

EARNINGS (LOSS) PER SHARE:

	1993 4th Quarter	1993 YTD	1992 4th Quarter	1992 YTD
Weighted average shares outstanding	429,196	419,365	413,836	412,518
Income from continuing operations	$0.62	$1.13	$0.63	$2.61
Discontinued operations:				
Income to June 1, 1993, net of tax*	-	0.09	0.10	0.25
Estimated loss from June 1, 1993 through disposal, net of tax	-	(0.24)	-	-
Income tax rate change	-	(0.04)	-	-
Extraordinary items:				
Discontinuance of SFAS No. 71, net of tax	-	(7.45)	-	-
Early extinguishment of debt, net of tax	-	(0.18)	-	-
Cumulative effect of change in accounting principles related to postretirement and postemployment benefits, net of tax	-	-	-	(4.35)
Earnings (Loss) per share	$0.62	($6.69)	$0.73	($1.49)

<FN>
* 1992 income is through December 31
</TABLE>

EXHIBIT 11

U S WEST, Inc.
Computation of Earnings Per Share
(In Thousands, Except Per Share Amounts)

<TABLE>
<CAPTION>

EARNINGS (LOSS) PER COMMON AND COMMON EQUIVALENT SHARE:

	1993		1992	
	4th Quarter	YTD	4th Quarter	YTD
<S>	<C>	<C>	<C>	<C>
Weighted average shares outstanding	429,196	419,365	413,836	412,518
Incremental shares from assumed exercise of stock options	482	424	153	149
Total shares	429,678	419,789	413,989	412,667
Income from continuing operations	$0.61	$1.13	$0.63	$2.61
Discontinued operations:				
Income to June 1, 1993, net of tax	-	0.09	0.10	0.25
Estimated loss from June 1, 1993 through disposal, net of tax	-	(0.24)	-	-
Income tax rate change	-	(0.04)		
Extraordinary items:				
Discontinuance of SFAS No. 71, net of tax	-	(7.45)	-	-
Early extinguishment of debt, net of tax	-	(0.18)	-	-
Cumulative effect of change in accounting principles related to post-retirement and post-employment benefits, net of tax	-	-	-	(4.35)
Earnings (loss) per common and common equivalent share	$0.61	($6.69)	$0.73	($1.49)

</TABLE>

EXHIBIT 11

U S WEST, Inc.
Computation of Earnings Per Share
(In Thousands, Except Per Share Amounts)

<TABLE>
<CAPTION>

EARNINGS (LOSS) PER SHARE - ASSUMING FULL DILUTION:

	1993		1992	
	4th Quarter	YTD	4th Quarter	YTD
<S>	<C>	<C>	<C>	<C>
Income from continuing operations	$264,025	$475,858	$261,934	$1,075,779
Interest on Convertible Liquid Yield Options Notes (LYONS) *	5,417	-	4,889	19,216
Adjusted income from continuing operations for per share calculation	$269,442	$475,858	$266,823	$1,094,995
Weighted average shares outstanding	429,196	419,365	413,836	412,518
Incremental shares from assumed exercise of stock options	482	464	177	197
Shares issued upon conversion of LYONS *	10,233	-	10,238	10,238
Total shares	439,911	419,829	424,251	422,953
Adjusted income from continuing operations	$0.61	$1.13	$0.63	$2.59
Discontinued operations:				
Income to June 1, 1993, net of tax	-	0.09	0.10	0.24
Estimated loss from June 1, 1993 through disposal, net of tax	-	(0.24)	-	-
Income tax rate change	-	(0.04)		

Extraordinary items:				
Discontinuance of SFAS No. 71, net of tax	-	(7.45)	-	-
Early extinguishment of debt, net of tax	-	(0.18)	-	-
Cumulative effect of change in accounting principles related to post-retirement and post-employment benefits, net of tax	-	-	-	(4.24)
	--------	--------	--------	----------
Earnings (loss) per share - assuming full dilution	$0.61	($6.69)	$0.73	($1.41)
	========	========	========	==========

<FN>
* Amounts are excluded from the fully diluted earnings (loss) per share calculation if anti-dilutive.
</TABLE>

EXHIBIT 12

U S WEST, Inc.
RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in Millions)

<TABLE>
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	Quarter Ended 12/31/93	12/31/92
<S>	<C>	<C>
Income from continuing operations before income taxes	$394.1	$369.3
Interest expense	125.1	109.2
Interest factor on rentals (1/3)	27.5	26.2
Earnings	$546.7	$504.7
Interest expense	125.1	109.2
Interest factor on rentals (1/3)	27.5	26.2
Fixed charges	$152.6	$135.4
Ratio of earnings to fixed charges	3.58	3.73

</TABLE>

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	Year Ended 12/31/93	12/31/92
<S>	<C>	<C>
Income from continuing operations before income taxes	$744.7	$1,569.2
Interest expense	439.3	453.5
Interest factor on rentals (1/3)	101.8	97.9
Earnings	$1,285.8	$2,120.6
Interest expense	439.3	453.5
Interest factor on rentals (1/3)	101.8	97.9
Fixed charges	$541.1	$551.4
Ratio of earnings to fixed charges	2.38	3.85

</TABLE>

The year ended 1993 ratio is based on earnings from continuing operations before extraordinary charges associated with the decision to discontinue accounting for the operations of the Company in accordance with SFAS No. 71 of $3,123.0 and the early extinguishment of debt of $77.2. The year ended 1993 ratio includes a one-time restructuring charge of $1,000.0. Excluding the restructuring charge the ratio of earnings to fixed charges would have been 4.22.

The year ended 1992 ratio is based on earnings before the cummulative effect of change in accounting principles which reduced net income by $1,793.4.

U S WEST, Inc.
RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in Millions)

<TABLE>
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	Year Ended 1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Income from continuing operations before income taxes	$744.7	$1,569.2	$1,209.3	$1,680.5	$1,505.5
Interest expense	439.3	453.5	481.4	459.0	460.2
Interest factor on rentals (1/3)	101.8	97.9	90.4	88.6	79.4
Earnings	$1,285.8	$2,120.6	$1,781.1	$2,228.1	$2,045.1
Interest expense	439.3	453.5	481.4	459.0	460.2
Interest factor on rentals (1/3)	101.8	97.9	90.4	88.6	79.4
Fixed charges	$541.1	$551.4	$571.8	$547.6	$539.6
Ratio of earnings to fixed charges	2.38	3.85	3.11	4.07	3.79

</TABLE>

All years have been restated to exclude the Capital Assets segment which was discontinued as of June 1, 1993.

The 1993 ratio is based on earnings from continuing operations before extraordinary charges associated with the decision to discontinue accounting for the operations of the Company in accordance with SFAS No. 71 of $3,123.0 and the early extinguishment of debt of $77.2. The 1993 and 1991 ratios include restructuring charges of $1,000.0 and $363.8, respectively. Excluding the restructuring charges the 1993 and 1991 ratios of earnings to fixed charges would have been 4.22 and 3.75, respectively.

The 1992 ratio is based on earnings before the cummulative effect of change in accounting principles which reduced net income by $1,793.4.

U S WEST Financial Services, Inc.
RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in Thousands)

<TABLE>
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	With Parent Support Quarter Ended		Without Parent Support Quarter Ended	
	12/31/93	12/31/92	12/31/93	12/31/92
<S>	<C>	<C>	<C>	<C>
Income before income taxes	$65,453	$34,393	$65,453	$34,393
Interest expense	50,809	34,317	50,809	34,317
Interest factor on rentals (1/3)	183	236	183	236
Earnings	116,445	68,946	116,445	68,946
Interest expense	50,809	34,317	50,809	34,317
Interest factor on rentals (1/3)	183	236	183	236
Fixed charges	$50,992	$34,553	$50,992	$34,553
Ratio of earnings to fixed charges	2.28	2.00	2.28	2.00

</TABLE>

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	Year Ended		Year Ended	
	12/31/93	12/31/92	12/31/93	12/31/92
<S>	<C>	<C>	<C>	<C>
Income before income taxes	$123,596	$83,283	$123,596	$83,283
Interest expense	144,980	150,394	144,980	150,394
Interest factor on rentals (1/3)	789	924	789	924
Earnings	269,365	234,601	269,365	234,601
Interest expense	144,980	150,394	144,980	150,394
Interest factor on rentals (1/3)	789	924	789	924
Fixed charges	$145,769	$151,318	$145,769	$151,318
Ratio of earnings to fixed charges	1.85	1.55	1.85	1.55

</TABLE>

[Graphic]

U S WEST

1993 ANNUAL REPORT

U S WEST IS LEADING A MULTIMEDIA REVOLUTION THAT WILL CHANGE THE WAY WE WORK, LEARN AND PLAY. IT'S EASY WHETHER IT'S MOVIES ON DEMAND, PERSONALIZED NEWS AND HOME SHOPPING, OR VOICE COMMUNICATIONS, WE'LL PACKAGE THE SERVICES YOU WANT. DELIVER THEM WHEN AND WHERE YOU WANT. AND MAKE SURE THEY'RE SIMPLE TO USE.

[Picture]

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CORPORATE PROFILE

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

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

U S WEST's stock trades under the symbol USW an the New York Stock Exchange and other major exchanges throughout the world.

CORPORATE MISSION

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

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

U S WEST INC.
FINANCIAL HIGHLIGHTS

<TABLE>
<CAPTION>

Dollars In millions (except per share date)

	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
FINANCIAL DATA					
Sales and other revenues	$ 10,294	$ 9,823	$ 9,528	$ 9,369	$ 9,229
Income from continuing operations (Note I)	476	1,076	840	1,145	1,075
Net income (loss) (Note 2)	(2,806)	(61.4)	553	1,199	1,111
Total assets	$ 20,680	$ 23,461	$ 23,375	$ 22,160	$ 21,307
Total debt (Note 3)	7,199	5,430	5,969	5,147	5,313
Shareowners' equity	5,861	8,268	9,587	9,240	8,071
Earnings per share (continuing operations) (Note 1)	$ 1.13	$ 2.61	$ 2.09	$ 2.97	$ 2.91
Earnings (loss) per share (Note 2)	(6.69)	(1.49)	1.38	3.11	3.01
Dividends per share	2.14	2.12	2.08	2.00	1.88
Book value per share	13.29	19.95	23.39	23.48	21.58
Return on shareowners' equity (Note 4)	--	14.4%	5.7%	13.7%	14.2%
Debt-to-capital ratio (Note 3)	55.1%	38.6%	39.4%	35.8%	39.7%
Capital expenditures (Note 3)	$ 2,441	$ 2,554	$ 2,425	$ 2,217	$ 1,912
OTHER SELECTED DATA (Domestic Operations)					
Telephone network access lines in service (thousands)	13,843	13,345	12,935	12,562	12,218
Billed access minutes of use (millions)	48,123	44,369	41,701	38,832	36,374
Cellular subscribers (Note 5)	601,000	415,000	300,000	219,000	141,000
Employees	60,778	63,707	65,829	65,469	70,587
Number of shareowners	836,328	867,773	899,082	935,530	962,027
Weighted average shares outstanding (thousands)	419,365	412,518	401,332	386,012	369,098

<FN>
Note 1 -- 1993 Income from continuing operations was reduced by a restructuring charge of $610 ($1.46 per share) as discussed In Note 3 to the Consolidated Financial Statements, and $54 ($.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 $229.9 ($.57 per share).
Note 2 -- See Consolidated Statements of Operations.
Note 3 -- Debt, the debt-to-capital ratio and capital expenditures exclude discontinued operations.
Note 4 -- 1993 return on shareowners'equity is not presented. Return on shareowners' equity for fourth quarter 1993 (based on income from continuing operations) was 19.9 percent. 1992 return on shareowners' equity is based on income before cumulative effect of change in accounting principles.
Note 5 -- Cellular subscribers have been restated to include MSA, RSA and wholesale subscribers.

</TABLE>

TO OUR SHAREOWNERS:

1993 WAS A HISTORIC YEAR FOR U S WEST. IN A SERIES OF FIRSTS THAT HAVE BEEN WIDELY IMITATED, WE MOVED INTO NEW TECHNOLOGIES AND NEW MARKETS. THE WALL STREET JOURNAL DESCRIBED UA AS BEING "AT THE FOREFROND OF THE REVOLUTION IN INTERACTIVE TELEVISION AND TELECOMMUNICATIONS." We got there by announcing concrete plans to harness the converging technologies of information, communications and entertainment. And by maintaining our leadership in making new services easy for our customers to use.

By doing so, we're continuing to build future value for our shareowners.

HIGHLIGHTS OF THE YEAR INCLUDED:

- -- announcement of our plans to build an Interactive multimedia network in many cities across the 14-state region that U S WEST Communications serves. This network will enable us to provide the full range of tomorrow's information and entertainment services, as well as telecommunications.

- -- a precedent-setting alliance with Time Warner Entertainment to build similar networks in many cities outside our home territory. The first such Full Service Network -TM- will begin service this year in Orlando, Fla.

- -- the introduction in London, with our partner Cable & Wireless, of the world's first "personal communications services." PCS features wireless, pocket-size phones that work almost anywhere and are priced for the average consumer.

- -- strong growth of the world's largest combined telephone and cable TV service, which we and Tele-Communications Inc. (TCI) offer in the United Kingdom.

- -- a plan to re-engineer all customer service operations at U S WEST Communications, consolidating 560 service centers Into 26 "super centers" that will provide faster, improved installation, repair and other services.

- -- adoption of new accounting methods to speed the depreciation of telephone wires and switches.

- -- technical and market trials of services that will provide you a single telephone number, enabling calls to "find" you at home, at the office or in your car.

- -- a successful trial in suburban Denver, with TCI and AT&T, of "viewer-controlled cable television," in which consumers could choose the movies they wanted, when they wanted.

- -- an alliance with 14 mobile telephone companies, making it easier for cellular phone users to place and receive calls while traveling across the U.S. and Canada.

- -- a U.S. alliance with Electronic Data Systems and France Telecom Intelmatique to offer easy-to-use home-banking, bill-paying and money-transfer systems.

- -- and continued leadership in selling services like Voice Messaging and Caller ID, by making them easier to use than similar services offered by others.

Each of these developments was an important step toward fulfilling our strategic mission: to become a leading provider of interactive communications, entertainment and information services. And to provide them together, over wired and wireless networks, in selected local markets worldwide.

In the years ahead, we'll develop multimedia systems that will provide movies, banking, shopping, education, medical monitoring, personalized news reports and other services.

Most important: We can say to our customers, "You'll be able to choose what you want the network to deliver ... and when. And we'll make it easy for you, by providing easy-to-use 'menus' and customized packages of products and services."

As we focused on improving our services and building future value for our shareowners, we also upheld our commitments to the present. Our sales, earnings from operations (excluding a restructuring charge) and quality of service continued to improve.

Revenues for the year were $10.29 billion, up 4.8 per strong percent from 1992. Especially strong were sales of

cellular telephone service; we added a record 186,000 subscribers - a 45 percent increase. Meanwhile, the number of telephone access lines served by U S WEST Communications grew by 498,000 -- a record 3.7 percent increase from 1992. Also up, by 8.5 percent, were "minutes of use," an indicator of long-distance calling volumes.

This strong volume growth and continued cost controls resulted in a 6.7 percent increase in U S WEST's earnings before interest, taxes, depreciation, amortization and other income, or EBITDA. (That figure excludes the effects of a one-time restructuring charge.) EBITDA is considered an important indicator of the operating performance of companies in growing industries.

Income from continuing operations was $1.14 billion, or 2.72 per share, excluding one-time charges and the operations of the financial services businesses, which the company is selling. Including the effects of all one-time charges, the company reported a loss for the year of $2.81 billion -- but this did not affect the cash available for current obligations or for dividends.

Cash dividends for the year were $2.14, up about 1 percent.

U S WEST stock was trading at $38.375 as the year began and $45,875 at year's end, up 19.5 percent. Combined with dividends, this represents a "total return" of 25.4 percent for the year.

We continued to work hard, worldwide, to improve the quality of our products and services.

In Utah, we invited customers to "Just Say When" they wanted telephone installations and repairs. In a matter of weeks, customers' ratings of our service improved 40 percent, thanks to this program. We're extending it companywide.

Overall, the percentage of customers giving us an "A" rating is up 16 percent since 1990.

As we continue to streamline our operations and introduce new technology, there will be fewer jobs at U S WEST. While this is an unfortunate reality, we're striving to ensure that the remaining jobs will be BETTER, as we work to meet the needs of our customers and the challenges of growing competition in the communications industry.

We intend to be the leader in our markets, and we're investing in networks and systems that we believe will generate long-term growth in sales, cash flow and earnings. In other developments during 1993, we began selling our financial services businesses; this will enable us to concentrate our capital and our attention on the opportunities I've described in the communications business.

In other events, two members were elected to the U S WEST Board of Directors: Frank Popoff, chairman and chief executive officer of The Dow Chemical Co.; and Marilyn Carlson Nelson, vice chair of Carlson Holdings Inc., and chair of Citizens State Bank of Waterville and Montgomery, Minn.

Among the challenges we faced in 1993 was the widespread flooding in Iowa. U S WEST employees did an outstanding job of keeping the phone lines working for our customers and for public service agencies, as well as doing a great deal of volunteer work.

Your company received the national Corporate Conscience Award from the Council on Economic Priorities. The award recognized the U S WEST Foundation's support of education, including the American Indian College Fund, and economic development, through the REvive program for rural areas. The foundation invested more then $23 million in the region's future during 1993.

We were also the only communications company listed in a 1993 update of "The 100 Best Companies to Work For in America." And we were listed, once again, in WORKING MOTHER magazine's list of best places for women to work. We are pleased to be listed, and are continuing our efforts in these areas.

We're excited about our work, which we call "connecting people to their world." And we intend to become the world's best at doing so.

Sincerely,

Richard D. McCormick
Chairman and Chief Executive Officer .

[Photo]
"YOU'LL BE ABLE TO CHOOSE WHAT YOU WANT...AND WHEN"
RICHARD D. McCORMICK

1993 ANNUAL REPORT EVERYWHERE WE TURN THESE DAYS, WE HEAR ABOUT THE "INFORMATION SUPERHIGHWAY." TO SOME, IT MAY BE A VAGUE, EVEN INTIMIDATING, CONCEPT, BUT TO US WEST IT REPRESENTS AN UNPRECEDENTED OPPORTUNITY TO IMPROVE PEOPLE'S LIVES -- AND INCREASE SHAREHOLDER VALUE. THAT'S why we're taking the lead in developing the information superhighway - and making it as easy as 1, 2, 3.

The information superhighway will bring you an array of convenient services - WHENEVER and WHEREVER you want. If you're working at home, it will help you communicate with the office by phone, fax, computer and video. If you're relaxing at home, you'll be able to order movies on demand. Play video games with somebody across town. Or shop from a host of video catalogs.

If you want to buy a shirt, for example, you'll just tap a remote control, choose the store from a menu on your TV screen, find the right department and order the shirt in the size and color you want. The whole process could take only a minute or two, and you could have the shirt delivered to your door the next day.

This new network also will bring people together -- even when they're miles apart. Voice and video services can connect distant classrooms, enabling students at both schools to work together on a project. Or a doctor at an urban hospital can help diagnose a patient at a rural clinic by reviewing an X-ray that's sent electronically.

THE KEY IS MAKING IT EASY TO USE
CLEARLY, THE INFORMATION SUPERHIGHWAY CAN OFFER UNLIMITED POSSIBILITIES. BUT THOSE DREAMS WILL BECOME REALITY ONLY IF THE TECHNOLOGY IS EASY TO USE. THAT'S WHY U S WEST, WITH AN UNPARALLELED TRACK RECORD OF MEETING CUSTOMERS' NEEDS, IS COMMITTED TO packaging these new services in a simple, helpful way. Because U S WEST foresaw -- and -- the convergence of cable TV and telephone services, we have a head start at realizing the promise of this new era. And to help ensure that public policies keep pace with our rapidly changing industry, we're working constructively with state and federal government officials.

As the chairman's letter indicates, U S WEST has taken

several bold steps to make the most of the convergence of the communications, entertainment and information industries:

- - In February, U S WEST was the first regional Bell company to commit to upgrading its network to provide two-way video, voice and data services. We're testing that network this year in Omaha, and plan to build similar systems in Denver; Minneapolis - St. Paul; Portland, Oregon; and Boise, Idaho. By the end of 1994, we intend to unveil initial deployment plans for multimedia networks in 15 more cities in our region.
- - In May, U S WEST also became the first regional Bell company to announce plans to deliver multimedia services OUTSIDE its home territory. Our partnership witht Time Warner Entertainment was the first domestic alliance between a telecommunications company and a major entertainment company. We completed the $2.5 billion agreement in September, and customers will start using Time Warner's Full Service Network-TM- this year in Orlando, Fla. Together, our companies plan to build Full Service Networks in many other cities served by Time Warner Cable.
- - In September in the United Kingdom, U S WEST and Cable & Wireless became the first companies in the world to offer commercial "personal communications services," or PCS -- a new generation of pocket-size, mobile telephones that work almost anywhere and are priced for the average consumer. Initial orders for the service, known as Mercury One-2-One, are exceeding our projections.
- - Also in the United Kingdom, U S WEST and Tele-Communications Inc. (TCI) are the largest providers of telephone and cable TV services in one convenient package. And the experience we're gaining there -- as a head-to-head competitor with British Telecom -- is proving invaluable at home.
- - U S WEST's test of video-on-demand services with TCI and AT&T was the first by a regional Bell company. Customers participating in the trial in suburban Denver bought 12 times more movies than the projected national average for pay-per-view TV.

As our business horizons widen, it's clear that no one company can do it all. Success in these new markets requires key alliances to take advantage of the complementary technological expertise of other companies.

Here again, U S WEST is at the forefront of change: Besides our partnerships with TCI, Cable & Wireless and Time Warner Entertainment, we have several key business relationships that align us with the leaders in hardware, software and network technologies.

DOMESTIC TELECOMMUNICATIONS
AS WE PREPARE FOR THE FUTURE, U S WEST CONTINUES TO OFFER HIGH-QUALITY TELECOMMUNICATIONS SERVICES TODAY. OUR LARGEST SUBSIDIARY, U S WEST COMMUNICATIONS, PROVIDES LOCAL-AREA TELECOMMUNICATIONS SERVICES TO MORE THAN 25 MILLION CUSTOMERS IN 14 STATES, encompassing the Pacific Northwest, the Rocky Mountains, the Southwest and the Upper Midwest.

The region we serve has a diversified economy, including growth areas such as high-tech manufacturing and computer software development, as well as farming, mining, oil and gas production, tourism, manufacturing and insurance. Regional employment growth continues to outpace the nation's.

In 1993, that growth was reflected in record increases in "access lines" -- the number of home and business telephone numbers we serve. In fact, our record access-line growth of 3.7 percent, or 498,000 lines, made U S WEST one of the fastest-growing regional Bell companies. In addition, minutes of use, an indicator of long-distance calling volumes, grew by 8.5 percent in 1993.

FOCUSING ON THE FUTURE
AS WE EVALUATE OUR RISKS AND OPPORTUNITIES IN THIS COMPETITIVE INDUSTRY, WE'RE FOCUSING ON THREE AREAS OF OUR BUSINESS TO ENSURE OUR CONTINUED SUCCESS:
- - BUILDING CUSTOMER LOYALTY; - CONTINUING TO REDUCE COSTS; AND - DEVELOPING NEW SOURCES OF REVENUE. Building customer loyalty is our number-one priority. In a competitive marketplace, CUSTOMERS decide the winners and losers. When we asked customers about our service, they told us they expect reliability, easy access to someone who can help and prompt repairs when there's a problem.

While we're very good at those things, here's what we're doing to be even better:

- - We're creating 26 full-service centers in 10 cities to replace 560 centers spread across our 14-state region. Employees staffing these new centers will have the training and systems available to them to immediately take care of ANY customer need;
- - We're calling customers after a service or business transaction to be sure they're satisfied;
- - We're letting customers schedule appointments when it's convenient for THEM, including nights and weekends; and
- - We're using new technology to diagnose and fix many potential problems BEFORE they affect service.

Much of what we're doing to improve service also will help us reduce costs by being more efficient. Unfortunately, as part of that streamlining, we intend to eliminate 9,000 jobs in the next three years. Those cost savings enable us to devote more resources toward developing new services.

With the help of our research-and-development laboratory, two U S WEST products have become industry leaders: our easy-to-use voice mail and our Caller ID service, which shows the caller's NAME as well as number.

To help our customers work better and live better, and to generate new sources of revenue, we introduced a stream of other user-friendly services in 1993:

- - A directory-assistance service that connects callers to the number they request;
- - A single-number service in Phoenix that allows companies with several branches, such as a pizza delivery business, to advertise one number to call. Callers are automatically routed to the nearest store;
- - A U S WEST Visa Card that serves as a credit card for consumer purchases AND a telephone calling card;
- - Advanced pay phones with voice prompts, larger number-buttons and a next-call button for multiple credit-card calls. And if these pay phones develop trouble, they automatically go out of service and notify our repair center; and
- - A "broadcast" fax service that helps travel and hospitality companies sell airline tickets, hotel rooms and tours. By faxing a single promotional message, these companies can reach a list of thousands of travel agents.

We're also meeting the needs of the growing data-communications market with sophisticated products, such as:

- - Frame relay service, which enables companies with computer networks to exchange large volumes of data;
- - Desktop video service, which allows customers to use personal computers for video calls; and
- - A new service that's expected to change the data-communications industry by sending voice, data, video and images in a single format.

We're also designing services for new markets. We formed the U S WEST Multimedia Group to work with Time Warner Entertainment and other partners in packaging a wealth of services to attract customers outside our 14-state region.

In three Colorado cities, we're providing a service that recognizes your voice and dials programmed telephone numbers upon request. And we're developing innovative ways to keep the growing number of work-at-home people connected to the rest of the world.

Our major sales in 1993 included:

- - A series of long-term contracts with Boeing valued at more than $17.5 million to use high-speed computers and communications to help engineer a

new wide-body Boeing 777 airplane; and
- - A communications system worth more than $30 million at the new Denver International Airport. The system makes the airport the biggest single user of fiber optics in U S WEST's region.

THE WIRELESS WORLD

OUR MOBILE COMMUNICATIONS COMPANY, U S WEST NEWVECTOR, PROVIDES U S WEST CELLULAR SERVICE IN MOST OF THE MAJOR CITIES IN OUR 14-STATE REGION, PLUS SAN DIEGO. 1993 WAS A YEAR OF MARKET INNOVATIONS AND EXCEPTIONAL SUBSCRIBER GROWTH FOR U S WEST CELLULAR. AT year's end, we served more than 600,000 customers, up 45 percent from 1992.

That strong growth should continue because record numbers of consumers are discovering the convenience, personal security and time-saving advantages of cellular phones.

We expanded our cellular reach this year by helping develop and introduce MobiLink -- a new national standard for cellular telephone service. Supported by 14 mobile telephone companies, MobiLink offers unprecedented network quality and customer service across the United States and Canada.

We also continued to modernize our cellular systems. In Seattle, Denver and Minneapolis, we converted our networks to the latest Motorola technology and launched a new service that combines the benefits of a cellular phone, pager and answering machine in one pocket-size package. Called the MegaPhone, these digital services can print a brief message on the phone's display screen, indicate when a message is waiting, or let you return a call with the push of a button.

Thanks to a new, enhanced directory-assistance service, our customers on the go in Phoenix and San Diego can call a SelectConnect operator to get specific information, such as an Italian restaurant on the west side of town. The operators will list the various options, provide directions and automatically connect you to the restaurant of your choice to make a reservation. We plan to expand this time-saving service to other U S WEST Cellular markets in 1994.

In the Seattle area, we're testing a new generation of digital networks that will offer customers even better call quality, greater privacy and more convenient services.
U S WEST NewVector was the first cellular carrier in the world to purchase this system.

Associating phones with people, rather than places, is the key to the next major growth market in mobile telephones -- personal communications services. We'll be testing these new pocket-size phones this year in Boise, Idaho, and Boulder, Colo.

To focus exclusively on two-way, wireless communications, we signed an agreement to sell U S WEST Paging to The WestLink Company. The sale is expected to be completed by mid-1994. NewVector will continue to resell packaged paging services for our customers.

MARKETING SERVICES

THE BUSINESSES OF U S WEST MARKETING RESOURCES BRING BUYERS AND SELLERS TOGETHER THROUGH WHITE AND YELLOW PAGES DIRECTORIES, DATA-BASE MARKETING AND INTERACTIVE MULTIMEDIA INFORMATION SERVICES. OUR CORE BUSINESS, U S WEST DIRECT, ANNUALLY PUBLISHES MORE than 300 directories and distributes a total of 40 million copies. In 1993, our Yellow Pages revenues grew nearly 6 percent -- almost triple the industry average. And to retain that competitive edge, we're making our directory production process even more efficient and responsive to customer needs.

In addition, U S WEST Marketing Resources entered the billion-dollar data-base marketing business by introducing a new retail service in Omaha called Your Value Card. An electronic coupon resembling a credit card, Your Value Card gives buyers automatic discounts, while participating businesses gain valuable marketing information about their marketplace.

To remain a leader in the information services industry, we're giving customers push-button control in getting the precise information they want 24 hours a day. In 1993, for example, we:
- - Introduced U S WEST CityKey in San Francisco. CityKey is a two-way information service that lets guests of certain hotels use the TV and remote control in their rooms to get information on local entertainment, sports and transportation;
- - Launched U S WEST EasySource in the Denver Yellow Pages. This 16-page "infotainment" section of the Yellow Pages is an interactive audio service that offers timely news, sports, weather and other consumer information; and
- - Formed an alliance with Electronic Data Systems and France Telecom Intelmatique to let customers bank at home and receive and pay certain bills electronically.

INTERNATIONAL OPERATIONS

THROUGH U S WEST INTERNATIONAL, WE'RE PIONEERING NEW TECHNOLOGIES AND DEVELOPING

AND OPERATING GROWING BUSINESSES THAT PROVIDE CABLE TV AND TELEPHONE SERVICES, AS WELL AS WIRELESS COMMUNICATIONS. AND WE'RE TRANSFERRING THE KNOWLEDGE WE'RE GAINING IN Europe to new markets at home. The heart of our international operations is in the United Kingdom, where our joint venture with TCI, TeleWest Communications, is the largest operator of combined cable TV and telephone networks. At the end of 1993, TeleWest's network passed about one-third of the 3.3 million households in our 24

franchises, and served 226,000 cable TV customers, up from 144,000 at the end of 1992. TeleWest also provided 140,000 telephone lines in 1993, up from 77,000 the year before.

Also in the U.K., U S WEST and Cable & Wireless last fall introduced Mercury One-2-One -- the world's first high-quality, pocket-size, mobile telephone designed and priced for the average consumer. Customer response to this new technology, known as personal communications services, has exceeded our expectations.

In Russia, we're playing a major role in building a cellular telephone system across 10 regions of that vast country. We already provide cellular service in Moscow and St. Petersburg, and international long-distance switching centers in those cities and Lithuania. To continue improving Russia's infrastructure, we formed an innovative organization -- the Russian Telecommunications Development Corporation -- to manage and fund various telecommunications projects there.

In addition, U S WEST International:

- - Won a license in 1993 to build and operate a new digital cellular telephone system in Hungary, where another type of cellular service we provide has been extremely popular. We also operate growing cellular businesses in the Czech Republic and Slovakia;
- - Operates cable TV systems in Hungary, Norway, Sweden and France; and
- - Publishes eight Yellow Pages directories in Poland.

EASY AS 1,2,3

ALL THE SERVICES U S WEST OFFERS HAVE ONE THING IN COMMON: THEY WERE DESIGNED FOR OUR CUSTOMERS' CONVENIENCE. AS AN INDUSTRY LEADER, WE'RE COMMITTED TO NOT ONLY MEETING -- BUT EXCEEDING -- CUSTOMER EXPECTATIONS. BECAUSE BY BUILDING CUSTOMER LOYALTY, WE'RE ALSO creating superior, long-term shareholder value. As we begin to package new video, voice and data services for our customers, our goal is just as clear: to make the information superhighway as easy to use as the telephone.

AS EASY AS 1, 2, 3.

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

<TABLE>
<CAPTION>

RESULTS OF OPERATIONS - 1993 COMPARED TO 1992

			Increase (Decrease)	
	1993	1992	$	%
<S>	<C>	<C>	<C>	<C>
Income from continuing operations	$ 475.9*	$ 1,075.8	$ (599.9)	(55.8)
Income (loss) from discontinued operations	(81.5)	103.6	(185.1)	--
Extraordinary items:				
Discontinuance of SFAS No. 71, net of tax	(3,123.0)	--	(3,123.0)	--
Early extinguishment of debt, net of tax	(77.2)	--	(77.2)	--
Cumulative effect of change in accounting principles	--	(1,793.4)	1,793.4	--
Net loss	$(2,805.8)	$ (614.0)	$(2,191.8)	--
Earnings per share from continuing operations	$ 1.13*	$ 2.61	$ (1.48)	(56.7)
Earnings (loss) per share from discontinued operations	(.19)	.25	(.44)	--
Extraordinary items:				

Discontinuance of SFAS No. 71	(7.45)	--	(7.45)	--
Early extinguishment of debt	(.18)	--	(.18)	--
Cumulative effect of change in accounting principles	--	(4.35)	4.35	--
Loss per share	$ (6.69)	$ (1.49)	$ (5.20)	--

<FN>
*1993 income from continuing operations was reduced by $610.0, or $1.46 per share, for a restructuring charge, and $54.0, or $.13 per share, for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates.
</TABLE>

In 1993, U S WEST Inc. ("U S WEST" or the "company") income from continuing operations was $475.9, which includes a $610.0 (after tax) restructuring charge and $54.0 for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. Excluding these one-time effects, 1993 income from continuing operations and related earnings per share were $1,139.9 and $2.72, respectively. As normalized, 1993 income from continuing operations increased by $64.1 or 6.0 percent, over the same period last year, and related earnings per share increased by $.11, or 4.2 percent, on more shares outstanding. The increase is primarily attributable to improvements in telephone, domestic cellular and publishing operations, and lower financing costs, partially offset by increased losses associated with developing businesses.

Revenue growth and continued cost controls in 1993 resulted in a 6.7 percent increase in the company's earnings before interest, taxes, depreciation, amortization and other income ("EBITDA"), excluding the effects of the 1993 restructuring charge. The company considers EBITDA an indicator of the operational strength of its businesses.

The plan underlying the 1993 restructuring charge is designed to achieve faster, more responsive customer services, while reducing the costs of providing these services. The plan includes a work-force reduction of approximately 8,000 employees by the end of 1996, in addition to a remaining reduction of approximately 1,000 employees related to the 1991 restructuring plan. (See further discussion under "Restructuring Charges.")

During the second quarter of 1993, the U S WEST Board of Directors approved a plan to dispose of the Capital Assets segment, which includes activities related to financial services and financial guarantee insurance operations. Also included in the segment is U S WEST Real Estate Inc., for which disposition was previously announced. The Capital Assets segment is being 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 $100.0 (after tax), or $.24 per share, for the estimated loss on disposal of the discontinued operations. An additional provision of $20.0 was recorded in the third quarter to reflect the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. Income from discontinued operations to June 1, 1993, was $38.5, net of $15.3 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.

An extraordinary, non-cash charge of $3.1 billion (after tax) was incurred in conjunction with U S WEST's decision

to discontinue accounting for the operations of U S WEST Communications Inc. ("U S WEST Communications") in accordance with Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation." 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. U S WEST's decision to discontinue the application of SFAS No. 71 was based on the belief that competition, market conditions and the development of broadband technology, more than prices established by regulators, will determine the future revenues of U S WEST Communications. As a result of this change, the remaining asset lives of U S WEST Communications' telephone plant have been shortened to more closely reflect the useful (economic) lives of such plant. U S WEST Communications' accounting and reporting for regulatory purposes are 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 the company to take advantage of favorable interest rates. Extraordinary costs associated with the redemptions reduced 1993 income by $77.2 (after tax).

The accounting change in 1992 relates to the required adoption of two accounting standards related to post-retirement and postemployment benefits (SFAS Nos. 106 and 112). The adoption of SFAS Nos. 106 and 112, which resulted in a one-time, non-cash charge against 1992 earnings of $1,793.4 (after tax), including $52.7 related to SFAS No. 112, is more fully discussed in "Results of Operations - 1992 Compared to 1991."

INCOME FROM CONTINUING OPERATIONS: BASE AND DEVELOPING BUSINESSES

	1993	1992	Decrease $	Decrease %
Base businesses:				
U S WEST Communications	$ 435.3	$ 950.0	$(514.7)	(54.2)
Publishing and other	179.5	206.8	(27.3)	(13.2)
Total base	614.8	1,156.8	(542.0)	(46.9)
Developing businesses	(138.9)	(81.0)	(57.9)	(71.5)
Income from continuing operations	$ 475.9*	$1,075.8	$(599.9)	(55.8)

*1993 income from continuing operations was reduced by $610.0, or $1.46 per share, for a restructuring charge, and $54.0, or $.13 per share, for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates.

U S WEST's operations consist of "base" businesses that have moderate, though consistent, growth rates and which generate substantial income and cash flows, and "developing" businesses that are high-growth potential businesses that are not expected, in the aggregate, to show positive net cash flows or earnings in the near term.

BASE BUSINESSES

U S WEST's base businesses include U S WEST Communications, which provides telecommunications services in 14 western and midwestern states, serving approximately 80 percent of the population and approximately 40 percent of the land area. U S WEST Communications offers local service, exchange access service and long-distance network service. About 28 percent of the company's access lines are devoted to providing services to business customers. The access line growth rate for business customers, who tend to be heavier users of the telephone network, has consistently exceeded the growth rate for residential customers. During 1993, business access lines grew by 5.0 percent vs. 3.2 percent for consumer lines. Overall, 1993 access line growth was 3.7 percent.

Base businesses also include the publishing of approximately 300 White and Yellow Pages directories in 14 states.

During 1993, income from the company's base operations increased to $1,237.0, excluding the effects of the 1993 restructuring charge and the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. This represents an increase of $80.2, or 6.9 percent, over the same period last year. The increase is attributable to higher demand for telephone services, including the effects of record growth in access lines, and continued cost controls, partially offset by lower prices.

DEVELOPING BUSINESSES

Developing businesses include U S WEST's domestic cellular business and a growing portfolio of domestic and international telecommunications and cable television investments, the most significant of which is represented by the company's September 1993 $2.5 billion investment in Time Warner Entertainment Company L.P. ("TWE"). Other investments include joint ventures in cable TV and telephony businesses in the United Kingdom, wireless communications, including personal communications services, and international networks. Most of these investments are in high-growth, investment phases. While certain of the company's Eastern European cellular and network ventures are currently in a positive cash flow and income position, the majority of the company's portfolio consists of businesses that will not show positive net income or cash flow until they mature. These losses, which are part of our expected investment in these businesses, will continue in the near term.

Business volumes related to the developing businesses continue to expand rapidly. Domestic cellular operations added a record 186,000 subscribers in 1993, a 45 percent increase from 1992. Cable TV subscribers in the United Kingdom joint venture increased to 226,000, compared to 144,000 one year ago. Additionally, the joint venture provides 140,000 telephone access lines in the

United Kingdom, compared to 77,000 in 1992. The number of cellular customers served by joint venture operations in Hungary, the Czech Republic, Slovakia and Russia grew to 63,000 in 1993, compared to 32,000 a year ago.

SALES AND OTHER REVENUES

	1993	1992	INCREASE (DECREASE) $	INCREASE (DECREASE) %
Base businesses:				
U S WEST Communications operations:				
Local service	$ 3,829.1	$3,674.3	$154.8	4.2
Access charges - interstate	2,146.9	2,046.9	100.0	4.9
Access charges - intrastate	682.0	672.8	9.2	1.4
Long-distance network service	1,441.5	1,419.7	21.8	1.5
Other services	556.4	510.0	46.4	9.1
Total U S WEST Communications	8,655.9	8,323.7	332.2	4.0
Publishing and other	1,076.9	1,092.3	(15.4)	(1.4)
Total base	9,732.8	9,416.0	316.8	3.4
Developing business:*				
Domestic cellular	560.8	406.6	154.2	37.9
Total revenues	$ 10,293.6	$9,822.6	$471.0	4.8

*With the exception of domestic cellular, which is a consolidated subsidiary, substantially all of the company's investments in developing businesses are in ventures that are accounted for using the equity method.

Approximately 84 percent of the revenues of U S WEST are attributable to the operations of U S WEST Communications, approximately 58 percent of which are derived in the states of Arizona, Colorado, Minnesota and Washington.

The primary factors that influence changes in revenues at U S WEST Communications include customer demand for products and services, whether through new service offerings or access line growth, price changes and customer refunds related to regulatory proceedings. An analysis of the change in U S WEST Communications' revenues follows:

LOCAL SERVICE

PRICE DECREASES	HIGHER REFUNDS	DEMAND	RECLASSIFICATIONS AND OTHER	INCREASE $	INCREASE %
$(5.7)	$(10.6)	$175.5	$(4.4)	$154.8	4.2

Local service revenues include local telephone exchange, local private line and public telephone services. The increase in local service revenues was primarily attributable to access line growth, partially offset by refunds and price decreases.

ACCESS CHARGES

Access charges are collected primarily from the interexchange carriers for their use of the local exchange network. For interstate access services, there is also a fee collected directly from telephone customers. Approximately 41 percent of U S WEST Communications' access revenues and 13 percent of its total revenues are derived from providing access service to American Telephone and Telegraph Company ("AT&T").

INTERSTATE ACCESS CHARGES

PRICE DECREASES	LOWER REFUNDS	DEMAND	RECLASSIFICATIONS AND OTHER	INCREASE $	INCREASE %
$(71.5)	$5.8	$175.4	$(9.7)	$100.0	4.9

Increased demand for interstate access services, as evidenced by an increase of 8.5 percent in interstate billed access minutes of use, more than offset the effects of price decreases. Interstate price reductions have been phased in by the Federal Communications Commission ("FCC") over a number of years. U S WEST Communication reduced its annual interstate access prices by approximately $60, effective July 1, 1993, in addition to $90, effective July 1, 1992, primarily due to FCC-mandated changes which resulted in a cost shift to intrastate jurisdictions. Access prices will continue to decline, whether mandated by the FCC or as a result of an increasingly competitive market for access services.

INTRASTATE ACCESS CHARGES

PRICE DECREASES	LOWER REFUNDS	DEMAND	RECLASSIFICATIONS AND OTHER	INCREASE $	INCREASE %
$(18.1)	$8.0	$19.3	--	$9.2	1.4

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

LONG-DISTANCE NETWORK SERVICE

PRICE DECREASES	HIGHER REFUNDS	DEMAND	RECLASSIFICATIONS AND OTHER	INCREASE $	INCREASE %
$(7.1)	$(0.6)	$31.2	$(1.8)	$21.8	1.5

Long-distance network service revenues are derived from calls made within the service area boundaries of U S WEST Communications, commonly referred to as "LATAs." The increase in long-distance network service revenues reflects business growth, partially offset by the impacts of competition, particularly in Wide Area Telephone Service ("WATS") and "800" services, and price decreases.

OTHER SERVICES

Other services revenues are derived from billing and collection services provided to interexchange carriers, and new services such as voice messaging. These revenues increased 9.1 percent in 1993 due to increased revenue from billing and collection services and continued market penetration in voice messaging services.

PUBLISHING AND OTHER

	1993	1992	INCREASE (DECREASE) $	INCREASE (DECREASE) %
Publishing	$ 949.2	$ 949.1	$ .1	--
Other-net	127.7	143.2	(15.5)	(10.8)
Total	$1,076.9	$1,092.3	$(15.4)	(1.4)

Revenue for the entire publishing and other group was reduced by approximately $86 in 1993 due to the sale of certain publishing and telephone equipment distribution operations. Revenues from ongoing operations increased $70.6, or 6.5 percent, primarily as a result of price increases related to publishing activities. Volume of Yellow Pages directory advertising was essentially flat in 1993, while the industry as a whole experienced declines in unit volume.

DOMESTIC CELLULAR

	1993	1992	INCREASE $	INCREASE %
Domestic cellular	$560.8	$406.6	$154.2	37.9

Domestic cellular revenues increased as a result of an expanded cellular customer base, which grew by 45 percent in the last 12 months. This growth reflects increased penetration and a migration to the retail distribution channel. The cellular customer base is expected to continue growing, though rates of growth will likely be affected by increased competition in coming years. Average cellular revenue declined by 5.6 percent (consistent with industry trends) to approximately $76 per customer, per month. This trend is expected to continue as cellular penetration in mass markets increases.

COSTS AND EXPENSES

	1993	1992	INCREASE (DECREASE) $	INCREASE (DECREASE) %
Employee-related costs	$3,630.7	$3,521.1	$109.6	3.1
Other operating expenses	2,018.7	1,960.9	57.8	2.9
Taxes other than income taxes	417.0	377.6	39.4	10.4
Depreciation and amortization	1,954.5	1,880.5	74.0	3.9
Restructuring charge	1,000.0	--	--	--
Interest expense	439.3	453.5	(14.2)	(3.1)
Other income (expense) - net	(88.7)	(59.8)	28.9	48.3

Employee-related costs include basic salaries and wages, overtime, contract labor, benefits (including pension and health care) and payroll taxes. Employee-related costs at U S WEST Communications increased by $54.0, or 1.9 percent, over 1992. This increase was attributable to basic wage increases, increased overtime costs (affected by flood damage in the midwestern states) and costs incurred for temporary employees in conjunction with customer service initiatives. These factors were partially offset by the effects of work-force reductions, primarily in conjunction with the company's 1991 restructuring plan. During 1993, U S WEST Communications reduced its employee level by 2,755 employees. The work-force reductions and the company's emphasis on health care cost containment through managed care and other programs, and earnings on the amounts funded for postretirement benefit costs, resulted in a decline in health care costs of approximately $25 in 1993. Growth in the company's domestic cellular business also contributed to the increase in employee-related costs.

Other operating expenses include access charges (incurred by U S WEST Communications for the routing of its long-distance traffic through the facilities of independent companies), network software expenses, cellular marketing costs, and marketing and related costs associated with publishing activities. Other operating expenses increased by $43.2, or 2.8 percent, at U S WEST Communications as a result of higher network software costs and increased advertising expenses. Higher marketing costs related to an expanding domestic cellular subscriber base also contributed to the increase in other operating expenses, partially offset by lower expenses due to the sale of certain publishing and telephone equipment distribution operations.

Taxes other than income taxes primarily consist of property taxes and taxes based on gross receipts of telephone operations. The increase is due in part to adjustments made in 1992 for resolution of certain longstanding appeals.

Depreciation and amortization expense increased $71.1, or 4.1 percent, at U S WEST Communications as a result of a higher depreciable asset base and increased rates of depreciation. These effects were partially offset by the completion of depreciation reserve deficiency amortization programs in several jurisdictions. Prior to the September 1993 discontinuance of SFAS No. 71, depreciation expense was based on regulator-approved depreciation rates. The company's discontinuance of SFAS No. 71 has resulted in the use of shorter asset lives (for financial reporting purposes) to more closely reflect the economic lives of telephone plant. Based on these new economic lives, U S WEST Communications expects depreciation expense in 1994 to increase by approximately 3 percent to 5 percent from the 1993 amount. U S WEST Communications continues to pursue higher regulator-approved depreciation rates and improved capital recovery within the regulatory environment.

Interest expense decreased principally due to the effects of lower interest rates, partially offset by increased debt of approximately $1.8 billion used to fund new initiatives, including the investment in TWE. U S WEST's average borrowing cost decreased to 6.7 percent from 7.7 percent in 1992. (See "Liquidity and Capital Resources" for a discussion of the impact of the company's debt refinancings.)

Other income (expense) - net includes equity losses, associated with developing businesses, of $74.4, compared to $42.7 in 1992. The increase in these losses is primarily due to new investments, including the company's investment in personal communications services in the United Kingdom.

RESTRUCTURING CHARGES

The company's 1993 operating results reflect a pretax restructuring charge of $1 billion ($610 after tax). The restructuring charge includes specific, incremental and direct costs that can be estimated with reasonable accuracy and are clearly identifiable with the related 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 plan, the company will develop new systems that will enable it to monitor networks to reduce the risk of service interruptions, activate telephone service on demand, provide automated inventory systems and centralize its service centers so customers can have their telecommunications needs resolved with one phone call. The company will also reduce its work force by approximately 8,000 employees by the end of 1996 (in addition to a remaining reduction of 1,000 employees pursuant to the 1991 restructuring plan) and consolidate the operations of its existing 560 customer centers into 26 centers in 10 cities.

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

<TABLE>

<S>	<C>
Employee separation	$ 240
Real estate	120
Relocation	110
Retraining and other	65
Systems development	400
Asset write-downs	65
Total	$1,000

</TABLE>

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

The estimated annual cash expenditures related to the restructuring plan are approximately $390, $315 and $225 in 1994, 1995 and 1996, respectively. In addition to these expenditures, the company anticipates incremental capital expenditures related to there structuring plan of approximately $490 in the next three years.

The 1993 restructuring plan is estimated to reduce cumulative total employee and related costs by approximately $525 during the next three years, starting in 1994. These savings are expected to be largely offset by higher employee salaries and wages for the remainder of the work force.

The company's 1991 restructuring plan included a pretax charge of $363.8 ($229.9 after tax) due to planned work-force reductions and the write-off of certain intangible and other assets. The work-force reductions covered approximately 6,000 employees, of which approximately 5,000 have left the company as of December 31, 1993. The portion of the 1991 restructuring charge related to work-force reductions was $240, of which approximately $56 was unused at December 31, 1993.

PROVISION FOR INCOME TAXES

<TABLE>
<CAPTION>

	1993	1992	DECREASE $	DECREASE %
<S>	<C>	<C>	<C>	<C>
Provision for income taxes	$268.8	$493.4	$(224.6)	(45.5)
Effective tax rate	36.1%	31.4%	--	--

<FN>
Continuing operations basis.
</TABLE>

The increase in the effective tax rate ("ETR") resulted primarily from the $54.0 cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates and the effects of discontinuing SFAS No. 71, partially offset by the tax effects of the restructuring charge. (See Note 11 to the Consolidated Financial Statements.)

In 1994, the ETR is expected to rise to approximately 37.5 percent primarily because of the full-year impact of discontinuing SFAS No. 71.

In 1993, U S WEST implemented SFAS No. 109, "Accounting for Income Taxes." Adoption of the new standard did not have a material effect on the company's financial position or results of operations, primarily because of the company's 1989 adoption of SFAS No. 96 which reflected deferred income taxes at current income tax rates.

OTHER ITEMS

COMPETITIVE ENVIRONMENT

Historically, communications, entertainment and information services were provided by different companies in different industries. The convergence of these technologies is changing both the competitive environment and the way U S WEST does business. This convergence, which is being fueled by technological advances, will lead to more intense competition from companies with which U S WEST has not historically competed. U S WEST became the first of the regional holding companies to potentially compete beyond its region through its investment in TWE. (See "U S WEST Competitive Strategy.")

U S WEST Communications' principal current competitors are competitive access providers ("CAPs"). Competition from CAPs is currently limited to providing large business customers (with high-volume traffic) private line access to the facilities of interexchange carriers. In coming years, CAPs could also become significant competitors for other local exchange services. MCI announced plans in early 1994 to build fiber-optic rings and local switching infrastructure in major metropolitan markets, hence providing the ability to compete directly with the local telephone company. Additionally, AT&T's entrance into the cellular communications market through its proposed acquisition of McCaw Cellular Communications Inc. has the potential to create increased competition in local exchange as well as cellular services. The loss of local exchange customers to competitors would affect multiple revenue streams, including those related to local and access services, and long-distance network services, and could have a material, adverse effect on the company's operations. (See "U S WEST Competitive Strategy.")

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

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

U S WEST supports regulatory reform. It is increasingly apparent that the legal and regulatory framework under which the company operates, which includes restrictions on equipment manufacturing, prohibitions on cross-ownership of cable TV by telephone companies and the provision of cable TV programming content, and restrictions on the transport of voice, video and data across LATA boundaries, limits both competition and consumer choice. U S WEST believes that it is in the public interest to lift these restrictions and to place all competitors under the same rules to ensure the industry's technological development and long-term financial health.

U S WEST COMPETITIVE STRATEGY

U S WEST intends to implement its competitive strategy by focusing on three key objectives: 1) business growth through the development of broadband networks and a broadened wireless presence; 2) customer loyalty through continuous improvement in customer service; and 3) improved productivity through systems re-engineering and other cost controls. This strategy is directed both domestically (in-region and out-of-region) and internationally.

U S WEST will continue to employ strategic alliances in new and developing businesses. In addition to strategic alliances, the company will make direct investments in assets or businesses that are consistent with the company's competitive strategy. Such investment activities could require large amounts of capital. Financing for any of these types of activities will come from a combination of debt, equity and proceeds from the disposition of the Capital Assets segment and other assets or businesses that no longer fit U S WEST's strategic objectives. The company may also seek new investors to raise capital for certain developing businesses.

BASE BUSINESSES

In 1993, the company announced its intention to build a "broadband," or high speed, interactive telecommunications network capable of providing voice, data and video services to customers in major metropolitan markets within the U S WEST region. Assuming FCC approval, U S WEST Communications anticipates converting about 100,000 access lines to this technology by the end of 1994 and 500,000 access lines annually beginning in 1995. This network modernization program will position U S WEST Communications to compete with all future providers of voice, data and video services. Technical and marketing trials of the broadband network will commence in the second and third quarters, respectively, of 1994.

U S WEST Communications obtained approximately $200 of revenues from new products and services during 1993, an increase of approximately $65, or 47 percent, from 1992. Significant new products include voice messaging, now three years old with an installed customer base exceeding 690,000, and Custom Local Area Signaling Services, which include features such as caller name and number identification. To meet the demand for high-speed data communications, U S WEST Communications has introduced products such as frame relay service, which enables companies with computer networks to exchange large volumes of data.

The 1993 restructuring plan supports U S WEST's objectives to improve customer services and increase productivity, while continuing to narrow its cost of service disadvantage with current and potential competitors. Employee-related costs comprise approximately 45 percent of the total operating costs of U S WEST. The company will continue its efforts to control these costs, primarily through systems improvements and reductions in staffing. At U S WEST Communications, the number of employees per ten thousand access lines decreased by 8.7 percent in 1993, and has dropped 17.8 percent since 1990. The company anticipates that this trend will continue.

Future growth within the company's publishing operations is centered around: 1) improved performance in the core Yellow Pages through increased customer satisfaction and product enhancements; 2) the introduction of data-base marketing services; and 3) the introduction of interactive information and transaction services.

DEVELOPING BUSINESSES--DOMESTIC

U S WEST is expanding its customer base and strengthening its national out-of-region presence by acquiring or forming alliances with other communications, entertainment and information services companies. The first major step towards that goal was the TWE investment, pursuant to which U S WEST acquired on September 15, 1993, 25.51 percent pro-rata priority capital and residual equity interests in TWE. TWE owns and operates substantially all of the entertainment assets previously owned by Time Warner Inc., consisting primarily of its filmed entertainment, programming - HBO and cable businesses. In connection with the TWE investment, the company acquired 12.75

percent of the common stock of Time Warner Entertainment Japan Inc., a joint venture company established to expand and develop the market for entertainment services in Japan.

U S WEST and TWE intend to upgrade a substantial portion of TWE's cable systems to "Full Service Network -TM-"

capacity in the next five years. U S WEST and TWE will jointly designate the systems to be upgraded and share management control over those systems. Each Full Service Network, when completed, will utilize fiber optics, digital compression, digital switching and storage services to provide consumers with a wide variety of services, including video-on-demand, interactive games, distance learning, full motion video, interactive shopping, and alternative access and local telephone services.

In 1993, the company's domestic cellular customer base grew to approximately 600,000, up 45 percent from the year before. To maintain a high growth rate, the company is focusing significant attention on upgrading its cellular systems and increasing its penetration in the consumer market. Furthermore, the company is anticipating increased competition as new personal communications services ("PCS") enter the wireless market. The company anticipates that it will be a participant in PCS.

DEVELOPING BUSINESSES--INTERNATIONAL

In the international arena, U S WEST is focusing its efforts on certain strategic businesses, primarily in the United Kingdom ("U.K."), where the company is able to participate directly in the convergence of cable TV and telecommunications. The U.K. market is unique because its regulatory policies allow cable TV operators to also provide telephone service in their franchise areas. Strategic alliances will be used internationally where U S WEST and its partners can leverage their respective technological resources and management expertise.

During 1993, U S WEST continued expanding its international ventures. TeleWest Communications ("TeleWest"), a joint venture with Tele-Communications Inc., is the largest provider of combined cable TV and telephone service in the U.K. With the 1993 purchase of seven franchises, TeleWest now owns all or part of 24 franchises, encompassing 3.3 million homes. Also in 1993, four TeleWest operating systems installed their own local telephone switches. All franchises are expected to operate their own telephone switches by the end of 1994, thus eliminating some costs to interconnect with other carriers' systems.

In the U.K., Mercury One-2-One, a 50-50 joint venture between U S WEST and Cable & Wireless PLC, launched the world's first PCS in 1993. Mercury One-2-One's PCS is a form of digital cellular communications designed to offer consumers both higher quality service and more features at lower prices than existing analog cellular communications systems. Initial orders for the service are exceeding expectations.

In December 1993, U S WEST sold a 29 percent interest in its Russian ventures to seven institutional investors for $40, raising new funds for investment in new telecommunications projects in Russia.

The company's net investment in international ventures approximated $477 at December 31, 1993, 70 percent of which is invested in the U.K. The company's future commitment to existing international ventures is currently planned at about $450 over the next five years. The company will continue to pursue opportunities in attractive local markets around the world that fit its strategic objectives.

FEDERAL REGULATORY ISSUES

In September 1993, the FCC approved rules for licensing new PCS, which include making local exchange companies eligible for any PCS license except where they are affiliated with a cellular carrier. Cellular licensees will be permitted to bid for a 30-megahertz PCS license outside their existing service areas and a 10-megahertz license within their existing areas. The FCC also announced that it would auction the spectrum frequencies available for PCS in late 1994. The company intends to pursue PCS opportunities as they become available.

On August 3, 1993, the FCC announced that it will require that certain telephone companies, including U S WEST Communications, allow competitive access providers to interconnect directly to a local telephone company's switching equipment. The decision extends the current collocation requirement applicable to special access (i.e. private line) services to local transport for switched access services. The effect of this decision will be to increase competition and lower prices for interstate access services provided to interexchange carriers. The FCC has granted local telephone companies subject to this requirement additional pricing flexibility.

U S WEST's interstate services have been subject to price cap regulation since January 1991. Price caps are a form of incentive regulation and, ostensibly, limit prices rather than profits. However, the FCC's price cap plan

includes sharing of earnings in excess of authorized levels with interexchange carriers. The company believes that competition will ultimately be the determining factor in pricing telecommunications services. In January 1994, the FCC announced that it will begin reviewing its current form of regulation.

The FCC has adopted a regulatory structure known as "Open Network Architecture," under which U S WEST Communications is required to unbundle its telephone network services in a manner that will accommodate the service needs of the growing number of information service providers.

STATE REGULATORY ISSUES

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 commission's initial order denied a refund request from interexchange carriers and other parties related to the Tax Reform Act of 1986. If the commission finds that either of the exceptions apply, the company could be liable for refunds, although at this time any such amount is not reasonably estimable since the case is still in the discovery process.

U S WEST Communications has sought alternative forms of regulation ("AFOR") plans that provide for competitive parity, enhanced pricing flexibility and improved capability in bringing to market new products and services. In a number of states where AFOR plans have been adopted, such actions have been accompanied by agreements to refund revenues, reduce existing prices or upgrade service, any of which could have adverse short-term effects on earnings. Similar agreements may have resulted under traditional rate-of-return regulation.

In addition to the FCC price cap plan, U S WEST Communications has AFOR plans in the states of Washington, Minnesota, Oregon, Colorado, Idaho, Nebraska, North Dakota and South Dakota.

DISCONTINUED OPERATIONS

During the second quarter of 1993, U S WEST announced that it would dispose of its Capital Assets segment. In December 1993, U S WEST sold $2.0 billion of finance receivables and the business of U S WEST Financial Services to NationsBank Corporation. The sales price was in line with the company's estimate. Proceeds from the sale of $2.1 billion were used to repay related debt and to reinvest in communications businesses.

During 1993, U S WEST Real Estate Inc. sold five properties for proceeds of approximately $60. In January 1994, two properties were sold for approximately $230. The sales were in line with company estimates. The company anticipates disposing of the remainder of its real estate portfolio during the next several years.

The company believes its reserves related to discontinued operations are adequate. (Further details on the discontinued operations are provided in Note 13 to the Consolidated Financial Statements.)

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities increased by $80.5, or 2.5 percent, from 1992, primarily due to growth in base businesses, partially offset by a $200 increase in postretirement benefit funding. Additionally, 1992 cash provided by operating activities included the effect of an income tax refund of approximately $125. Cash from operations is the primary source by which U S WEST funds its capital expenditures and shareholder dividends. The company expects that cash from operations will fund a significant share of expected future requirements for existing businesses. Additional financing, including that related to new investment opportunities, will be met through debt, equity and the proceeds from disposition of the Capital Assets segment and other assets or businesses that no longer fit U S WEST's strategic objectives.

In the last 12 to 18 months, U S WEST has actively pursued a strategy of refinancing its long-term debt to obtain lower interest rates. During 1993, U S WEST refinanced debt issues aggregating $2.7 billion in principal amount.

The company expects an annual interest expense reduction of approximately $35 as a result of this refinancing.

Debt increased by approximately $1.8 billion compared to the prior year (including $1.2 billion of short-term debt), principally as a result of the company's investment in TWE. The company has benefited from the decline in short-term interest rates by increasing its use of short-term financing. 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 will ultimately seek long-term refinancing of a portion of its short-term debt, though the timing of this refinancing is uncertain. The company could be exposed to higher interest costs on the short-term portion of its debt in the event of an abrupt increase in interest rates.

U S WEST's reported 1993 debt-to-capital ratio was 55.1 percent compared to 39.6 percent at December 31, 1992. The increase in the debt-to-capital ratio was primarily attributable to the effects of the discontinuance of SFAS No. 71, which reduced shareowners' equity by $3.1 billion. Debt used to finance developing businesses also contributed to the increase.

Including debt related to discontinued operations, the debt-to-capital ratio was 59.7 percent and 51.7 percent at December 31, 1993 and 1992, respectively.

Debt related to discontinued operations decreased by approximately $1.9 billion in 1993. (See Note 13 to the Consolidated Financial Statements.) For financial reporting purposes this debt is netted against the related assets of the discontinued operations.

The company maintains short-term lines of credit aggregating approximately $3 billion, all of which were available at December 31, 1993. Under registration statements filed with the Securities and Exchange Commission, as of December 31, 1993, U S WEST companies were permitted to issue up to approximately $2.1 billion of new debt securities.

U S WEST uses various financial instruments for purposes of managing financial risk. The company enters into forward contracts to hedge debt refinancings when there is a belief that interest rates may rise or during periods of significant volatility in the credit markets. The company enters into foreign currency forward contracts to hedge investments in foreign entities. When market conditions permit, the company also enters into interest rate swap agreements to obtain lower-cost financing than that available through traditional forms of financing.

Total capital expenditures were $2,441.2 in 1993 and $2,554.2 in 1992. Capital expenditures at U S WEST Communications were $2,181.9 in 1993 and $2,356.6 in 1992. The 1993 capital expenditures of U S WEST Communications were substantially devoted to the continued modernization of telephone plant, including investments in fiber optic cable and the conversion of central offices to digital technology, in order to improve customer service and network productivity. In 1994, capital expenditures are expected to approximate $2.6 billion, including $2.3 billion at U S WEST Communications.

The company's dividend growth rate has slowed in recent years due to U S WEST's commitment to its developing businesses. Dividends increased by $.02, to $2.14 per share in 1993, an increase of .9 percent. Continued dividend growth could be affected by projected financing requirements related to strategic investments.

During the fourth quarter, proceeds of $1,020.0 resulting from the sale of 22 million shares of common stock were used to reduce short-term indebtedness, including indebtedness incurred in conjunction with the TWE investment, and for general corporate purposes. This issuance, along with approximately 5.6 million shares of common stock to be issued in March 1994 in connection with the settlement of shareholder litigation ("Rosenbaum v. U S WEST Inc. et al."), for proceeds of approximately $210, will have a dilutive effect on 1994 earnings.

RESULTS OF OPERATIONS - 1992 COMPARED TO 1991

<TABLE>
<CAPTION>

	1992	1991*	INCREASE (DECREASE) $	%
<S>	<C>	<C>	<C>	<C>
Income from continuing operations	$ 1,075.8	$ 839.6	$ 236.2	28.1
Income (loss) from discontinued operations	103.6	(286.2)	389.8	--
Cumulative effect of change in accounting principles	(1,793.4)	--	(1,793.4)	--
Net income (loss)	$ (614.0)	$ 553.4	$(1,167.4)	--
Earnings per share from continuing operations	$ 2.61	$ 2.09	$ .52	24.9
Earnings (loss) per share from discontinued operations	.25	(.71)	.96	--
Cumulative effect of change in accounting principles	(4.35)	--	(4.35)	--

Earnings (loss) per share	$ (1.49)	$ 1.38	$ (2.87)	--

<FN>
*1991 income from continuing operations was reduced by $229.9, or $.57 per share, and income from discontinued operations was reduced by $360.1, or $.90 per share, as a result of a restructuring charge.

</TABLE>

In 1992, income from continuing operations was $1,075.8 and related earnings per share were $2.61. In 1991, excluding a restructuring charge, income from continuing operations was $1,069.5, and related earnings per share were $2.66. Excluding the effects of the 1991 restructuring charge, 1992 income from continuing operations increased by $6.3, or .6 percent, and related earnings per share decreased by $.05, or 1.9 percent, on more shares outstanding.

Income from discontinued operations increased by $29.7, or 40.2 percent, excluding the effects of a 1991 valuation allowance related to real estate operations and a write-off of intangible assets related to financial services that reduced 1991 income from discontinued operations by $360.1. Improved operating margins in financial services (primarily as a result of lower interest expense), increased investment income associated with financial guarantee insurance activities and the absence of real estate losses contributed to the increase. Due to phasing out the operations of U S WEST Real Estate Inc., related 1992 operating losses were charged against the valuation allowance.

The accounting change relates to two recent accounting standards issued by the Financial Accounting Standards Board. The first is SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," which mandates that employers reflect in their current expenses an accrual for the cost of providing retirement medical and life insurance benefits to current and future retirees. Prior to 1992, U S WEST, like most corporations, recognized these costs as they were paid. U S WEST also adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 requires that employers accrue for the estimated costs of benefits, such as workers' compensation and disability, provided to former or inactive employees who are not eligible for retirement. Adoption of SFAS Nos. 106 and 112 resulted in a one-time, non-cash charge against 1992 earnings of $1,793.4 (after tax), including $52.7 related to SFAS No. 112.

INCOME FROM CONTINUING OPERATIONS: BASE AND DEVELOPING BUSINESSES

<TABLE>
<CAPTION>

			INCREASE	
	1992	1991	$	%
<S>	<C>	<C>	<C>	<C>
Base businesses:				
U S WEST Communications	$ 950.0	$798.5	$151.5	19.0
Publishing and other	206.8	139.8	67.0	47.9
Total base	1,156.8	938.3	218.5	23.3
Developing businesses	(81.0)	(98.7)	17.7	17.9
Income from continuing operations	$1,075.8	$839.6*	$236.2	28.1

<FN>
*1991 income from continuing operations was reduced by $229.9, or $.57 per share, for a restructuring charge.

</TABLE>

Income from base businesses was essentially flat, absent the effects of the 1991 restructuring charge. The ongoing impact from the adoption of SFAS No. 106 was offset by operating improvements in telephone, cellular and publishing operations and lower international joint venture losses.

SALES AND OTHER REVENUES

<TABLE>
<CAPTION>

			INCREASE (DECREASE)	
	1992	1991*	$	%

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

Base businesses:				
U S WEST Communications operations:				
Local service	$3,674.3	$3,500.6	$173.7	5.0
Access charges - interstate	2,046.9	2,023.4	23.5	1.2
Access charges - intrastate	672.8	649.7	23.1	3.6
Long-distance network service	1,419.7	1,462.7	(43.0)	(2.9)
Other services	510.0	528.0	(18.0)	(3.4)
Total U S WEST Communications	8,323.7	8,164.4	159.3	2.0
Publishing and other	1,092.3	1,038.8	53.5	5.2
Total base	9,416.0	9,203.2	212.8	2.3
Developing business:*				
Domestic cellular	406.6	324.9	81.7	25.1
Total revenues	$9,822.6	$9,528.1	$294.5	3.1

<FN>
*With the exception of domestic cellular, which is a consolidated subsidiary, substantially all of the company's investments in developing businesses are in ventures that are accounted for using the equity method.
</TABLE>

An analysis of the change in U S WEST Communications' revenues follows:

LOCAL SERVICE

<TABLE>
<CAPTION>

PRICE INCREASES	LOWER REFUNDS	DEMAND	RECLASSIFICATIONS AND OTHER	INCREASE $	INCREASE %
<C>	<C>	<C>	<S>	<C>	<C>
$.3	$23.2	$167.7	$(17.5)	$173.7	5.0

</TABLE>

The increase in local service revenues was primarily attributable to access line growth of 2.9 percent. Refunds in 1992 were significantly less than the prior year.

INTERSTATE ACCESS CHARGES

<TABLE>
<CAPTION>

PRICE DECREASES	HIGHER REFUNDS	DEMAND	RECLASSIFICATIONS AND OTHER	INCREASE $	INCREASE %
<C>	<C>	<C>	<S>	<C>	<C>
$(87.6)	$(5.4)	$125.1	$(8.6)	$23.5	1.2

</TABLE>

Increased demand for interstate services, as evidenced by an increase of 6.5 percent in interstate billed access minutes of use, more than offset the effects of price decrease and refunds. U S WEST Communications reduced interstate access prices by $80 annually, July 1, 1991, as a result of the FCC's adoption of price cap regulation for interstate services. Prices were again reduced, by approximately $90 annually, effective July 1, 1992, primarily due to FCC-mandated changes resulted in a cost shift to intrastate jurisdictions.

INTRASTATE ACCESS CHARGES

<TABLE>
<CAPTION>

PRICE DECREASES	HIGHER REFUNDS	DEMAND	RECLASSIFICATIONS AND OTHER	INCREASE $	INCREASE %
<C>	<C>	<C>	<S>	<C>	<C>
$(12.4)	$(1.5)	$7.2	$29.8	$23.1	3.6

</TABLE>

Intrastate access charges increased primarily as a result of a reclassification of certain revenues from local and long-distance network services. Prior to 1992, private line services were provided primarily to end users under tariffs in effect in most states. These services are now provided to both end users and carriers. Pursuant to the FCC's rules and regulations,private line service provided to carriers has been reclassified from local service and long-distance network service to intrastate access service. The reclassification has no effect on net income. Excluding the effects of the reclassification, intrastate access revenues decreased by $11.4, or 1.8 percent, due to the effects of price decreases and refunds, which more than offset increased demand.

LONG-DISTANCE NETWORK SERVICE

PRICE DECREASES	LOWER REFUNDS	DEMAND	RECLASSIFICATIONS AND OTHER	DECREASE $	DECREASE %
$(22.2)	$16.1	$(22.3)	$(14.6)	$(43.0)	(2.9)

The decline in long-distance network service revenues reflects the effect of competition (particularly in WATS and "800" services), price decreases and the reclassification of certain private-line revenues to intrastate access service. These effects were partially offset by lower refund activity in 1992. Excluding the reclassification, long-distance network revenues declined 1.8 percent.

OTHER SERVICES

Other services revenues declined in 1992, with lower revenues from billing and collection services partially offset by increased revenues from voice messaging services.

PUBLISHING AND OTHER

	1992	1991	INCREASE (DECREASE) $	INCREASE (DECREASE) %
Publishing	$ 949.1	$ 890.7	$58.4	6.6
Other-net	143.2	148.1	(4.9)	(3.3)
Total	$1,092.3	$1,038.8	$53.5	5.2

Volume of Yellow Pages directory advertising was essentially flat in 1992, with the increase in publishing revenues the result of price increases.

DOMESTIC CELLULAR

	1992	1991	INCREASE $	INCREASE %
Domestic cellular	$406.6	$324.9	$81.7	25.1

Cellular revenues increased as a result of an expanded cellular customer base, which grew 38 percent in 1992. Average cellular revenue per customer declined 4.7 percent, consistent with industry trends.

<TABLE>
<CAPTION>

COSTS AND EXPENSES

INCREASE (DECREASE)

	1992	1991	$	%
Employee-related costs	$3,521.1	$3,303.6	$217.5	6.6
Other operating expenses	1,960.9	1,888.6	72.3	3.8
Taxes other than income taxes	377.6	415.8	(38.2)	(9.2)
Depreciation and amortization	1,880.5	1,825.0	55.5	3.0
Restructuring charge	--	363.8	(363.8)	--
Interest expense	453.5	481.4	(27.9)	(5.8)
Other income (expense) - net	(59.8)	(40.6)	19.2	47.3

</TABLE>

The increase in employee-related costs is primarily attributable to higher health care costs for active employees as well as the 1992 ongoing impact from the adoption of SFAS No. 106. Basic wage increases largely offset the effects of the work-force reduction initiatives implemented in 1991 at U S WEST Communications.

The increase in other operating expenses resulted from increased marketing costs related to an expanding cellular subscriber base and higher network software costs.

Taxes other than income taxes declined due to adjustments made in 1992 for resolution of certain longstanding appeals.

Depreciation and amortization expense increased as a result of a higher depreciable asset base and increased rates of depreciation sought by U S WEST Communications and provided by regulators in certain jurisdictions. These effects were partially offset by the completion of inside wire and depreciation reserve deficiency amortization programs in several jurisdictions.

Interest expense decreased principally due to the effects of lower interest rates and lower financing needs. U S WEST's average borrowing cost decreased to 7.7 percent in 1992, from 8.3 percent in 1991.

PROVISION FOR INCOME TAXES

<TABLE>
<CAPTION>

	1992	1991	Increase $	Increase %
Provision for income taxes	$493.4	$369.7	$123.7	33.5
Effective tax rate	31.4%	30.6%	--	--

<FN>
Continuing operations basis.
</TABLE>

The increase in the ETR is a result of the $363.8 restructuring charge in 1991. Excluding the effects of the restructuring charge, the 1991 ETR would have been 31.7 percent.

OTHER ITEMS

1991 RESTRUCTURING CHARGE

The company's 1991 income from continuing operations reflects a restructuring charge of $363.8 ($229.9 after tax) due to planned work-force reductions and the write-off of certain intangible and other assets. Approximately $240 of the restructuring charge relates to a reserve for planned work-force reductions totaling 6,000 employees over three years at U S WEST Communications.

During 1992, U S WEST Communications reduced its employee level by approximately 2,300 employees.

During 1991, U S WEST also established a $500 valuation allowance related to the phasing out of real estate operations, now included as part of discontinued operations in the Consolidated Financial Statements. Discontinued operations also include a restructuring charge of $50 related to the write-off of intangible assets.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities increased by $484.2, or 17.5 percent, from 1991. The effects of lower financing costs and an income tax settlement of approximately $125 contributed to improved cash flow from operations.

Debt, excluding that related to discontinued operations, decreased by approximately $539 compared to the prior year. During 1992, U S WEST refinanced six debt issues aggregating $747 in principal amount.

Capital expenditures were $2,554.2 in 1992, compared with $2,425.5 in 1991.

Capital expenditures at U S WEST Communications were $2,356.6 in 1992 and $2,168.2 in 1991. The 1992 capital expenditures of U S WEST Communications were substantially devoted to the continued modernization of telephone plant.

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 objectively assess the effectiveness of internal controls and recommend improvements therein.

Limitations exist in any system of internal accounting controls based upon the recognition that the cost of the system should not exceed the benefits derived. U S WEST believes that the company's system does provide 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 M. OSTERHOFF
Executive Vice President and Chief Financial Officer
January 20, 1994

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of U S WEST Inc. as of December 31, 1993 and 1992 and related consolidated statements of operations and cash flows for each of the three years ended December 31, 1993. 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, 1993 and 1992, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in Note 4 to the consolidated financial statements, the company discontinued accounting for the operations of U S WEST Communications Inc. in accordance with Statement of Accounting Standards No. 71. "Accounting for the Effects of Certain Types of Regulation," in 1993. As discussed in Note 10 to the consolidated financial statements, the company changed its method of accounting for postretirement benefits other than pensions and other postemployment benefits in 1992.

COOPERS & LYBRAND
Denver, Colorado
January 20, 1994, except for the last paragraph in Note 8 to the consolidated financial statements, as to which the date is February 23, 1994

<TABLE>
<CAPTION>

U S WEST INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

Dollars in millions (except per share amounts)	Year Ended December 31, 1993	1992	1991
<S>	<C>	<C>	<C>
Sales and other revenues	$10,293.6	$9,822.6	$9,528.1
Employee-related costs	3,630.7	3,521.1	3,303.6
Other operating expenses	2,018.7	1,960.9	1,888.6
Taxes other than income taxes	417.0	377.6	415.8
Depreciation and amortization	1,954.5	1,880.5	1,825.0
Restructuring charges	1,000.0	--	363.8
Interest expense	439.3	453.5	481.4
Other income (expense) - net	(88.7)	(59.8)	(40.6)
Income from continuing operations before income taxes	744.7	1,569.2	1,209.3
Provision for income taxes	268.8	493.4	369.7
Income from continuing operations	475.9	1,075.8	839.6
Discontinued operations:			
Income (loss), net of tax (to June 1, 1993)	38.5	103.6	(286.2)
Estimated loss from June 1, 1993 through disposal, net of tax	(100.0)	--	--
Income tax rate change	(20.0)	--	--
Income before extraordinary items and cumulative effect of change in accounting principles	394.4	1,179.4	553.4
Extraordinary items:			
Discontinuance of SFAS No. 71, net of tax	(3,123.0)	--	--
Early extinguishment of debt, net of tax	(77.2)	--	--
Cumulative effect of change in accounting principles:			
Transition effect of change in accounting for postretirement benefits other than pensions and other postemployment benefits, net of tax	--	(1,793.4)	--
Net income (loss)	$(2,805.8)	$ (614.0)	$ 553.4
Earnings (loss) per share:			
Continuing operations	$ 1.13	$ 2.61	$ 2.09
Discontinued operations:			
Income (loss) (to June 1, 1993)	0.09	0.25	(0.71)
Estimated loss from June 1, 1993 through disposal	(0.24)	--	--
Income tax rate change	(0.04)	--	--
Extraordinary items:			
Discontinuance of SFAS No. 71	(7.45)	--	--
Early extinguishment of debt	(0.18)	--	--
Cumulative effect of change in accounting principles	--	(4.35)	--
Earnings (loss) per share	$ (6.69)	$ (1.49)	$ 1.38
Average shares outstanding (thousands)	419,365	412,518	401,332

<FN>
The accompanying notes are an integral part of the Consolidated Financial Statements.
</TABLE>

<TABLE>
<CAPTION>

U S WEST INC.
CONSOLIDATED BALANCE SHEETS

Dollars in millions	December 31, 1993	1992
ASSETS		

<S> <C> <C>

Current assets:		
Cash and cash equivalents	$ 128.2	$ 158.9
Accounts and notes receivable, less allowance for credit losses of $54.0 and $58.5, respectively	1,570.1	1,498.6
Inventories and supplies	192.7	196.6
Deferred tax asset	335.5	--
Prepaid and other	273.3	354.7
Total current assets	2,499.8	2,208.8
Property, plant and equipment - net	13,231.8	17,946.4
Investment in Time Warner Entertainment	2,552.4	--
Net investment in foreign affiliates	477.0	307.0
Net assets of discontinued operations	554.5	885.9
Other assets	1,364.2	2,112.6
Total assets	$20,679.7	$23,460.7
LIABILITIES AND SHAREOWNERS' EQUITY		
Current liabilities:		
Short-term debt	$ 1,776.2	$ 582.5
Accounts payable	977.0	960.5
Employee compensation	386.3	392.4
Dividends payable	236.1	219.8
Current portion of restructuring charges	455.7	105.6
Other	1,150.2	913.1
Total current liabilities	4,981.5	3,173.9
Long-term debt	5,422.7	4,847.4
Postretirement and postemployment benefit obligations	2,698.6	2,825.0
Deferred taxes, credits and other	1,715.7	4,346.5
Shareowners' equity:		
Common shares-no par, 2,000,000,000 authorized; 448,126,801 and 421,611,063 issued; 441,139,829 and 414,461,871 outstanding, respectively	6,996.6	5,770.2
Retained earnings (deficit)	(857.1)	2,826.1
LESOP guarantee	(243.0)	(294.4)
Foreign currency translation adjustments	(35.3)	(34.0)
Total shareowners' equity	5,861.2	8,267.9
Total liabilities and shareowners' equity	$20,679.7	$23,460.7

<FN>
The accompanying notes are an integral part of the Consolidated Financial Statements.
</TABLE>

U S WEST INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year Ended December 31,		
Dollars in millions	1993	1992	1991
OPERATING ACTIVITIES			
<S>	<C>	<C>	<C>
Net income (loss)	$(2,805.8)	$ (614.0)	$ 553.4
Adjustments to net income (loss):			
Depreciation and amortization	1,954.5	1,880.5	1,825.0
Discontinuance of SFAS No. 71	3,123.0	--	--
Restructuring charges	1,000.0	--	363.8
Discontinued operations	81.5	(103.6)	286.2
Cumulative effect of change in accounting principles	--	1,793.4	--
Deferred income taxes and amortization of investment tax credits	(224.3)	4.3	(148.8)
Changes in operating assets and liabilities:			
Accounts and notes receivable	(90.1)	44.1	(22.5)
Inventories, supplies and other	(55.9)	(24.5)	(38.4)
Accounts payable and accrued liabilities	198.7	65.4	(82.4)
Other - net	156.2	211.7	36.8

Cash provided by operating activities	3,337.8	3,257.3	2,773.1
INVESTING ACTIVITIES			
Expenditures for property, plant and equipment	(2,449.2)	(2,249.6)	(2,361.2)
Investment in Time Warner Entertainment	(1,556.9)	--	--
Proceeds from disposals of property, plant and equipment	44.8	75.3	45.1
Other - net	(240.0)	(82.2)	23.0
Cash (used for) investing activities	(4,201.3)	(2,256.5)	(2,293.1)
FINANCING ACTIVITIES			
Net proceeds (repayments) of short-term debt	687.4	25.2	(241.3)
Proceeds from issuance of long-term debt	2,281.7	344.1	1,061.2
Repayments of long-term debt	(3,085.0)	(769.9)	--
Dividends paid	(812.0)	(796.0)	(755.6)
Proceeds from issuance of common stock	1,150.1	91.3	124.3
Cash provided by (used for) financing activities	222.2	(1,105.3)	188.6
Cash provided by (used for) continuing operations	(641.3)	(104.5)	668.6
Cash provided by (used for) discontinued operations	610.6	(237.5)	(386.7)
CASH AND CASH EQUIVALENTS			
Increase (decrease)	(30.7)	(342.0)	281.9
Beginning balance	158.9	500.9	219.0
Ending balance	$ 128.2	$ 158.9	$ 500.9

<FN>

The accompanying notes are an integral part of the Consolidated Financial Statements.
</TABLE>

U S WEST INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991
(Dollars in Millions, Except Per Share Amounts)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: The Consolidated Financial Statements include the accounts of US WEST Inc. ("U S WEST" or the "company") and its majority-owned subsidiaries, except for discontinued operations as discussed in Note 13 to the Consolidated Financial Statements. All significant intercompany accounts and transactions have been eliminated. Investments in partnerships, joint ventures and less than majority-owned subsidiaries are generally accounted for using the equity method.

In the third quarter of 1993, U S WEST discontinued accounting for its regulated telephone operations, hereafter referred to as U S WEST Communications, under Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation." (See Note 4 to the Consolidated Financial Statements.)

U S WEST operates in one industry segment (Communications and Related Services) as defined in SFAS No.14, "Financial Reporting for Segments of a Business Enterprise." The company's Capital Assets segment has been discontinued. The largest volume of the company's services are provided to American Telephone and Telegraph Company. During 1993, 1992 and 1991 revenues related to those services provided to AT&T were $1,160, $1,203, and $1,267, respectively. Related accounts receivable at December 31, 1993, and 1992, totaled $96.9 and $109.2, respectively.

Certain reclassifications within the financial statements have been made to conform to the current year presentation.

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

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

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

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. (See Note 4 to the Consolidated 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 non-telephone operations of U S WEST provide for depreciation using both straight-line and accelerated methods. When such depreciable property, plant and equipment is retired or sold, the resulting gain or loss is recognized currently as an element of other income.

Interest related to qualifying construction projects is capitalized and is reflected as a reduction of interest expense, except at U S WEST Communications where, prior to discontinuing SFAS No. 71, it was included as an element of other income. Amounts capitalized by U S WEST were $19.5, $28.8, and $35.9 in 1993, 1992, and 1991, respectively.

INTANGIBLE ASSETS: The excess of consideration over the fair value of net assets acquired, and the costs of licenses and other identifiable intangible assets, are amortized by the straight-line method over periods ranging up to 40 years.

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

REVENUE RECOGNITION: Local telephone service and cellular access revenues are generally billed monthly, in advance, and revenues are recognized the following month when services are provided. Revenues derived from other telephone services, including exchange

access, long distance and cellular airtime usage, are billed and recorded monthly as services are provided.

Directory advertising revenues and related directory costs are generally deferred and recognized over the period during which directories are utilized, normally 12 months. The balance of deferred directory costs included in prepaid and other is $197.2 and $186.8 at December 31, 1993 and 1992, respectively.

FINANCIAL INSTRUMENTS: Net interest income or expense on interest rate swaps is recognized over the life of the swaps as an adjustment to interest expense. Gains and losses on forward contracts, designated and effective as hedges of interest rate exposure on debt refinancings, are deferred and recognized as an adjustment to interest expense over the life of the underlying debt. Gains and losses on foreign currency forward contracts, designated and effective as hedges, are deferred and recognized with the assets, liabilities or transactions being hedged.

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

NOTE 2: INVESTMENT IN TIME WARNER ENTERTAINMENT

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

The company has an option to increase its pro-rata priority capital and residual equity interests in TWE from 25.51 percent up to 31.84 percent depending upon cable operating performance, as defined in the TWE Partnership Agreement. The option is exercisable, in whole or part, between January 1, 1999 and May 31, 2005 for an aggregate cash exercise price of $1.25 billion to $1.8

billion, depending 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 and U S WEST Admission Agreement, there are six levels of capital. From the most to least senior, the capital accounts are: senior preferred (held by the General Partners); A preferred (held pro rata by all partners); B, C and D preferreds (all held by the General Partners); and common (residual equity interests held pro rata by all partners). Of the $2.553 billion contributed by U S WEST, $1.658 billion represents A preferred capital and $895 represents common capital. The TWE Partnership Agreement provides for special allocations of income and distributions of partnership capital, which are based on the fair value of assets contributed to the partnership. Partnership income, to the extent earned, is allocated as follows: (1) to the partners so that the economic burden of the income tax consequences of partnership operations is borne as though the partnership was taxed as a corporation ("special tax income"); (2) to the partners' preferred capital accounts in order of priority shown above, at various rates of return ranging from 8 percent to 13.25 percent; and (3) to the partners' common capital according to their residual partnership interests. To the extent partnership income is insufficient to satisfy all special allocations in a particular accounting period, the unearned portion is carried over until satisfied out of future partnership income. Partnership losses generally will be

allocated in reverse order, first to eliminate prior allocations of partnership income, except senior preferred and special tax income, next to reduce initial capital amounts, other than senior preferred, then to reduce the senior preferred account and finally, to eliminate special tax income. Also, the senior preferred is scheduled to be distributed in three annual installments beginning July 1, 1997. The value of the C and D preferreds will be determined at future dates and is dependent upon achievement of certain operating targets between 1992 and 2001.

Beginning July 1, 1994, the TWE Partnership Agreement generally permits cash distributions to the partners to pay applicable taxes on their allocable taxable income from TWE. In addition, beginning July 1, 1995, and subject to restricted payment limitations and availability under the applicable financial ratios contained in the TWE Credit Agreement, distributions other tan tax-related distributions are also permitted. For other than distributions related to taxes or the senior preferred, the TWE Partnership Agreement requires certain cash distribution thresholds be met to the limited partners before the General Partners receive their full share of distributions.

The company accounts for its investment in TWE under the equity method accounting. 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 assets, This excess is being amortized on a straight-line basis over 25 years. As a result of this amortization and the special invome allocations described above, U S WEST's recorded share of TWE's 1993 operating results was not material. Furthermore, it is nor expected that material amounts of TWE's operating results will be allocated to the company in the initial years of the partnership.

As consideration for its expertise and participation in the cable operations of TWE, the company is entitled to a management fee of $130 payable over five years.

<TABLE>
<CAPTION>

Summarized financial information for TWE is presented below:

	Year ended December 31, 1993
Summarized Operating Results	
<S>	<C>
Revenues	$ 7,946
Operating expenses*	(7,063)
Interest and other - net**	(611)
Income before income taxes and extraordinary item	272
Net income	198

<FN>

* Includes depreciation and amortization of $902
** Includes corporate services of $60

</TABLE>

<TABLE>
<CAPTION>

Summarized Financial Position	December 31, 1993
<S>	<C>
Current assets	$ 3,745
Non-current assets	14,218
Current liabilities	2,265
Non-current liabilities	8,162
Senior preferred capital	1,536
Partners' capital	6,000

</TABLE>

NOTE 3: RESTRUCTURING CHARGES

The company's 1993 operating results reflect a pretax restructuring charge of $1 billion. The restructuring charge includes only the specific incremental and direct costs that can be estimated with reasonable accuracy and are clearly identifiable with the related plan.

The restructuring plan is designed to provide faster, more responsive customer services, while reducing the costs of providing these services. As part of the plan, the company will develop new systems that will enable it to monitor networks to reduce the risk of service interruptions, activate telephone service on demand, provide automated inventory systems and centralize its service centers so customers can have their telecommunications needs resolved with one phone call. The company will also reduce its work force by approximately 8,000 employees by the end of 1996 (in addition to a remaining reduction of 1,000 employees pursuant to the 1991 restructuring plan) and consolidate the operations of its existing 560 customer centers into 26 centers in 10 cities.

<TABLE>
<CAPTION>

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

<S>	<C>
Employee separation	$ 240
Real estate	120
Relocation	110
Retraining and other	65
Systems development	400
Asset write-downs	65
Total	$1,000

</TABLE>

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

The company's 1991 restructuring plan included a pretax charge of $363.8 due to planned work-force reductions and the write-off of certain intangible and other assets. The work-force reductions covered approximately 6,000 employees, of which approximately 5,000 have left the company as of December 31, 1993. The portion of the 1991 restructuring charge related to work-force reductions was $240, of which approximately $56 was unused at December 31, 1993.

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

<TABLE>
<CAPTION>

The composition of property, plant and equipment follows:

<S>	<C> December 31, 1993	<C> December 31, 1992
Land and buildings	$ 2,521.4	$ 2,433.1
Telephone network equipment and outside plant	22,479.1	21,242.7
Other	3,568.7	3,245.0
Construction in progress	592.2	682.6
	29,161.4	27,603.4
Less accumulated depreciation on:		
Buildings	656.0	530.0
Telephone network equipment and outside plant	13,389.1	7,821.9
Other	1,884.5	1,305.1
	15,929.6	9,657.0
Property, plant and equipment - net	$13,231.8	$17,946.4

<FN>

Accumulated depreciation reflects an increase of $5,151 as of third quarter 1993 in conjunction with the company's decision to discontinue accounting for the operations of U S WEST Communications in accordance with SFAS No. 71.

</TABLE>

DISCONTINUANCE OF SFAS NO. 71

U S WEST incurred a non-cash, extraordinary charge of $3.1 billion, net of an income tax benefit of $2.3 billion, in conjunction with its decision to discontinue accounting for the operations of 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, competition notwithstanding, by charging its customers at prices established by its regulators. U S WEST's decision to discontinue application of SFAS No. 71 was based on the belief that competition, market conditions and the development of broadband technology, more than prices established by regulators, will determine the future revenues of U S WEST Communications. As a result of this change, the remaining asset lives of U S WEST Communications' plant have been shortened to more closely reflect the useful (economic) lives of such plant.

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

<TABLE>
<CAPTION>

Category	Average Life (years) Before Discontinuance	After Discontinuance
<S>	<C>	<C>
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

</TABLE>

<TABLE>
<CAPTION>

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

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

</TABLE>

<TABLE>
<CAPTION>

NOTE 5: DEBT

SHORT-TERM DEBT

The components of short-term debt follow:

	December 31, 1993	1992
<S>	<C>	<C>
Notes payable:		
Commercial paper	$1,027.7	$306.6
Other	1.6	35.5
Current portion of long-term debt, including $450.0 payable to TWE in 1993	794.7	329.7
Allocated to discontinued operations - net	(47.8)	(89.3)
Total	$1,776.2	$582.5

</TABLE>

Long-term Debt

Long-term debt consists principally of debentures and medium-term notes, debt associated with the company's Leveraged Employee Stock Ownership Plans (LESOP), and zero-coupon, subordinated notes convertible at any time into U S WEST common shares. The zero-coupon notes have a yield to maturity of approximately 7.3 percent and are recorded at a discounted value of $479.6. Long-term debt also includes a $555.2 note payable to TWE in 1993.

<TABLE>
<CAPTION>

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

Interest rates	Maturities 1995	1996	1997	1998	Thereafter	Total 1993	Total 1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Up to 5%	$ 450.0	$118.3	$ --	$ 35.4	$ 240.0	$ 843.7	$ 479.4
Above 5% to 6%	--	--	--	300.0	261.0	561.0	196.1
Above 6% to 7%	91.5	--	1.2	--	1,289.7	1,382.4	330.7
Above 7% to 8%	--	670.0	16.0	--	1,375.2	2,061.2	2,367.1
Above 8% to 9%	21.3	33.9	--	--	448.9	504.1	1,915.2
Above 9% to 10%	--	0.7	28.7	--	370.0	399.4	399.5
	$562.8	$822.9	$45.9	$335.4	$3,984.8	5,751.8	5,688.0
Capital lease obligations and other						139.5	90.7
Unamortized discount - net						(101.4)	(180.7)
Allocated to discontinued operations - net						(367.2)	(750.6)
Total						$5,422.7	$4,847.4

</TABLE>

During 1993, U S WEST refinanced debt issues aggregating $2.7 billion in principal amount. Expenses associated with the refinancing resulted in an extraordinary charge to income of $77.2, net of a tax benefit of $47.8. The refinancing allowed the company to take advantage of favorable interest rates.

U S WEST is permitted to borrow up to approximately $3 billion under short-term formal lines of credit, all of which were available at December 31, 1993.

Interest payments, net of amounts capitalized, were $679.8, $704.1, and $740.9 for 1993, 1992, and 1991, respectively, of which $212.4, $220.3 and $257.9, respectively, relate to discontinued operations.

NOTE 6: LEASING ARRANGEMENTS

U S WEST has entered into operating leases for office facilities, equipment and real estate. Minimum future lease payments as of December 31, 1993, under non-cancellable operating leases, follow:

<TABLE>

<CAPTION>

Year	
<S>	<C>
1994	$ 161.5
1995	141.4
1996	125.7
1997	121.3
1998	120.5
Therafter	1,041.5
Total	$ 1,711.9

<FN>

Rent expense under operating leases was $274.8, $274.1, and $215.2 in 1993, 1992 and 1991, respectively.

</TABLE>

NOTE 7: FINANCIAL INSTRUMENTS DISCLOSURES

INSTRUMENTS WITH OFF-BALANCE SHEET MARKET RISK - SWAPS AND FORWARD CONTRACTS

U S WEST is party to various interest rate swaps and forward contracts for the purpose of managing interest rate and foreign currency exposures. Based on amounts outstanding at December 31, 1993, if any party to these agreements fails to perform, the estimated accounting loss would not be material to the company's results of operations or to its financial position.

INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK - FINANCIAL GUARANTEES

Financial guarantees are included in Note 13 to the Consolidated Financial Statements.

FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values of cash equivalaents, short-term debt and other current amounts receivable and payable approximate the carrying amount.

Amounts receivable and payable related to foreign currency forward contracts, which are used to hedge foreign commitments, are recorded at fair value based on currency exchange rates in effect at the balance sheet date.

Fair value of debt, inclusive of discontinued operations, is based on quoted market prices where available or, if not available, is based on discounting future cash flows using current interest rates. Fair value of debt includes the effect of variable-to-fixed and fixed-to-variable interest rate swaps on notional principal amounts of $795 and $515 at December 31, 1993, and $1,000 and $440 at December 31, 1992, respectively. Maturities on interest rate swaps in effect at December 31, 1993, range from 1994 to 2004. Fair value of interest rate swaps is based on estimated amounts the company would receive or pay to terminate such agreements taking into account current interest rates and creditworthiness of the counterparties.

The carrying amounts and fair values of total debt follow:

	December 31, 1993	December 31, 1992
Carrying amount	$8,694.7	$8,863.0
Fair value	9,000.0	9,070.0

Includes both continuing and discontinued operations debt.

NOTE 8: SHAREOWNERS' EQUITY

Following are transactions affecting shareowners' equity:

	Common Shares: Shares (thousands)	Common Shares: Amount	Retained Earnings (Deficit)	Foreign Currency Translation Adjustments
BALANCE AT JANUARY 1, 1991	393,493	$5,013.3	$4,605.4	$ 6.2
Issuance of treasury shares	1,337	49.0		
Issuance of common stock	15,106	545.2		
Net income			553.4	
Dividends ($2.08 per share)			(842.7)	
Foreign currency translation adjustments				0.3
Other - net		(1.0)		
BALANCE AT DECEMBER 31, 1991	409,936	5,606.5	4,316.1	6.5

Issuance of treasury shares	578	20.4		
Issuance of common stock	3,948	144.4		
Net loss			(614.0)	
Dividends ($2.12 per share)			(876.0)	
Foreign currency translation adjustments				(40.5)
Other - net		(1.1)		
BALANCE AT DECEMBER 31, 1992	414,462	5,770.2	2,826.1	(34.0)
Issuance of treasury shares	162	6.3		
Issuance of common stock	26,516	1,223.5		
Net loss			(2,805.8)	
Dividends ($2.14 per share)			(904.7)	
Foreign currency translation adjustments				(1.3)
Market value adjustment for debt securities			35.1	
Other - net		(3.4)		(7.8)
BALANCE AT DECEMBER 31, 1993	441,140	$6,996.6	$(857.1)	$(35.3)

</TABLE>

U S WEST has 50,000,000 authorized shares of preferred stock, of which none have been issued.

At December 31, 1993, the company held 6,986,972 treasury shares with a cost basis of $142.7.

During fourth quarter 1993, the company issued 22 million shares of U S WEST common stock for cash proceeds of $1,020.0. The company used the net proceeds to reduce short-term indebtedness, including indebtedness incurred in connection with the TWE investment, and for general corporate purposes.

On July 11, 1991, shareowners of U S WEST NewVector Group Inc. ("NewVector") voted to approve the company's merger offer, making NewVector a wholly-owned subsidiary of U S WEST. Pursuant to the merger, the company issued approximately 11.1 million shares of U S WEST common stock valued at approximately $399 to former shareholders of NewVector. The merger was accounted for as a purchase and the resulting goodwill of approximately $375 is being amortized on a straight-line basis over a period of 40 years.

LEVERAGED EMPLOYEE STOCK OWNERSHIP PLANS (LESOP)

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

The long-term debt of the LESOP trusts, which is unconditionally guaranteed by the company, is included in the accompanying consolidated balance sheets and corresponding amounts have been recorded as reductions to shareowners' equity. The trusts will repay the debt with company contributions and certain dividends received on shares of the company's common stock held by the LESOP. Total company contributions to the trusts (excluding dividends) were $74.6, $77.7, and $70.9 in 1993, 1992, and 1991, respectively, of which $23.7, $27.8, and $31.7, respectively, have been classified as interest expense. The company recognizes expense based on the cash payments method. Dividends on unallocated shares held by the LESOP were $14.1, $17.3, and $20.1 in 1993, 1992, and 1991, respectively.

SHAREHOLDER RIGHTS PLAN

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

SUBSEQUENT EVENT

In connection with the settlement of shareowner litigation ("Rosenbaum v. U S WEST Inc. et al."), the company will issue approximately 5.6 million shares of U S WEST common stock in March 1994 for proceeds of approximately $210 to class members connected with this litigation. U S WEST issued, to certified class members, non-transferable rights to purchase shares of common stock directly from U S WEST, on a commission-free basis, at a 3 percent discount from the average of the high and low trading prices of such stock on the New York Stock Exchange on February 23, 1993, the pricing date designated in accordance with the settlement.

NOTE 9: STOCK INCENTIVE PLANS

U S WEST maintains stock incentive plans for executives and key employees. The Human Resources Committee of the board of directors is responsible for the administration of the executive plan, which provides for the grant of options and the grant and sale of restricted and non-restricted stock. The board of directors has delegated the administration of the non-executive plan to a special committee. Options may be exercised no later than ten years and one month after the grant date. A total of 17,000,000 shares of U S WEST common stock are reserved for issuance under the plans.

Data for outstanding options under the plan is summarized below:

<TABLE>
<CAPTION>

	Number of Shares	Average Option Price
OUTSTANDING AT JANUARY 1, 1991	2,306,783	$32.15
Granted	1,415,502	35.30
Exercised	(277,760)	25.91
Cancelled or expired	(24,119)	35.34
OUTSTANDING AT DECEMBER 31, 1991	3,420,406	33.97
Granted	1,410,311	38.13
Exercised	(327,221)	26.15
Cancelled or expired	(53,346)	36.17
OUTSTANDING AT DECEMBER 31, 1992	4,450,150	35.81
Granted	1,486,106	48.83
Exercised	(412,444)	31.73
Cancelled or expired	(222,273)	36.87
OUTSTANDING AT DECEMBER 31, 1993	5,301,539	$39.76

</TABLE>

Options to purchase 1,412,791 and 913,312 shares were exercisable at December 31, 1993 and 1992, respectively. A total of 8,649,750 and 10,111,549 shares of U S WEST common stock were available for grant under the plans at December 31, 1993 and 1992, respectively.

NOTE 10: EMPLOYEE BENEFITS

PENSION PLAN

Effective January 1, 1993, U S WEST merged its two defined benefit pension plans, which cover substantially all management and occupational employees, into a single plan. Management benefits are based upon a final pay formula, while occupational benefits are based upon a flat benefit formula. U S WEST uses the projected unit credit method for the determination of pension cost for financial reporting purposes and the aggregate cost method for funding purposes. No funding was required in 1993, 1992 or 1991.

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

<TABLE>
<CAPTION>

Year Ended December 31,

	1993	1992	1991
Details of pension credit:			
Service cost - benefits earned during the period	$ 148.2	$ 141.1	$ 124.0
Interest cost on projected benefit obligation	513.9	479.6	466.0
Actual return on plan assets	(1,320.1)	(410.8)	(1,312.0)
Net amortization and deferral	577.9	(318.3)	613.4
Net pension credit	$ (80.1)	$(108.4)	$ (108.6)

</TABLE>

The expected long-term rate of return on plan assets used in determining the net pension credit was 9.00 percent for 1993, 9.25 percent for 1992 and 9.50 percent for 1991.

The funded status of the plan follows:

<TABLE>
<CAPTION>

	December 31, 1993	December 31, 1992
Accumulated benefit obligation, including vested benefits of $5,286 and $4,867, respectively	$5,860.0	$5,192.0
Plan assets at fair value, primarily stocks and bonds	$8,987.3	$8,068.8
Less: Projected benefit obligation	7,432.0	6,555.0
Plan assets in excess of projected benefit obligation	1,555.3	1,513.8
Less: Unrecognized net gain	70.5	24.1
Prior service cost not yet recognized in net periodic pension cost	72.3	77.3
Balance of unrecognized net asset at January 1, 1987	865.0	945.0
Prepaid pension asset	$ 547.5	$ 467.4

</TABLE>

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

<TABLE>
<CAPTION>

	December 31, 1993	December 31, 1992
Discount rate	7.25	8.25
Rate of increase in future compensation levels	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. Effective January 1, 1992, U S WEST adopted SFAS No. 106 "Employers' Accounting for Post-retirement Benefits Other Than Pensions," which mandates that employers reflect in their current expenses the cost of providing retirement medical and life insurance benefits to current and future retirees. Prior to 1992, U S WEST recognized these costs as they were paid. Adoption of SFAS No. 106 resulted in a one-time, non-cash charge

against 1992 earnings of $1,740.7, net of a deferred income tax benefit of $1,037.7, for the prior service of active and retired employees. U S WEST uses the projected unit credit method for the determination of postretirement medical costs for financial reporting purposes.

In conjunction with the adoption of SFAS No. 106, for financial reporting purposes the company elected to immediately recognize the accumulated postretirement benefit obligation for current and future retirees, net of the fair value of plan assets. In 1992, pursuant to SFAS No. 71, a regulatory asset associated with the recognition of the transition benefit obligation was not recorded because of uncertainties as to the timing and extent of recovery given the company's assessment of its long-term competitive environment. 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.

The composition of net postretirement benefit costs and actuarial assumptions underlying plan benefits follow:

	Year Ended December 31, 1993	Year Ended December 31, 1992
Details of postretirement benefit costs:		
Service cost - benefits earned during the period	$ 71.1	$ 66.9
Interest cost on accumulated benefit obligation	271.0	255.9
Actual return on plan assets	(125.0)	(47.8)
Net amortization and deferral	48.9	--
Net postretirement benefit costs	$ 266.0	$275.0

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

The funded status of the plan follows:

	December 31, 1993	December 31, 1992
Accumulated postretirement benefit obligation attributable to:		
Retirees	$2,105.5	$2,089.5
Fully eligible plan participants	322.3	257.2
Other active plan participants	1,153.0	1,035.7
Total accumulated postretirement benefit obligation	3,580.8	3,382.4
Unrecognized net gain	40.8	--
Fair value of plan assets, primarily stocks, bonds and life insurance	(1,001.3)	(635.9)
Accrued postretirement benefit obligation	$ 2,620.3	$2,746.5

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

	December 31, 1993	December 31, 1992
Discount rate	7.25	8.00
Medical trend*	10.30	11.00

*Medical cost trend rate gradually declines to an ultimate rate of 5.5 percent in 2011.

A 1-percent increase in the assumed health care cost trend rates for each future year would have increased the aggregate of the service and interest cost components of 1993 net postretirement benefit costs by approximately $55 and increased the 1993 accumulated postretirement benefit obligation by approximately $475.

For U S WEST Communications, the annual amount funded will generally follow the amount of expense allowed in regulatory jurisdictions.

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

OTHER POSTEMPLOYMENT BENEFITS

U S WEST also adopted, effective January 1, 1992, SFAS No. 112, "Employers' Accounting for Postemployment Benefits." SFAS No. 112 requires that employers accrue for the estimated costs of benefits, such as workers' compensation and disability, provided to former or inactive employees who are not eligible for retirement. Adoption of SFAS No. 112 resulted in a one-time, non-cash charge against 1992 earnings of $52.7, net of a deferred income tax benefit of $32.3. No adjustment to the postemployment benefit liability was necessary at December 31, 1993.

NOTE 11: INCOME TAXES

The components of the provision for income taxes follow:

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Federal:			
Current	$422.5	$427.1	$448.8
Deferred	(145.4)	46.4	(84.8)
Investment tax credits - net	(56.1)	(63.2)	(74.9)
	221.0	410.3	289.1
State and local:			
Current	70.6	62.0	69.7
Deferred	(22.8)	21.1	10.9
	47.8	83.1	80.6
Provision for income taxes	$268.8	$493.4	$369.7

</TABLE>

The unamortized balance of investment tax credits at December 31, 1993 and 1992, was $280.0 and $520.8, respectively. During 1993, the unamortized balance of investment tax credits was reduced by $185.6 in conjunction with the company's decision to discontinue accounting for the operations of U S WEST Communications in accordance with SFAS No. 71. (See Note 4 to the Consolidated Financial Statements.)

Amounts paid for income taxes were $391.3, $458.8, and $484.3 in 1993, 1992 and 1991, respectively, inclusive of discontinued operations.

Effective January 1, 1993, U S WEST adopted SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 uses a balance sheet approach that generally allows consideration of expected future income in determining deferred income taxes. Prior to 1993, the company used the SFAS No.96 approach that gave no recognition to future events other than the recovery of assets and settlement of liabilities at their carrying amounts. The cumulative effect of adopting SFAS No. 109 was not material to results of operations.

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

<TABLE>
<CAPTION>

Year Ended December 31,

In percent	1993	1992	1991
Federal statutory tax rate*	35.0	34.0	34.0
State income taxes - net of federal effect	4.0	3.5	4.3
Tax law change - catch-up adjustment	3.1	--	--
Investment tax credit amortization	(3.0)	(4.2)	(4.8)
Rate differential on reversing temporary differences	(2.2)	(3.1)	(3.2)
Restructuring charges	(1.5)	--	(1.1)
Depreciation on capitalized overheads - net	1.4	2.1	2.3
Other	(0.7)	(0.9)	(0.9)
Effective tax rate	36.1	31.4	30.6

*Federal statutory tax rate increase effective January 1, 1993.

The components of the net deferred tax liability follow:

	December 31, 1993	January 1, 1993*
Property, plant and equipment	$1,339.8	$2,965.7
Leases	663.1	598.0
State deferred taxes - net of federal effect	277.3	433.9
Revenue requirement adjustment to regulatory asset	--	356.4
Other	139.5	228.5
Deferred tax liabilities	2,419.7	4,582.5
Pension, postretirement and postemployment benefits	736.0	814.1
Revenue requirement adjustment to regulatory liability	--	463.6
Restructuring, discontinued operations and other	619.4	253.4
State deferred taxes - net of federal effect	219.9	161.0
Unamortized investment tax credit	94.4	178.2
Other	259.8	178.2
Deferred tax assets	1,929.5	2,048.5
Net deferred tax liability	$ 490.2	$2,534.0

* SFAS No. 109 was adopted January 1, 1993. The net deferred tax liability at January 1, 1993 is shown for comparative purposes.

The current portion of the deferred tax asset is $335.5 resulting primarily from restructuring charges and compensation-related items.

Prior to the discontinuance of SFAS No. 71, U S WEST Communications recorded additional deferred taxes and established a corresponding regulatory asset, primarily related to the cumulative amount of tax benefits previously flowed through to ratepayers. In addition, US WEST Communications recorded a regulatory liability coincidental with the reduction of the deferred tax reserves from higher historical to lower current tax rates. The regulatory asset and liability were grossed up, in accordance with SFAS No. 96, for the tax effect of future revenue requirements. In connection with the discontinuance of SFAS No. 71, the remaining balance of the regulatory asset and liability, and the related deferred tax asset and liability, were written off. (See Note 4 to the Consolidated Financial Statements.)

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

The net deferred tax liability includes $606.9 (including an asset of $73.9) in 1993 and $662.5 in 1992 related to discontinued operations.

NOTE 12: CONTINGENCIES

At U S WEST Communications, there are pending regulatory actions in local regulatory jurisdictions that call for rate reductions, 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 commission's initial order denied a refund request from interexchange carriers and other parties related to the Tax Reform Act of 1986. If the commission finds that either of the exceptions apply, the company could be liable for refunds, although at this time any such amount is not reasonably estimable since the case is still in the discovery process.

NOTE 13: DISCONTINUED OPERATIONS

During second quarter 1993, the U S WEST Board of Directors approved a plan to dispose of the Capital Assets segment through the sale of segment assets and businesses. Accordingly, the company recorded an after-tax charge of $100, or $.24 per share, related to the disposition. An additional charge of $20, or $.04 per share, is related to the effect of the increase in federal income tax rates, as described in Note 11 to the Consolidated Financial Statements. The Capital Assets segment includes activities related to financial services and the financial guarantee insurance operations. Also included in the segment is U S WEST Real Estate Inc., for which disposition was announced in 1991 and a $500 valuation allowance was established to cover both carrying costs and losses on disposal of related properties. The entire Capital Assets segment has been accounted for as discontinued operations in accordance with Accounting Principles Board Opinion No. 30. Prior periods presented have been reclassified to reflect the effects of discontinued operations.

Sales and other revenues of discontinued operations were $709.7 in 1993, $672.0 in 1992 and $1,097.4 in 1991. Income (loss) from discontinued operations for 1993 (to June 1), 1992 and 1991 totaled $38.5, $103.6 and ($286.2), respectively. Income (loss) from discontinued operations subsequent to June 1, 1993, is being deferred and was included in the provision for loss on disposal.

The assets and liabilities of the Capital Assets segment have been separately classified on the Consolidated Balance Sheets as net assets of discontinued operations.

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

During 1993, U S WEST Real Estate Inc. sold five properties for proceeds of approximately $60. In January 1994, two properties were sold for approximately $230. The company anticipates disposing of the remainder of its real estate portfolio during the next several years.

<TABLE>
<CAPTION>

NET ASSETS OF DISCONTINUED OPERATIONS

	December 31,	
	1993	1992

<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	$ 24.0	$ 45.4
Finance receivables - net	1,131.0	3,056.6
Bonds, 1993 at market value, 1992 at amortized cost	894.4	999.8
Investment in real estate - net of valuation allowance	710.8	720.9
Other assets	600.4	792.3
Total assets	$3,360.6	$5,615.0
LIABILITIES		
Debt	$1,495.8	$3,433.1
Deferred income taxes	680.8	662.5
Unearned premiums	345.7	297.1
Accounts payable and accrued liabilities	243.5	282.2
Minority interests	40.3	54.2
Total liabilities	2,806.1	4,729.1
Net assets of discontinued operations	$ 554.5	$ 885.9

</TABLE>

Finance receivables primarily consist of investments in leveraged leases related to aircraft and power plants. For leveraged leases, the cost of the assets leased is financed primarily through non-recourse debt which is netted against the related lease receivable.

<TABLE>
<CAPTION>

The components of finance receivables follow:

	December 31, 1993	December 31, 1992
<S>	<C>	<C>
Receivables	$1,208.3	$3,239.4
Unguaranteed estimated residual values	477.4	493.4
	1,685.7	3,732.8
Less: Unearned income	490.4	527.1
Credit loss and other allowances	64.3	149.1
Finance receivables - net	$1,131.0	$3,056.6

</TABLE>

In December 1993, the company adopted SFAS No. 115, "Accounting for Investments in Debt and Equity Securities." Accordingly, investments in debt securities, which are designated as available for sale, are carried at market value. Any resulting unrealized gains or losses, net of applicable deferred income taxes, are reflected as a component of shareowners' equity. The change in net unrealized gains and losses of $35.1, net of deferred taxes of $18.9, is included in the net assets of discontinued operations at December 31, 1993.

<TABLE>
<CAPTION>

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

	December 31, 1993				December 31, 1992			
Marketable Debt Securities	Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

Municipal	$742.3	$50.5	$(0.9)	$791.9	$579.5	$19.7	$(1.5)	$ 597.7
Corporate	--	--	--	--	233.2	8.7	(4.9)	237.0
Other	98.1	4.5	(0.1)	102.5	187.1	7.2	(1.3)	193.0
Total	$840.4	$55.0	$(1.0)	$894.4	$999.8	$35.6	$(7.7)	$1,027.7

</TABLE>

<TABLE>
<CAPTION>

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

	Maturities						Total	Total
Interest rates	1994	1995	1996	1997	1998	Thereafter	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Up to 5%	$276.3	$150.0	$50.0	$10.0	$ --	$ 10.0	$ 496.3	$ 705.7
Above 5% to 6%	--	5.0	--	--	--	--	5.0	5.0
Above 6% to 7%	--	--	--	54.3	--	--	54.3	54.1
Above 7% to 8%	8.5	7.0	5.3	5.0	--	--	25.8	316.5
Above 8% to 9%	72.0	--	37.6	--	--	154.0	263.6	385.7
Above 9% to 10%	38.5	60.9	--	47.5	5.0	25.0	176.9	321.2
Above 10%	--	--	--	--	29.2	--	29.2	128.3
Commercial paper rates	29.7	--	--	--	--	--	29.7	676.7
	$425.0	$222.9	$92.9	$116.8	$34.2	$189.0	$1,080.8	$2,593.2
Allocated from continuing operations - net							415.0	839.9
Total							$1,495.8	$3,433.1

</TABLE>

Debt of $123.7 at December 31, 1993 and 1992 was collateralized by first deeds of trust on associated real estate, assignment of rents from leases, and operating and management agreements.

<TABLE>
<CAPTION>

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK - FINANCIAL GUARANTEES

The principal amounts insured on asset-backed and municipal obligations follow:

	Asset-backed (1) December 31,		Municipal (2) December 31,	
Term to Maturity	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
0 to 5 Years	$ 5,955	$ 5,872	$ 1,888	$1,186
5 to 10 Years	2,050	1,719	2,771	1,614
10 to 15 Years	1,286	1,629	2,176	1,321
15 to 20 Years	593	276	2,346	1,536
20 and Above	2,501	2,372	4,606	3,838
Total	$12,385	$11,868	$13,787	$9,495

<FN>

(1) Excludes amounts ceded to other insurers of $6,210 and $4,781, in 1993 and 1992, respectively, and includes $25 of assumed obligations in 1993 and

1992.

(2) Excludes amounts ceded to other insurers of $5,576 and $3,946, in 1993 and 1992, and includes $1,218 and $1,478 of assumed obligations in 1993 and 1992, respectively.

</TABLE>

<TABLE>
<CAPTION>

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

	December 31,	
Type of Issue	1993	1992
<S>	<C>	<C>
General obligation	$ 3,487	$2,439
Tax-backed revenue	2,919	1,744
Housing revenue	1,879	1,354
Municipal utility revenue	1,783	1,182
Health care revenue	1,399	925
Transportation revenue	710	547
Other	1,610	1,304
Total	$13,787	$9,495

</TABLE>

<TABLE>
<CAPTION>

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

	December 31,	
Type of Collateral	1993	1992
<S>	<C>	<C>
Residential mortgages	$ 3,874	$ 3,765
Consumer receivable	1,443	1,015
Securities:		
Government debt	2,039	2,320
Non-government securities	1,709	1,794
Commercial mortgages:		
Commercial real estate	809	871
Corporate secured	1,018	1,072
Investor-owned utility first mortgage bonds	772	693
Other asset-backed	721	338
Total	$12,385	$11,868

</TABLE>

<TABLE>
<CAPTION>

ADDITIONAL FINANCIAL INFORMATION

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

	Year Ended December 31,		
Summarized Operating Results	1993	1992	1991
<S>	<C>	<C>	<C>
Revenues	$409.9	$302.0	$333.8
Income (loss) before parent support and income taxes	*	83.3	(2.5)
Income (loss) before parent support	*	55.1	(1.6)
Net income	*	55.1	52.2

<FN>

*Results of Financial Services are included in discontinued operations.

</TABLE>

<TABLE>

<CAPTION>

Summarized Financial Position	December 31, 1993	December 31, 1992
Net finance receivables	$1,019.8	$3,176.5
Total assets	1,783.9	3,423.7
Total debt	957.1	2,324.6
Total liabilities	1,734.9	3,054.7
Shareowner's equity	49.0	369.0

</TABLE>

For the year ended December 31, 1991, Financial Services' operating results reflect a pretax charge of approximately $50 due to the write-off of intangible assets.

NOTE 14: QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data, and per share market and dividend data, follow:
<TABLE>

<CAPTION>

Quarterly Financial Data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1993				
Sales and other revenues	$ 2,509.9	$2,541.5	$ 2,576.2	$2,666.0
Income (loss) from continuing operations before income taxes	449.1	436.0	(534.5)	394.1
Income (loss) from continuing operations	295.7	291.2	(375.1)	264.1
Net income (loss)	316.1	159.1	(3,545.1)	264.1
Earnings (loss) per share from continuing operations	0.71	0.70	(0.90)	0.62
Earnings (loss) per share	0.76	0.38	(8.50)	0.62
1992				
Sales and other revenues	$ 2,410.1	$2,444.3	$ 2,449.2	$2,519.0
Income from continuing operations before income taxes	439.6	405.6	354.7	369.3
Income from continuing operations	295.6	275.0	243.3	261.9
Net income (loss)	(1,476.1)	292.3	266.2	303.6
Earnings per share from continuing operations	0.72	0.67	0.59	0.63
Earnings (loss) per share	(3.58)	0.71	0.65	0.73

</TABLE>

1993 second quarter net income was reduced by $100 ($.24 per share) for a charge related to discontinued operations and $50.2 ($.12 per share) for the early extinguishment of debt. 1993 third quarter net loss includes a restructuring charge of $610 ($1.46 per share) and $74 ($.18 per share), including $20 ($.05 per share) related to discontinued operations, for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. 1993 third quarter net loss also includes extraordinary charges of $3,123 ($7.49 per share) for the discontinuance of SFAS No. 71, and $27 ($.06 per share) for the early extinguishment of debt.

1993 net income (loss) related to discontinued operations was $20.4 ($.05 per share) and ($81.9) ($.20 per share) for the first and second quarters, respectively. Income (loss) subsequent to June 1, 1993 is being deferred and was included within the provision for loss on disposal of the Capital Assets segment.

1992 first quarter net income was reduced by $1,793.4 ($4.35 per share) due to the adoption of SFAS Nos. 106 and 112.

1992 net income related to discontinued operations was $21.7 ($.05 per share), $17.3 ($.04 per share), $22.9 ($.06 per share) and $41.7 ($.10 per share), for the first, second, third and fourth quarters, respectively.

<TABLE>

<CAPTION>

Per Share Market and Dividend Data	Market Price			
(whole dollars)	High	Low	Close	Dividends
<S>	<C>	<C>	<C>	<C>
1993				
First	$43.875	$37.750	$43.625	$0.535
Second	46.000	40.625	45.875	0.535
Third	49.375	44.500	49.250	0.535
Fourth	50.750	45.750	45.875	0.535
1992				
First	$38.875	$33.375	$34.125	$0.53
Second	36.875	32.875	36.500	0.53
Third	40.000	36.250	38.000	0.53
Fourth	40.000	35.250	38.375	0.53

</TABLE>

U S WEST BOARD OF DIRECTORS

[picture]
DICK CHENEY (53)

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

[picture]
MARY M. GATES (64)

A regent of the University of Washington since 1975. Ms. Gates served as a director of Pacific Northwest Bell from 1979 to 1988 and as a director of U S WEST's cellular communications company, U S WEST NewVector Group, from 1990 to 1991. She joined the U S WEST board in 1992.

[picture]
SHIRLEY M. HUFSTEDLER (68)

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

[picture]
MARILYN CARLSON NELSON (54)

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

[picture]
JERRY O. WILLIAMS (55)

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

[picture]
REMEDIOS DIAZ-OLIVER (55)

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

[picture]
ALLAN D. GILMOUR (59)

Vice chairman of the Ford Motor Co., Mr. Gilmour has had a number of executive assignments since joining Ford in 1960. He served as the company's chief financial officer before taking over leadership of its international automotive operations and, later, the Ford Automotive Group. He joined the U S WEST board in 1992.

[picture]
ALLEN F. JACOBSON (67)

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

[picture]
FRANK POPOFF (58)

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

[picture]
DANIEL YANKELOVICH (69)

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

[picture]
GRANT A. DOVE (65)

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

[picture]
PIERSON M. GRIEVE (66)

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

[picture]
RICHARD D. MCCORMICK (53)

Named president and chief executive officer of U S WEST effective January 1, 1991 and chairman of the board May 1, 1992. Mr. McCormick was president of Northwestern Bell Telephone Company before joining U S WEST as executive vice president in 1965. He became a member of the company's board in 1986.

[picture]
GLEN L. RYLAND (69)

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

BOARD RETIREMENT

JACK D. SPARKS (71)

Having reached the mandatory retirement age of 70, board member Jack D. Sparks retired May 7, 1993, at the company's annual meeting of shareowners in Minneapolis. The former chairman, chief executive officer and president of Whirlpool Corporation, he was elected to the U S WEST board in 1985.

U S WEST EXECUTIVE AND SUBSIDIARY OFFICERS

RICHARD D. MCCORMICK*
Chairman, President and Chief Executive Officer

A. GARY AMES*
President and Chief Executive Officer

RICHARD J. CALLAHAN*
Executive Vice President, U S WEST and President, U S West International and Business Development Group

CHARLES M. LILLS*
Executive Vice President and Chief Planning Officer

JAMES M. OSTERHOFF*
Executive Vice President and Chief Financial Officer

CHARLES P. RUSS III*
Executive Vice President, General Counsel and Secretary

JAMES H. STEVER*
Executive Vice President, Public Policy

J. THOMAS BOUCHARD*
Senior Vice President and Chief Human Resources Officer

JAMES T. ANDERSON*
Vice President and Treasurer

LORNE G. RUBIS*
Vice President, Quality

JUDITH A. SERVOSS*
Vice President, Public Relations

H. LAIRD WALKER
Vice President, Federal Relations

JOHN DEFEO
President and Chief Executive Officer
U S WEST NewVector Group

THOMAS E. PARDUN
President and Chief Executive Officer
U S WEST Multimedia Group

SOLOMON D. TRUJILLO
President and Chief Executive Officer
U S WEST Marketing Resources Group

PEARRE WILLIAMS
President
Corporate Development Division

* Executive officer

SHAREOWNER INFORMATION

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

FOR GENERAL INFORMATION, TRANSFERS, THE U S WEST FACT BOOK OR THE COMPANY'S CURRENT FORM 10-K REPORT:
U S WEST
P.O. Box 8935
Boston, MA 02266-8935

FOR DIVIDEND REINVESTMENT:
U S WEST
P.O. Box 8936
Boston, MA 02266-8936

SHAREOWNER TOLL-FREE NUMBER
1-800-537-0222
Shareowners calling from Alaska, Hawaii or outside the United States, please call collect: 0-505-989-2004.

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

EXPECTED DIVIDEND RECORD DATES

April 20, 1994
July 20, 1994
October 20, 1994
January 20, 1995

EXPECTED DIVIDEND PAYMENT DATES
May 2, 1994
August 1, 1994
November 1, 1994
February 1, 1995

ANNUAL MEETING
The annual meeting of shareowners will be held at 10 a.m. Friday, May 6, 1994, at the Peter Kiewit Conference Center, 1313 Farnam, Omaha, NE 68182. A signer will be at the meeting to assist the hearing impaired.

STOCK EXCHANGE LISTINGS
U S WEST common stock is listed on the New York, Pacific, London, Zurich, Basel, Geneva, Amsterdam and Tokyo stock exchanges. Its ticker symbol is "USW" and it is listed in newspaper stock tables under "US WEST."

STREET-NAME ACCOUNTS
Shareowner holding stock in street-name accounts who wish to receive U S WEST quarterly reports may contact U S WEST Shareowner Services to be placed on the mailing list.

CORPORATE HEADQUARTERS
U S WEST, Inc.
7800 East Orchard Road
P.O. Box 6508
Englewood, CO 80155-6508
303-793-6500

[logo]
7800 EAST ORCHARD ROAD
P.O. BOX 6508
ENGLEWOOD, CO 80155-6508

APPENDIX TO EXHIBIT 13

NARRATIVE DESCRIPTION OF
GRAPHIC AND IMAGE INFORMATION IN
U S WEST'S 1993 ANNUAL REPORT TO STOCKHOLDERS

PAGE OF ANNUAL REPORT	DESCRIPTION
Cover	Centered at the top half of the page is a picture of a complicated conglomeration of multimedia equipment within the international symbol for "not allowed" (a red circle with a red line crossing through it). Centered at the bottom of the page are the words, in black type face: U S WEST 1993 ANNUAL REPORT
1	A picture of a television monitor appears in the top center of the page with the following words printed on the screen in red type face: AS 1, 2, 3.
5	A picture of Richard D. McCormick appears on the screen of a television monitor located in approximately the center of the page. The caption below the picture, written in red type face, reads: "YOU'LL BE ABLE TO CHOOSE WHAT YOU WANT ...AND WHEN" followed by RICHARD D. McCORMICK (in black type face).
48	Photos of U S WEST Board members with their names and ages below their pictures and a biographical description at the right of their photo. (There is no picture for retired Board member Jack D. Sparks.)

EXHIBIT 21

Subsidiaries of U S WEST, Inc.

U S WEST Communications Group, Inc., a Colorado corporation
    U S WEST Communications, Inc., a Colorado corporation
    U S WEST Communications Federal Services, Inc., a Colorado corporation
    U S WEST Communications Services, Inc., a Colorado corporation
    U S WEST Enhanced Services, Inc., a Washington corporation

U S WEST Business Resources, Inc., a Colorado corporation

U S WEST Capital Corporation, a Colorado corporation
    Financial Security Assurance Holdings, Ltd., a New York corporation (Subsidiaries performing various reinsurance services omitted: 4 U.S. and 1 foreign).
    U S WEST Financial Services, Inc., a Colorado corporation (Subsidiaries performing various financial services omitted: 11 U.S. and 7 foreign.)

U S WEST Capital Funding, Inc., a Colorado corporation

U S WEST International Holdings, Inc., a Delaware corporation
    U S WEST International, Inc., a Colorado corporation (Subsidiaries providing cable, cellular, and wireless telecommunications services in foreign countries omitted: 9 U.S. and 8 foreign)

U S WEST Investments, Inc., a Colorado corporation
    U S WEST Real Estate, Inc., a Colorado corporation (Subsidiaries holding various real estate investments omitted: 7 U.S.)

U S WEST Marketing Resources Group, Inc., a Colorado corporation
    U S WEST Interactive Services, Inc., a Colorado corporation
    U S WEST Interactive Video Enterprises, Inc., a Colorado corporation
    LOCALTouch Holdings, Inc., a Colorado corporation (Subsidiaries providing specialized directory services omitted: 2 U.S.)

U S WEST MFT Co., a Delaware corporation

U S WEST Multimedia Communications, Inc., a Colorado corporation

U S WEST NewVector Group, Inc., a Colorado corporation
  (Subsidiaries providing cellular and paging services omitted:

17 U.S.)

U S WEST Personal Communications Development, Inc., a Colorado corporation

2

U S WEST SPF Co., a Colorado corporation

U S WEST SPF Co. II, a Delaware corporation

U S WEST Technologies, a Colorado corporation

Western Range Insurance Co., a Vermont corporation

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of U S WEST, Inc. on Forms S-3 (File Nos. 33-46274, 33-46274-01, 33-37010, 33-37010-01, 33-47086, 33-50049, 33-50049-01, 33-50047, 33-50047-01, 33-51427, and 33-50299) and on Forms S-8 (File Nos. 2-92088, 2-92089, 33-42076, 33-43364, and 33-43362) of our report, which includes an explanatory paragraph regarding the discontinuance of accounting for operations of U S WEST Communications, Inc. in accordance with Statement of Financial Accounting Standard No. 71, "Accounting for the Effects of Certain Types of Regulation," in 1993, and a change in the method of accounting for postretirement benefits other than pensions and other postemployment benefits in 1992, dated January 20, 1994, except for the last paragraph in Note 8 to the consolidated financial statements, as to which the date is February 23, 1994, on our audits of the consolidated financial statements of U S WEST, Inc. (the "Company"), as of December 31, 1993 and 1992, and for the three years ended December 31, 1993, 1992 and 1991, which report is incorporated by reference from U S WEST Inc.'s 1993 Annual Report to Shareowners. We also consent to the incorporation by reference of our report dated January 20, 1994 on the related consolidated financial statement schedules, which report is included in this Annual Report on Form 10-K.

Denver, Colorado
March 17, 1994

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, U S WEST, Inc., a Colorado corporation (hereinafter referred to as the "Company"), proposes to file with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K for the fiscal year ended December 31, 1993; and

WHEREAS, each of the undersigned is a Director of the Company;

NOW THEREFORE, each of the undersigned constitutes and appoints JAMES M. OSTERHOFF, BARBARA M. JAPHA, and STEPHEN E. BRILZ, and each of them, as attorneys for me and in my name, place, and stead, and in my capacity as a Director of the Company, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto on Form 10-K/A, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully, to all intents and purposes, as I might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney this 4th day of February, 1994.

/s/ Richard B. Cheney	/s/ Remedios Diaz-Oliver
Richard B. Cheney	Remedios Diaz-Oliver
/s/ Grant A. Dove	/s/ Mary M. Gates
Grant A. Dove	Mary M. Gates
/s/ Allan D. Gilmour	/s/ Pierson M. Grieve
Allan D. Gilmour	Pierson M. Grieve
/s/ Shirley M. Hufstedler	/s/ Allen F. Jacobson
Shirley M. Hufstedler	Allen F. Jacobson

/s/ Frank P. Popoff
- -------------------------------
Frank P. Popoff

/s/ Glen L. Ryland

Glen L. Ryland

/s/ Jerry O. Williams
- -------------------------------
Jerry O. Williams

/s/ Daniel Yankelovich

Daniel Yankelovich

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, U S WEST, Inc., a Colorado corporation (hereinafter referred to as the "Company"), proposes to file with the Securities and Exchange Commission, under the provisions of the Securities Exchange Act of 1934, as amended, an annual report on Form 10-K for the fiscal year ended December 31, 1993; and

WHEREAS, the undersigned is an officer or Director, or both, of the Company and holds the office, or offices, in the Company as indicated below his name;

NOW THEREFORE, each of the undersigned hereby constitutes and appoints JAMES M. OSTERHOFF, BARBARA M. JAPHA, and STEPHEN E. BRILZ, and each of them, as attorneys for him and in his name, place, and stead, and in each of his offices and capacities in the Company, to execute and file such annual report, and thereafter to execute and file any amendment or amendments thereto on Form 10-K/A, hereby giving and granting to said attorneys full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the premises as fully, to all intents and purposes, as he might or could do if personally present at the doing thereof, hereby ratifying and confirming all that said attorneys may or shall lawfully do, or cause to be done, by virtue hereof.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 4th day of February, 1994.

/s/ Richard D. McCormick
- -------------------------------
Richard D. McCormick
Chairman of the Board, Chief
Executive Officer and

/s/ James M. Osterhoff

James M. Osterhoff
Executive Vice President and
Chief Financial Officer

President

FINANCIAL SECURITY ASSURANCE INC.
AND SUBSIDIARIES

Consolidated Financial Statements and
Report of Independent Accountants
December 31, 1993

FINANCIAL SECURITY ASSURANCE INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT ACCOUNTANTS

YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholder and Board of Directors
of Financial Security Assurance Inc.:

We have audited the accompanying consolidated balance sheets of Financial Security Assurance Inc. and Subsidiaries (the "Company") as of December 31, 1993 and 1992 and the related consolidated statements of income, changes in shareholder's equity, and cash flows for each of the three years in the period ended December 31, 1993. 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 the Company at December 31, 1993 and 1992, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company adopted the method of accounting and reporting for certain investments in debt and equity securities prescribed by Statement of Financial Accounting Standards No. 115.

New York, New York
January 20, 1994

FINANCIAL SECURITY ASSURANCE INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands,
except for share data)

<TABLE>
<CAPTION>

ASSETS	DECEMBER 31, 1993	DECEMBER 31, 1992
<S>	<C>	<C>
Bonds, at market value (amortized cost of $683,176)	$ 736,872	
Bonds, at lower of amortized cost or market value (market value of $726,548)		$ 705,789
Short-term investments	31,720	6,799
Total investments	768,592	712,588
Cash and cash equivalents	15,770	13,483
Accrued investment income	12,160	12,039
Premium receivable	3,669	4,568
Prepaid reinsurance premiums (including amounts ceded to affiliates of $79,462 and $53,702)	127,849	98,225
Reinsurance recoverable on unpaid losses (including amounts recoverable from affiliates of $79 and $7,884)	79	13,750
Deferred acquisition costs	81,992	85,084
Goodwill (net of accumulated amortization of $11,347)		81,598
Other assets	19,070	17,758
TOTAL ASSETS	$ 1,029,181	$ 1,039,093
LIABILITIES AND SHAREHOLDER'S EQUITY		
Unearned premiums	$ 328,165	$ 297,073
Losses and loss adjustment expenses	36,094	72,430
Deferred federal income taxes	35,832	24,319
Ceded reinsurance balances payable	7,408	10,239
Payable for securities purchased	30,741	
Amounts withheld on account for others	25,649	1,637
Accrued expenses and other liabilities	22,824	23,766
TOTAL LIABILITIES	486,713	429,464
COMMITMENTS AND CONTINGENCIES		
Common stock (1,000 shares authorized; issued and outstanding; par value of $15,000 per share)	15,000	15,000
Additional paid-in capital	497,506	475,171
Unrealized gains on investments (net of deferred income taxes of $18,788)	34,892	
Accumulated earnings (deficit)	(4,930)	119,458
TOTAL SHAREHOLDER'S EQUITY	542,468	609,629
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 1,029,181	$ 1,039,093

</TABLE>

The accompanying Notes to Consolidated Financial Statements
are an integral part of these statements.

FINANCIAL SECURITY ASSURANCE INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1993	1992	1991

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

REVENUES:			
Net premiums written (net of premiums ceded of $62,403, $52,734 and $54,817, of which $42,541, $29,299 and $26,931 were ceded to affiliates)	$ 65,006	$ 78,397	$ 55,910
Decrease (increase) in unearned premiums	(1,629)	(14,540)	4,600
Premiums earned (net of premiums ceded of $32,736, $25,575 and $26,864)	63,377	63,857	60,510
Net investment income	47,547	46,858	44,178
Net realized gains	18,352	28,952	9,043
Other income	(2,057)	2,412	2,142
TOTAL REVENUES	127,219	142,079	115,873
EXPENSES:			
Losses and loss adjustment expenses (net of reinsurance recoveries of $18,628, $12,854 and $2,420)	84,054	54,623	9,901
Amortization and write-off of goodwill	81,598	3,718	3,717
Restructuring charge	85,409		
Policy acquisition costs	15,575	14,600	13,405
Other operating expenses	23,768	15,596	14,427
TOTAL EXPENSES	290,404	88,537	41,450
INCOME (LOSS) BEFORE INCOME TAXES	(163,185)	53,542	74,423
Provision (benefit) for income taxes:			
Current	(9,991)	11,195	14,935
Deferred	(28,806)	(1,676)	4,599
Total provision	(38,797)	9,519	19,534
NET INCOME (LOSS)	$ (124,388)	$ 44,023	$ 54,889

</TABLE>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FINANCIAL SECURITY ASSURANCE INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
(Dollars in thousands,
except per share data)

<TABLE>
<CAPTION>

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	UNREALIZED GAINS ON INVESTMENTS	RETAINED EARNINGS	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE, December 31, 1990	$ 2,500	$ 397,671	$ --	$ 26,546	$ 426,717
Net income for the year				54,889	54,889
Capital contribution		90,000			90,000
BALANCE, December 31, 1991	2,500	487,671		81,435	571,606
Transfer from additional paid-in capital to common stock	12,500	(12,500)			
Net income for the year				44,023	44,023
Dividend declared on common stock				(6,000)	(6,000)
BALANCE, December 31, 1992	15,000	475,171		119,458	609,629
Net loss for the year				(124,388)	(124,388)
Net unrealized gains on investments (net of deferred income taxes of $18,788)			34,892		34,892

Capital contribution (net of $11,960 which was subsequently written off)		100,835			100,835
Stock repurchase		(78,500)			(78,500)
BALANCE, December 31, 1993	$ 15,000	$ 497,506	$ 34,892	$ (4,930)	$ 542,468

</TABLE>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FINANCIAL SECURITY ASSURANCE INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Premiums received, net	$ 79,166	$ 80,666	$ 54,249
Policy acquisition and other operating expenses paid, net	(25,304)	(42,919)	(40,745)
Restructuring charge	(85,409)		
Loss and LAE paid	(43,345)	(6,578)	
Net investment income received	43,627	42,107	35,837
Federal income taxes received (paid)	1,738	(9,712)	(12,101)
Interest and liquidity fees paid	(4,766)		
Other	4,627	(395)	871
Net cash provided by (used for) operating activities	(29,666)	63,169	38,111
Cash flows from investing activities:			
Proceeds from sales of bonds and stocks	522,261	505,986	446,845
Proceeds from maturities of bonds	3,700		
Purchases of bonds and stocks	(448,997)	(592,590)	(587,908)
Purchases of property and equipment	(749)	(1,160)	(1,919)
Net decrease (increase) in short-term investments	(24,802)	32,953	(12,158)
Net cash provided by (used for) investing activities	51,413	(54,811)	(155,140)
Cash flows from financing activities:			
Stock repurchase	(78,500)		
Dividends paid		(6,000)	
Capital contribution	59,040		90,000
Net cash provided by (used for) financing activities	(19,460)	(6,000)	90,000
Net increase (decrease) in cash	2,287	2,358	(27,029)
Cash and cash equivalents at beginning of year	13,483	11,125	38,154
Cash and cash equivalents at end of year	$ 15,770	$ 13,483	$ 11,125

</TABLE>

Continued

FINANCIAL SECURITY ASSURANCE INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED
(DOLLARS IN THOUSANDS)

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31, 1993	1992	1991
<S>	<C>	<C>	<C>
Reconciliation of net income (loss) to net cash provided by operating activities:			
Net income (loss)	$ (124,388)	$ 44,023	$ 54,889
Losses paid by U S WEST	63,326		
Increase in accrued investment income	(121)	(169)	(4,783)
Increase (decrease) in unearned premium	1,468	14,085	(4,734)
Decrease (increase) in deferred acquisition costs	3,092	(7,660)	(10,137)
Increase (decrease) in current federal income taxes payable	(8,253)	1,483	2,833
Increase (decrease) in unpaid losses and loss adjustment expenses	(22,665)	48,656	9,902
Increase in amounts withheld for others	24,012		
Provision (benefit) for deferred income taxes	(28,806)	(1,676)	4,599
Net realized gains on investments	(18,352)	(28,952)	(9,043)
Amortization and write-off of goodwill	81,598	3,718	3,717
Depreciation and accretion of bond discount	(3,835)	(2,794)	(1,593)
Change in other assets and liabilities	3,258	(7,545)	(7,539)
Cash provided by operating activities	$ (29,666)	$ 63,169	$ 38,111

</TABLE>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

FINANCIAL SECURITY ASSURANCE INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1993, 1992 AND 1991

1. ORGANIZATION AND OWNERSHIP

Financial Security Assurance Inc. (the "Company"), a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. (the "Parent"), is an insurance company domiciled in the State of New York. The Company is engaged in providing financial guaranty insurance on asset-backed financings and municipal obligations.

The Parent was acquired by U S WEST, Inc. ("U S WEST") in 1989. In 1990, the Parent sold 9.9% of issued and outstanding shares to The Tokio Marine and Fire Insurance Co., Ltd. ("Tokio Marine"). As of December 31, 1992, the Parent was owned 91.6% by U S WEST and 8.4% by Tokio Marine. As of December 31, 1993, the Parent was owned 92.5% by U S WEST and 7.5% by Tokio Marine.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") which differ in certain material respects from the accounting practices prescribed or permitted by insurance regulatory authorities (see Note 6). Significant accounting policies under GAAP are as follows:

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Financial Security Assurance International Inc. and its wholly owned subsidiary, Financial Security Assurance of Oklahoma, Inc. (the "Subsidiaries"). All intercompany accounts and transactions have been eliminated.

INVESTMENTS

In 1993, the Company adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). Pursuant to SFAS 115, investments in debt securities designated as available for sale are carried at market value rather than the previous method, which was the lower of amortized cost or market value. Any resulting unrealized gain or loss is reflected as a separate component of shareholder's equity, net of applicable deferred income taxes.

Bond discounts and premiums are amortized on the effective yield method over the remaining terms of the securities acquired. Short-term investments, which are those investments with a maturity of more than three months but less than one year at time of purchase, are carried at market value which approximates cost. Realized gains or losses on sale of investments are determined on the basis of specific identification. Investment income is recorded as earned.

CASH EQUIVALENTS

Cash equivalents represent amounts deposited in money market funds and investments with a maturity at time of purchase of three months or less.

PREMIUM REVENUE RECOGNITION

Gross and ceded premiums are earned in proportion to the amount of risk outstanding over the expected period of coverage. Unearned premium and prepaid reinsurance premiums represent that portion of premium which is applicable to coverage of risk to be provided in the future on policies in force. When an insured issue is retired or defeased prior to the end of the expected period of coverage, the remaining unearned premium and prepaid reinsurance premium, less any amount credited to a refunding issue insured by the Company, are recognized.

LOSSES AND LOSS ADJUSTMENT EXPENSES

In years prior to 1992, the Company provided reserves for loss and loss adjustment expenses only on a case basis, for identified losses, because the Company believed that losses on any given transaction were not expected. As a result of the Company's additional loss experience during 1992, it adopted a new methodology of reserving for losses and loss adjustment expenses in 1992 to accrue for both a case basis reserve and, consistent with current industry practice, a general loss reserve, which is an estimate of the potential losses in the Company's insured portfolio.

A case basis reserve for unpaid losses and loss adjustment expenses is recorded at the present value of the estimated loss when an insured risk is in default at the balance sheet date or when, in management's opinion, the likelihood of default is probable at the balance sheet date. If an issuer were unable to pay any of the remaining debt service, and related collateral proved to be of no value, the loss on the transaction would equal the present value of the payment obligations, which approximates the principal value of the insured obligation.

Reserves for losses and loss adjustment expenses are discounted at risk-free rates. The amount of discount taken was approximately $8,963,000, $13,581,000 and $1,433,000 at December 31, 1993, 1992 and 1991, respectively.

Management of the Company periodically evaluates its estimates for losses and loss adjustment expenses and establishes reserves that management believes are adequate to cover the ultimate net cost of claims; the reserves are necessarily based on estimates, and there can be no assurance that the ultimate liability will not differ from such estimates.

DEFERRED ACQUISITION COSTS

Deferred acquisition costs comprise those expenses that vary with and are primarily related to the production of business, including commissions paid on reinsurance assumed, compensation and related costs of underwriting and marketing personnel, certain rating agency fees, premium taxes and certain other underwriting expenses, reduced by ceding commission income on premiums ceded to reinsurers. Deferred acquisition costs include an allocation of a portion of U S WEST's purchase price for the Company representing the costs of acquiring the business in force at the acquisition date. Deferred acquisition costs and the cost of acquired business are amortized over the period in which the related premiums are earned. Recoverability of deferred acquisition costs is determined by considering anticipated losses and loss adjustment expenses.

FEDERAL INCOME TAXES

The provision for income taxes consists of an amount for taxes currently payable and a provision for tax consequences deferred to future periods reflected at current income tax rates.

Effective January 1, 1993, the Company adopted SFAS No. 109, "Accounting for

Income Taxes." The new standard did not materially affect the Company's financial position or results of operations as federal income taxes were previously accounted for in accordance with SFAS No. 96.

GOODWILL

At the time of the acquisition of the Parent by U S WEST in December 1989, the commercial real estate portion of the Company's business was a major factor in valuing the Company's franchise and determining the purchase price for the Parent. Since that time, weaknesses in the general commercial real estate market have caused the Company to withdraw from that market and, through December 31, 1993, incur approximately $113,000,000 of losses. These losses have had a negative impact on the Company's performance in the marketplace and have impaired the Company's franchise value. In connection with U S WEST's intention, announced in 1993 (see Note 15), to divest its ownership of the Parent, U S WEST has written off the remaining goodwill recorded in connection with its acquisition of the Parent to reflect its investment in the Parent at net realizable value. Accordingly, the Company's financial statements reflect the write-off of goodwill that had represented the excess of the purchase price paid by U S WEST over the Company's net tangible and identifiable intangible assets at the time of the acquisition by U S WEST. Goodwill was previously being amortized on a straight line basis over 25 years.

RESTATEMENT

The Company's consolidated balance sheets have been restated to adopt the provisions of Statement of Financial Accounting Standards No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts" ("SFAS No. 113"). Pursuant to SFAS No. 113, prepaid reinsurance premiums and reinsurance recoverable on unpaid losses are reflected as assets rather than netted against liabilities for unearned premiums and unpaid losses and loss adjustment expenses in the consolidated balance sheets and ceded premiums written and earned are disclosed parenthetically on the face of the consolidated statements of income. The adoption of SFAS No. 113 had no effect on the net income (loss) or shareholder's equity of the Company.

3. INVESTMENTS

Bonds at amortized cost of $41,915,000 and $36,929,000 at December 31, 1993, and 1992, respectively, were on deposit with state regulatory authorities as required by insurance regulations.

Consolidated net investment income consists of the following (in thousands):

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Long-term bonds	$ 48,620	$ 46,494	$ 42,945
Equity securities	20		
Short-term investments and cash equivalents	769	1,563	2,379
Investment expenses	(1,862)	(1,199)	(1,146)
Net investment income	$ 47,547	$ 46,858	$ 44,178

</TABLE>

The amortized cost and estimated market value of long-term bonds follows (in thousands):

<TABLE>
<CAPTION>

DECEMBER 31, 1993	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities and obligations of the U.S. government				

corporations and agencies	$ 32,881	$ 983	$ (127)	$ 33,737
Obligations of states and political subdivisions	565,626	48,646	(195)	614,077
Mortgage-backed securities	84,669	4,462	(73)	89,058
Total	$ 683,176	$ 54,091	$ (395)	$ 736,872
DECEMBER 31, 1992				
U.S. Treasury securities and obligations of the U.S. government corporations and agencies	$ 45,426	$ 762	$ (315)	$ 45,873
Obligations of states and political subdivisions	533,733	18,869	(1,160)	551,442
Corporate securities	1,993	60		2,053
Mortgage-backed securities	124,637	3,832	(1,289)	127,180
Total	$ 705,789	$ 23,523	$ (2,764)	$ 726,548

</TABLE>

Unrealized gains (losses) consist of (in thousands):

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1993	1992
<S>	<C>	<C>
Long-term bonds:		
Gains	$ 54,091	$ 23,523
Losses	(395)	(2,764)
Short-term investments	(16)	
Unrealized gains, net	$ 53,680	$ 20,759

</TABLE>

The change in net unrealized gains (losses) consists of (in thousands):

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Long-term bonds	$ 32,937	$ (3,399)	$ 22,626
Short-term investments	(16)		
Change in net unrealized gains	$ 32,921	$ (3,399)	$ 22,626

</TABLE>

The amortized cost and estimated market value of long-term bonds at December 31, 1993 and 1992, by contractual maturity, are shown below (in thousands). Actual maturities could differ from contractual maturities because borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

<TABLE>
<CAPTION>

	DECEMBER 31, 1993		DECEMBER 31, 1992	
	AMORTIZED COST	ESTIMATED MARKET VALUE	AMORTIZED COST	ESTIMATED MARKET VALUE
<S>	<C>	<C>	<C>	<C>
Due in one year or less	$ 56	$ 57	$ 3,701	$ 3,820
Due after one year through five years	39,183	40,062	34,030	34,848
Due after five years through ten years	79,890	90,388	66,667	68,490

Due after ten years	479,378	517,307	476,753	492,210
Mortgage-backed securities (stated maturities of 16 to 30 years)	84,669	89,058	124,638	127,180
Total	$ 683,176	$ 736,872	$ 705,789	$ 726,548

</TABLE>

Proceeds from sales of long-term bonds during 1993, 1992 and 1991 were $522,248,000, $510,072,000 and $453,085,000, respectively. Gross gains of $19,211,000, $29,850,000 and $10,221,000 and gross losses of $859,000, $697,000 and $1,134,000 were realized on sales in 1993, 1992 and 1991, respectively.

4. DEFERRED ACQUISITION COSTS

Acquisition costs deferred for amortization against future income and the related amortization charged to expenses are as follows (in thousands):

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Balance, beginning of period	$ 85,084	$ 77,424	$ 67,287
Costs deferred during the period:			
Ceding commission income	(18,567)	(14,527)	(16,140)
Assumed commission expense	82	154	192
Premium taxes	2,963	3,138	2,769
Compensation and other acquisition costs	28,005	33,495	36,721
Total	12,483	22,260	23,542
Costs amortized during the period	(15,575)	(14,600)	(13,405)
Balance, end of period	$ 81,992	$ 85,084	$ 77,424

</TABLE>

5. OTHER OPERATING EXPENSES

As a result of certain events which occurred in the fourth quarter of 1993, the Company recognized non-recurring charges of approximately $7,158,000. These charges are: (i) the acceleration of the amortization of deferred general liquidity facility fees of $2,105,000 and legal fees of $203,000, (ii) a $2,900,000 accrual for salary and related benefits primarily due to a profit sharing plan settlement for terminated employees in the Company's Profit Participation Plan and (iii) $1,950,000 primarily relating to the acceleration of deferred acquisition expenses (net of amortization) as a result of the non-recurring charges.

Total salary expense and related benefits included in other operating expenses were $14,953,000, $8,311,000 and $7,805,000 for the years ended December 31, 1993, 1992 and 1991, respectively.

6. STATUTORY ACCOUNTING PRACTICES

GAAP differ in certain significant respects from accounting practices prescribed or permitted by insurance regulatory authorities. The principal differences result from the following statutory accounting practices:

- Upfront premiums on municipal business are recognized as earned when related risk has expired rather than over the expected coverage period;

- Acquisition costs are charged to operations as incurred rather than as related premiums are earned;

- A contingency reserve is computed based on the following statutory requirements (rather than establishing a general loss reserve):

    a. For all policies written prior to July 1, 1989, an amount equal to

50% of cumulative earned premiums less permitted reductions, plus;

b. For all policies written on or after July 1, 1989, an amount equal to the greater of 50% of premiums written for each category of insured obligation or a designated percent of principal guaranteed for that category. These amounts are provided each quarter as either 1/60th or 1/80th of the total required for each category, less permitted reductions;

- Certain assets designated as "non-admitted assets" are charged directly to statutory surplus, but are reflected as assets under GAAP;

- Federal income taxes are only provided on taxable income for which income taxes are currently payable;

- Accruals for deferred compensation are not recognized;

- Purchase accounting adjustments are not recognized;

- Incurred losses are reduced by recoveries under the U S WEST LOC agreement (see Note 14);

- Bonds are carried at amortized cost.

A reconciliation of the Company's net income (loss) for the calendar years 1993, 1992 and 1991 and shareholder's equity at December 31, 1993, 1992 and 1991, prepared on a GAAP basis, to the amounts reported on a statutory basis, is as follows (in thousands):

<TABLE>
<CAPTION>

Net income (loss):	1993	1992	1991
<S>	<C>	<C>	<C>
GAAP BASIS	$ (124,388)	$ 44,023	$ 54,889
Premium revenue recognition	(6,229)	(4,595)	(6,526)
Losses and loss adjustment expenses incurred	83,677	14,484	
Deferred acquisition costs	3,092	(7,660)	(10,137)
Deferred income tax provision (benefit)	(28,806)	(1,676)	4,599
Amortization of bonds	69	236	275
Amortization and write-off of goodwill	81,598	3,718	3,717
Accrual of deferred compensation	2,323	590	(5,387)
Other	2,251	(1,681)	234
STATUTORY BASIS	$ 13,587	$ 47,439	$ 41,664

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31,		
SHAREHOLDER'S EQUITY:	1993	1992	1991
<S>	<C>	<C>	<C>
GAAP BASIS	$ 542,468	$ 609,629	$ 571,606
Premium revenue recognition	(24,466)	(18,237)	(13,642)
Loss and loss adjustment expense reserves	34,835	14,484	
Deferred acquisition costs	(81,992)	(85,084)	(77,424)
Contingency reserve	(97,098)	(82,563)	(62,299)
Goodwill		(81,598)	(85,316)
Unrealized gain on investments, net of tax	(34,892)		
Deferred income taxes	17,044	24,319	25,995
Accrual of deferred compensation	9,062	6,739	6,149
Other	(8,011)	(8,809)	(7,042)
STATUTORY BASIS (SURPLUS)	$ 356,950	$ 378,880	$ 358,027
SURPLUS PLUS CONTINGENCY RESERVE	$ 454,048	$ 461,443	$ 420,326

</TABLE>

7. FEDERAL INCOME TAXES

Effective with the acquisition of the Parent by U S WEST, the Company, its Subsidiaries and its Parent have elected to file a consolidated federal income tax return with U S WEST and its subsidiaries. Under a written tax sharing agreement with U S WEST, the allocation of income taxes is based upon separate return calculations which provide that benefits or liabilities created by the Company will be allocated to the Company regardless of whether the benefits are usable or additional liabilities are incurred in the U S WEST tax returns. The amount recoverable from U S West included in other assets at December 31, 1993 is $3,804,000. The amount due to U S WEST included in accrued expenses and other liabilities as December 31, 1992 is $4,449,000.

The cumulative balance sheet effects of deferred tax consequences are (in thousands):

	DECEMBER 31, 1993	DECEMBER 31, 1992
Deferred acquisition costs	$ 28,694	$ 28,925
Unearned premium adjustments	564	
Contingency reserve	3,960	3,847
Unrealized capital gains	18,788	
Other, net	1,119	729
Total deferred tax liabilities	53,125	33,501
Loss and loss adjustment expense reserves	(12,193)	(4,925)
Deferred compensation	(3,965)	(1,800)
Alternative minimum tax credit	(1,135)	(1,135)
Unearned premium adjustments		(1,322)
Total deferred tax assets	(17,293)	(9,182)
Total deferred income taxes	$ 35,832	$ 24,319

No valuation allowance was necessary at December 31, 1993 or 1992. On August 10,1993, federal legislation was enacted which increased the corporate tax rate from 34% to 35% effective January 1, 1993. The higher tax rate increased the Company's deferred tax liability by $715,000 at the date of enactment.

A reconciliation of the effective tax rate with the federal statutory rate follows:

	YEAR ENDED DECEMBER 31, 1993	1992	1991
Tax at statutory rate	35.0%	34.0%	34.0%
Tax exempt interest	6.7	(18.6)	(9.7)
Amortization and write-off of goodwill	(17.5)	2.4	1.7
Other	(0.5)		0.2
Provision for income taxes	23.7%	17.8%	26.2%

8. DIVIDENDS AND CAPITAL REQUIREMENTS

Under New York Insurance Law, the Company may pay a dividend without the prior approval of the Superintendent of the New York State Insurance Department only from earned surplus subject to the maintenance of a minimum capital requirement and the dividend, which together with all dividends declared or distributed by it during the preceding twelve months, may not exceed the lesser of 10% of its policyholders' surplus shown on its last filed statement, or adjusted net investment income, as defined, for such twelve-month period. As of December 31, 1993, the Company had $35,700,000 available for the payment of dividends under the above mentioned limitations.

In addition, the insurance departments of New York State and certain other states and the agencies which rate the bonds insured by the Company and the Subsidiaries have various requirements relating to the maintenance of certain minimum ratios of statutory capital and reserves to net insurance in force.

9. CREDIT ARRANGEMENTS AND ADDITIONAL CLAIMS-PAYING RESOURCES

The Company has a credit arrangement aggregating $325,000,000 at December 31, 1993 which is provided by commercial banks and intended for general application to transactions insured by the Company and the Subsidiaries. As of December 31, 1993, there have been no borrowings under this arrangement. In addition, there are credit arrangements assigned to specific insured transactions.

10. EMPLOYEE BENEFIT PLANS

The Company maintains both a qualified and a non-qualified non-contributory defined contribution pension plan for the benefit of all eligible employees. The Company's contributions are discretionary and, when approved, are based upon a fixed percentage of employee salaries. Pension expense, which is funded as accrued, amounted to $1,435,000, $1,486,000 and $1,194,000 for the years ended December 31, 1993, 1992 and 1991, respectively. Of these amounts, $1,214,000, $1,124,000 and $867,000 have been deferred as policy acquisition costs during the respective periods.

The Company has an employee retirement savings plan for the benefit of all eligible employees. The plan permits employees to contribute a percentage of their salaries up to limits prescribed by the Internal Revenue Service (IRS Code, Section 401(k)). The Company's contributions are discretionary, and none have been made.

During 1991, the Company established the Profit Participation Plan as a long-term incentive compensation plan for the benefit of certain of its employees. Interests in the previous incentive plan were converted into new plan interests. Under the plan, the Company is obligated to make payments to certain employees based on the degree to which the Company achieves three-year performance targets. Employees are awarded interests in the plan at the beginning of the three-year performance period, and such interests vest and are paid over the five-year period subsequent to the award. The Company accrued $5,558,000 under the plan in 1991 and $3,504,000 in 1993. Of these amounts, $4,184,000 and $0, respectively, have been deferred as policy acquisition costs. In addition, of the total amount accrued, approximately $6,500,000 relates to active employees and approximately $2,600,000 relates to terminated employees.

Prior to the closing of the Initial Public Offering (see Note 15), the Parent intends to adopt the 1993 Equity Participation Plan and a Supplemental Restricted Stock Plan.

Pursuant to the Supplemental Restricted Stock Plan, awards of outstanding units to existing employees under the Profit Participation Plan will be valued at $0.20 per dollar of award and, at the election of each outstanding employee, be exchangeable for restricted shares of common stock valued at the initial public offering price. Substantially all employees of the Company, including all senior executives, are expected by management to exchange their outstanding interests in the Profit Participation Plan for restricted shares of common stock at the public offering price under the Supplemental Restricted Stock Plan. In exchange for the accrued balance of approximately $6.4 million in such Profit Participation Plan, the Parent expects to issue 265,353 shares of restricted stock under the Supplemental Restricted Stock Plan, based upon an assumed offering price per share of $24.00.

Pursuant to the 1993 Equity Participation Plan, 1,810,780 shares of common stock (representing 7% of the outstanding shares of common stock at the closing of the Offering), subject to anti-dilutive adjustment will be reserved for awards of options and restricted shares of common stock to employees for the purpose of providing through the grant of long-term incentives, a means to attract and retain key personnel and to provide to participating officers and other key employees long-term incentives for sustained high levels of performance. The 1993 Equity Participation Plan also contains provisions which permit the Compensation Committee to pay all or a portion of an employee's bonuses in the form of shares of common stock. Up to an aggregate of 10,000,000 shares may be allocated to equity bonuses. Common stock bonus awards will be made through open-market purchases of common stock and such common stock will be credited to employees at a value equal to 85% of the average cost per share thereof.

Prior to the closing of the Initial Public Offering, the Parent expects to grant to officers and employees, in respect of future performance, non-qualified options to purchase an aggregate of 1,036,000 shares of common stock at an exercise price equal to the initial public offering price of shares of common stock in the Initial Public Offering. The foregoing options will vest, subject to continuation of employment and other terms of the option grants, at the rate of 20% per year, for five one-year periods, with the first period ending on July 1, 1994. Such options expire ten years after the effective dates of their grant.

The Company does not currently provide post-retirement benefits other than pensions to its employees, nor does it provide post-employment benefits to former employees.

11. COMMITMENTS AND CONTINGENCIES

The Company leases office space and equipment under non cancelable operating leases which expire at various dates through 2005.

Future minimum rental payments are as follows (in thousands):

YEAR ENDED DECEMBER 31,	
1994	$ 2,362
1995	2,213
1996	1,651
1997	1,907
1998	1,907
Thereafter	12,566
	$ 22,606

Rent expense for the years ended December 31, 1993, 1992 and 1991 was $3,743,000, $4,001,000 and $4,223,000, respectively (net of sublease income of $16,000, $45,000 and $6,000 for the respective periods).

During the ordinary course of business, the Company and the Subsidiaries have become parties to certain litigation. Management believes that these matters will be resolved with no material financial impact on the Company.

12. REINSURANCE

The Company reinsures portions of its risks with affiliated (see Note 14) and unaffiliated reinsurers under quota share treaties and on a facultative basis. The Company's principal ceded reinsurance program consists of three quota share treaties. One treaty covers all of the Company's approved regular lines of business, except municipal obligation insurance. Under this treaty in 1993, the Company ceded 19.9% of each covered policy, up to a maximum of $39,800,000 insured principal per policy. A second treaty covers the Company's municipal obligation insurance business. Under this treaty in 1993, the Company ceded 16% of each covered policy that is classified by the Company as providing municipal obligation insurance as defined by Article 69 of the New York Insurance Law up to a limit of $42,667,000 per single risk. At its sole option, the Company could have increased the ceding percentage to 30% up to $80,000,000 per single risk, which is defined by revenue source. Under the third treaty in 1993, the Company ceded 5% to 25% (depending on the type of obligation) of its retention (i.e., after cessions of policies under the municipal obligation insurance treaty) covering substantially all teaching hospital and higher education risks, up to limits that range from $7,500,000 to $30,000,000 per single risk. At its sole option, the Company could have increased the ceding percentage from 15% up to 30% (depending on the type of obligation) of its retention, subject to the same limits. Each of the three treaties allows the Company to withhold a ceding commission to defray its expenses. The percentage applicable in 1993 under the non-municipal treaty was decreased from the percentage in effect for 1992, which was 27.4%, and the percentage in effect in 1991, which was 31.9%. The 1993 municipal obligation treaty cession percentages decreased from the percentage in 1992 and 1991, which was 20% (which could be increased by the Company to 30%). The 1993 teaching hospital and higher education treaty cession percentages have changed from the percentages in 1992, which ranged from 10% to 25% of its retention, which percentage the Company could have increased to 15% to 30%, and have increased from the percentage in effect in 1991, which was 10% of the Company's retention after cessions under the municipal obligation treaty, which percentage the Company could have increased to 20%.

In the event (which management considers to be highly unlikely) that any or all of the reinsuring companies were unable to meet their obligations to the Company, the Company would be liable for such defaulted amounts. The Company has also assumed reinsurance of municipal obligations from unaffiliated insurers.

Amounts reinsured were as follows (in thousands):

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1993	1992	1991
<S>	<C>	<C>	<C>
Written premiums ceded	$ 62,403	$ 52,734	$ 54,817
Written premiums assumed	401	527	746
Earned premiums ceded	32,736	25,575	26,864
Earned premiums assumed	1,546	4,231	4,524
Loss and loss adjustment expense payments ceded	32,299	1,523	
Loss and loss adjustment expense payments (recoveries) assumed	3	3	(1)
Incurred loss and loss adjustment expenses ceded	18,628	12,854	2,420
Incurred loss and loss adjustment expenses assumed	47	72	223

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1993	1992
<S>	<C>	<C>
Principal outstanding ceded	$ 11,786,492	$ 8,727,482
Principal outstanding assumed	1,242,779	1,503,545
Unearned premium reserve ceded	127,849	98,225
Unearned premium reserve assumed	11,091	12,237
Loss and loss adjustment expense reserves ceded	79	13,750
Loss and loss adjustment expense reserves assumed	459	415

</TABLE>

13. OUTSTANDING EXPOSURE AND COLLATERAL

The Company's policies insure the timely payment of principal and interest on asset-backed and municipal obligations. The principal amount insured as of December 31, 1993 and 1992 (net of amounts ceded to other insurers of $6,210 and $4,781 of asset-backed and $5,576 and $3,946 of municipal, respectively) and the terms to maturity are as follows (in millions):

<TABLE>
Caption>

	DECEMBER 31, 1993		DECEMBER 31, 1992	
TERMS TO MATURITY	ASSET-BACKED	MUNICIPAL	ASSET-BACKED	MUNICIPAL
<S>	<C>	<C>	<C>	<C>
0 to 5 Years	$ 5,295	$ 1,888	$ 5,872	$ 1,186
5 to 10 Years	1,591	2,771	1,719	1,614
10 to 15 Years	892	2,176	1,629	1,321
15 to 20 Years	593	2,346	276	1,536
20 Years and Above	2,501	4,606	2,372	3,838

Total	$ 10,872	$ 13,787	$ 11,868	$ 9,495

</TABLE>

The Company limits its exposure to losses from writing financial guarantees by underwriting investment grade obligations, by diversifying its portfolio and by maintaining rigorous collateral requirements on asset-backed obligations. The principal amounts of insured obligations in the asset-backed insured portfolio, net of amounts ceded, are collateralized by the following types of collateral (in millions):

<TABLE>
<CAPTION>

TYPES OF COLLATERAL	DECEMBER 31, 1993	DECEMBER 31, 1992
Residential mortgages	$ 3,874	$ 3,765
Consumer receivables	1,443	1,015
Government securities	2,039	2,320
Pooled Corporate Obligations	1,709	1,794
Commercial Mortgage Portfolio		
Commercial real estate	195	871
Corporate secured	119	1,072
Investor-owned utility obligations	772	693
Other asset-backed obligations	721	338
Total asset-backed	$ 10,872	$ 11,868

</TABLE>

The asset-backed insured portfolio, which aggregated $17.1 billion principal before reinsurance at December 31, 1993, was collateralized by assets with an estimated fair value of $21.4 billion. At December 31, 1992, it aggregated $16.6 billion principal before reinsurance and was collateralized by assets with an estimated fair value of $21.8 billion. Such estimates of the collateral's fair value, which is reduced as exposure expires, are based upon information at the inception of the insurance policy. At December 31, 1993 and 1992, the excess of the estimated fair value of collateral over the principal insured averaged from 105% for government debt backed obligations to 169% for corporate secured obligations. Collateral for specific transactions is generally not available to pay claims related to other transactions. The amounts of losses ceded to reinsurers is determined net of collateral.

The principal amount of insured obligations in the municipal insured portfolio, net of amounts ceded, included the following types of issues (in millions):

<TABLE>
<CAPTION>

TYPES OF ISSUES	DECEMBER 31, 1993	DECEMBER 31, 1992
General obligation bonds	$ 3,487	$ 2,439
Housing revenue bonds	1,879	1,354
Municipal utility revenue bonds	1,783	1,182
Health care revenue bonds	1,399	925
Tax-supported bonds (non-general obligation)	2,919	1,744
Transportation revenue bonds	710	547
Other municipal bonds	1,610	1,304
Total Municipal Obligations	$ 13,787	$ 9,495

</TABLE>

In its asset-backed business, the Company considers geographic concentration as a factor in underwriting insurance covering securitizations of asset pools such as residential mortgages or consumer receivables. However, after the initial issuance of an insurance policy relating to such securitization, the geographic concentration of the underlying assets may not remain fixed over the life of the policy. In addition, in writing insurance for other types of asset-backed obligations, such as securities primarily backed by government or corporate debt, geographic concentration is not deemed by the Company to be significant given other more relevant measures of diversification such as issuer or industry.

The Company seeks to maintain a diversified portfolio of insured municipal obligations designed to spread its risk across a number of geographic areas. The following table sets forth by state those states in which municipalities located therein issued an aggregate of 2% or more of the Company's net par amount outstanding of insured municipal securities as of December 31, 1993:

STATE	NUMBER OF ISSUES	NET PAR AMOUNT OUTSTANDING (IN MILLIONS)	PERCENT OF TOTAL MUNICIPAL NET PAR AMOUNT OUTSTANDING
Florida	86	$ 1,607	11.6%
New York	62	1,288	9.3
California	123	1,223	8.9
New Jersey	79	1,076	7.8
Lousiana	59	791	5.7
Michigan	45	661	4.8
Pennsylvania	63	658	4.8
Massachusetts	28	630	4.6
Texas	112	563	4.1
Maine	3	368	2.7
Rhode Island	6	286	2.1
All Other States	511	4,099	29.7
Non-U.S.	14	537	3.9
Total	1,191	$ 13,787	100.0%

14. RELATED PARTY TRANSACTIONS

Allocable expenses are shared by the Company and its Parent on a basis determined principally by estimates of respective usage as stated in an expense sharing agreement. The agreement is subject to the provisions of the New York Insurance Law. Amounts included in other assets at December 31, 1993 and 1992 are $491,000 and 95,000, respectively, for unsettled expense allocations due from the Parent.

The Company ceded premiums of $14,152,000, $15,863,000 and $8,933,000 to Tokio Marine and Fire for the years ended December 31, 1993, 1992 and 1991, respectively. The amounts included in prepaid reinsurance premiums at December 31, 1993 and 1992 for reinsurance ceded to Tokio Marine and Fire were $28,864,000 and $19,732,000, respectively.

The Company ceded premiums of $28,389,000, $13,436,000 and $17,998,000 on a quota share basis to affiliates of U S WEST for the years ended December 31, 1993, 1992 and 1991, respectively. The amounts included in prepaid reinsurance premiums for reinsurance ceded to these affiliates were $50,598,000 and $33,970,000 at December 31, 1993 and 1992, respectively. Reinsurance recoverable on unpaid losses ceded to these affiliates at December 31, 1993 and 1992 were $79,000 and $7,884,000, respectively.

The Company insured debt with an outstanding par value of $76,006,000 and $114,451,000 as of December 31, 1993 and 1992, respectively, issued by a trust in which U S WEST Financial Services, Inc. (an affiliate) owns the subordinate interest. Direct premiums written related to this debt issue were $637,000, $906,000 and $1,261,000 for the years ended December 31, 1993, 1992 and 1991, respectively. The direct unearned premium reserve on this issue was $126,000 and $188,000 as of December 31, 1993 and 1992, respectively.

On November 25, 1992, U S WEST executed a $100,000,000 ten year irrevocable letter of credit (the "LOC") in favor of the Company. To the extent that losses and loss adjustment expenses incurred by the Company after December 31, 1992 exceeded by $25,000,000 in the aggregate the case basis reserves, if any, established as of December 31, 1992 for any insurance policies covered by the terms of the letter of credit, the Company could draw under the letter of credit to cover such excess losses and loss adjustment expenses.

In the second quarter of 1993, the LOC was amended to eliminate the $25,000,000 deductible and to provide for the reinstatement of the initial $38,000,000 of drawings thereunder. The LOC could be drawn upon when losses and loss adjustment expenses paid by the Company on commercial real estate transactions exceeded the case basis reserves at December 31, 1992.

In the second quarter of 1993, the Company incurred losses of approximately $63,000,000 for claims on three commercial mortgage transactions insured by the Company. In the third quarter of 1993, the Company increased its general reserve by $18,400,000 to reflect the potential for loss in the commercial mortgage portfolio and recorded a reinsurance recoverable due to the protection against loss provided by the LOC. While these losses were charged to the Company's results of operations, the Company's capital position was unaffected since such losses were covered by the LOC, drawings against which have been accounted for as a capital contribution and a non-cash financing activity, net of the related tax effect, under generally accepted accounting principles. In late June and early July 1993, the three insured commercial mortgage transactions for which case basis reserves had been established were refinanced with Company-insured obligations. In connection with such refinancings, the Company paid losses of approximately $34,800,000 and U S WEST paid losses of approximately $63,000,000 through drawings under the LOC. After giving effect to such drawings, the amount available for future drawings under the LOC was reinstated to $75,000,000. In December 1993, the Company completed the Restructuring (see Note 15) and terminated the LOC; therefore, the $18,400,000 reinsurance recoverable, recorded to offset the $18,400,000 increase in the General Reserve at such date, and the related capital contribution ($11,960,000 net of tax) were written off.

15. INITIAL PUBLIC OFFERING AND RESTRUCTURING

In the second quarter of 1993, U S WEST announced that it would be divesting its non-telecommunications businesses to redeploy capital into its telecommunications businesses. In connection therewith, the Parent has filed a registration statement with the Securities and Exchange Commission in contemplation of an Initial Public Offering (the "Offering").

In December 1993, the Parent took certain steps (the "Restructuring") to reduce its risk of loss from commercial mortgage transactions previously insured by the Company. As part of the Restructuring, in December 1993, U S WEST purchased an additional 3,000,000 shares of the Parent's common stock at $19.68 per share, the GAAP book value per share as of November 30, 1993, as adjusted for the Restructuring. Also, the Parent made a capital contribution of $59,040,000 to the Company. Pursuant to the Restructuring, (i) the Company and U S WEST terminated the LOC; (ii) the Company redeemed, for approximately $78,500,000, shares of its common stock held by the Parent; (iii) the Parent contributed the proceeds of the stock redemption to Commercial Reinsurance Company ("Commercial Re"), a newly formed reinsurance company; (iv) the Parent distributed all of the outstanding shares of Commercial Re to the existing shareholders of the Parent in proportion to their ownership interests in the Parent at the time; and (v) the Company paid approximately $103,308,000, less a ceding commission of approximately $5,370,000, as a premium to Commercial Re to assume approximately 64.4% of the Company's exposure, on a weighted average basis, on commercial mortgage transactions previously insured by the Company. In addition, the Company will cede to Commercial Re a percentage of the future installments (less ceding commission) on such deals.

In connection with the Restructuring, the Company recognized a pre-tax loss of approximately $85,409,000 (approximately $55,516,000 after taxes) due to the amount by which the reinsurance premium paid to Commercial Re exceeded the carrying amount of the related unearned premium reserve.

16. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following estimated fair values have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret the data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amount the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Long-term bonds -- The carrying amount of long-term bonds represents fair value. The fair value of long-term bonds is based upon quoted market price.

Short-term investments -- The carrying amount is fair value which approximates cost due to the short maturity of these instruments.

Cash and cash equivalents, receivable for investments sold and payable for investments purchased -- The carrying amount approximates fair value because of the short maturity of these instruments.

Unearned premiums net of prepaid reinsurance premiums -- The carrying amount of unearned premiums net of prepaid reinsurance premiums represents the Company's future premium revenue, net of reinsurance, on policies where the premium was received at the inception of the insurance contract. The fair value of unearned premiums net of prepaid reinsurance premiums is an estimate of the premiums that would be paid under a reinsurance agreement with a third party to transfer the Company's financial guarantee risk, net of that portion of the premium retained by the Company to compensate it for originating and servicing the insurance contract.

Installment premiums -- Consistent with industry practice, there is no carrying amount for installment premiums since the Company will receive premiums on an installment basis over the term of the insurance contract. Similar to unearned premiums, the fair value of installment premiums is the estimated present value of the future contractual premium revenues that would be paid under a reinsurance agreement with a third party to transfer the Company's financial guarantee risk, net of that portion of the premium retained by the Company to compensate it for originating and servicing the insurance contract.

Loss and loss adjustment expenses net of reinsurance recoverable on unpaid losses --The carrying amount and fair value is the present value of the expected cash flows for specifically identified claims and potential losses in the Company's insured portfolio.

<TABLE>
<CAPTION>

	DECEMBER 31, 1993		DECEMBER 31, 1992	
(DOLLARS IN THOUSANDS)	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
<S>	<C>	<C>	<C>	<C>
Assets:				
Long-term bonds	$ 736,872	$ 736,872	$ 705,789	$ 726,548
Short-term investments	31,720	31,720	6,799	6,799
Cash and cash equivalents	15,770	15,770	13,483	13,483
Liabilities:				
Unearned premiums, net of prepaid reinsurance premiums	200,316	157,347	198,848	151,959
Loss and loss adjustment expenses, net of reinsurance recoverable on unpaid losses	36,015	36,015	58,680	58,680
Payable for investments purchased	30,741	30,741		
Off-balance-sheet instruments:				
Installment premiums		61,947		63,783

</TABLE>

17. NON-RECURRING CHARGES

As a result of certain events which occurred in the fourth quarter of 1993, the Company recognized a non-recurring charge of approximately $9,970,000 before taxes ($6,481,000 after taxes) against 1993 fourth quarter operations. This charge primarily related to (i) a $2,812,000 write-down to net realizable value of the Company's interest, received as additional consideration in connection with an insured transaction, in the residual cash flow of the assets collateralizing the insured transaction, (ii) the acceleration of the amortization of deferred general liquidity facility fees of $2,105,000 and legal fees of $203,000, (iii) a $2,900,000 accrual for salary and related benefits primarily due to a profit sharing plan settlement for terminated employees in the Company's Profit Participation Plan and (iv) $1,950,000 primarily relating to the acceleration of deferred acquisition expenses (net of amortization) as a result of the non-recurring charges.