<PAGE> 19

<Table>
<Caption>

(DOLLARS IN MILLIONS)	THREE MONTHS ENDED JUNE 30, 2001 AS REPORTED	2000 PRO FORMA	INCREASE (DECREASE)		200 AS REPOR
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Commercial services	$ 2,898	$ 2,287	$ 611	26.7%	$ 5,6
Consumer and small business services	1,708	1,675	33	2.0	3,3
Directory services	348	331	17	5.1	6
Switched access services	268	361	(93)	(25.8)	5
Total revenues	5,222	4,654	568	12.2	10,2
Operating expenses:					
Cost of services	1,850	1,516	334	22.0	3,6
Selling, general and administrative	1,343	1,344	(1)	(0.1)	2,6
EBITDA	2,029	1,794	235	13.1	4,0
Depreciation	865	650	215	33.1	1,6
Depreciation adjustment for access lines returned to service	222	--	222	--	2
Amortization	392	317	75	23.7	7
Merger-related and other one-time charges	415	357	58	16.2	6
Total operating expenses	5,087	4,184	903	21.6	9,5
Operating income	135	470	(335)	(71.3)	7
Other expense (income)-net:					
Interest expense-net	343	244	99	40.6	6
Investment write-downs	3,108	447	2,661	595.3	3,2
Decline in market value of financial instruments	23	192	(169)	(88.0)	
Gain on sale of rural exchanges	(50)	--	(50)	--	(
Gain on sale of investments	--	(38)	38	(100.0)	
Other expense (income)-net	14	14	--	--	
Total other expense-net	3,438	859	2,579	300.2	3,9
(Loss) income before income taxes and extraordinary item	(3,303)	(389)	(2,914)	(749.1)	(3,1
Income tax provision (benefit)	3	(40)	43	(107.5)	1
Loss before extraordinary item	(3,306)	(349)	(2,957)	(847.3)	(3,2
Extraordinary item -- early retirement of debt, net of tax	--	--	--	--	(
Net loss	$(3,306)	$ (349)	$(2,957)	(847.3)%	$(3,3

</Table>

RESULTS OF OPERATIONS

Three and Six Months Ended June 30, 2001 Compared with 2000

REVENUES

Total Revenues. Total revenues for the three months and six months ended June 30, 2001 were $5.222 billion and $10.273 billion, respectively, representing increases of $568 million or 12.2% and $1.102 billion or 12.0%, respectively over the same periods in 2000. Major contributors to the growth for the three and six months ended June 30, 2001 over the three and six months ended June 30, 2000 were sales of Internet Protocol ("IP"), data and wireless products and services. As compared to 2000, IP and data services revenues increased by 41% and 42% during the three and six months ended June 30, 2001 driven largely by sales of optical capacity, private lines, digital subscriber lines ("DSL"), dedicated internet access ("DIA") and web hosting. We believe revenues from data products and services will account for an increasingly larger portion of our revenues in future periods.

Wireless products and services revenue in the three and six month periods ended June 30, 2001 grew by almost 51% and 48% respectively, over the three and six month periods ended June 30, 2000. Average revenue

per user increased to $52 from $50 in the first quarter of 2001 as we focused on high-value customers and exited the low-usage, pre-paid business.

Commercial Services Revenues. Commercial services revenues are derived from sales of IP, data, voice and wireless products and services provided to both retail and wholesale business customers. The increases over the prior periods in commercial services revenues for the three and six months ended June 30, 2001 were 26.7% and 26.6%, respectively, primarily attributable to growth in our IP and data services (DIA, virtual private network, Internet dial access, optical private lines, ATM and frame relay). During the three and six month periods ended June 30, 2001, we recognized $430 million and $857 million, respectively, in optical capacity sales under indefeasible right of use ("IRU") agreements versus $197 million and $416 million, respectively, for the comparable periods in 2000. Certain rule-making bodies, such as the Emerging Issues Task Force, are currently discussing matters which may impact the accounting for sale-type leases. We actively monitor these rule-making activities and evaluate their impact on our current accounting practices.

Consumer and Small Business Services Revenues. Consumer and small business services revenues are derived from sales of IP, data, voice and wireless products and services to the consumer and small business markets. The increases in consumer and small business services revenues for the three months and six months ended June 30, 2001 over comparable periods in 2000, were principally attributable to sales of wireless services and products and data services partially offset by a decline in out-of-region consumer long-distance. Sales of bundled packages (which include the phone line, calling features and/or wireless services) to our small business and consumer customers for these periods also contributed to the revenue growth.

Directory Services Revenues. Directory services revenues are derived primarily from selling advertising in our published directories. Directory services revenues increased 5.1% for the three months ended June 30, 2001 and 1.8% for the six months ended June 30, primarily due to a change in the mix and length of directories published and increased advertising rates as compared to the same periods in the prior year.

Switched Access Services Revenues. Switched access services revenues are derived from inter- and intrastate switched access from interexchange carriers ("IXCs"). The decreases in switched access services revenues for the three and

six months ended June 30, 2001 as compared to the same periods in 2000, were principally attributable to increased competition and federal access reform that reduced the rates we are able to collect for switched access services. We believe revenues from switched access services will continue to be negatively impacted by federal access reform.

OPERATING EXPENSES

Cost of services. Cost of services, as a percent of revenues, increased from 32.6% for the three months ended June 30, 2000 to 35.4% for the three months ended June 30, 2001. For the six months ended June 30, 2001, cost of services, as a percent of revenues, increased to 35.5% versus 32.9% for the comparable period in 2000. The increases in cost of services for the three and six months ended June 30, 2001 were primarily attributable to a shift in our product mix to higher growth services, increases in our access expenses, costs associated with the sales of data and wireless products and services, expenses associated with improving local service and costs related to the re-entry into the long-distance business in our 14-state local service area. Partially offsetting this growth were decreased costs related to a reduction in the number of employees and contractors and other savings generated through tighter cost controls and operational efficiencies. Since June 30, 2000, we have reduced our contractors by 3,300.

Selling, general and administrative. Selling, general and administrative expenses, as a percentage of revenues, decreased from 28.9% for the three months ended June 30, 2000, to 25.7% for the three months ended June 30, 2001. For the six months ended June 30, 2001, selling, general and administrative expenses, as a percentage of revenue decreased to 25.3% as compared to 28.7% for the six months ended June 30, 2000. The percentage decreases were primarily attributable to the reduction in employee headcount, lower taxes (other than income taxes) and an increase in the pension credit (net of other post-retirement benefits).

Selling, general and administrative expenses for the three months ended June 30, 2001, were relatively flat when compared to the same period of 2000. We held selling, general and administrative expenses flat primarily

due to the reduction in headcount, lower taxes (other than income taxes), a higher pension credit (net of other post-retirement benefits) and lower commissions due to changes in our commission compensation plan. Offsetting these expense savings were increases in uncollectible expenses, professional fees and occupancy costs relating to the opening of several new CyberCenters. For the six months ended June 30, 2001, selling, general and administrative expenses dropped from the same period in 2000 primarily because of the decreases in employee headcount, lower taxes (other than income taxes), higher pension credit (net of other post-retirement benefits) and lower commissions due to changes in our commission compensation plan. Since June 30, 2000, we have reduced our employee headcount by almost 9,400, a portion of which also impacts cost of services. Partially offsetting these decreases were increases in uncollectible expenses, professional fees and increases in occupancy costs relating to the opening of several new CyberCenters.

For the three months ended June 30, 2001, results include a pension credit, net of other post-retirement expenses, of $85 million ($51 million after-tax or $0.03 per diluted share) compared to $80 million ($46 million after-tax or $0.03 per pro forma diluted share) for the three months ended June 30, 2000. For the six months ended June 30, 2001, results include a pension credit, net of post-retirement expenses, of $170 million ($104 million after-tax or $0.06 per diluted share) compared to $141 million ($86 million after-tax or $0.05 per pro forma diluted share) for the same period in 2000.

Depreciation. The increases in depreciation expense for the three and six month periods ended June 30, 2001 compared to the same periods in 2000, were primarily attributable to a one-time charge for access lines returned to service and higher overall property, plant and equipment balances. We continue to invest in our network and service platforms to support re-entry into the long-distance business in our local service area, meet increased customer demand and make service improvements.

During 1999 and 2000, U S WEST committed to sell approximately 800,000 access lines to third-party telecommunications service providers, including approximately 570,000 access lines to Citizens Communications Company ("Citizens"). Because these access lines were "held for sale," we discontinued recognizing depreciation expense on these assets and recorded these assets at the lower of their cost or fair value less estimated cost to sell.

On July 20, 2001, we terminated our agreement with Citizens under which the majority of the remaining access lines were to have been sold and ceased actively marketing the remaining lines. As a result, the remaining access lines were reclassified as being "held for use" as of June 30, 2001. The access lines were measured individually at the lower of their (a) carrying value before they were classified as held for sale, adjusted for any depreciation (amortization) expense or impairment losses that would have been recognized had the assets been continuously classified as held and used, or (b) their fair value at June 30, 2001. The required adjustments to the carrying value of the individual access lines are included in income from continuing operations for the three and six months ended June 30, 2001. This resulted in a charge to depreciation of $222 million.

Goodwill and other intangible amortization. Amortization expense is directly attributable to goodwill and other intangibles recorded as a result of the Merger. The final purchase price allocation to identifiable intangible assets and goodwill was $4.1 billion and $30.8 billion, respectively. Additionally, $4.8 billion was allocated to our investment in KPNQwest, N.V. ("KPNQwest"), which created an excess carrying value of $4.2 billion that was being amortized over 10 years at June 30, 2001. The average amortization period for all identifiable intangibles, the excess basis in KPNQwest and goodwill was 25 years. Following the final allocation of our purchase price and the $3.048 billion write down of our investment in KPNQwest on June 30, 2001, amortization of intangible assets will be reduced by approximately $84 million per quarter starting July 1, 2001.

Merger-related and other one-time charges. For the three and six months ended June 30, 2001, we incurred Merger-related and other one-time charges totaling $415 million and $624 million, respectively. We consider only those costs that are incremental and directly related to the Merger to be Merger-related. For the quarter ended June 30, 2001, the Merger-related costs include $218 million of contract settlements and legal contingencies, $84 million of severance and headcount-related charges and $113 million of other Merger-related and one-time charges. For the six months ended June 30, 2001, the charge includes $274 million of contract settlements and legal contingencies, $199 million of severance and headcount-related charges and $151 million of other Merger-related and one-time charges. Other Merger-related and one-time charges include professional fees,

re-branding costs and other integration-related costs. Additionally, other Merger-related and one-time charges include asset impairment charges of $31 million and $41 million for the three and six months ended June 30, 2001, respectively.

Since the Merger, we have reduced staffing levels by approximately 12,700 employees and contractors. The severance charge for the six months ended June

30, 2001 relates to approximately 3,400 employees who were involuntarily terminated.

Other expense (income)-net. Interest expense was $343 million and $681 million for the three and six months ended June 30, 2001, respectively, compared to $244 million and $492 million for the three and six months ended June 30, 2000. The increases in interest expense were primarily attributable to increased borrowings required to fund the capital improvements to our network and the repurchase of shares from BellSouth Corporation ("BellSouth").

We follow a process of reviewing our portfolio of equity securities on a quarterly basis. We evaluate for an other than temporary decline when the carrying value of an investment exceeds its fair value. For a further discussion of the factors we use to determine the fair value of our equity investments, see Note 4 to the condensed consolidated financial statements.

For the three months ended June 30, 2001, we recorded a write-down of $3.048 billion on our investment in KPNQwest, $60 million in other unrealized investment losses and a $23 million decline in the fair value of our derivative financial instruments. The six month period ended June 30, 2001, showed the same $3.048 billion write-down on KPNQwest and $199 million in other unrealized investment losses. The $3.1 billion write-down on our investment in KPNQwest and other marketable equity securities represents a non-cash charge against earnings. At June 30, 2001, subsequent to the charge for other than temporary declines in fair value, these investments had a carrying value of $1.3 billion for KPNQwest and $15 million for our portfolio of other marketable securities.

A decline of $192 million in the fair value of our derivative financial instruments and a write-down of $447 million of our investment in Global Crossing Ltd. ("Global Crossing") was reported in the quarter ended June 30, 2000. For the six months ended June 30, 2000, we recorded a $321 million decline in the market value of our derivative financial instruments and the $447 million write-down of our Global Crossing investment. These were offset somewhat by the gains on the sales of various marketable equity securities of $38 million and $122 million for the three and six months ended June 30, 2000, respectively.

During the second quarter of 2001, we completed a sale of approximately 38,000 access lines in Utah resulting in a gain of $50 million.

Other expenses include losses from our investments accounted for under the equity method and regulatory interest expense.

Provision for income taxes. The overall effective tax rate for all periods presented were impacted by the non-deductible goodwill and KPNQwest excess basis amortization, KPNQwest investment write-down, foreign losses associated with our investment in KPNQwest and certain Merger-related costs. Adjusting for these items, the effective tax rates for the three months ended June 30, 2001 and June 30, 2000 were 46.4% and 33.8%, respectively. For the six months ended June 30, 2001 and June 30, 2000, the effective tax rates after adjustment for the items discussed above, were 37.1% and 38.5%, respectively. The changes in these adjusted effective tax rates were due to miscellaneous permanent differences and tax credits.

Extraordinary item -- early retirement of debt. During the six months ended June 30, 2001, we completed a tender offer to buy back certain outstanding debt. In the tender, we repurchased approximately $995 million in principal ($1.2 billion in face value) of outstanding debt. As a result of the repurchase, we incurred a pre-tax charge of $106 million ($65 million after tax) in premium payments.

Net loss. Net loss for the three months ended June 30, 2001 was $3.306 billion compared to a net loss of $349 million in the second quarter of 2000. Net loss increased from $166 million in the first six months of 2000 to $3.352

billion during the same period in 2001. These increases in net loss were primarily due to the write-down of our investment in KPNQwest. Other contributors to the higher loss were Merger-related costs, the one-

time depreciation charge to return access lines to service, depreciation driven by the continued investment in our network and increases in interest expense.

LIQUIDITY AND CAPITAL RESOURCES

The liquidity and capital resources analysis is based upon As Reported results. Consequently, operating, investing and financing activities for the six months ended June 30, 2001 as compared to the six months ended June 30, 2000, were impacted significantly by the Merger.

Operating Activities. Cash provided by operations increased to $2.307 billion for the six months ended June 30, 2001 from $1.799 billion for the same period in 2000. The change was primarily due to the growth in net income after adjusting for depreciation, amortization and the write-down of our KPNQwest investment.

Investing Activities. Capital expenditures were $5.559 billion for the six months ended June 30, 2001 and $2.702 billion for the six months ended June 30, 2000. Capital expenditures have been, and continue to be, focused on the modernization and expansion of our telecommunications network, expansion of our wireless, local broadband, Internet and data communications networks, construction of CyberCenters in major markets, re-entry into the long-distance business in our local service area and service improvements. Our capital expenditures through June 30, 2001 represent almost 65% of our expected capital spending for the year. The heavier capital costs in the first half of the year are primarily attributable to spending on capital associated with our re-entry into the long-distance business in our local service area and infrastructure built to meet demand. Included in our expenditures for property, plant and equipment are cash expenditures for optical capacity purchase agreements. These agreements provide us with the right, among other things, to network capacity provided by major carriers on specific routes at current market rates for periods of 20 to 25 years. Several of these carriers have also acquired optical capacity from us, principally in the United States, during the first and second quarters in separate cash transactions at fair market rates. These transactions are accounted for separately as purchases of property, plant and equipment used in our operations and as sales of inventory. Property, plant and equipment increased by approximately $200 million and $450 million due to these purchases during the three and six month periods ended June 30, 2001, respectively. Revenue recognized on these sales was $280 million and $540 million for the three and six month periods ended June 30, 2001, respectively.

In April 2001, we sold approximately 38,000 access lines resulting in a gain of $50 million and generating cash proceeds of $91 million.

Future cash needs could be impacted with the pursuit of new business opportunities, including the acceleration of the deployment of additional and/or advanced new services to customers, such as broadband data, wireless and video services. In addition, the expansion and upgrades of our network and the construction of CyberCenters could effect our future cash requirements. We expect that such cash needs, if any, will be funded through operations, the sale of assets and, when necessary, the issuance of debt.

Financing Activities. Cash provided by financing activities was $3.523 billion and $384 million for the six months ended June 30, 2001 and 2000, respectively. In 2001, we increased our commercial paper balances to finance the acquisition of telecommunications equipment for the upgrade and expansion of our network. Long-term borrowings increased during 2001 to refinance maturing

commercial paper obligations. During the six months ended June 30, 2001 we reacquired 22.22 million shares of our common stock from BellSouth for $1.0 billion.

In March 2001, we completed a cash tender offer to buy back certain outstanding debt. In the tender offer, we repurchased approximately $995 million in principal ($1.2 billion in face value) of outstanding debt. As a result of the repurchase, we incurred $106 million ($65 million after tax) in premium payments.

On May 2, 2001, our Board of Directors approved a dividend of five cents per share on our common stock which was paid to stockholders of record as of the close of business on June 1, 2001 in satisfaction of any prior statement by us in connection with or following the Merger regarding the payment or declaration of dividends. As a result, dividends of $83 million were paid on common stock for the three and six months ended June 30, 2001 compared to $542 million in the comparable 2000 periods. The decline was due to a change in the dividend policy after the Merger.

We maintain commercial paper programs to finance purchases of telecommunications equipment. As of June 30, 2001, we had a $4.0 billion syndicated credit facility to support our commercial paper programs. The syndicated credit facility matures on May 3, 2002.

Subsequent to June 30, 2001, we issued $3.75 billion in long-term borrowings. The borrowings were comprised of the following: $1.25 billion face value with a coupon rate of 5.875% and a three-year maturity, $2 billion face value with a coupon rate of 7.00% and an eight-year maturity and $500 million face value with a coupon rate of 7.625% and a twenty-year maturity. We received cash proceeds (after underwriting fees and other issuance costs) of $3.709 billion that we used to repay existing borrowings.

NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133 requires, among other things, that all derivative instruments be recognized at fair value as assets or liabilities in the consolidated balance sheets and changes in fair value generally be recognized currently in earnings unless specific hedge accounting criteria are met. The adoption of SFAS No. 133 on January 1, 2001 did not have a material impact on our consolidated financial results.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement provides accounting and reporting standards for transfers and servicing of financial assets and extinguishment of liabilities. SFAS No. 140 requires that after a transfer of financial assets, an entity continues to recognize the financial and servicing assets it controls and the liabilities it has incurred and does not recognize those financial and servicing assets when control has been surrendered and the liability has been extinguished. SFAS No. 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Adoption of SFAS No. 140 did not have a material impact on our consolidated financial results.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations." This pronouncement eliminated the use of the "pooling of interests" method of accounting for all mergers and acquisitions. As a result, all mergers and acquisitions will be accounted for using the "purchase" method of accounting.

SFAS No. 141 is effective for all mergers and acquisitions initiated after June 30, 2001. Adoption of this pronouncement has no impact on our results from operations or our financial position.

In June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." This statement addresses financial accounting and reporting for intangible assets (excluding goodwill) acquired individually or with a group of other assets at the time of their acquisition. It also addresses financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. Intangible assets (excluding goodwill) acquired outside of a business combination will be initially recorded at their fair value. If the intangible asset has a finite useful life, it will be amortized over that life. Intangible assets with an indefinite life are not amortized. Both types of intangible assets will be reviewed annually for impairment and a loss recorded when the asset's carrying value exceeds its value. Goodwill will be treated similar to an intangible asset with an indefinite life. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. We currently estimate the adoption of SFAS No. 142 will reduce our amortization expense by approximately $850-$950 million annually beginning January 1, 2002. No determination has been made at this time of the potential impairment, if any, to be recorded at the time of adoption.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement deals with the costs of closing facilities and removing assets. SFAS No. 143 requires entities to record the fair value of a legal liability for an asset retirement obligation in the period it is incurred. This cost is initially capitalized and amortized over the remaining life of the underlying asset. Once the obligation is ultimately settled, any difference between the final cost and the recorded liability is recognized as a gain or loss on disposition. SFAS No. 143 is effective for years beginning after June 15, 2002. We are currently evaluating the impact this pronouncement will have on our future consolidated financial results.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks arising from changes in interest rates. The objective of our interest rate risk management program is to manage the level and volatility of our interest expense. We may employ derivative financial instruments to manage our interest rate risk exposure. We may also employ financial derivatives to hedge foreign currency exposures associated with particular debt.

As of June 30, 2001 and December 31, 2000, approximately $4.5 billion and $2.4 billion, respectively, of floating-rate debt was exposed to changes in interest rates. This exposure is linked to commercial paper and London Interbank Offered Rates ("LIBOR") rates. A hypothetical increase of one-percentage point in commercial paper and LIBOR rates would increase annual pre-tax interest expense by $45 million. As of June 30, 2001 and December 31, 2000, we also had approximately $1.3 billion of long-term fixed rate debt obligations maturing in the following 12 months. Any new debt obtained to refinance this debt would be exposed to changes in interest rates. A hypothetical 10% change in the interest rates on this debt would not have had a material effect on our earnings.

As of June 30, 2001 and December 31, 2000, we had entered into cross-currency swaps with notional amounts of $133 million. The cross-currency swaps hedge our exposure to movements in the Swiss Franc to the U. S. dollar exchange rate. The effect of the cross-currency swap is to synthetically transform the Swiss Franc borrowings into $84 million and $93 million of U. S. dollar borrowings at June 30, 2001 and December 31, 2000, respectively. Any foreign exchange gains (losses) on the cross-currency swaps would be offset by

foreign exchange losses (gains) on the Swiss Franc debt obligations. The Swiss Franc borrowings mature in November 2001.

As of June 30, 2001 and December 31, 2000, we had entered into equity swaps with notional amounts of $259 million and $761 million relating to the sale of 8 million and 24 million shares, respectively, of Global Crossing common stock we previously owned. Of the 24 million shares subject to equity swaps, one-third matured in February 2001 and one-third matured in May 2001, leaving equity swaps on 8 million shares. In connection with the remaining equity swaps, we have equity collars on 4 million shares. The equity collars restrict the magnitude of any gains or losses generated by the equity swaps on the collared shares. A hypothetical 10% reduction in the market price of Global Crossing common shares, based upon the market price of $8.64 at June 30, 2001, would not have had a material effect on our earnings. The remaining equity swaps will mature in August 2001.

We currently hold 200 million shares of stock in KPNQwest. At June 30, 2001 and December 31, 2000, the 11% minority stake in KPNQwest was trading at $11.11 and $18.94 per share, respectively. The carrying value of our KPNQwest investment was approximately $6.67 per share at June 30, 2001. The per share value of our investment in KPNQwest may be less than the publicly traded minority stake because of the size of our holdings and the restrictions on the marketability of our shares. Given the foregoing, a hypothetical 10% decline in the public trading price of KPNQwest at June 30, 2001, could decrease our investment value by approximately $100 million.

Equity investments in other publicly traded companies consists of the following (dollars in millions):

<Table>
<Caption>

JUNE 30, 2001				DECEMBER 31, 2000			
COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE	COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$111..	$3	$(99)	$15	$90	$30	$(62)	$

</Table>

The estimated potential loss in fair value resulting from a hypothetical 10% decrease in the June 30, 2001 prices quoted by stock exchanges would decrease the fair value of our other equity investments by $2 million.

RECENT REGULATORY DEVELOPMENTS

As a general matter, we are subject to substantial regulation, including requirements and restrictions arising under the Telecommunication Act of 1996 (the "Act") and state utility laws, and the rules and policies of the

Federal Communications Commission ("FCC"), state Public Utility Commissions ("PUCs") and other governmental entities. This regulation, among other matters, currently prohibits us (with certain exceptions) from providing retail or wholesale interLATA telecommunications services within our 14-state local service area, and governs the terms and conditions under which we provide services to our customers (including competitive local exchange carriers ("CLECs") and IXCs in our local service area).

Interconnection. The FCC is continuing to interpret the obligations of

incumbent local exchange carriers ("ILECs") under the Act to interconnect their networks with, and make unbundled network elements available to, CLECs. These decisions establish our obligations in our local service area, and our rights when we compete outside of our local service area. In addition, the United States Supreme Court is now considering an appeal from a ruling of the Eighth Circuit Court of Appeals that the FCC's rules for the pricing of interconnection and unbundled network elements by ILECs unlawfully preclude ILECs from recovering their actual costs as required by the Act.

Access Pricing. The FCC has initiated a number of proceedings that directly affect the rates and charges for access services that we sold or purchased. It is expected that these proceedings and related implementation of resulting FCC decisions will continue through 2002.

On May 31, 2000, the FCC adopted the access reform and universal service plan developed by the Coalition for Affordable Local and Long-Distance Service ("CALLS"). The adoption of the CALLS proposal resolved many outstanding issues before the FCC including: the court remand of the 6.5% productivity factor; the treatment of implicit universal service support; the treatment of low-volume long-distance users; and the next scheduled price cap review. The CALLS plan has a five year life and provides for the following: elimination of the residential presubscribed interexchange carrier charge; increases in subscriber line charges; reductions in switched access usage rates; the removal of certain implicit universal service support from access charges and direct recovery from end users; and commitments from participating IXCs to pass through access charge reductions to end users. We have opted into the five-year CALLS plan.

Advanced Telecommunications Services. On two separate occasions the FCC has ruled that advanced services provided by an ILEC are covered by those provisions of the Act that govern telephone exchange and exchange access services. We have challenged this finding, contending that advanced services fit within neither category and are not properly treated as exchange services. On April 20, 2001, the Court of Appeals vacated and remanded to the FCC its classification of DS2-based advanced services.

InterLATA Long-Distance Entry. Several Regional Bell Operating Companies ("RBOCs") have filed for entry into the interLATA long-distance business. Although many of these applications have been supported by state PUCs, the FCC had rejected all applications until December 1999. As of June 30, 2001, long-distance authority has been granted in the states of New York, Kansas, Oklahoma, Texas, Massachusetts and Connecticut.

We filed applications with all of our local service area state PUCs for support of our planned applications to the FCC for authority to enter the interLATA long-distance business. Workshops and related proceedings are underway at the state level to evaluate our satisfaction of requirements under the Act that must be met in order for an RBOC to obtain long-distance authority. We have agreed to test operational support systems on a regional basis in thirteen states, and testing of those systems began in March 2001. Testing in Arizona is being conducted separately, and began in February 2001. We expect to file FCC applications for at least one state by the end of 2001 with the remaining applications to be filed with the FCC at the end of 2001 or in early 2002.

Reciprocal Compensation for Internet Service Providers ("ISPs"). On April 27, 2001, the FCC issued an Order with regard to Intercarrier Compensation for ISP bound traffic. The Order required carriers serving ISP bound traffic to reduce reciprocal compensation rates over a 36 month period beginning with an initial reduction to $0.0015 per minute of use and ending with a rate of $0.0007 per minute of use. In addition, a cap was placed on the number of minutes of use on which the terminating carrier may charge such rates. This reduction will lower costs that Qwest pays CLECs for delivering such traffic to other carriers.

CONTINGENCIES

We have certain pending regulatory actions. See Note 8 to the condensed consolidated financial statements.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In July and August 2001, three purported class action complaints were filed in the federal district court in Colorado against Qwest, its Chairman and Chief Executive Officer Joseph P. Nacchio and its Chief Financial Officer Robin R. Szeliga. On behalf of purchasers of Qwests' publicly traded stock between March 22, 2001 and July 23, 2001. The complaints allege, among other things, that Qwest, Mr. Nacchio and Ms. Szeliga made material false statements regarding the results of operations for the quarter ended March 31, 2001 in violation of sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and that, during the above period, the individual defendants sold shares of Qwest common stock. The complaints allege that Qwest's first quarter 2001 results and the statements regarding those results were false and misleading due to Qwest's alleged improper valuation of KPNQwest in violation of generally accepted accounting principles, and due to the following alleged facts which the plaintiffs' claim were undisclosed: (1) first quarter earnings were better than expected because of a change in the discount rate used to calculate Qwest's pension obligations; (2) Qwest failed to properly "write-down" the value of its holdings in KPNQwest; (3) Qwest's aggressive use of capitalization to classify interest and software development costs as assets rather than expenses increased first quarter earnings; and (4) Qwest's selling, general and administrative expenses were 22% of sales, not due to tight expense controls but to improper classification of selling, general and administrative expenses as cost of sales. The complaints seek unspecified compensatory damages and other relief. Since the filing of the complaints, there has been no discovery or other activity in these cases.

On July 23, 2001, we filed a demand for arbitration against Citizens Communications alleging that it breached Agreements for Purchase and Sale of Telephone Exchanges dated as of June 16, 1999, between Citizens Utilities Company and U S WEST Communications, Inc., with respect to the purchase and sale of exchanges in Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska and Wyoming. The demand for arbitration was filed after Citizens Communications failed to close the exchange sales in violation of the terms of the Purchase Agreements.

For a discussion of other claims and proceedings arising in the ordinary course of business, see Note 8: "Commitments and Contingencies" -- to the condensed consolidated financial statements.

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

The Company held its annual meeting of stockholders (the "Annual Meeting") on May 2, 2001. There were 1,649,490,762 shares of Common Stock of the Company that could be voted at the meeting, and 87.0%, or 1,435,857,927 shares, of Common Stock were represented at the meeting, in person or by proxy, which constituted a quorum. At the meeting, the following items and their results were submitted to a vote of the Stockholders of the Company:

(1) Election of five Class I Directors who were nominated to serve on the Board of Directors for a term of three years expiring at our Annual Meeting in the year 2004 and until the director's successor has been duly elected and qualified, or until the earlier of the director's death, resignation or retirement. The votes cast were as follows:

<Table>

<Caption>

	VOTES FOR	VOTES W
<S>	<C>	<C>
Thomas J. Donohue	1,398,460,031	37,39
Jordan L. Haines	1,398,329,099	37,52
Peter S. Hellman	1,399,795,279	36,06
Vinod Khosla	1,398,714,117	37,14
Marilyn Carlson Nelson	1,398,618,162	37,23

</Table>

(2) Ratification of the amendment to our Employee Stock Purchase Plan to increase the number of shares authorized under the Employee Stock Purchase Plan from 1,520,000 to 7 million. The votes cast were as follows:

<Table>
<Caption>

VOTES FOR	VOTES AGAINST	VOTES ABSTAINED	BROKER NON
<S>	<C>	<C>	<C>
1,381,694,706	42,268,665	11,894,556	0

</Table>

(3) Shareowner proposal requesting that we seek advance shareowner approval of future severance arrangements with our executive officers that provide for more generous pay-outs than to our other managers. The votes cast on this shareowner proposal were as follows:

<Table>
<Caption>

VOTES FOR	VOTES AGAINST	VOTES ABSTAINED	BROKER NON VOTES
<S>	<C>	<C>	<C>
317,213,772	898,620,121	16,840,555	203,183,479

</Table>

(4) Shareowner proposal requesting that we disregard the effects of accounting rule income, particularly pension credits, when determining performance-based compensation for our executive officers. The votes cast on this shareowner proposal were as follows:

<Table>
<Caption>

VOTES FOR	VOTES AGAINST	VOTES ABSTAINED	BROKER NON VOTES
<S>	<C>	<C>	<C>
185,921,085	1,024,370,769	22,382,594	203,183,479

</Table>

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits filed for Qwest through the filing of this Form 10-Q.

<Table>
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EXHIBIT

NUMBER	DESCRIPTION
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(2.1)	-- Separation Agreement, dated June 5,1998, between U S WEST, Inc. (renamed "MediaOne Group, Inc.") ("MediaOne Group") and USW-C, Inc (renamed U S WEST, Inc.) ("U S WEST"), (incorporated by reference to U S WEST's Curren Report on Form 8-K/A dated June 26, 1998, File No. 1-14087).
(2.2)	-- Amendment to the Separation Agreement between MediaOne Group and U S WEST dated June 12, 1998 (incorporated by reference to U S WEST's Annual Report on Form 10-K/A fc the year ended December 31, 1998, File No. 1-14087).
(3.1)	-- Amended and Restated Certificate of Incorporation of Qwest (incorporated by reference to Qwest's Registratic Statement on Form S-4/A, File No. 333-81149, filed September 17, 1999).
(3.2)	-- Amended and Restated Bylaws of Qwest.
(4.1)***	-- Indenture, dated as of October 15, 1997, with Bankers Trust Company (including form of Qwest's 9.47% Senior Discount Notes due 2007 and 9.47% Series B Senior Discount Notes due 2007 as an exhibit thereto).
(4.2)****	-- Indenture dated, as of August 28, 1997, with Bankers Trust Company (including form of Qwest's 10 7/8% Series Senior Discount Notes due 2007 as an exhibit thereto).
(4.3)****	-- Indenture dated as of January 29, 1998 with Bankers Tru Company (including form of Qwest's 8.29% Senior Discoun Notes due 2008 and 8.29% Series B Senior Discount Notes due 2008 as an exhibit thereto).
(4.4)	-- Indenture, dated as of November 4, 1998, with Bankers Trust Company (including form of Qwest's 7.50% Senior Discount Notes due 2008 and 7.50% Series B Senior Discount Notes due 2008 as an exhibit thereto) (incorporated by reference to Qwest's Registration Statement on Form S-4 , File No. 333-71603, filed February 2, 1999).
(4.5)	-- Indenture, dated as of November 27, 1998, with Bankers Trust Company (including form of Qwest's 7.25% Senior Discount Notes due 2008 and 7.25% Series B Senior Discount Notes due 2008 as an exhibit thereto) (incorporated by reference to Qwest's Registration Statement on Form S-4, File No. 333-71603, filed Februa 2, 1999).
(4.6)	-- Registration Agreement, dated November 27, 1998, with Salomon Brothers Inc. relating to Qwest's 7.25% Senior Discount Notes due 2008 (incorporated by reference to Qwest's Registration Statement on Form S-4, File No. 333-71603, filed February 2, 1999).
(4.7)	-- Indenture, dated as of June 23, 1997, between LCI International, Inc. and First Trust National Associatic as trustee, providing for the issuance of Senior Debt Securities, including Resolutions of the Pricing Committee of the Board of Directors establishing the terms of the 7.25% Senior Notes due June 15, 2007 (incorporated by reference to Exhibit 4(c) in LCI's Current Report on Form 8-K, dated June 23, 1997).
(4.8)	-- Registration Rights Agreement, dated August 20, 1999, between U S WEST Capital Funding, Inc., U S WEST, Inc., J.P. Morgan Securities, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (incorporated by reference U S WEST's Form S-4 Registration Statement, File No. 333-92523, filed December 10, 1999).
(4.9)	-- Indenture, dated as of June 29, 1998, by and among U S

WEST Capital Funding, Inc., U S WEST, Inc., and The Fir National Bank of Chicago (now known as Bank One Trust Company, National Association), as Trustee (incorporate by reference to U S WEST's Current Report on Form 8-K, dated November 18, 1998, File No. 1-14087).

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(4.10)	-- First Supplemental Indenture, dated as of June 30, 200C by and among U S WEST Capital Funding, Inc., U S WEST, Inc., Qwest Communications International Inc., and Bank One Trust Company, as Trustee (incorporated by referenc to Qwest's quarterly report on Form 10-Q for the quarte ended June 30, 2000).
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(10.2)	-- Equity Incentive Plan, as amended (incorporated by reference from Exhibit A to Qwest's definitive proxy statement on Schedule 14A, filed March 17, 2000).*
(10.3)	-- Qwest Communications International Inc. Employee Stock Purchase Plan. (incorporated by reference to Qwest's 2C Proxy Statement for the Annual Meeting of Stockholders)
(10.4)	-- Qwest Communications International Inc. Deferred Compensation Plan (incorporated by reference to Qwest's Annual Report on Form 10-K for the year ended December 31, 1998).*
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(10.14)****	-- Employment Agreement dated October 8, 1997 with Lewis C Wilks.*
(10.15)**#	-- IRU Agreement dated as of October 18, 1996 with Frontie Communications International Inc.
(10.16)**#	-- IRU Agreement dated as of February 26, 1996 with WorldC Network Services, Inc.

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(10.20)	-- Registration Rights Agreement, dated as of April 18, 1999, with Anschutz Company and Anschutz Family Investment Company LLC (incorporated by reference to Qwest's Current Report on Form 8-K/A, filed April 28, 1999).
(10.21)	-- Common Stock Purchase Agreement, dated as of April 19, 1999, with BellSouth Enterprises, Inc. (incorporated by reference to Qwest's Current Report on Form 8-K/A, file April 28, 1999).
(10.22)	-- Registration Rights Agreement, dated as of April 19, 1999, with BellSouth Enterprises, Inc. (incorporated by reference to Qwest's Current Report on Form 8-K/A, file April 28, 1999).
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(10.25)	-- Unit Purchase Agreement, dated June 21, 2000, by and among U.S. Telesource, Inc. and Anschutz Digital Media, Inc. (incorporated by reference to Qwest's quarterly report on form 10-Q for the quarter ended June 30, 200C
(10.26)	-- Second Amended and Restated Operating Agreement of Slingshot Networks, LLC entered into as of June 21, 20C between Anschutz Digital Media, Inc. and U.S. Telesourc Inc. (incorporated by reference to Qwest's quarterly report on Form 10-Q for the quarter ended June 30, 200C
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(10.28)	-- Tax Sharing Agreement between MediaOne Group and U S WEST, dated June 5, 1998 (incorporated by reference to S WEST's Current Report on Form 8-K/A, dated June 26, 1998, File No. 1-14087).
(10.29)	-- 360-Day $4.0 billion Credit Agreement, dated as of May 2000, among U S WEST, Inc., U S WEST Capital Funding, Inc., U S WEST Communications, Inc., the banks listed therein, and Morgan Guaranty Trust Company of New York, as administrative agent (incorporated by reference to U WEST's quarterly report on Form 10-Q for the quarter ended March 31, 2000).
(10.30)	-- Purchase Agreement, dated July 3, 2000, among Qwest Capital Funding, Inc., Qwest Communications Internation Inc. and Salomon Smith Barney Inc. (incorporated by reference to Qwest's quarterly report on Form 10-Q for the quarter ended June 30, 2000).
(10.31)	-- Purchase Agreement, dated August 16, 2000, among Qwest Capital Funding, Inc., Qwest Communications Internation Inc., Salomon Smith Barney Inc. and Lehman Brothers Inc as Representatives of the several initial purchasers listed therein (incorporated by reference to Qwest's quarterly report on Form 10-Q for the quarter ended September 30, 2000).

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EXHIBIT NUMBER	DESCRIPTION
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(10.32)	-- Registration Rights Agreement, dated August 16, 2000, among Qwest Capital Funding, Inc., Qwest Communications International Inc., Salomon Smith Barney Inc. and Lehma Brothers Inc. as Representatives of the several initial purchasers listed therein (incorporated by reference tc Qwest's quarterly report on Form 10-Q for the quarter ended September 30, 2000).
(10.33)	-- Purchase Agreement, dated February 7, 2001, among Qwest Capital Funding, Inc., Qwest Communications Internation Inc., Banc of America Securities LLC and Chase Securiti Inc. as Representatives of the several initial purchase listed therein (incorporated by reference to Qwest's Annual Report on Form 10-K for the year ended December 31, 2000).
(10.34)	-- Registration Rights Agreement, dated February 14, 2001, among Qwest Capital Funding, Inc., Qwest Communications International Inc., Banc of America Securities LLC and Chase Securities Inc. as Representatives of the several initial purchasers listed therein (incorporated by reference to Qwest's Annual Report on Form 10-K for the year ended December 31, 2000).
(10.35)	-- Form of Agreement for Purchase and Sale of Telephone Exchanges, dated as of June 16, 1999, between Citizens Utilities Company and U S WEST Communications, Inc. (incorporated by reference to U S WEST's Current Report on Form 8-K, dated June 17, 1999, File No. 1-14087).
(10.36)	-- Qwest Communications International Inc., Deferred Compensation Plan for Nonemployee Directors, effective of July 1, 2000 (incorporated by reference to Qwest's

		Annual Report on Form 10-K for the year ended December 31, 2000).*
(10.37)	--	Amended and Restated Qwest Digital Media, LLC Growth Share Plan (as of June 1, 2000) (incorporated by reference to Qwest's Annual Report on Form 10-K for the year ended December 31, 2000).*
(10.38)	--	364-Day $4.0 billion Credit Agreement, dated as of May 2001, among Qwest Capital Funding, Inc., Qwest Corporation, Qwest Communications International Inc., t banks listed therein and Bank of America, N.A., as administrative agent (incorporated by reference to Qwest's quarterly report on Form 10-Q for the quarter ended March 31, 2001).
10.39	--	Purchase Agreement, dated July 25, 2001, among Qwest Capital Funding, Inc., Qwest Communications Internation Inc., Lehman Brothers Inc. and MERRILL LYNCH & CO., INC as Representatives of the several initial purchasers listed therein.
10.40	--	Registration Rights Agreement, dated July 30, 2001, amc Qwest Capital Funding, Inc., Qwest Communications International Inc., Lehman Brothers Inc. and MERRILL LYNCH & CO., INC. as Representatives of the several initial purchasers listed therein.
(99.1)	--	Annual Report on Form 11-K for the U S WEST Savings Plan/ESOP for the year ended December 31, 1999 (incorporated by reference to U S WEST's Annual Report Form 10-K, File No. 1-14087, Paper Copy (P)).
(99.2)	--	Annual Report on Form 11-K for the Qwest Communications International Inc. 401K Plan for the year ended Decembe 31, 2000 (incorporated by reference to Qwest's Annual Report on Form 10-K, File No. 000-22609).
(99.3)	--	Annual Report on Form 11-K for the U S WEST Savings Plan/ESOP for the year ended December 31, 2000 (incorporated by reference to Qwest Communications International Inc.'s Annual Report on Form 10-K, File N 000-22609, Paper Copy (P)).

</Table>

( ) Previously filed.

• Executive Compensation Plans and Arrangements.

** Incorporated by reference in Form S-1 as declared effective on June 23, 1997 (File No. 333-25391).

*** Incorporated by reference to exhibit 4.1 in Form S-4 as declared effective on January 5, 1998 (File No. 333-42847).

**** Incorporated by reference in Qwest's Form 10-K for the year ended December 31, 1997.

Portions have been omitted pursuant to a request for confidential treatment.

(b) Reports on Form 8-K:

(i) On April 5, 2001, Qwest filed a report on Form 8-K regarding its intention not to acquire Winstar Communications, Inc.

(ii) On April 25, 2001, Qwest filed a report on Form 8-K regarding its 2001 first quarter results of operations.

(iii) On April 27, 2001, Qwest filed a report on Form 8-K regarding its strategic alliance with Microsoft Corporation.

(iv) On May 17, 2001, Qwest filed a report on Form 8-K regarding its chief executive officer's structured daily stock sales program.

(v) On June 5, 2001, Qwest filed a report on Form 8-K regarding a speech by its chief executive officer.

(vi) On June 8, 2001, Qwest filed a report on Form 8-K regarding the filing of Form 144 by its chief executive officer for the sale of stock.

(vii) On June 20, 2001, Qwest filed a report on Form 8-K regarding its analysts conference.

(viii) On June 21, 2001, Qwest filed a report on Form 8-K regarding its response to a Morgan Stanley equity research report.

SIGNATURE

Pursuant to the requirements 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.

QWEST COMMUNICATIONS INTERNATIONAL INC.

By: /s/ ROBIN R. SZELIGA

Robin R. Szeliga
Executive Vice President -- Finance
and
Chief Financial Officer

August 14, 2001

EXHIBIT INDEX

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EXHIBIT NUMBER	DESCRIPTION
<C>	<S>
(10.32)	-- Registration Rights Agreement, dated August 16, 2000, among Qwest Capital Funding, Inc., Qwest Communications International Inc., Salomon Smith Barney Inc. and Lehma Brothers Inc. as Representatives of the several initial purchasers listed therein (incorporated by reference tc Qwest's quarterly report on Form 10-Q for the quarter ended September 30, 2000).
(10.33)	-- Purchase Agreement, dated February 7, 2001, among Qwest Capital Funding, Inc., Qwest Communications Internation Inc., Banc of America Securities LLC and Chase Securiti Inc. as Representatives of the several initial purchase listed therein (incorporated by reference to Qwest's Annual Report on Form 10-K for the year ended December 31, 2000).
(10.34)	-- Registration Rights Agreement, dated February 14, 2001, among Qwest Capital Funding, Inc., Qwest Communications International Inc., Banc of America Securities LLC and Chase Securities Inc. as Representatives of the several initial purchasers listed therein (incorporated by reference to Qwest's Annual Report on Form 10-K for the year ended December 31, 2000).
(10.35)	-- Form of Agreement for Purchase and Sale of Telephone Exchanges, dated as of June 16, 1999, between Citizens Utilities Company and U S WEST Communications, Inc. (incorporated by reference to U S WEST's Current Report on Form 8-K, dated June 17, 1999, File No. 1-14087).
(10.36)	-- Qwest Communications International Inc., Deferred Compensation Plan for Nonemployee Directors, effective of July 1, 2000 (incorporated by reference to Qwest's Annual Report on Form 10-K for the year ended December 31, 2000).*
(10.37)	-- Amended and Restated Qwest Digital Media, LLC Growth Share Plan (as of June 1, 2000) (incorporated by reference to Qwest's Annual Report on Form 10-K for the year ended December 31, 2000).*
(10.38)	-- 364-Day $4.0 billion Credit Agreement, dated as of May 2001, among Qwest Capital Funding, Inc., Qwest Corporation, Qwest Communications International Inc., t banks listed therein and Bank of America, N.A., as administrative agent (incorporated by reference to Qwest's quarterly report on Form 10-Q for the quarter ended March 31, 2001).
10.39	-- Purchase Agreement, dated July 25, 2001, among Qwest Capital Funding, Inc., Qwest Communications Internation Inc., Lehman Brothers Inc. and MERRILL LYNCH & CO., INC as Representatives of the several initial purchasers listed therein.
10.40	-- Registration Rights Agreement, dated July 30, 2001, amc

		Qwest Capital Funding, Inc., Qwest Communications International Inc., Lehman Brothers Inc. and MERRILL LYNCH & CO., INC. as Representatives of the several initial purchasers listed therein.
(99.1)	--	Annual Report on Form 11-K for the U S WEST Savings Plan/ESOP for the year ended December 31, 1999 (incorporated by reference to U S WEST's Annual Report Form 10-K, File No. 1-14087, Paper Copy (P)).
(99.2)	--	Annual Report on Form 11-K for the Qwest Communications International Inc. 401K Plan for the year ended Decembe 31, 2000 (incorporated by reference to Qwest's Annual Report on Form 10-K, File No. 000-22609).
(99.3)	--	Annual Report on Form 11-K for the U S WEST Savings Plan/ESOP for the year ended December 31, 2000 (incorporated by reference to Qwest Communications International Inc.'s Annual Report on Form 10-K, File N 000-22609, Paper Copy (P)).

</Table>

( ) Previously filed.

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* Executive Compensation Plans and Arrangements.

** Incorporated by reference in Form S-1 as declared effective on June 23, 1997 (File No. 333-25391).

*** Incorporated by reference to exhibit 4.1 in Form S-4 as declared effective on January 5, 1998 (File No. 333-42847).

**** Incorporated by reference in Qwest's Form 10-K for the year ended December 31, 1997.

Portions have been omitted pursuant to a request for confidential treatment.

</TEXT>
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