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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the fiscal year ended December 31, 2002

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from _____ to _____

Commission File No. 001-03040

QWEST CORPORATION

(Exact name of registrant as specified in its charter)

Colorado
(State or other jurisdiction
of incorporation or organization)

84-0273800
(I.R.S. Employer Identification No.)

1801 California Street, Denver, Colorado 80202
Telephone Number (303) 992-1400

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

| Title of Each Class | Name of Each Exchange on Which Registered |
|-----------------------|---|
| 5.625% Notes Due 2008 | New York Stock Exchange |

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

THE REGISTRANT, A WHOLLY OWNED SUBSIDIARY OF QWEST COMMUNICATIONS INTERNATIONAL INC., MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS I(1) (a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTIONS I(2).

On December 31, 2003, one share of Qwest Corporation common stock was outstanding. None of Qwest Corporation's common stock is held by non-affiliates.

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 No

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 .

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act). Yes No .

DOCUMENTS INCORPORATED BY REFERENCE: NONE

Data and Internet services. Data and Internet services revenue includes revenues from data services (such as traditional private lines, wholesale private lines, ISDN, frame relay, ATM and related CPE) and Internet services (such as DSL, Internet dial access, professional services and related CPE).

Wireless services. Our wireless services are provided through our wholly owned subsidiary, Qwest Wireless, which holds 10 MHz licenses to provide PCS in select markets in our local service area. We offer wireless services to residential and business customers, providing them the ability to use the same telephone number for their wireless phone as for their home or business phone. In August 2003, we entered into a services agreement with a subsidiary of Sprint, that allows us to resell Sprint wireless services, including access to Sprint's nationwide PCS wireless network, to consumer and business customers, primarily within our local service area. We plan to begin offering these Sprint services under our brand name in early 2004. Our wireless customers who are currently being serviced through our proprietary wireless network will be transitioned onto Sprint's network.

We intend to transfer ownership of Qwest Wireless to an affiliate in the near future. After this transfer, we will no longer have significant wireless operations. This transfer will take place as soon as we have received all necessary regulatory approvals, perhaps as early as the first quarter of 2004.

Other services. Other services revenue is predominately derived from subleases related to our unused real estate assets, such as space in our office buildings, warehouses and other properties.

Affiliate services. Affiliate revenue is derived from telecommunications services provided to our affiliated entities. We generally provide the same products and services to our affiliated entities as we do in the marketplace. These services include both retail and wholesale products and services.

Business Trends

Our results continue to be impacted by a number of factors influencing the telecommunications industry and our local service area. First, the weak economy in our local service area has continued to impact demand from both our consumer and business customers. The impacts include reduced demand for services resulting in loss of access lines, renegotiated commitments and loss of customers. We believe demand will continue to be affected because the economy's recovery in our local service area is expected to lag the national recovery. Second, technology substitution and competition are expected to lead to continued access line loss. We expect industry-wide competitive factors to continue to impact our results and we have developed new strategies for offering complementary services such as satellite television and wireless. Third, our results continue to be impacted by regulatory responses to the competitive landscape for our local services.

Revenue

In general, we expect to see a continued decrease in voice-related revenue as a result of a decrease in access lines and wireless subscribers. Access lines are expected to continue decreasing primarily because of technology substitution, including wireless and cable substitution for wireline telephony, and cable modem substitution for dial-up Internet access lines. In addition, our competitors have accelerated their use of UNE-P to deliver voice services. Although the use of UNE-P did not have a material impact on our operations in 2002, we believe the offering of UNE-P services will cause downward pressure on our revenue and result in incremental retail access line losses.

We have also begun to experience and expect increased competitive pressure from telecommunications providers either emerging from bankruptcy protection or reorganizing their capital

structure to more effectively compete against us. As a result of these increased competitive pressures, we have been and may continue to be forced to respond with less profitable product offerings and pricing plans that allow us to retain and attract customers. These pressures could adversely affect our operating results and financial performance.

Starting in 2004, wireless offerings will be expanded through a new arrangement with Sprint. This arrangement will enable utilization of Sprint's nationwide digital wireless network to offer customers new voice and data capabilities.

We expect to see the pace of growth in affiliate revenue to accelerate. We continued to transition telecommunications traffic previously carried by third parties. In addition, our affiliates have expanded their data communications needs. During 2004, we expect affiliate revenue to rise due to an increase in access fees charged to our affiliates selling interexchange services in our region.

Expenses

Our expenses continue to be impacted by shifting demand due to increased competition and the expansion of our product offerings. Expenses associated with our new product offerings tend to be more variable in nature. While existing products tend to rely upon our embedded cost structure, the mix of products we expect to sell and regulatory and market pricing stresses may pressure operating margins.

We expect the pace of affiliate cost increases to slow and potentially stabilize as a result of the completion in 2003 of the bulk of functional consolidation and employee transfers.

Employee costs savings due to restructuring and merger related synergies resulted from the cumulative reduction of employees from 2000 to 2002. However, these reductions coupled with lower network costs were partially offset by increases in affiliate costs, bad debt, pension and retiree costs, and property and other taxes.

Presentation

The results for 2001 and 2000 presented below are "As Restated." Please refer to Note 3—Restatement of Results to our consolidated financial statements in Item 8 of this report. The analysis is organized in a way that provides the information required, while highlighting the information that we believe will be instructive for understanding the relevant trends going forward. In addition to the discussion of the historical information that reviews the current reporting presentation of our consolidated financial statements, an overview of the operational results is provided below. Unless otherwise indicated, all information is presented in accordance with GAAP.

Our operations are integrated into and are part of the segments of the QCII consolidated group. The chief operating decision maker, or CODM, for QCII makes resource allocation decisions and assessments of financial performance for the consolidated group based on wireline, wireless and other segmentation. For more information about QCII's reporting segments, see QCII's 2002 Form 10-K. Our business contributes to the segments reported by QCII, but the QCII CODM reviews our financial information only in connection with this filing. Consequently, we do not provide discrete financial information for Qwest Corporation to a CODM on a regular basis. See further discussion in Note 15—Contributions to QCII Segments to our consolidated financial statements in Item 8 of this report.

Voice Services 2002 vs. 2001

The voice services decrease in 2002 was the result of access line losses, intense competition for products and services, and a reduction in wholesale switched access revenue, each of which is discussed further below.

We experienced a decline in local voice services revenue of \$280 million in 2002 associated with the loss of approximately 781,000 access lines and related services. The access line loss was driven by a soft economy in our local service area, technology substitution to wireless and broadband services and other competition. We are experiencing competition from both facility-based and non facility-based providers such as cable companies providing telephony services, CLECs and other telecommunications providers reselling our services. Additionally, there is another component of the decline of voice service revenue of \$110 million in 2002 that reflects declines in demand for services such as collocation, public telephone services and directory assistance. The declines were primarily driven by the soft telecommunications market, telecommunications company bankruptcies, wireless substitution of public telephones and deteriorating economic conditions.

Intense competition throughout the last half of 2001 and during 2002, caused IntraLATA long-distance voice revenues to decline by \$98 million in 2002.

We also experienced a revenue decline of \$207 million in switched access revenue in 2002. The switched access revenue declines were primarily due to pricing and volume declines. Pricing declines occurred due to state regulatory actions and the CALLS order. The CALLS order capped prices for certain services, which resulted in a price decline for switched access services. Volumes also fell due to general declines in demand for long-distance usage and competitive losses.

Voice Services 2001 vs. 2000

The decrease in 2001 voice services revenue of \$133 million included declines in switched access revenue, business customer price reductions, and access line losses in 2001. Total access lines declined by 304,000. The switched access revenue declines were primarily due to the same competitive and industry effects described for 2002 above. During 2001 and 2000, we reduced our rates to business customers to remain competitive in the marketplace for advanced voice services. In addition, business customers converted their single access lines to a fewer number of high-speed, high-capacity access lines allowing for the transport of multiple simultaneous telephone calls and transmission of data at higher rates of speed. This conversion effectively resulted in the rate reduction and contributed to access line loss.

Data and Internet Services

Data and Internet services revenues remained relatively flat in 2002 and increased \$280 million, or 15%, in 2001.

Data and Internet Services 2002 vs. 2001

In 2002, data and Internet services revenue increases of \$21 million were derived primarily from DSL and other Internet services that were partially offset by declines in data services such as wholesale private line and ISDN.

Data and Internet Services 2001 vs. 2000

In 2001, data and Internet services revenue increases of \$280 million were derived primarily from business and wholesale private line services, ISDN and frame relay sales. This reflected expanding customer telecommunications needs during 2000 and early 2001. DSL revenues also increased in 2001 as a result of subscriber growth.