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Qwest Communications International Inc. Assigned New Ratings; Outlook Is Developing  
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NEW YORK (Standard & Poor's) Dec. 26, 2002--Standard & Poor's Ratings Services said today that it reassigned its 'B-' corporate credit rating to diversified telecommunications carrier Qwest Communications International Inc. (Qwest).

Standard & Poor's also assigned a 'CCC+' rating to three senior subordinated secured notes, representing \$3.3 billion in total debt issued under a 144A offer by Qwest Services Corp. in connection with its debt exchange offer concluded with Qwest Capital Funding Inc. debt holders. These notes are guaranteed by Qwest and Qwest Capital Funding Inc. and have a junior lien on the \$2 billion bank loan collateral pool. The collateral for the \$2 billion bank loan includes a first lien on the stock of the local telephone operating company Qwest Corp. and a second lien on the stock and certain assets of the Qwest directories business.

Qwest and Qwest Services Corp. have agreed to enter into a registration rights agreement pursuant to which they will agree to file an exchange offer registration statement and, under some circumstances, a shelf registration statement, with the SEC with respect to the new notes. However, Qwest's ability to register these notes is hampered by the current SEC investigation, which is likely to preclude any registration from becoming effective at this time.

Furthermore, Standard & Poor's assigned a 'CCC+' rating to the untendered senior unsecured debt remaining at Qwest Capital Funding Inc., which represents about \$7.7 billion of debt.

The outlook is developing.

"The 'B-' corporate credit rating is the same as prior to the debt exchange offer. As a result of the exchange, the company's consolidated debt has been reduced by a relatively modest \$1.9 billion, versus the company's total pre-exchange debt balances of about \$24.5 billion," said Standard & Poor's credit analyst Catherine Cosentino. "Moreover, the 'B-' rating reflects the high degree of risk that continues to surround Qwest due to the ongoing Department of Justice criminal and SEC investigations, as well as the existence of various shareholder lawsuits."

Standard & Poor's also said that near-term liquidity still remains a source of concern, particularly if closing of the \$4.3 billion second phase of the company's directories sale is delayed beyond 2003. Even with the debt exchange, which resulted in a reduction of about \$287 million in maturities in 2004, Qwest has consolidated maturities from 2003 through 2005 of about \$6.7 billion, of which about \$4.5 billion is due through 2004.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at [www.ratingsdirect.com](http://www.ratingsdirect.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com); under Fixed Income in the left navigation bar, select Credit Ratings Actions.