



1997 Annual Report



Positioned for Success

A Snapshot of Ameren Corporation — Your New Company

With \$9 billion in assets, Ameren ranks among the top 25 investor-owned utilities in the United States. Ameren operating companies' overall electric rates are 14% below the national average for investor-owned utilities, with its residential rates falling 17% below that average, its commercial rates 21% and its industrial rates 9% below that average.

Residential customers account for 35% of Ameren's electric revenues; industrial customers, 16%; commercial customers, 30%; interchange customers, 7%; EEI customers, 7%; and wholesale and other customers, 5% of the total. AmerenUE serves 1.1 million electric customers in 66 Missouri and four Illinois counties and provides natural gas to 124,000 customers in 90 Missouri and three Illinois communities. AmerenCIPS provides electricity to 323,000 customers in 557 Illinois communities and natural gas to 170,000 customers in 267 communities — representing about 7% of the state's population and 35% of its surface area.

With 44,500 square miles of service territory in Missouri and Illinois, the corporation's operating companies support 7,308 miles of natural gas mains and 42,204 pole miles of overhead transmission and distribution lines. The corporation's operating companies are directly connected to 28 other electric utility systems.

Ameren has a 60% interest in Electric Energy, Inc. (EEI). EEI owns and operates an electric generating and transmission facility in Illinois that supplies electric power to a uranium enrichment plant located in Paducah, Kentucky.

AmerenUE Power Plants

(all in Missouri, except for the Venice and Keokuk Plants)

Labadie Plant, Franklin County
2,300 megawatts

Meramec Plant, St. Louis County
877 megawatts

Rush Island Plant, Jefferson County
1,158 megawatts

Sioux Plant, St. Charles County
952 megawatts

Venice Plant, Venice, IL
429 megawatts

Keokuk Plant, Keokuk, IA
125 megawatts

Osage Plant, Miller County
212 megawatts

Taum Sauk Plant, Reynolds County
350 megawatts

Callaway Nuclear Plant, Callaway County
1,137 megawatts

AmerenCIPS Power Plants

(all in Illinois)

Newton Plant, Jasper County
1,110 megawatts

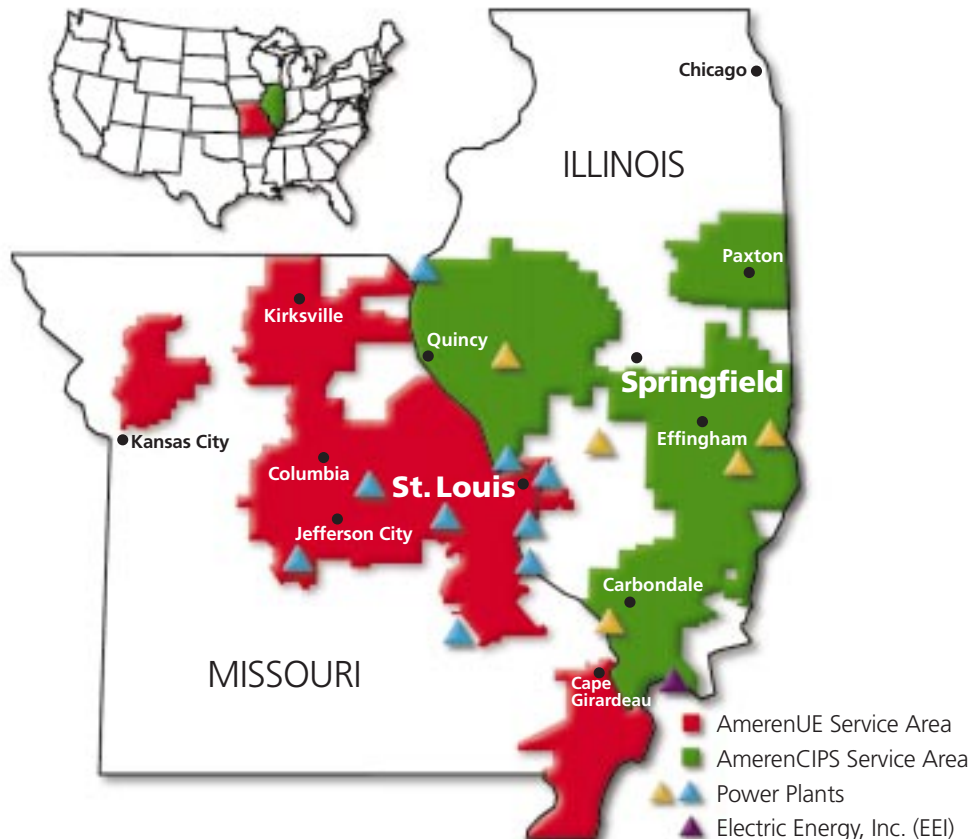
Coffeen Plant, Montgomery County
900 megawatts

Meredosia Plant, Morgan County
507 megawatts

Hutsonville Plant, Crawford County
156 megawatts

Grand Tower Plant, Jackson County
186 megawatts

Ameren Territory



Defining Ameren

Welcome to Ameren Corporation!

Ameren was created by the 1997 merger of Union Electric Company and CIPSCO Incorporated, parent company of Springfield-based Central Illinois Public Service Company. We chose the name to reflect our geographic roots and core business — American energy. Investors in Ameren common stock will now find us on the New York Stock Exchange under **AEE** — not UEP or CIP.

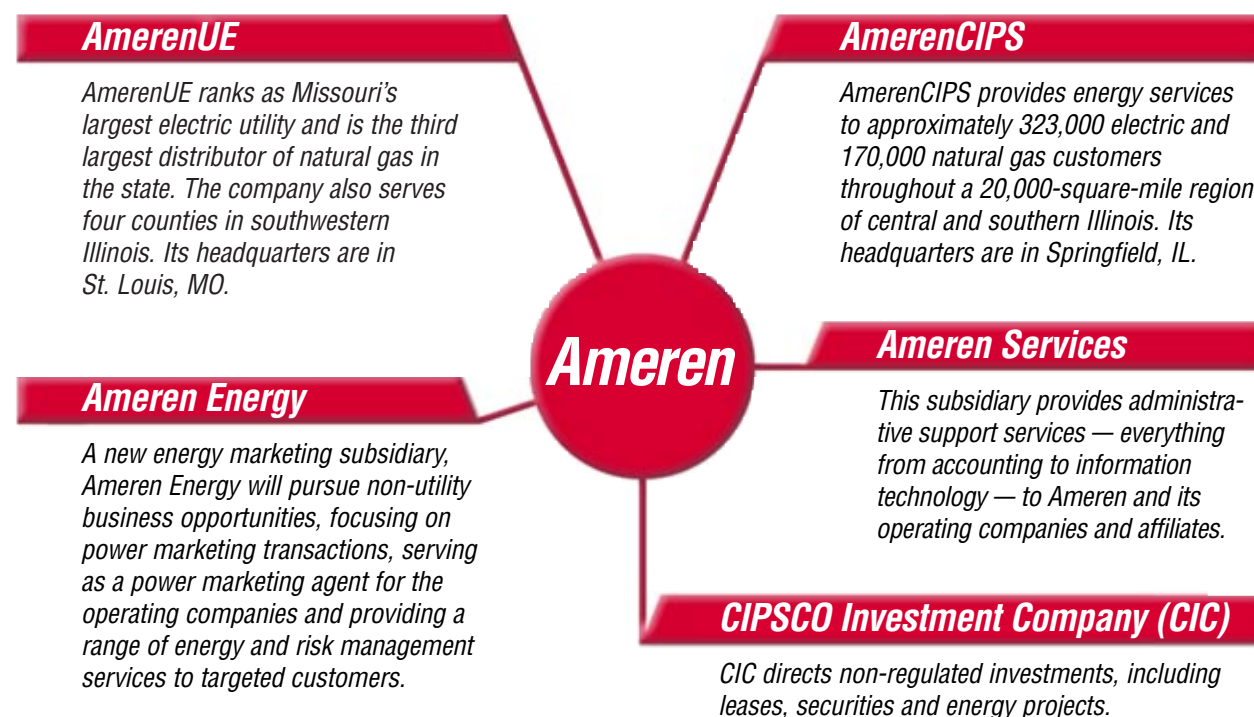
Merger completion also brought new designations to Ameren Corporation's operating companies: Union Electric Company became known as AmerenUE and Central Illinois Public Service Company as AmerenCIPS.

However, this merger is about much more than our new logo or ticker symbol. The merger brings together two low-cost energy providers. Ameren's electric utility rates are 14% below the national average for investor-owned utilities. In fact, Ameren also includes an affiliate pursuing other energy-related business opportunities and power marketing transactions — Ameren Energy, Inc. Because of all of these developments, we chose as our theme for the 1997 annual report, "Positioned for Success." To ensure that success, we will continue to effectively and efficiently manage operations and expand our core business.

And, in hundreds of communities we serve, Ameren's operating companies and subsidiaries will remain deeply committed to serving customers efficiently and effectively. Again, welcome to Ameren!



Ameren Environmental Safety & Health Engineer Lisa Meyer dons a new Ameren hard hat.



Highlights

Ameren Consolidated	Year Ended December 31, 1997	Current Year Change
Earnings per Common Share	\$2.44	(10.0)%
Net Income	\$334,716,000	(9.9)
Earnings per Common Share Before Extraordinary Charge	\$2.82	4.1
Income Before Extraordinary Charge	\$386,536,000	4.0
Book Value per Common Share	\$22.00	0.1
Property and Plant (net)	\$6,987,085,000	0.5
Total Operating Revenues	\$3,326,543,000	—
Total Kilowatthour Sales	63,981,000,000	(0.7)

About Ameren

With the merger of Union Electric Company and CIPSCO Incorporated, a new holding company, Ameren Corporation, became the parent of St. Louis-based Union Electric Company (UE) and Springfield, IL-based Central Illinois Public Service Company (CIPS) — formerly the principal operating company of CIPSCO Incorporated. UE and CIPS are now known as AmerenUE and AmerenCIPS.

About the Cover

On the cover is Ameren Corporation's new logo — a visual expression of the new corporation's identity. Although its meaning is deliberately open to interpretation, this graphic landscape reflects the energy and heartland origins of Ameren as the name reflects our geographic roots and core business — American energy. Going forward, we expect customers and investors to associate the Ameren name and corporate identity with shareholder value, quality service and financial strength.

Who We Are

St. Louis-based Ameren Corporation (NYSE: AEE) provides energy services to 1.5 million electric and 300,000 natural gas customers in Missouri and Illinois. Approximately 92% of the company's \$3.3 billion revenues flow from electric sales, with the remainder from sales of natural gas. The company prides itself on a long, successful tradition of cost containment, low rates and continuous customer service improvements.

How We Did in 1997

Our approximately 8,150 Ameren employees successfully expanded the installation of automated meters, earned high ratings for safety and operating efficiency at Callaway Nuclear Plant, and, with fewer employees, shepherded the merger between Union Electric and CIPSCO Incorporated through the final stages of the regulatory process.

What's Ahead

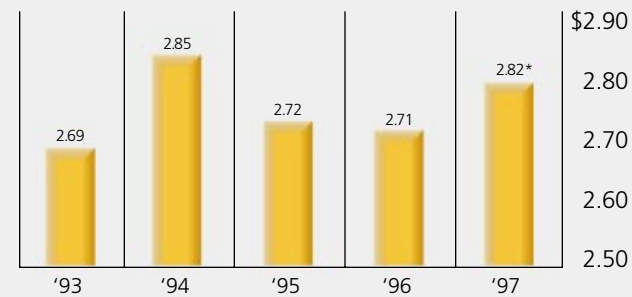
We continue to prepare for competition, remaining active in efforts to shape both restructuring and environmental regulation and legislation to protect both our customers and shareholders. We will focus on accelerating merger savings and realizing other expense reductions. We expect to build upon the creation of our new energy marketing subsidiary, Ameren Energy, Inc. to sell both electricity and natural gas and a range of energy services to targeted customers, and to use our position as a low-cost utility to respond to the challenges of a more competitive environment.

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Ameren Facts and Figures

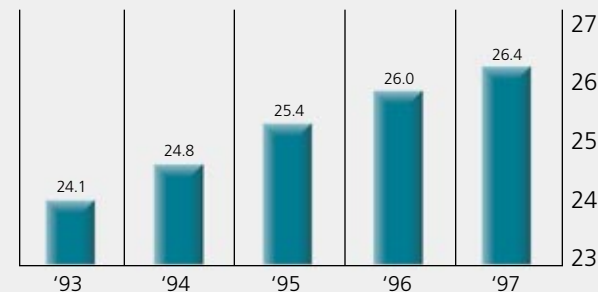
Earnings per Common Share



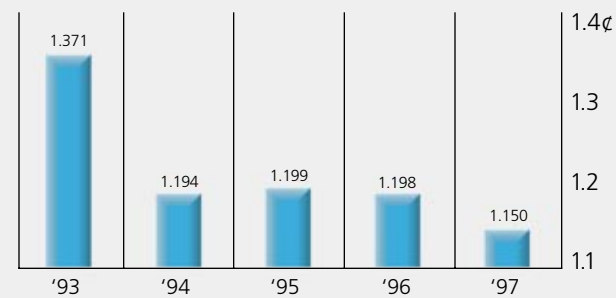
* Excluding extraordinary charge of 38 cents per share.

Business Sales (in billions)

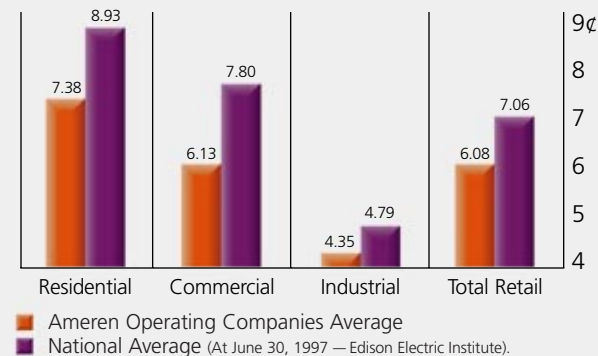
Commercial and Industrial Kilowatthour Sales



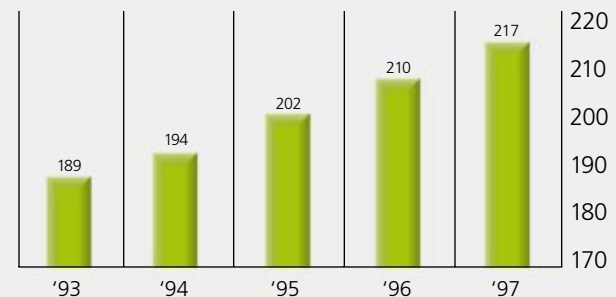
Fuel Costs (average cost per kilowatthour)



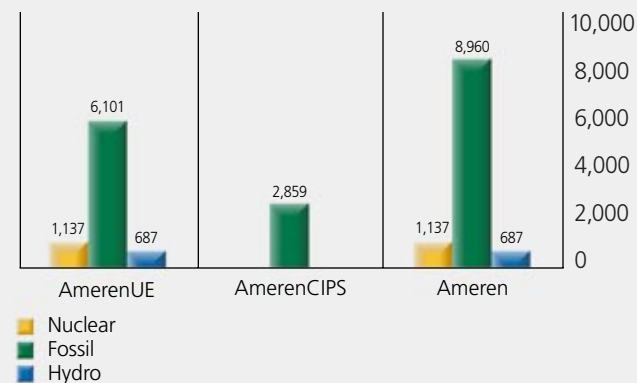
Competitive Rates (average revenue per kilowatthour)



Productivity (number of customers per employee)



Generation Capacity (net, in megawatts)



Charles W. Mueller, chairman, president and chief executive officer, Ameren Corporation

To Our Owners

By almost any measure, 1997 was a remarkable — and demanding — year. With the long-awaited completion of the merger between Union Electric and CIPSCO Incorporated, we became Ameren Corporation. Ameren is the parent company of two operating companies — Union Electric Company, now known as AmerenUE, and Central Illinois Public Service Company, now known as AmerenCIPS.

plan for sharing earnings between shareholders and customers.

Kilowatthour sales declined approximately 1%, primarily due to lower interchange market and residential sales, which decreased 13% and 1%, respectively. However, commercial and industrial sales for the year rose 1% and 2%, respectively — thanks to a stable regional economy. Unemployment in the St. Louis metropolitan area at year-end 1997 was just 3.5%, compared to a 4.6% rate for the nation. Since 1995, our region has added more than 55,000

Chairman's Letter

new jobs. Metropolitan St. Louis ranked among the top third in the race for jobs in a comparison of 33 competing metropolitan areas and, in 1997, recorded a 6.3%

1997 Financial Performance

In 1997, our company earned \$335 million, or \$2.44 per share. Earnings for 1997 included an extraordinary charge of \$52 million, net of income taxes, or 38 cents per share, which resulted from recent Illinois deregulation legislation. Excluding the extraordinary charge, earnings for 1997 were \$2.82 per share, compared to per-share earnings of \$2.71 in 1996.

Earnings were affected by several factors, including a \$20 million credit expected to be distributed in 1998 to our Missouri electric customers. That credit reduced 1997 per-share earnings 8 cents. The credit results from a 1995 agreement approved by the Missouri Public Service Commission. That agreement created an innovative alternative rate regulation

employment growth rate — ahead of areas like Denver, Charlotte and San Antonio.

Recognizing that economic development increases revenues, we were instrumental in a number of initiatives, both in Illinois and Missouri, to attract commerce and industry to our service area. For example, in 1997 we played a major role in attracting a Procter & Gamble plant that will bring 350 new jobs to southeast Missouri.

Notable 1997 Events

Our year was characterized by efficient use of resources and expanded service options for all customers.

■ In 1997, our Callaway Nuclear Plant, in a period of increased regulatory scrutiny, again

earned excellent ratings from the Nuclear Regulatory Commission. In fact, the Callaway plant had some of the highest scores awarded for any plant evaluated in 1997 — three “superior” ratings and one “good” mark. Callaway remains one of the nation’s safest plants.

- Our AmerenUE power plants continued to use substantial quantities of lower cost, low-sulfur Western coal, which greatly reduces sulfur dioxide emissions. AmerenCIPS power plants began preparations for testing the use of Western coal and revamped controls to improve operational efficiencies.

- Network meter reading units — automated electric meters that are read remotely — are now in 550,000 homes and businesses in the St. Louis area. In 1997, we became the operator of the largest network meter reading system in the world. With this network, we can provide greater information on customer usage, respond to outages more quickly and offer a range of new customer services. In 1997, we also installed 1,300 automated natural gas meters. For both natural gas and electric service, we are working with the vendor involved

Now that we have completed our merger, we are aggressively focusing on accelerating merger cost savings and realizing other expense reductions.

in this project to pioneer the introduction of automated meters in rural areas.

- The year also marked the formation of our energy services and marketing company, Ameren Energy. This new affiliate will sell energy — both electricity and natural gas — and a range of energy services to targeted customers in new markets. We named an experienced professional with expertise in energy marketing and risk management — Shannon B. Burchett — as the new president of Ameren Energy.

- In December 1997, the Missouri Public Service Commission approved an increase in our Missouri natural gas rates, which annually will add \$11.5 million to revenues, beginning in the first quarter of 1998.

- Cliff Greenwalt, president and CEO of

CIPSCO, retired at the end of 1997, after a 34-year career at the company; he remains involved with Ameren as a member of the newly named Ameren board of directors. Cliff has capped his remarkable career with the formation of Ameren Corporation, and we salute him for his steadfast determination to lead his company through this process with dignity.

Electric Industry Restructuring In Illinois

In Illinois, recently enacted legislation gives customers the right to choose their electricity providers. Large commercial and industrial customers get provider choice by 1999, with all business and residential customers able to choose providers by 2002. In addition, the law includes a provision that allows utilities to recover a portion of its stranded costs and gives our Illinois residential electric customers a 5% rate decrease, beginning August 1, 1998.

Further rate decreases may be required in 2000 and 2002 if our Illinois electric rates do not remain below the Midwest average. The new law also removes the regulatory requirement that we file electric rate cases in Illinois — a condition of merger approval that had been in place. In addition, the new law provides the opportunity to eliminate the retail fuel adjustment

clause and to roll into base rates a historical level of fuel expense, as well as the opportunity to securitize certain future revenues.

Electric Industry Restructuring In Missouri

In September 1997, we filed with the Missouri Public Service Commission a proposed structure for implementing a 100-megawatt pilot program that is designed to offer provider choice to a select number of AmerenUE electric customers. The proposed pilot project would give us added experience and information needed to manage the transition to a competitive market. In addition, in 1997 a public service commission task force and a state legislative committee began studying approaches for creating competition in

Missouri. One of our senior officers is a member of the task force; other executives serve as advisers. The legislative committee may be drafting a proposal in 1998, after the task force completes its study. We will continue to be very active in shaping these proposals so that Missouri will have an orderly transition to a competitive era.

Environmental Issues

On the environmental front, the federal government has proposed or mandated several stringent, technically flawed reduction targets for emission of various gases — even though air quality has improved markedly since the passage of the Clean Air Act and its amendments. Science has not shown that any of these new standards will significantly improve public health, and imposing them could be devastating to the nation’s economy and very costly to your company and its customers. We are working aggressively to oppose such standards and to propose alternatives.

In Summary

Clearly, challenging times lie ahead for Ameren and the utility industry. Early in 1998, we issued a news release cautioning investors that 1998 earnings would likely be lower than 1997 earnings, excluding the extraordinary charge mentioned earlier. We cited several factors that are contributing to our projections, including lower revenues, due to 1998 rate decreases in Missouri and Illinois. We also pointed to anticipated higher operations and maintenance expenses, including those for refueling Callaway in the spring of 1998 and for information system-related projects. In addition, start-up costs associated with Ameren Energy will reduce 1998 earnings modestly.

Earnings pressure may continue beyond 1998 as the company and the entire electric utility industry address the impact of a number of issues, including potentially lower revenues and higher operating expenses associated with industry restructuring, as well as potentially higher capital expenditures and operating

expenses related to new air quality standards.

While I recognize that this is not encouraging news, this information does reflect the uncertainties Ameren and other energy companies face. Let me assure you that the Ameren management team will be redoubling its efforts to address and overcome the pressures on future earnings. Now that we have completed our merger, we are aggressively focusing on accelerating merger cost savings and realizing other expense reductions. We will continue to focus on developing our core energy business for additional growth opportunities. Also, with the formation of Ameren Energy, we expect to maximize the value of our strategic generating

We continue to be committed to enhancing shareholder value and will be capitalizing on opportunities to bring that value to you as soon as possible.

assets and to increase earnings, both through national marketing of electricity and natural gas and through the sale of a range of energy and risk management services. We continue to be committed to enhancing shareholder value and will be capitalizing on opportunities to bring that value to you as soon as possible.

Finally, our gratitude goes to our employees and directors for their dedication and hard work in creating a new energy company. We appreciate your support over the past year, especially in this demanding period.

Sincerely,



Charles W. Mueller
Chairman, President and Chief Executive Officer
February 10, 1998

We are delivering a portfolio of quality products and services, while maintaining a clear identity, a consistently high level of quality and a single point of contact for key business customers.

Forget flashy new models and features.

In the intensely competitive world of auto manufacturing, the business imperative is: slash your costs or else.

POSITIONED FOR GROWTH

Anticipating Customer Needs

Ameren's Abacus helps Ford and other business customers do just that.

Abacus is a wireless energy management tool that allows customers to monitor energy use within each building, department or production process to help them make informed operating decisions.

Introduced in 1997, this wireless, radio-based metering system helps the St. Louis Ford assembly plant managers track energy use across the facility — from the body shop to the paint shop and beyond. In fact, Ford engineers in Detroit get simultaneous access to the same data by logging on to a secure site on the Internet.

The project got its start with Mike Pitchford, Ameren key account executive and one of the executives charged with offering large industrial and commercial customers everything from a sin-

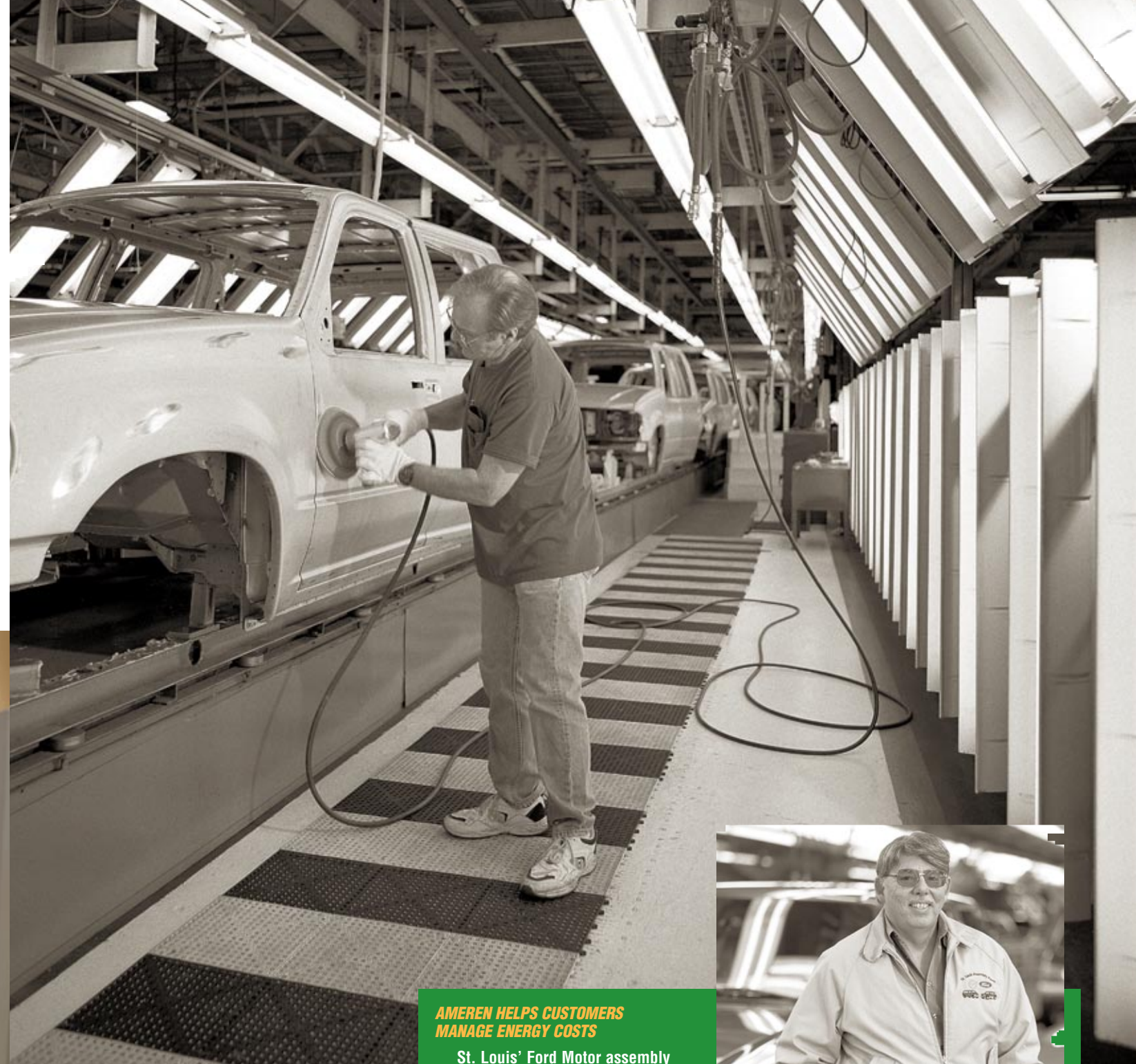
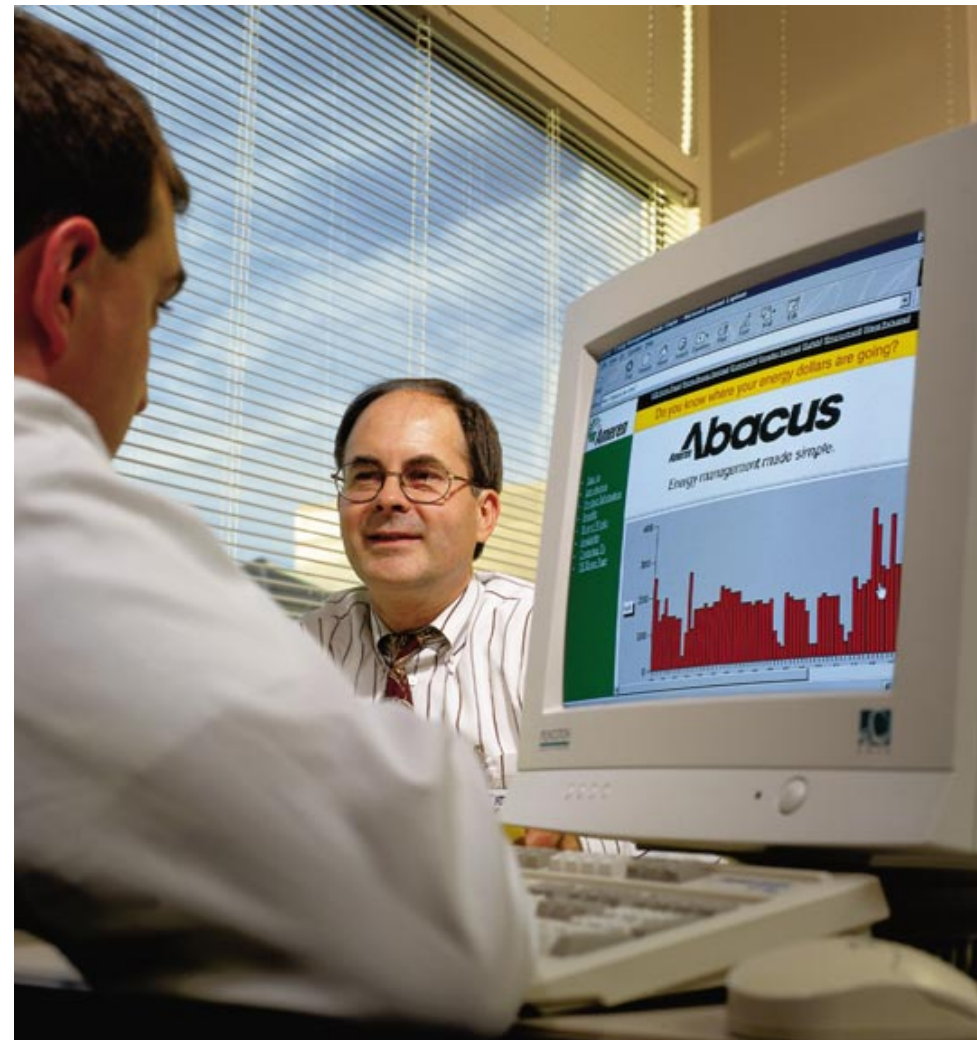
David Guard, who oversees development of new technology, and Product Management Supervisor Keith Brightfield (right) explore the offerings of Ameren's new Abacus product — a wireless energy management tool allowing customers to monitor energy use by location or production process.

gle point of contact to the expertise of a team of professionals.

Why offer additional services to an automaker? Because valued energy management services differentiate Ameren from its competitors. And the lower our energy rates and the more service relationships we maintain with each

customer, the greater the likelihood we can retain that customer in a competitive market.

To attract new customers, Ameren is bidding for energy management services contracts with multiple industrial and institutional customers. In addition, the corporation's diversified energy services and marketing company — Ameren Energy — will offer integrated solutions to customers' energy needs, selling electricity and natural gas in addition to



AMEREN HELPS CUSTOMERS MANAGE ENERGY COSTS

St. Louis' Ford Motor assembly plant is one of two U.S. sites manufacturing the nation's leading sport utility vehicle — the Ford Explorer. The St. Louis assembly plant turns out 50 Explorers every hour.

"It's critical that we control our energy costs and that we have power that is uninterrupted. A single voltage dip can affect our entire process. AmerenUE has worked hard through its Key Account Program to respond to our needs, cutting outages by more than 50% and providing a valuable information source for our energy use in a range of plant areas."

Vincent E. Kelly
Plant Engineering Manager, Ford Motor Company, St. Louis Assembly Plant

energy and risk management services to targeted customers. Also, through partnerships with major design and engineering firms, Ameren affiliates are pursuing non-utility ventures that involve a range of activities from providing energy efficiency technologies and advisory services to designing, building and operating steam heat and chilled water systems for large institutional and industrial customers. □

AMEREN HELPS CUSTOMERS GROW

Zinc production began at the Sauget, IL, site of Big River Zinc Corporation in 1929. Now a wholly owned subsidiary of Korea Zinc Company, Ltd., Big River produces about 92,000 tons of zinc each year, in addition to manufacturing sulfuric acid and cadmium oxide at its modern plant across the Mississippi River from downtown St. Louis.

"AmerenUE is helping us grow. I've been impressed with the company's cooperative approach. The AmerenUE team has been willing to



work hard to improve reliability. The Ameren key account executive has been an ally — someone who is willing to fight for us in making everyone realize that we must achieve critical bottom line goals."

*George Obeldobel
President, Big River Zinc Corporation*

Big River Zinc's hard-charging president may joke about his stint mining gold in South America, but he is dead serious about AmerenUE electricity: Big River Zinc's President George Obeldobel says his company uses enough power daily to light a city of 20,000.

Electricity accounts for about 33% of the direct cost of refining the 92,000 tons of zinc produced annually at this Sauget, IL, manufacturer. Over the years,

AmerenUE has improved reliability and offered a range of energy advisory services to the Sauget refinery. In 1997, AmerenUE placed Big River Zinc's plant expansion on a discounted economic development rate. That expansion will increase Big River Zinc's refining capacity almost 30%. Ameren's team members — Illinois District Sales Supervisor Bill Hutchings and Key Account Executive Darrell Hughes —

In 1997, AmerenUE centralized regional dispatching and installed new technology in each region to provide even faster response to customers when the lights go out.



are also exploring other rate structures that would help this customer reduce energy costs, while benefiting your company.

Economic development was also the focus of several other

borrowers to financial institutions interested in providing expedited equipment or project financing.

In Illinois, another Ameren industrial development program offers qualifying communities a

Extending Energy Partnerships

marketing initiatives in Illinois, where in 1997, we offered a range of computer-based information sources to relocating or expanding companies. Both in Illinois and Missouri, we brought prospective

"ready-to-go-site" — with a complete industrial infrastructure in place. Interested companies get blueprints, building specifications and a color rendering of a pre-qualified building. Through yet another utility-community partnership, Ameren is purchasing natural gas for municipal systems, providing training to municipal employees on gas systems and maintaining natural gas facilities for certain communities.

In the end, we realize that both residential and business customers want low-priced, highly reliable energy and simple, hassle-free service — plus affordable products that match their needs. Delivering on all of this will keep our customers coming back to Ameren for more. □

At our Johnston City, IL, natural gas storage field, Emma Cruthis, gas supply and transportation specialist, discusses pipeline supplies with Kiel Peebles, gas utility journeyman storage operator. Cruthis monitors and markets any underutilized capacity on our lines, selling excess capacity to ensure competitive pricing for natural gas distributed by AmerenCIPS and AmerenUE.



Ameren backs its commitment to protect the environment with action, significantly reducing emissions from power plants and investing in technology to carefully monitor water, soil and habitat conditions.

Granted, it may not be revolutionary — but a stroll through Ameren operations captures the scope of some of our efficiency gains.

POSITIONED FOR PERFORMANCE

Operating Efficiently and Effectively

Look first at the natural gas distribution business where Ameren is centralizing the purchase and scheduling of gas and consolidating meter testing, engineering design and material specification for Missouri and Illinois gas systems. To accommodate more flexible service offerings, both Ameren companies also remotely read natural gas meters at 300 large natural gas customers.

A visit to regional locations shows that the 1997 completion of the AmerenCIPS reorganization from three divisions to eight regions has sharpened employees' focus on better service and brought employees closer to customers. Each region's customers

Engineer Richard Speraneo (left) and Craftsman Mark Newman are members of Coffeen Plant teams charged with overhauling a turbine and other equipment as part of an extensive outage at the AmerenCIPS plant. They are pictured here with the rotor of a recently refurbished drive turbine.



AmerenCIPS has millions of cubic feet of natural gas storage space in four underground storage fields in Illinois. Gas from the storage fields, like this one near Johnston City, IL, is used during periods of high demand. Storage fields supplement natural gas being delivered by interstate pipelines and help cut costs by reducing the amount of pipeline capacity that must be held under contract.



service by making customer service representatives available for longer hours. Thanks to a 1997 AmerenCIPS call center link with the AmerenUE customer service center, Ameren customers across both Illinois and Missouri can contact a service representative by dialing a toll-free number 24-hours a day, seven days a week.

On the generating side of the business, in 1997 AmerenUE's Callaway Nuclear Plant operations continued to win positive notice. The Nuclear Regulatory Commission awarded the plant "superior" ratings ("1's") in maintenance, engineering and plant support and a "good" rating ("2") in operations during its 1997 Systematic Assessment of

Licensee Performance.

And at the AmerenCIPS Coffeen Plant, self-directed work teams orchestrated a major maintenance and repair effort, rebuilding a turbine and boiler, among other projects. They completed the Unit 1

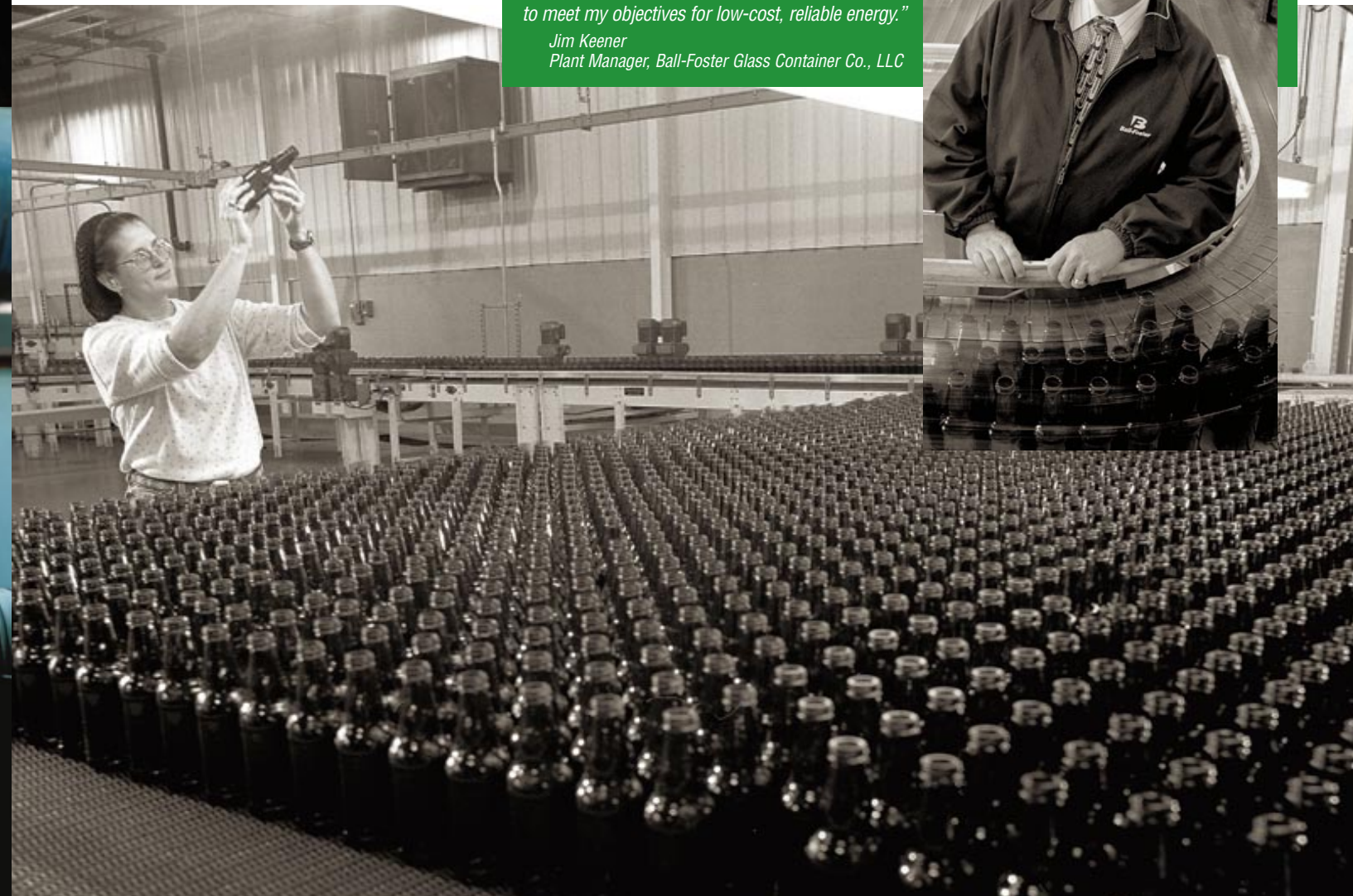
overhaul in 28% fewer manhours than were necessary for previous outages. Compared to 1995 costs, Coffeen reduced construction costs 20% in 1997 through increased monitoring and tracking of construction activities. □

AMEREN CREATES STRONG CUSTOMER RELATIONSHIPS

The Pevely, MO, plant of Ball-Foster Glass Container Co. makes 2.5 million beverage bottles daily — all for the Anheuser-Busch companies.

"Our high-temperature glass-making process is sensitive to heat transfer and time and temperature relationships. Loss of power disrupts process stability, causing production losses and cost increases. Our strong relationship with AmerenUE is based on our having reliable, quality power, good pricing and responsive, innovative service. After difficulties with our energy supply in 1996, AmerenUE, through its key account executive (Mike Pitchford), stepped up to the challenge, coming up with solutions for our reliability problems. It is important that energy suppliers view my company as a customer — not just a ratepayer. I can honestly say that AmerenUE is working hard to meet my objectives for low-cost, reliable energy."

*Jim Keener
Plant Manager, Ball-Foster Glass Container Co., LLC*





AMEREN PARTNERS WITH CUSTOMERS FOR COMPETITIVE ADVANTAGE

The Marathon Oil Company refinery at Robinson, IL, built in 1906, is one of the larger refineries of petroleum products in the Midwest. For decades, the company has been a customer of AmerenCIPS.

"The oil industry is intensely competitive. Outside of raw materials, our largest expense is energy — electricity accounts for 10% of our operating costs, so for us, price is a critical issue. But so is the quality of our energy. We must have a continuous energy supply because power losses can shut us down for days. Through our partnership with AmerenCIPS, we have participated in a national research study that has helped us identify opportunities for energy savings. We can now better integrate the energy needs of each of our units. And our key account executive, Wade Miller, and others have made a great effort to ensure that we have outstanding reliability."

Dennis U. Kummerer
Division Controller, Illinois Refining Division, Marathon Oil Company

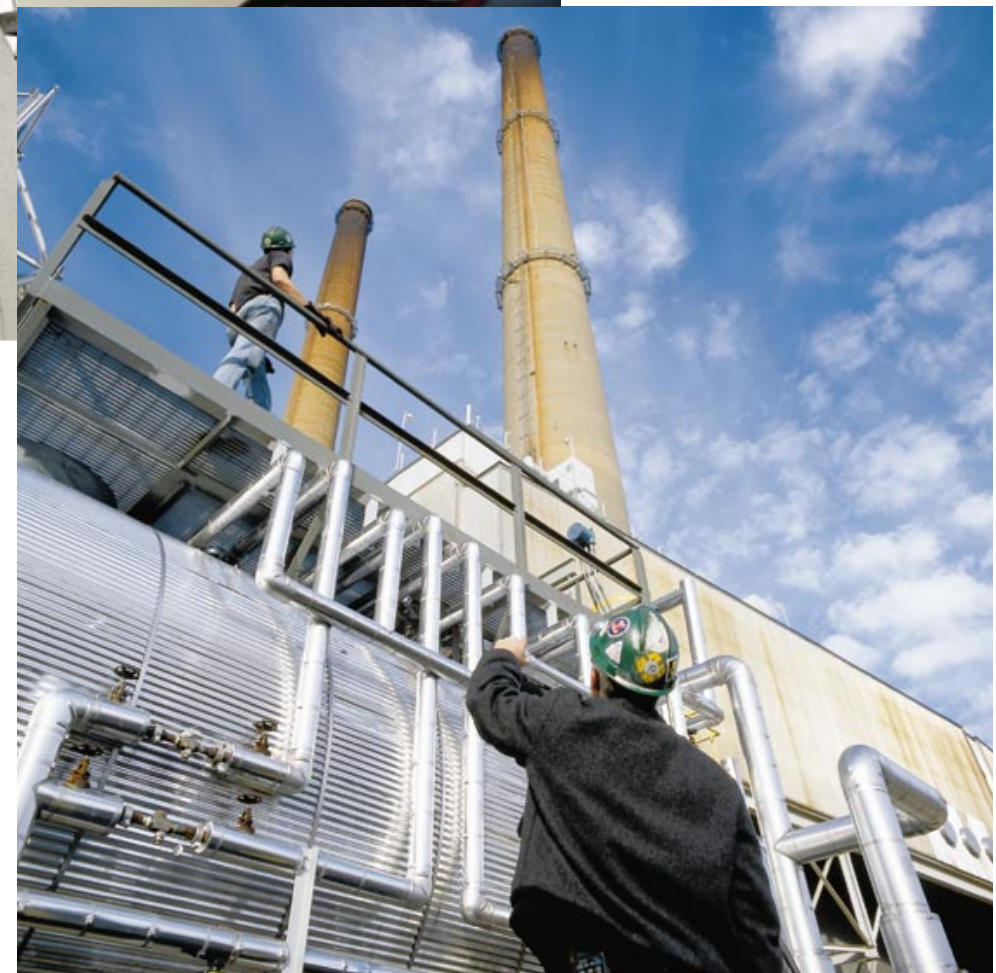
It was a deceptively simple solution to a devilishly difficult problem. Thanks to engineering ingenuity, AmerenUE's Sioux Plant became one of the first U.S. plants to improve technology used for reducing nitrogen oxide (NOx) produced by cyclone boilers. The cost for this "fix" was one-tenth that of the next lowest cost option — burning natural gas

in addition to coal. By mid-1997, AmerenUE had cut nitrogen oxide emissions at its power plants by 50%, compared to 1990 levels, while increasing the amount of coal burned by nearly a third. However, engineers across the nation pondered what to do with cyclone boilers that mix air and coal in a cyclonic motion at

power plants, like AmerenUE's Sioux Plant and AmerenCIPS' Coffeen Plant. The challenge at these plants was to delay — or stage — the burning of fuel in lower levels of the boiler at temperatures where nitrogen and oxygen are less likely to combine. But those delays can cause problems with corrosion of boiler tubes and the removal of molten slag, resulting in operating problems in the cyclone boiler. Teams from the Electric Power

Research Institute, the industry's research arm, and AmerenUE spent months with computer models and boiler tests before

Nitrogen oxide emissions at Sioux Plant are being controlled through a simple solution — a duct system that moves air out of the cyclone burners and into a different part of the boiler. Behind this solution were Ameren Engineers (not shown, Keith Stuckmeyer) and, from left, Kenneth Stuckmeyer, Supervising Engineer Richard Smith and Senior Engineer David Boll.



Ameren engineers designed and installed an ingenious duct system. They linked that system to the main air supply of the plant's boiler. Through a staged process, these ducts divert some air away from the cyclone burners to a different part of the boiler, while

Operating Cleanly

avoiding the operating problems this normally creates. Also in 1997, Sioux Plant installed controls to improve boiler efficiency and improved its coal handling and processing systems to move more environmentally

clean low-sulfur Western coal into the plant. Since the 1970s, AmerenUE has reduced by more than 65% the sulfur dioxide emitted from its coal-fired power plants. AmerenCIPS has cut its sulfur dioxide emissions by 60%. The need to reduce produc-

tion costs and to further reduce sulfur dioxide emissions led to a test burn of lower cost Western coal at Meramec Plant in early 1997. After a successful test burn, Meramec continued to burn a blend of Western and Illinois coals. In 1997, Western coal accounted for 56% of Meramec's total coal burn. AmerenUE bought more than 13 million tons of Western coal during the year — an all-time record. However, Ameren — and all U.S. industry — may soon face the challenge of meeting newly revised federal air quality standards for ozone and particulate matter. Requiring significant additional reductions in sulfur dioxide and nitrogen oxide emissions from coal-fired boilers, these revised standards will not only challenge our ingenuity but demand substantial additional capital expenditures if they withstand legislative and other challenges. □

Coal handling system improvements at Sioux Plant increased the amount of Western coal that could be moved into the boilers. Sioux's coal crushers were replaced to grind the coal to a finer consistency — all to improve operating performance, reduce production costs and comply with environmental regulations.

The 20th century began as a period of war, grew into the Atomic era and seems to be ending as the Age of Technology.

Ameren is using technology as an important ally in improving service reliability and responsiveness.

In fact, AmerenUE now has the largest network meter reading system in the world, with 550,000

slated for installation by 1999.

Another technical milestone for 1997 was the completion of 72 distinct projects to merge and integrate AmerenUE's and AmerenCIPS' business systems, upgrade other systems and consolidate the two companies' data centers where information processing occurs. In 1997, Ameren

employees mastered the challenges of this massive initiative, helping us operate efficiently as a unified corporation as soon as the merger was completed. This effort, in addition to programs that placed new technology in customer locations to improve reliability, all brought not only increased efficiency but improved

Using Technology To Improve Service

radio-based wireless network meters installed in the homes and businesses of St. Louis-area electric customers. By the first quarter of 1999, AmerenUE will have placed automated meters in more than 800,000 customer sites, reducing costs in reading, maintaining and replacing meters. The system paves the way for such services as off-peak pricing, flexible billing options and an array of information and energy management systems.

To provide this new service, AmerenUE contracted with CellNet Data Systems of San Carlos, CA — the largest wireless, fixed-network data gathering and distribution automation company in the U.S.

The new technology is not limited to electric customers. Installation of 1,300 automated meters for natural gas customers in AmerenUE's Wentzville, MO, District began in 1997. The year also marked the installation of the first of 500 meters that perform advanced metering for commercial and industrial customers. Thousands of these meters are



Residential AmerenUE customers can now pay their bills on the Internet through Pay-by-Web (Ameren's home page address is <http://www.ameren.com>). This is only one of several bill payment services in AmerenUE's Customer Choice portfolio of options. Those offerings also include Pay-by-Phone and Direct Payment — services that allow residential and small commercial customers to authorize automatic deductions of both electric and natural gas charges from checking accounts.



AMEREN WORKS WITH CUSTOMERS TO REDUCE ENERGY COSTS

Lafarge Corporation Cement Group's Joppa, IL, Plant, annually manufactures one million tons of cement for multiple markets — 30% of the total production goes to oil wells. Lafarge's Joppa oil well cement is the market leader on the Gulf Coast.

"Over the 35 years we've been a customer of AmerenCIPS, we have had a very good relationship. It's been a mutually beneficial relationship, with our key account executive (Jonathan Wheeler) playing a major role in troubleshooting for us, offering advice and helping us reduce energy costs. Reliable, quality power is critical to us — so is price, with energy accounting for 20% of our total costs."

Lynn A. Wehrmeier
Plant Controller, Lafarge Corporation, Cement Group's Joppa Plant



Welders at the AmerenCIPS Coffeen Plant overhaul a boiler as part of a 1997 plant outage that required 28% fewer manhours than earlier outages.

customer service.

These initiatives included analysis of the energy control systems to handle joint dispatch of power for all Ameren companies' power plants. They involved tying customer information systems together so that everyone, from those who dispatch crews to those who answer customer calls, has the same information on the customer.

Information technology staff also overhauled all human

resources systems. Major accounting systems changes were necessary to provide multi-company financial reporting, while the power plants of both companies began to share management information systems.

We realize our profitability will come from providing innovative new products and superior service. We also realize we must have the technology in place to provide those products and high quality service at a competitive advantage. □

The pursuit of revenue and earnings growth involves more than improving service, restructuring and cutting costs. It also requires changing attitudes.

A number of initiatives are now in place to move employees toward operating as an inte-

POSITIONED FOR TEAMWORK

Rethinking Who We Are

grated team with a shared purpose and a renewed understanding of the financial realities of a competitive environment.

Our development programs now focus on defining values for success, understanding the needs of customers, developing leadership and building teamwork, trust and respect among all employees.

In fact, a newly created development pro-

gram challenges employees to think about the energy business from the outside in. These hands-on training sessions feature four-by-six-foot customized learning maps that engage small groups of employees in a detailed analysis of customer satisfaction and loyalty, plus competitive trends and financial issues that we may be facing.

Through this process, participants — led by fellow employees trained as meeting leaders — make the connection between their performance, their area's efficiency and their impact on Ameren's ability to compete.

Throughout Ameren, employees will continue to work in teams — often across operating companies, departments, regions and divisions — to harness the

power of different perspectives, experiences and skills.

We are urging employees to take intelligent risks. We are encouraging them to approach their jobs with heightened market understanding, greater creativity, a sense of urgency and a renewed dedication to superior customer service. □

More than 8,000 Ameren employees are attending sessions to encourage dialogue and discovery; they are using maps to analyze and respond to the competitive, financial, and customer loyalty issues associated with the introduction of a choice of energy providers.

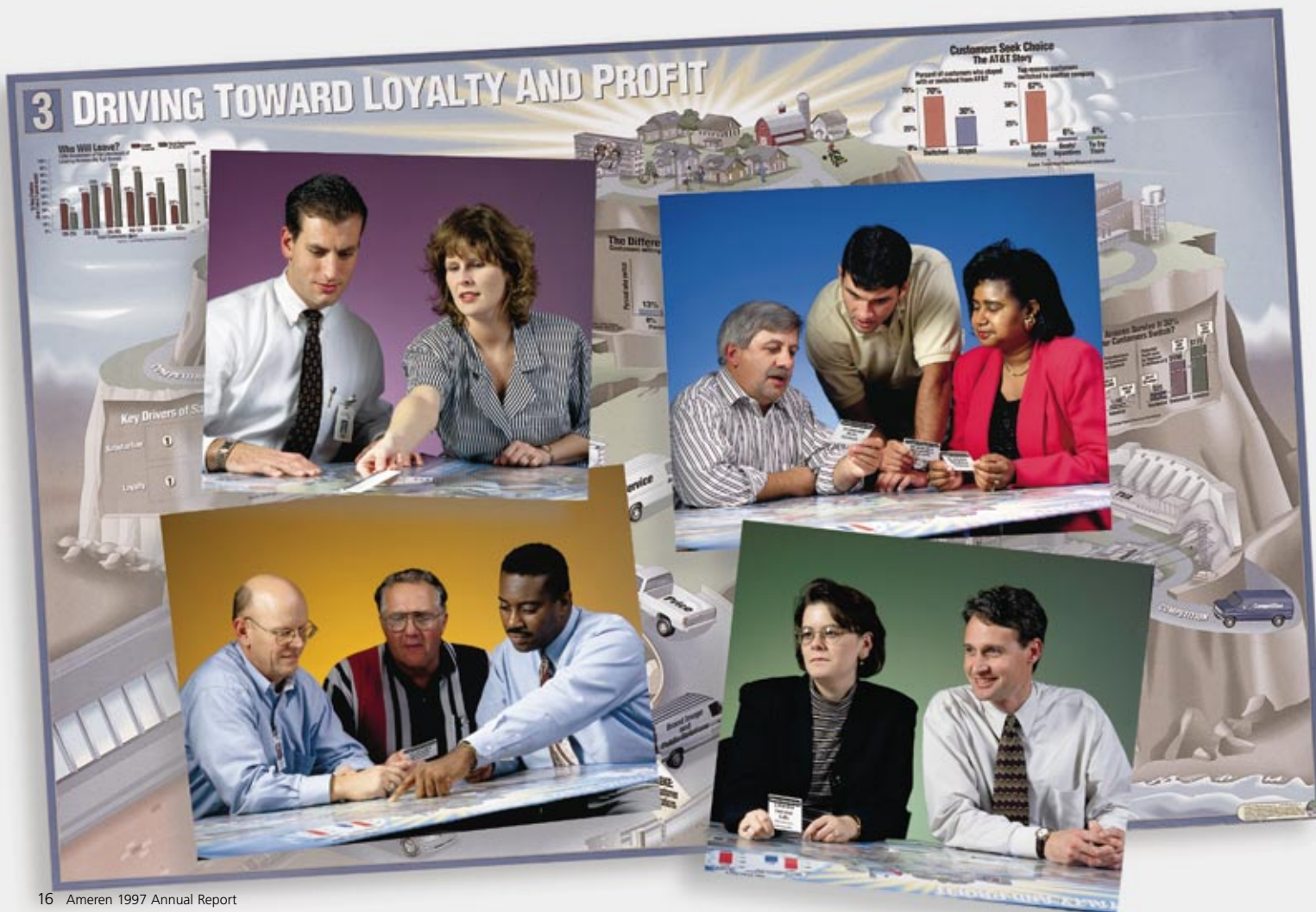
Clockwise, starting at top left and from left:

Matthew Herzberg, Organization Development, and Kelly Bereyso, Dorsett Training Center;

Robert Painter, Dorsett District; Terry Smith, Rush Island Plant; and Quintella Ballard, Illinois District;

Betsy Finnegan, Organization Development, and James Trevor, Communications Services;

David Fox, Rush Island Plant; George Mosley, Labadie Plant; and Derek Mosley, Engineering & Construction.



Responsibility for Financial Statements

The management of Ameren Corporation is responsible for the information and representations contained in the consolidated financial statements and in other sections of this Annual Report. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles. Other information included in this report is consistent, where applicable, with the consolidated financial statements.

The Company maintains a system of internal accounting controls designed to provide reasonable assurance as to the integrity of the financial records and the protection of assets. Qualified personnel are selected and an organization structure is maintained that provides for appropriate functional responsibility.

Written policies and procedures have been developed and are revised as necessary. The Company maintains and supports an extensive program of internal audits with appropriate management follow up.

The Board of Directors, through its Auditing Committee comprised of outside directors, is responsible for ensuring that both management and the independent accountants fulfill their respective responsibilities relative to the financial statements. Moreover, the independent accountants have full and free access to meet with the Auditing Committee, with or without management present, to discuss auditing or financial reporting matters.

Report of Independent Accountants

February 5, 1998



800 Market Street
St. Louis, MO 63101
Telephone 314-206-8500

To the Stockholders and Board of Directors of Ameren Corporation

In our opinion, based upon our audits and the reports of other auditors, the accompanying consolidated balance sheet and the related consolidated statements of income, of cash flows and retained earnings appearing on pages 24-28 of this report present fairly, in all material respects, the financial position of Ameren Corporation and its subsidiaries at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. 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 did not audit the financial statements of Central Illinois Public Service Company and CIPSCO Investment Company, wholly-owned subsidiaries, which combined statements reflect total assets of \$1,889,451,000 and \$1,913,691,000 at December 31, 1997 and 1996, respectively, and total revenues of \$863,441,000, \$891,631,000 and \$837,216,000 for the three years in the period ended December 31, 1997, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Central Illinois Public Service Company and CIPSCO Investment Company, is based solely on the reports of the other auditors. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Management's Discussion And Analysis

OVERVIEW

Ameren Corporation (Ameren) is a newly created holding company which is registered under the Public Utility Holding Company Act of 1935 (PUHCA). In December 1997, Union Electric Company (AmerenUE) and CIPSCO Incorporated (CIPSCO) combined to form Ameren, with AmerenUE and CIPSCO's subsidiaries, Central Illinois Public Service Company (AmerenCIPS) and CIPSCO Investment Company (CIC) becoming wholly-owned subsidiaries of Ameren (the Merger). In addition, Ameren, as a result of the Merger, has a 60% ownership interest in Electric Energy, Inc. (EEI), which is consolidated for financial reporting purposes.

The Merger was accounted for as a pooling of interests; therefore the consolidated financial statements are presented as if the Merger were consummated as of the beginning of the earliest period presented. However, the consolidated financial statements are not necessarily indicative of the results of operations, financial position or cash flows that would have occurred had the Merger been consummated for the periods for which it is given effect, nor is it necessarily indicative of the future results of operations, financial position or cash flows.

References to the Company are to Ameren on a consolidated basis; however, in certain circumstances, the subsidiaries are separately referred to in order to distinguish between their different business activities.

RESULTS OF OPERATIONS

Earnings. Earnings for 1997, 1996 and 1995, were \$335 million (\$2.44 per share), \$372 million (\$2.71 per share) and \$373 million (\$2.72 per share), respectively. Earnings and earnings per share fluctuated due to many conditions, primarily: weather variations, electric rate reductions, competitive market forces, credits to electric customers, sales growth, fluctuating operating costs, including Callaway Plant nuclear refueling outages, merger-related expenses, changes in interest expense, changes in income and property taxes and an extraordinary charge.

The Company recorded an extraordinary charge to earnings in the fourth quarter of 1997 for the write-off of generation-related regulatory assets and liabilities of the Company's Illinois retail electric business as a result of electric industry restructuring legislation enacted in Illinois in December 1997. The write-off reduced earnings \$52 million, net of income taxes, or 38 cents per share. (See Note 2 – Regulatory Matters under Notes to Consolidated Financial Statements for further information.)

Electric Operations. The impacts of the more significant items affecting electric revenues and operating expenses during the past three years are analyzed and discussed below:

Electric Revenues (Millions of Dollars)	Variations from Prior Year		
	1997	1996	1995
Rate variations	\$ –	\$(20)	\$(14)
Credit to customers	28	(15)	(33)
Effect of abnormal weather	3	(28)	63
Growth and other	5	67	51
Interchange sales	(43)	51	(13)
EEI	9	(2)	(76)
	\$ 2	\$ 53	\$(22)

Electric revenues for 1997 were flat compared to 1996, reflecting a decrease in the Missouri electric customer credits recorded in 1997 versus 1996 (see Note 2 – Regulatory Matters under Notes to Consolidated Financial Statements for further information), partly offset by a 1% decrease in kilowatthour sales. The kilowatthour sales decrease was due to a 13% decrease in interchange sales due to market conditions and differences in the classification of certain interchange and purchased power transactions resulting from the Federal Energy Regulatory Commission (FERC) Order 888 and a 1% decline in residential sales. These decreases were partly offset by increases in commercial and industrial sales of 1% and 2%, respectively, attributable to economic growth. In addition, sales at EEI were up 6% over 1996.

The increase in 1996 electric revenues was primarily due to a 5% increase in kilowatthour sales over the prior year, partly offset by the 1.8% rate decrease for Missouri electric customers and the net increase in Missouri electric customer credits recorded in 1996 versus 1995. (See Note 2 – Regulatory Matters under Notes to Consolidated Financial Statements for further information.) The kilowatthour sales increase reflected economic growth in the service area and increased interchange sales opportunities, partially offset by milder weather during the period. Residential and industrial sales each rose 2% over 1995, while commercial sales grew 3% and interchange sales increased 32%.

The decrease in 1995 electric revenues was primarily the result of decreased sales to the Department of Energy by EEI, a one-time \$30 million credit to Missouri electric customers and rate decrease in Missouri. (See Note 2 – Regulatory Matters under Notes to Consolidated Financial Statements for further

information.) This decrease was partially offset by increased retail kilowatthour sales, mainly due to the unusually hot weather in the third quarter of 1995, compared to 1994, and sales growth reflecting the Company's healthy service area economy. Weather-sensitive residential and commercial sales increased 6% and 3%, respectively, over 1994, and industrial sales grew 2%.

Fuel and Purchased Power (Millions of Dollars)	Variations from Prior Year		
	1997	1996	1995
Fuel:			
Variation in generation	\$ 25	\$43	\$(10)
Price	(24)	(14)	2
Generation efficiencies and other	(5)	2	3
Purchased power variation	(50)	2	9
EEI	10	23	(42)
	\$(44)	\$56	\$(38)

The decrease in 1997 fuel and purchased power costs was primarily due to reduced purchased power costs, resulting from relatively flat native load sales, lower interchange sales and lower fuel prices, offset by greater generation. The increase in 1996 fuel and purchased power costs was driven mainly by higher kilowatthour sales, partially offset by lower fuel prices due to the use of lower cost coal. The decrease in 1995 fuel and purchased power costs reflected decreased sales by EEI, partly offset by greater retail kilowatthour sales during the hot 1995 summer and the need for replacement power during Callaway Plant's spring nuclear refueling outage.

Gas Operations. Gas revenues in 1997 decreased \$4 million primarily due to a 12% decrease in retail dekatherm sales. Weather-sensitive residential and commercial sales declined 15% and 18%, respectively. These decreases were partly offset by a 20% increase in industrial sales and an increase in off-system sales of gas to others. The increase in 1996 gas revenues of \$37 million was primarily the result of higher gas prices and increased sales due to colder weather. Residential and commercial dekatherm sales increased 13% and 17%, respectively, in 1996 versus 1995. Gas revenues decreased \$8 million in 1995 primarily as a result of lower prices and lower industrial dekatherm sales.

Gas costs for 1997 remained flat as compared to those of 1996. The \$35 million increase in 1996 gas costs was primarily the result of a combination of increased demand due to colder weather and an increase in the price paid for gas in 1996 versus 1995. The decrease in 1995 gas costs of \$20 million was predominantly due to lower gas prices in 1995, compared to 1994.

Other Operating Expenses. Other operating expense variations in 1995 through 1997 reflected recurring factors such as growth, inflation, labor and benefit increases. In 1997, other operations expenses increased \$41 million primarily due to increases in information system-related costs, labor and injuries and damages expenses. In 1996, other operations expenses increased \$2 million primarily due to increases in employee benefits, injuries and damages and information system-related costs, offset by decreases resulting from several nonrecurring costs incurred in 1995. Other operations expenses increased \$7 million in 1995, mainly due to increases in labor and material and supplies expenses, as well as the occurrence of several nonrecurring costs, including costs related to a voluntary separation program and write-offs of system development costs. These increases were partly offset by decreases in employee benefits, injuries and damages and insurance expenses.

Maintenance expenses for 1997 increased \$8 million primarily resulting from increased scheduled fossil plant maintenance, partly offset by decreased expenses at Callaway Plant due to the absence of a refueling outage in 1997. In 1996, maintenance expenses decreased \$5 million primarily due to lower scheduled power plant maintenance, partly offset by increased labor expenses at Callaway Plant. In 1995, maintenance expenses increased \$26 million mainly due to scheduled power plant maintenance expenses, partially offset by reduced distribution system maintenance expenses. Callaway Plant's maintenance expenses increased \$17 million primarily due to the spring 1995 refueling outage. Maintenance expenses at other power plants increased primarily due to scheduled maintenance outages.

Depreciation and amortization expense increased \$7 million in 1997, \$12 million in 1996 and \$11 million in 1995, due to increased depreciable property.

Taxes. Income tax expense from operations decreased \$19 million in 1997 principally due to lower pretax income and a lower effective tax rate. Income tax expense from operations decreased \$8 million in 1996 principally due to lower pretax income. Income tax expense from operations decreased \$2 million in 1995 primarily due to lower pretax income, partially offset by a higher effective income tax rate.

Other Income and Deductions. Miscellaneous, net increased \$11 million for 1997, compared to 1996, primarily due to the capitalization of merger-related expenses. (See Note 2 – Regulatory Matters under Notes to Consolidated Financial Statements for further information.) Miscellaneous, net increased \$2 million for 1996 primarily due to reduced merger-related expenses. Miscellaneous, net decreased \$11 million for 1995 primarily due to increased merger-related expenses.

Interest. Interest expense increased \$5 million in 1997 primarily due to higher debt outstanding during the year at higher interest rates. Interest expense increased \$2 million for 1996 primarily due to a greater amount of short-term debt outstanding, offset by lower rates on variable-rate long-term debt. In 1995, interest expense declined \$5 million as decreases in other interest expense were partly offset by higher interest rates on variable long-term debt.

Balance Sheet. The \$26 million decrease in other current liabilities was primarily due to a lower accrued customer credit. (See Note 2 – Regulatory Matters under Notes to Consolidated Financial Statements for further information.) The \$50 million increase in other deferred credits and liabilities was attributable to increases in the accrued pension liability and the nuclear decommissioning trust fund.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operating activities totaled \$687 million for 1997, compared to \$786 million and \$792 million in 1996 and 1995, respectively.

Cash flows used in investing activities totaled \$387 million, \$481 million and \$468 million, for the years ended December 31, 1997, 1996 and 1995, respectively. Expenditures in 1997 for constructing new or to improve existing facilities, purchasing rail cars and complying with the Clean Air Act were \$381 million. In addition, the Company spent \$35 million to acquire nuclear fuel.

Construction expenditures are expected to be about \$315 million in 1998. For the five-year period 1998-2002, construction expenditures are estimated at \$1.7 billion. This estimate does not include any construction expenditures which may be incurred by the Company to meet new air quality standards for ozone and particulate matter, as discussed below.

The Company's need for additional base load electric generating capacity is not anticipated until after the year 2013. Under Title IV of the Clean Air Act Amendments of 1990, the Company is required to significantly reduce total annual sulfur dioxide emissions by the year 2000. Significant reductions in nitrogen oxide are also required. By switching to low-sulfur coal and early banking of emissions credits, the Company anticipates that it can comply with the requirements of the law without significant revenue increases because the related capital costs are largely offset by lower fuel costs. As of year-end 1997, estimated remaining capital costs expected to be incurred pertaining to Clean Air Act-related projects totaled \$107 million.

In July 1997, the United States Environmental Protection Agency (EPA) issued final regulations revising the National Ambient Air Quality Standards for ozone and particulate matter. Although specific emission control requirements are still being developed, it is believed that the revised standards will require significant additional reductions in nitrogen oxide and sulfur dioxide emissions from coal-fired boilers. In October 1997, the EPA announced that Missouri and Illinois are included in the area targeted for nitrogen oxide emissions reductions as part of the EPA's regional control program. Reduction requirements in nitrogen oxide emissions from the Company's coal-fired boilers could exceed 80% from 1990 levels by the year 2002. Reduction requirements in sulfur dioxide emissions may be up to 50% beyond that already required by Phase II acid rain control provisions of the 1990 Clean Air Act Amendments and could be required by 2007. Because of the magnitude of these additional reductions, the Company could be required to incur significantly higher capital costs to meet future compliance obligations for its coal-fired boilers or purchase power from other sources, either of which could have significantly higher operations and maintenance expenditures associated with compliance. At this time, the Company is unable to determine the impact of the revised air quality standards on its future financial condition, results of operations or liquidity.

In December 1997, the United States and numerous other countries agreed to certain environmental provisions (the Kyoto Protocol), which would require decreases in greenhouse gases in an effort to address the "global warming" issue. The Company is unable to predict what requirements, if any, will be adopted in this country. However, implementation of the Kyoto Protocol in its present form would likely result in significantly higher capital costs and operations and maintenance expenditures by the Company. At this time, the Company is unable to determine the impact of these proposals on its future financial condition, results of operations or liquidity.

See Note 11 – Callaway Nuclear Plant under Notes to Consolidated Financial Statements for a discussion of Callaway Plant decommissioning costs.

Cash flows used in financing activities were \$302 million for 1997, compared to \$296 million and \$325 million for 1996 and 1995, respectively. The Company's principal financing activities during 1997 included the issuance of \$187 million of long-term debt, offset by the redemption of \$123 million of long-term debt and \$64 million of preferred stock and the payment of dividends.

The Company plans to continue utilizing short-term debt to support normal operations and other tem-

porary requirements. The Company's utility operating subsidiaries are authorized by the FERC to have up to an aggregate \$750 million of short-term unsecured debt instruments outstanding at any one time. Short-term borrowings consist of bank loans (maturities generally on an overnight basis) and commercial paper (maturities generally within 10 to 45 days). At December 31, 1997, the Company had committed bank lines of credit aggregating \$259 million (of which \$244 million were unused and \$179 million were available at such date) which make available interim financing at various rates of interest based on LIBOR, the bank certificate of deposit rate or other options. The lines of credit are renewable annually at various dates throughout the year. At year-end, the Company had \$86 million of short-term borrowings.

AmerenUE also has bank credit agreements due 1999 which permit the borrowing of up to \$300 million and \$200 million on a long-term basis. At December 31, 1997, \$35 million of such borrowings were outstanding.

Additionally, AmerenUE has a lease agreement which provides for the financing of nuclear fuel. At December 31, 1997, the maximum amount that could be financed under the agreement was \$120 million. Cash provided from financing for 1997 included issuances under the lease for nuclear fuel of \$40 million, offset in part by \$28 million of redemptions. At December 31, 1997, \$117 million was financed under the lease. (See Note 3 – Nuclear Fuel Lease under Notes to Consolidated Financial Statements for further information.)

RATE MATTERS

See Note 2 – Regulatory Matters under Notes to Consolidated Financial Statements for a discussion of rate matters.

CONTINGENCIES

See Note 10 – Commitments and Contingencies under Notes to Consolidated Financial Statements for material issues existing at December 31, 1997.

DIVIDENDS

Common stock dividends paid in 1997 resulted in a payout rate of 99% of the Company's earnings to common stockholders (86% of earnings before extraordinary charge). Dividends paid to common stockholders in relation to net cash provided by operating activities for the same period were 48%.

The Board of Directors does not set specific targets or payout parameters for dividend payments; however, the Board considers various issues including the Company's historic earnings and cash flow; projected earnings, cash flow and potential cash flow requirements; dividend payout rates at other utilities; return on investments with similar risk characteristics; and overall business considerations. On February 13, 1998, the Ameren Board of Directors declared a quarterly common stock dividend of 63.5 cents per share, payable March 31, 1998.

ELECTRIC INDUSTRY RESTRUCTURING

Changes enacted and being considered at the federal and state levels continue to change the structure of the electric industry and utility regulation, as well as encourage increased competition. At the federal level, the Energy Policy Act of 1992 reduced various restrictions on the operation and ownership of independent power producers and gave the FERC the authority to order electric utilities to provide transmission access to third parties.

In April 1996, the FERC issued Order 888 and Order 889, which are intended to promote competition in the wholesale electric market. The FERC requires transmission-owning public utilities, such as AmerenUE and AmerenCIPS, to provide transmission access and service to others in a manner similar and comparable to that which the utilities have by virtue of ownership. Order 888 requires that a single tariff be used by the utility in providing transmission service. Order 888 also provides for the recovery of stranded costs, under certain conditions, related to the wholesale business.

Order 889 established the standards of conduct and information requirements that transmission owners must adhere to in doing business under the open access rule. Under Order 889, utilities must obtain transmission service for their own use in the same manner their customers will obtain service, thus mitigating market power through control of transmission facilities. In addition, under Order 889, utilities must separate their merchant function (buying and selling wholesale power) from their transmission and reliability functions.

The Company believes that Order 888 and Order 889, which relate to its wholesale business, will not have a material adverse effect on its financial condition, results of operations or liquidity.

In addition, certain states are considering proposals or have adopted legislation that will promote competition at the retail level. In December 1997, the Governor of Illinois signed the Electric Service Customer Choice and Rate Relief Law of 1997 (the Act) providing for electric utility restructuring in Illinois. This legislation introduces competition into the supply of electric energy in Illinois. (See Note 2 – Regulatory Matters under Notes to Consolidated Financial Statements for further information.)

After evaluating the impact of this legislation, the Company determined that it was necessary to write-off the generation-related regulatory assets and liabilities of its Illinois retail electric business. This extraordinary charge reduced 1997 earnings \$52 million, net of income taxes, or 38 cents per share. The Company has also concluded that its remaining net generation-related assets are not impaired and that no plant write-downs are necessary at this time. The provisions of the Act could

also result in lower revenues, reduced profit margins and increased costs of capital. At this time, the Company is unable to determine any further impact of the Act on its future financial condition, results of operations or liquidity. (See Note 2 – Regulatory Matters under Notes to Consolidated Financial Statements for further information.)

In Missouri, where approximately 72% of the Company's retail electric revenues are derived, a task force appointed by the Missouri Public Service Commission (MoPSC) is investigating electric industry restructuring and competition and is expected to issue a report to the MoPSC in 1998. A joint legislative committee is also conducting hearings on these issues. Up to this point, retail wheeling has not been allowed in Missouri; however, the joint agreement approved by the MoPSC in February 1997 as part of its merger authorization includes a provision that required AmerenUE to file a proposal for a 100-megawatt experimental retail wheeling pilot program in Missouri. AmerenUE filed its proposal with the MoPSC in September 1997. This proposal is subject to review and approval by the MoPSC.

The Company is unable to predict the timing or ultimate outcome of electric industry restructuring in the state of Missouri, as well as its impact on the Company's future financial condition, results of operations or liquidity. The potential negative consequences of electric industry restructuring could be significant and include the impairment and write-down of certain assets, including generation-related plant and net regulatory assets, lower revenues, reduced profit margins and increased costs of capital. (See Note 2 – Regulatory Matters under Notes to Consolidated Financial Statements for further information.)

INFORMATION SYSTEMS

The Year 2000 issue relates to computer systems and applications that currently use two-digit date fields to designate a year. As the century date change occurs, date-sensitive systems will recognize the year 2000 as 1900, or not at all. This inability to recognize or properly treat the year 2000 may cause systems to process critical financial and operational information incorrectly.

The Company is utilizing both internal and external resources to identify, correct or reprogram and test information systems for Year 2000 compliance. The Company estimates that its costs for addressing the Year 2000 issue will range from \$10 million to \$15 million. These costs will be expensed as incurred.

OUTLOOK

Significant changes are taking place in the electric utility industry. The Company's management and Board of Directors recognize that competition will likely continue to increase in the future, especially in the energy supply portion of the business. New air quality standards are being considered which could significantly increase capital costs, purchased power expenses and other operations and maintenance expenditures. In addition, expenditures for information systems are increasing (including those costs associated with the Year 2000 issue). These issues will result in numerous challenges and uncertainties for Ameren and the utility industry, including the potential for increased earnings pressure on Ameren and other electric utilities. Due to the factors cited above, as well as expected future rate decreases in the Company's Illinois and Missouri jurisdictions (see Note 2 – Regulatory Matters under Notes to Consolidated Financial Statements for further information) and other operating conditions (such as the refueling of Callaway Nuclear Plant), management believes that 1998 earnings will likely be lower than 1997 earnings, excluding the extraordinary charge for the write-off of the generation-related regulatory assets and liabilities associated with the Company's Illinois retail electric business. In addition, the factors cited previously may also contribute to earnings pressure beyond 1998. At this time, management cannot predict the ultimate timing or impact of these matters on its future financial condition, results of operations or liquidity.

Ameren management and its Board of Directors are taking actions to address these challenges. Efforts are underway to accelerate merger cost savings and other expense reductions. The Company is also analyzing the potential benefits associated with the Illinois electric industry restructuring legislation, including the elimination of the fuel adjustment clause and the securitization of certain future revenues. In addition, the Company will continue to focus on developing its core energy business for additional growth opportunities, as evidenced by the recent formation of a power marketing and energy services affiliate, Ameren Energy, Inc. Through these initiatives and other strategies, the Company intends to address these challenges, maximize the value of its strategic generating assets and enhance shareholder value.

ACCOUNTING MATTERS

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income" and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS 130 establishes standards for reporting and displaying comprehensive income. SFAS 131 establishes standards for reporting information about operating segments in annual financial statements and interim reports to shareholders. SFAS 130 and SFAS 131 are effective for fiscal years beginning after December 15, 1997. SFAS 130 and SFAS 131 are not expected to have a material effect on the Company's financial position or results of operations upon adoption.

EFFECTS OF INFLATION AND CHANGING PRICES

The Company's rates for retail electric and gas service are regulated by the MoPSC and the Illinois Commerce Commission. Non-retail electric rates are regulated by the FERC.

The current replacement cost of the Company's utility plant substantially exceeds its recorded historical cost. Under existing regulatory practice, only the historical cost of plant is recoverable from customers. As a result, cash flows designed to provide recovery of historical costs through depreciation may not be adequate to replace plant in future years. However, existing regulatory practice may be modified for the Company's generation portion of its business (see Note 2 – Regulatory Matters under Notes to Consolidated Financial Statements for further information). In addition, the impact on common stockholders is mitigated to the extent depreciable property is financed with debt that is repaid with dollars of less purchasing power.

In Illinois, changes in the cost of fuel for electric generation and gas costs are generally reflected in billings to customers through fuel and purchased gas adjustment clauses. However, existing regulatory practice may be modified in the Illinois retail jurisdiction for changes in the cost of fuel for electric generation (see Note 2 – Regulatory Matters under Notes to Consolidated Financial Statements for further information). In the Missouri retail jurisdiction, the cost of fuel for electric generation is reflected in base rates with no provision for changes to be made through a fuel adjustment clause. Changes in gas costs in the Missouri retail jurisdiction are generally reflected in billings to customers through a purchased gas adjustment clause.

Inflation continues to be a factor affecting operations, earnings, stockholders' equity and financial performance.

SAFE HARBOR STATEMENT

Statements made in this annual report to stockholders which are not based on historical facts, are forward-looking and, accordingly, involve risks and uncertainties that could cause actual results to differ materially from those discussed. Although such forward-looking statements have been made in good faith and are based on reasonable assumptions, there is no assurance that the expected results will be achieved. These statements include (without limitation) statements as to future expectations, beliefs, plans, strategies, objectives, events, conditions and financial performance. In connection with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is providing this cautionary statement to identify important factors that could cause actual results to differ materially from those anticipated. Factors include, but are not limited to, the effects of regulatory actions; changes in laws and other governmental actions; competition; future market prices for electricity; average rates for electricity in the Midwest; business and economic conditions; weather conditions; fuel prices and availability; generation plant performance; monetary and fiscal policies; and legal and administrative proceedings.

Consolidated Balance Sheet

Assets

(Thousands of Dollars)

December 31,	1997	1996
Property and Plant, at original cost:		
Electric	\$11,522,730	\$11,252,095
Gas	447,458	428,531
Other	36,023	35,965
	12,006,211	11,716,591
Less accumulated depreciation and amortization	5,285,434	5,024,046
	6,720,777	6,692,545
Construction work in progress:		
Nuclear fuel in process	134,804	96,147
Other	131,504	162,414
Total property and plant, net	6,987,085	6,951,106
Investments and Other Assets:		
Investments	97,188	113,310
Nuclear decommissioning trust fund	122,438	96,601
Other	64,915	64,655
Total investments and other assets	284,541	274,566
Current Assets:		
Cash and cash equivalents	9,696	11,899
Accounts receivable – trade (less allowance for doubtful accounts of \$4,845 and \$5,795, respectively)	266,306	268,839
Unbilled revenue	102,864	106,316
Other accounts and notes receivable	49,765	55,256
Materials and supplies, at average cost –		
Fossil fuel	93,431	106,153
Other	134,152	137,953
Other	55,002	42,759
Total current assets	711,216	729,175
Regulatory Assets:		
Deferred income taxes	639,792	734,206
Other	204,913	243,514
Total regulatory assets	844,705	977,720
TOTAL ASSETS	\$8,827,547	\$8,932,567

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

Capital and Liabilities

(Thousands of Dollars)

December 31,	1997	1996
Capitalization:		
Common stock, \$.01 par value, authorized 400,000,000 shares - outstanding 137,215,462 shares	\$ 1,372	\$ 1,372
Other paid-in capital, principally premium on common stock	1,582,938	1,583,728
Retained earnings (see accompanying statement)	1,434,658	1,431,295
Total common stockholders' equity	3,018,968	3,016,395
Preferred stock not subject to mandatory redemption (Note 4)	235,197	298,497
Preferred stock subject to mandatory redemption (Note 4)	–	624
Long-term debt (Note 6)	2,506,068	2,335,454
Total capitalization	5,760,233	5,650,970
Minority Interest in Consolidated Subsidiary	3,534	3,534
Current Liabilities:		
Current maturity of long-term debt	52,241	146,410
Short-term debt	86,266	69,068
Accounts and wages payable	293,391	297,017
Accumulated deferred income taxes	35,809	43,933
Taxes accrued	110,566	65,245
Other	168,727	194,239
Total current liabilities	747,000	815,912
Construction, Commitments and Contingencies (Notes 10 and 11)		
Accumulated Deferred Income Taxes	1,556,981	1,653,095
Accumulated Deferred Investment Tax Credits	190,260	209,227
Regulatory Liability	224,225	304,172
Other Deferred Credits and Liabilities	345,314	295,657
TOTAL CAPITAL AND LIABILITIES	\$8,827,547	\$8,932,567

See Notes to Consolidated Financial Statements.

Consolidated Statement Of Income

(Thousands of Dollars, Except Shares and per Share Amounts)

Year ended December 31,	1997	1996	1995
Operating Revenues:			
Electric	\$3,064,177	\$3,061,856	\$3,008,481
Gas	249,815	254,412	217,420
Other	12,551	12,153	9,976
Total operating revenues	3,326,543	3,328,421	3,235,877
Operating Expenses:			
Operations			
Fuel and purchased power	836,445	880,204	823,951
Gas	160,679	160,776	125,305
Other	585,214	543,998	542,386
	1,582,338	1,584,978	1,491,642
Maintenance	310,241	302,203	307,546
Depreciation and amortization	346,000	339,276	327,201
Income taxes	234,179	253,005	260,940
Other taxes	271,711	273,034	270,670
Total operating expenses	2,744,469	2,752,496	2,657,999
Operating Income	582,074	575,925	577,878
Other Income and (Deductions):			
Allowance for equity funds used during construction	5,244	6,870	7,716
Miscellaneous, net	(10,344)	(21,229)	(22,975)
Total other income and (deductions)	(5,100)	(14,359)	(15,259)
Income Before Interest Charges and Preferred Dividends	576,974	561,566	562,619
Interest Charges and Preferred Dividends:			
Interest	185,368	180,402	178,826
Allowance for borrowed funds used during construction	(7,462)	(7,490)	(6,179)
Preferred dividends of subsidiaries	12,532	16,970	17,100
Net interest charges and preferred dividends	190,438	189,882	189,747
Income Before Extraordinary Charge	386,536	371,684	372,872
Extraordinary Charge, net of income taxes (Note 2)	(51,820)	–	–
NET INCOME	\$ 334,716	\$ 371,684	\$ 372,872
Earnings per Common Share – Basic and Diluted (based on average shares outstanding)			
Income before extraordinary charge	\$2.82	\$2.71	\$2.72
Extraordinary charge	\$(.38)	–	–
Net Income	\$2.44	\$2.71	\$2.72
AVERAGE COMMON SHARES OUTSTANDING	137,215,462	137,215,462	137,215,462

See Notes to Consolidated Financial Statements.

Consolidated Statement Of Cash Flows

(Thousands of Dollars)

Year ended December 31,	1997	1996	1995
Cash Flows From Operating:			
Income before extraordinary charge	\$386,536	\$371,684	\$372,872
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	340,079	333,565	322,813
Amortization of nuclear fuel	37,126	37,792	35,140
Allowance for funds used during construction	(12,706)	(14,360)	(13,895)
Postretirement benefit accrual	–	–	11,923
Deferred income taxes, net	(24,499)	12,665	4,003
Deferred investment tax credits, net	(18,967)	(9,531)	(9,542)
Changes in assets and liabilities:			
Receivables, net	11,476	(25,468)	(21,229)
Materials and supplies	16,523	2,376	(174)
Accounts and wages payable	(3,626)	7,302	105,042
Taxes accrued	45,321	6,259	(7,085)
Other	(89,862)	63,816	(8,212)
Net cash provided by operating activities	687,401	786,100	791,656
Cash Flows From Investing:			
Construction expenditures	(380,593)	(435,904)	(429,839)
Allowance for funds used during construction	12,706	14,360	13,895
Nuclear fuel expenditures	(35,432)	(51,176)	(42,444)
Other	16,122	(7,784)	(10,047)
Net cash used in investing activities	(387,197)	(480,504)	(468,435)
Cash Flows From Financing:			
Dividends on common stock	(331,282)	(326,855)	(319,875)
Environmental bond funds	–	–	4,443
Redemptions –			
Nuclear fuel lease	(28,292)	(34,819)	(70,420)
Short-term debt	–	(18,300)	(6,100)
Long-term debt	(123,444)	(35,000)	(54,000)
Preferred stock	(63,924)	(26)	(26)
Issuances –			
Nuclear fuel lease	40,337	43,884	49,134
Short-term debt	17,198	9,847	52,536
Long-term debt	187,000	65,194	19,766
Net cash used in financing activities	(302,407)	(296,075)	(324,542)
Net change in cash and cash equivalents	(2,203)	9,521	(1,321)
Cash and cash equivalents at beginning of year	11,899	2,378	3,699
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 9,696	\$ 11,899	\$ 2,378
Cash paid during the periods:			
Interest (net of amount capitalized)	\$157,541	\$167,433	\$173,569
Income taxes	\$242,222	\$248,096	\$274,820

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTION:

An extraordinary charge to earnings was recorded in the fourth quarter of 1997 for the write-off of generation-related regulatory assets and liabilities of the Company's Illinois retail electric business as a result of electric industry restructuring legislation enacted in Illinois in December 1997. The write-off reduced earnings \$52 million, net of income taxes. (See Note 2 – Regulatory Matters for further information.)

See Notes to Consolidated Financial Statements.

Consolidated Statement Of Retained Earnings

(Thousands of Dollars)			
Year ended December 31,	1997	1996	1995
Balance at Beginning of Period	\$1,431,295	\$1,385,629	\$1,331,567
Add:			
Net income	334,716	371,684	372,872
Other	—	837	1,065
	334,716	372,521	373,937
Deduct:			
Common stock cash dividends	331,282	326,855	319,875
Other	71	—	—
	331,353	326,855	319,875
BALANCE AT CLOSE OF PERIOD	\$1,434,658	\$1,431,295	\$1,385,629

Selected Quarterly Information

(Unaudited)

(Thousands of Dollars, Except per Share Amounts)

Quarter Ended	Operating Revenues	Operating Income	Net Income (Loss)	Earnings (Loss) per Common Share
March 31, 1997 (a)	\$ 759,663	\$ 95,461	\$ 44,977	\$.33
March 31, 1996 (a)	777,333	106,393	57,946	.42
June 30, 1997 (b)	791,821	132,492	79,686	.58
June 30, 1996 (b)	785,297	123,668	72,616	.53
September 30, 1997	1,043,137	269,093	215,423	1.57
September 30, 1996	1,018,214	267,812	217,073	1.58
December 31, 1997 (c)	731,922	85,028	(5,370)	(.04)
December 31, 1996 (c)	747,577	78,052	24,049	.18

(a) The first quarter of 1997 and 1996 included credits to Missouri electric customers which reduced net income approximately \$7 million, or 5 cents per share, and \$8 million, or 6 cents per share, respectively. In addition, a 1.8% rate decrease effective August 1995 for Missouri electric customers reduced net income for the first quarter of 1996 \$4 million, or 3 cents per share.

(b) The second quarter of 1997 and 1996 included credits to Missouri electric customers which reduced net income approximately \$4 million, or 3 cents per share, and \$18 million, or 14 cents per share, respectively. In addition, the 1995 rate decrease reduced net income for the second quarter of 1996 \$5 million, or 4 cents per share.

(c) The fourth quarter of 1997 included a net reversal of merger-related expenses of \$17 million, or 13 cents per share. The fourth quarter of 1997 also included an extraordinary charge of \$52 million, net of income taxes, or 38 cents per share (see Note 2 – Regulatory Matters for further information). Callaway Plant refueling expenses, which decreased net income approximately \$18 million, or 13 cents per share, were included in the fourth quarter of 1996.

Other changes in quarterly earnings are due to the effect of weather on sales and other factors that are characteristic of public utility operations.

See Notes to Consolidated Financial Statements.

Notes To Consolidated Financial Statements

NOTE 1 – Summary of Significant Accounting Policies

Merger and Basis of Presentation. Effective December 31, 1997, following the receipt of all required state and federal regulatory approvals, Union Electric Company (AmerenUE) and CIPSCO Incorporated (CIPSCO) combined to form Ameren Corporation (Ameren) (the Merger). The accompanying consolidated financial statements (the financial statements) reflect the accounting for the Merger as a pooling of interests and are presented as if the companies were combined as of the earliest period presented. However, the financial information is not necessarily indicative of the results of operations, financial position or cash flows that would have occurred had the Merger been consummated for the periods for which it is given effect, nor is it necessarily indicative of future results of operations, financial position or cash flows. The outstanding preferred stock of AmerenUE and Central Illinois Public Service Company (AmerenCIPS), a subsidiary of CIPSCO, was not affected by the Merger.

The accompanying financial statements include the accounts of Ameren and its consolidated subsidiaries (collectively the Company). All subsidiaries for which the Company owns directly or indirectly more than 50% of the voting stock are included as consolidated subsidiaries. Ameren's primary operating companies, AmerenUE and AmerenCIPS, are engaged principally in the generation, transmission, distribution and sale of electric energy and the purchase, distribution, transportation and sale of natural gas in the states of Missouri and Illinois. The Company also has a non-regulated investing subsidiary, CIPSCO Investment Company (CIC). Additionally, the Company has a 60% interest in Electric Energy, Inc. (EEI). EEI owns and operates an electric generating and transmission facility in Illinois that supplies electric power primarily to a uranium enrichment plant located in Paducah, Kentucky.

All significant intercompany balances and transactions have been eliminated from the consolidated financial statements.

Operating revenues and net income for each of the years in the three year period ended December 31, 1997, were as follows (in millions):

Year ended December 31, 1997:	AmerenUE	CIPSCO	Other	Ameren
Operating revenues	\$2,287	\$863	\$177	\$3,327
Extraordinary charge	(27)	(25)	—	(52)
Net income	293	42	—	335
Year ended December 31, 1996:				
Operating revenues	\$2,260	\$891	\$177	\$3,328
Net income	292	80	—	372
Year ended December 31, 1995:				
Operating revenues	\$2,242	\$837	\$157	\$3,236
Net income	301	72	—	373

Regulation. Ameren is a registered holding company under the Public Utility Holding Company Act of 1935 (PUHCA) and is subject to regulation by the Securities and Exchange Commission (SEC). AmerenUE is also regulated by the Missouri Public Service Commission (MoPSC), Illinois Commerce Commission (ICC) and the Federal Energy Regulatory Commission (FERC). AmerenCIPS is also regulated by the ICC and the FERC. The accounting policies of the Company conform to generally accepted accounting principles (GAAP). (See Note 2 – Regulatory Matters for further information.)

Property and Plant. The cost of additions to and betterments of units of property and plant is capitalized. Cost includes labor, material, applicable taxes and overheads, plus an allowance for funds used during construction. Maintenance expenditures and the renewal of items not considered units of property are charged to income as incurred. When units of depreciable property are retired, the original cost and removal cost, less salvage, are charged to accumulated depreciation.

Depreciation. Depreciation is provided over the estimated lives of the various classes of depreciable property by applying composite rates on a straight-line basis. The provision for depreciation in 1997, 1996 and 1995 was approximately 3% of the average depreciable cost.

Fuel and Gas Costs. In Illinois, changes in the cost of fuel for electric generation and gas costs are generally reflected in billings to customers through fuel and purchased gas adjustment clauses. However, existing regulatory practice may be modified in the Illinois retail jurisdiction for changes in the cost of fuel for electric generation (see Note 2 – Regulatory Matters for further information). In the Missouri retail jurisdiction, the cost of fuel for electric generation is reflected in base rates with no provision for changes to be made through a fuel adjustment clause. Changes in gas costs in the Missouri retail jurisdiction are generally reflected in billings to customers through a purchased gas adjustment clause.

Nuclear Fuel. The cost of nuclear fuel is amortized to fuel expense on a unit-of-production basis. Spent fuel disposal cost is charged to expense based on kilowatthours sold.

Cash and Cash Equivalents. Cash and cash equivalents include cash on hand and temporary investments purchased with a maturity of three months or less.

Income Taxes. The Company and its subsidiaries file a consolidated federal tax return. Deferred tax assets and liabilities are recognized for the tax consequences of transactions that have been treated differently for financial reporting and tax return purposes, measured using statutory tax rates.

Investment tax credits utilized in prior years were deferred and are being amortized over the useful lives of the related properties.

Allowance for Funds Used During Construction. Allowance for funds used during construction (AFC) is a utility industry accounting practice whereby the cost of borrowed funds and the cost of equity funds (preferred and common stockholders' equity) applicable to the Company's construction program are capitalized as a cost of construction. AFC does not represent a current source of cash funds. This accounting practice offsets the effect on earnings of the cost of financing current construction, and treats such financing costs in the same manner as construction charges for labor and materials.

Under accepted rate-making practice, cash recovery of AFC, as well as other construction costs, occurs when completed projects are placed in service and reflected in customer rates. The AFC ranges of rates used during 1997, 1996 and 1995 were 8.3% – 8.7%, 7.7% – 9.0% and 9.0% – 9.3%, respectively.

Unamortized Debt Discount, Premium and Expense. Discount, premium and expense associated with long-term debt are amortized over the lives of the related issues.

Revenue. The Company accrues an estimate of electric and gas revenues for service rendered but unbilled at the end of each accounting period.

Stock Compensation Plans. The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) in accounting for its plans.

Long-Lived Assets. Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" became effective on January 1, 1996. SFAS 121 prescribes general standards for the recognition and measurement of impairment losses. SFAS 121 requires that regulatory assets which are no longer probable of recovery through future revenues be charged to earnings (see Note 2 – Regulatory Matters for further information).

Earnings per Share. SFAS No. 128, "Earnings per Share" became effective on January 1, 1997. SFAS 128 established standards for computing and presenting earnings per share (EPS) on a basic and diluted basis (see Note 9 - Stock Options for further information). SFAS 128 did not have an impact on the financial position, results of operations or liquidity of the Company upon adoption.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions. Such estimates and assumptions may affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reclassifications. Certain reclassifications have been made to prior-years financial statements to conform with 1997 reporting.

NOTE 2 – Regulatory Matters

In July 1995, the MoPSC approved an agreement involving the Company's Missouri retail electric rates. The agreement decreased rates 1.8% for all classes of Missouri retail electric customers, effective August 1, 1995, reducing annual revenues about \$30 million and reducing annual earnings approximately 13 cents per share. In addition, a one-time \$30 million credit to retail Missouri electric customers reduced 1995 earnings approximately 13 cents per share. Also included was a three-year experimental alternative regulation plan that runs from July 1, 1995 through June 30, 1998, which provides that earnings in any future years in excess of a 12.61% regulatory return on equity (ROE) will be shared equally between customers and stockholders, and earnings above a 14% ROE will be credited to customers. The formula for computing the credit uses twelve-month results ending June 30, rather than calendar year earnings. The agreement also provides that no party shall file for a general increase or decrease in the Company's Missouri retail electric rates prior to July 1, 1998, except that the Company may file for an increase if certain adverse events occur. During 1997, the Company recorded a \$20 million credit for the second year of the plan, which reduced earnings \$11 million, or 8 cents per share. During 1996, the Company recorded a \$47 million credit, which reduced earnings \$28 million, or 20 cents per share. These credits were reflected as reductions in electric revenues.

Included in the joint agreement approved by the MoPSC in its February 1997 order authorizing the Merger, is a new three-year experimental alternative regulation plan that will run from July 1, 1998 through June 30, 2001. Like the current plan, the new plan requires that earnings over a 12.61% ROE up to a 14% ROE will be shared equally between customers and stockholders. The new three-year plan will also return to customers 90% of all earnings above a 14% ROE up to a 16% ROE. Earnings above a 16% ROE would be credited entirely to customers. Other agreement provisions include: recovery within a 10-year period of the merger-related expenses applicable to the Missouri retail jurisdiction; a Missouri electric rate decrease, effective September 1, 1998, based on the weather-adjusted average annual credits to customers under the current experimental alternative regulation plan; and an experimental retail wheeling pilot program for 100

megawatts of electric power. Also, as part of the agreement, the Company did not seek to recover in Missouri the merger premium. The exclusion of the merger premium from rates did not result in a charge to earnings.

In September 1997, the ICC approved the Merger subject to certain conditions. The conditions included the requirement for AmerenUE and AmerenCIPS to file electric and gas rate cases or alternative regulatory plans within six months after the Merger became final to determine how net merger savings would be shared between the ratepayers and stockholders.

In December 1997, the Governor of Illinois signed the Electric Service Customer Choice and Rate Relief Law of 1997 (the Act) providing for electric utility restructuring in Illinois. This legislation introduces competition into the supply of electric energy in Illinois. The Act includes a 5% rate decrease for the Company's Illinois residential electric customers, effective August 1, 1998. The Company may be subject to additional 5% residential electric rate decreases in each of 2000 and 2002 to the extent its rates exceed the Midwest utility average at that time. The Company's rates are currently below the Midwest utility average. The Company estimates that the initial 5% rate decrease will result in a decrease in annual electric revenues of about \$13 million, based on estimated levels of sales and assuming normal weather conditions. Retail direct access, which allows customers to choose their electric generation supplier, will be phased in over several years. Access for commercial and industrial customers will occur over a period from October 1999 to December 2000, and access for residential customers will occur after May 1, 2002. The Act also relieves the Company of the requirement in the ICC's September 1997 Order (which approved the Merger), requiring AmerenUE and AmerenCIPS to file electric rate cases or alternative regulatory plans in Illinois following consummation of the Merger to reflect the effects of net merger savings. Other provisions of the Act include (1) potential recovery of a portion of stranded costs through a transition charge collected from customers who choose another electric supplier, (2) the option to eliminate the uniform fuel adjustment clause (FAC) and to roll into base rates a historical level of fuel expense and (3) a mechanism to securitize certain future revenues.

The Company's accounting policies and financial statements conform to GAAP applicable to rate-regulated enterprises and reflect the effects of the ratemaking process in accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation." Such effects concern mainly the time at which various items enter into the determination of net income in order to follow the principle of matching costs and revenues. For example, SFAS 71 allows the Company to record certain assets and liabilities (regulatory assets and regulatory liabilities) which are expected to be recovered or settled in future rates and would not be recorded under GAAP for nonregulated entities. In addition, reporting under SFAS 71 allows companies whose service obligations and prices are regulated to maintain assets on their balance sheets representing costs they reasonably expect to recover from customers, through inclusion of such costs in future rates. SFAS 101, "Accounting for the Discontinuance of Application of FASB Statement No. 71," specifies how an enterprise that ceases to meet the criteria for application of SFAS 71 for all or part of its operations should report that event in its financial statements. In general, SFAS 101 requires that the enterprise report the discontinuance of SFAS 71 by eliminating from its balance sheet all regulatory assets and liabilities related to the portion of the business which no longer meets the SFAS 71 criteria. At its July 24, 1997 meeting, the Emerging Issues Task Force of the Financial Accounting Standards Board (EITF) concluded that application of SFAS 71 accounting should be discontinued once sufficiently detailed deregulation legislation is issued for a separable portion of a business for which a plan of deregulation has been established. However, the EITF further concluded that regulatory assets associated with the deregulated portion of the business, which will be recovered through tariffs charged to customers of a regulated portion of the business, should be associated with the regulated portion of the business from which future cash recovery is expected (not the portion of the business from which the costs originated), and can therefore continue to be carried on the regulated entity's balance sheet to the extent such assets are recovered. In addition, SFAS 121 establishes accounting standards for the impairment of long-lived assets (see Note 1 – Summary of Significant Accounting Policies for further information).

Due to the enactment of the Act, prices for the retail supply of electric generation are expected to transition from cost-based, regulated rates to rates determined in large part by competitive market forces in the state of Illinois. As a result, the Company discontinued application of SFAS 71 for the Illinois retail portion of its generating business (i.e., the portion of the Company's business related to the supply of electric energy in Illinois) in the fourth quarter of 1997. The Company has evaluated the impact of the Act on the future recoverability of its regulatory assets and liabilities related to the generation portion of its business and has determined that it is not probable that such assets and liabilities will be recovered through the cash flows from the regulated portion of its business. Accordingly, the Company's generation-related regulatory assets and liabilities of its Illinois retail electric business were written off in the fourth quarter of 1997, resulting in an extraordinary charge to earnings of \$52 million, net of income taxes, or 38 cents per share. These regulatory assets and liabilities included previously incurred costs originally expected to be collected/refunded in future revenues, such as fuel contract restructuring costs, deferred charges related to a generating plant, costs associated with an abandoned scrubber at a fossil plant, and income tax-related regulatory assets and liabilities. In addition, the Company has evaluated whether the recoverability of the costs associated with its remaining net generation-related assets have been impaired as defined under SFAS 121. The Company has concluded that impairment, as defined under SFAS 121, does not exist and that no plant write-downs are necessary at

this time. At December 31, 1997, the Company's net investment in generation facilities related to its Illinois retail jurisdiction approximated \$836 million and was included in electric plant in-service on the Company's consolidated balance sheet.

The provisions of the Act could also result in lower revenues, reduced profit margins and increased costs of capital. At this time, the Company is unable to determine the impact of the Act on its future financial condition, results of operations or liquidity.

In Missouri, where approximately 72% of the Company's retail electric revenues are derived, a task force appointed by the MoPSC is conducting studies of electric industry restructuring and competition and is expected to issue a report to the MoPSC in 1998. A joint legislative committee is also conducting studies and is expected to report its findings and recommendations to the Missouri General Assembly. Up to this point, retail wheeling has not been allowed in Missouri; however, the joint agreement approved by the MoPSC in February 1997 as part of its merger authorization includes a provision that required AmerenUE to file a proposal for a 100-megawatt experimental retail wheeling pilot program in Missouri. AmerenUE filed its proposal with the MoPSC in September 1997. This proposal is subject to review and approval by the MoPSC.

The Company is unable to predict the timing or ultimate outcome of electric industry restructuring in the state of Missouri, as well as its impact on the Company's future financial condition, results of operations or liquidity. The potential negative consequences of electric industry restructuring could be significant and include the impairment and write-down of certain assets, including generation-related plant and net regulatory assets, lower revenues, reduced profit margins and increased costs of capital. At December 31, 1997, the Company's net investment in generation facilities related to its Missouri jurisdiction approximated \$2.7 billion and was included in electric plant in-service on the Company's consolidated balance sheet. In addition, at December 31, 1997, the Company's Missouri net generation-related regulatory assets approximated \$462 million.

In accordance with SFAS 71, the Company has deferred certain costs pursuant to actions of its regulators, and is currently recovering such costs in electric rates charged to customers.

At December 31, the Company had recorded the following regulatory assets and regulatory liability:

(in millions)	1997	1996
Regulatory Assets:		
Income taxes	\$640	\$734
Callaway costs	99	111
Undepreciated plant costs	—	41
Unamortized loss on reacquired debt	32	42
DOE decommissioning assessment	15	18
Deferred environmental remediation costs	13	11
Merger costs	28	—
Other	18	21
Regulatory Assets	\$845	\$978
Regulatory Liability:		
Income taxes	\$224	\$304
Regulatory Liability	\$224	\$304

Income Taxes: See Note 7 – Income Taxes.

Callaway Costs: Represents Callaway Nuclear Plant operations and maintenance expenses, property taxes and carrying costs incurred between the plant in-service date and the date the plant was reflected in rates. These costs are being amortized over the remaining life of the plant (through 2024).

Undepreciated Plant Costs: Represents the unamortized cost of a generating plant's scrubber plus costs of removal.

Unamortized Loss on Reacquired Debt: Represents losses related to refunded debt. These amounts are being amortized over the lives of the related new debt issues or the remaining lives of the old debt issues if no new debt was issued.

Department of Energy (DOE) Decommissioning Assessment: Represents fees assessed by the DOE to decommission its uranium enrichment facility. These costs are being amortized through 2007 as payments are made to the DOE.

Deferred Environmental Remediation Costs: Represents costs, net of recoveries from insurers, relating to studies and remediation at manufactured gas sites which are recovered through environmental rate riders. (See Note 10 - Commitments and Contingencies for further information.)

Merger Costs: Represents the portion of merger-related expenses applicable to the Missouri retail jurisdiction. These costs are being amortized within 10 years, based on a MoPSC order.

The Company continually assesses the recoverability of its regulatory assets. Under current accounting standards, regulatory assets are written off to earnings when it is no longer probable that

such amounts will be recovered through future revenues. However, as noted in the above paragraphs, electric industry restructuring legislation may impact the recoverability of regulatory assets in the future.

In April 1996, the FERC issued Order 888 and Order 889 related to the industry's wholesale electric business. In January 1998, the Company filed a combined open access tariff which conforms to the FERC's orders.

NOTE 3 – Nuclear Fuel Lease

The Company has a lease agreement which provides for the financing of nuclear fuel. At December 31, 1997, the maximum amount that could be financed under the agreement was \$120 million. Pursuant to the terms of the lease, the Company has assigned to the lessor certain contracts for purchase of nuclear fuel. The lessor obtains, through the issuance of commercial paper or from direct loans under a committed revolving credit agreement from commercial banks, the necessary funds to purchase the fuel and make interest payments when due.

The Company is obligated to reimburse the lessor for all expenditures for nuclear fuel, interest and related costs. Obligations under this lease become due as the nuclear fuel is consumed at the Company's Callaway Nuclear Plant. The Company reimbursed the lessor \$31 million during 1997, \$37 million during 1996 and \$34 million during 1995.

The Company has capitalized the cost, including certain interest costs, of the leased nuclear fuel and has recorded the related lease obligation. During each of the years 1997, 1996 and 1995, the total interest charges under the lease were \$6 million (based on average interest rates of 5.8%, 5.7% and 6.1%, respectively) of which \$3 million was capitalized in each respective year.

NOTE 4 – Preferred Stock of Subsidiaries

At December 31, 1997 and 1996, AmerenUE and AmerenCIPS had 25 million shares and 4.6 million shares, respectively, of authorized preferred stock.

In 1997, AmerenUE redeemed \$64 million of preferred stock (see note (b) in table below). AmerenUE retired 260 shares, \$6.30 Series preferred stock in 1996.

Outstanding preferred stock is redeemable at the redemption prices shown below (in millions):

December 31,	1997	1996
Preferred Stock Not Subject to Mandatory Redemption:		
Preferred stock outstanding (entitled to cumulative dividends)		
	Redemption Price (per share)	
Without par value and stated value of \$100 per share —		
\$7.64 Series - 330,000 shares	\$103.82 – note (a)	\$ 33
\$7.44 Series - 330,001 shares	101.00 – note (b)	33
\$6.40 Series - 300,000 shares	101.50 – note (b)	30
\$5.50 Series A - 14,000 shares	110.00	1
\$4.75 Series - 20,000 shares	102.176	2
\$4.56 Series - 200,000 shares	102.47	20
\$4.50 Series - 213,595 shares	110.00 – note (c)	21
\$4.30 Series - 40,000 shares	105.00	4
\$4.00 Series - 150,000 shares	105.625	15
\$3.70 Series - 40,000 shares	104.75	4
\$3.50 Series - 130,000 shares	110.00	13
With par value of \$100 per share —		
4.00% Series - 150,000 shares	101.00	15
4.25% Series - 50,000 shares	102.00	5
4.90% Series - 75,000 shares	102.00	8
4.92% Series - 50,000 shares	103.50	5
5.16% Series - 50,000 shares	102.00	5
1993 Auction - 300,000 shares	100.00 – note (d)	30
6.625% Series - 125,000 shares	100.00 – note (e)	12
Without par value and stated value of \$25 per share —		
\$1.735 Series - 1,657,500 shares	25.00 – note (f)	42
Total Preferred Stock Not Subject to Mandatory Redemption	\$235	\$298
Preferred Stock Subject to Mandatory Redemption:		
Preferred stock outstanding without par value (entitled to cumulative dividends)		
Stated value of \$100 per share —		
\$6.30 Series - 0 and 6,240 shares		
at respective dates	\$100.00 – note (b)	\$ 1
Total Preferred Stock Subject to Mandatory Redemption	\$ —	\$ 1

(a) Beginning February 15, 2003, eventually declining to \$100 per share.

(b) AmerenUE redeemed this series in 1997.

(c) In the event of voluntary liquidation, \$105.50.

(d) Dividend rates, and the periods during which such rates apply, vary depending on the Company's selection of certain defined dividend period lengths. The average dividend rate during 1997 was 3.98%.

(e) Not redeemable prior to October 1, 1998.

(f) Not redeemable prior to August 1, 1998.

**NOTE 5 –
Short-Term
Borrowings**

Short-term borrowings of the Company consist of bank loans (maturities generally on an overnight basis) and commercial paper (maturities generally within 10-45 days). At December 31, 1997 and 1996, \$86 million and \$69 million, respectively, of short-term borrowings were outstanding. The weighted average interest rates on borrowings outstanding at December 31, 1997 and 1996, were 6.5% and 6.4%, respectively.

At December 31, 1997, the Company had committed bank lines of credit aggregating \$259 million (of which \$244 million were unused and \$179 million were available) which make available interim financing at various rates of interest based on LIBOR, the bank certificate of deposit rate, or other options. These lines of credit are renewable annually at various dates throughout the year.

**NOTE 6 –
Long-Term Debt
of Subsidiaries**

Long-term debt outstanding at December 31, (in millions)	1997	1996
First Mortgage Bonds – note (a)		
5 1/2% Series paid in 1997	\$ —	\$ 40
6 1/8% Series X paid in 1997	—	43
6 3/4% Series due 1999	100	100
7 1/8% Series W due 1999	50	50
8.33% Series due 2002	75	75
6 3/8% Series Z due 2003	40	40
7.65% Series due 2003	100	100
6 7/8% Series due 2004	188	188
7 3/8% Series due 2004	85	85
7 1/2% Series X due 2007	50	50
6 3/4% Series due 2008	148	148
7.61% 1997 Series due 2017	40	—
7.40% Series due 2020 – note (b)	60	60
8 3/4% Series due 2021	125	125
8% Series due 2022	85	85
8 1/4% Series due 2022	104	104
7.15% Series due 2023	75	75
7% Series due 2024	100	100
5.45% Series due 2028 – note (b)	44	44
Other 6% - 8.5% due 1999 through 2022	186	121
	1,655	1,633
Environmental Improvement/Pollution Control Revenue Bonds		
1984 Series A due 2014 – note (c)	80	80
1984 Series B due 2014 – note (c)	80	80
1985 Series A due 2015 – note (d)	70	70
1985 Series B due 2015 – note (d)	57	57
1990 Series B 7.60% due 2013	32	32
1991 Series due 2020 – note (d)	43	43
1992 Series due 2022 – note (d)	47	47
1993 Series A 6 3/8% due 2028	35	35
1993 Series C-1 due 2026 – note (e)	35	35
Other 4.375% - 7.6% due 2014 through 2028	80	80
	559	559
Subordinated Deferrable Interest Debentures		
7.69% Series A due 2036 – note (f)	66	66
Unsecured Loans		
Commercial paper – note (g)	35	—
Credit agreements – note (h)	21	—
1991 Senior Medium Term Notes 8.60% due through 2005	54	60
1994 Senior Medium Term Notes 6.61% due through 2005	62	70
	172	130
Nuclear Fuel Lease	117	106
Unamortized Discount and Premium on Debt	(11)	(13)
Maturities Due Within One Year	(52)	(146)
Total Long-Term Debt	\$2,506	\$2,335

(a) At December 31, 1997, substantially all of the property and plant was mortgaged under, and subject to liens of, the respective indentures pursuant to which the bonds were issued.

(b) Environmental Improvement Series

(c) On June 1 of each year, the interest rate is established for the following year, or alternatively at the option of the Company, may be fixed until maturity. A per annum rate of 3.95% is effective for the year ended May 31, 1998. Thereafter, the interest rates will depend on market conditions and the selection of an annual versus remaining life rate by the Company. The average interest rate for the year 1997 was 3.83%.

(d) Interest rates, and the periods during which such rates apply, vary depending on the Company's selection of certain defined rate modes. The average interest rates for the year 1997, for 1985 Series A, 1985 Series B, 1991 Series and 1992 Series bonds were 3.61%, 3.82%, 3.86%, and 3.83%, respectively.

- (e) The interest rate for the year 1997 was 4.20%. This interest rate will be adjusted to a then-current market rate on August 15, 1998. Actual interest rates, and the periods during which such rates apply, vary depending on the Company's selection of certain defined rate modes.
- (f) During the terms of the debentures, the Company may, under certain circumstances, defer the payment of interest for up to five years.
- (g) A bank credit agreement, due 1999, permits the Company to borrow or to support commercial paper borrowings up to \$300 million. Interest rates will vary depending on market conditions. At December 31, 1997, the outstanding commercial paper was at an average annualized rate of 5.93%.
- (h) Bank credit agreements, due 2002, permit the Company to borrow up to \$42 million. Interest rates vary depending on market conditions and the Company's selection of various options under the agreements. At December 31, 1997, the average annualized interest rate was 6.15%.
- (i) A bank credit agreement, due 1999, permits the Company to borrow up to \$200 million. Interest rates will vary depending on market conditions and the Company's selection of various options under the agreement. At December 31, 1997, no such borrowings were outstanding.

Maturities of long-term debt through 2002 are as follows:

(in millions)	Principal Amount
1998	\$ 52
1999	209
2000	49
2001	44
2002	134

Amounts for years subsequent to 1998 do not include nuclear fuel lease payments since the amounts of such payments are not currently determinable.

**NOTE 7 –
Income Taxes**

Total income tax expense for 1997 resulted in an effective tax rate of 38% on earnings before income taxes (40% in each of 1996 and 1995).

Principal reasons such rates differ from the statutory federal rate:

	1997	1996	1995
Statutory federal income tax rate:	35%	35%	35%
Increases (Decreases) from:			
Depreciation differences	1	1	1
State tax	4	4	4
Other	(2)	—	—
Effective income tax rate	38%	40%	40%

Income tax expense components:

(in millions)	1997	1996	1995
Taxes currently payable (principally federal):			
Included in operating expenses	\$261	\$255	\$267
Included in other income — Miscellaneous, net	—	—	(1)
	261	255	266
Deferred taxes (principally federal):			
Included in operating expenses —			
Depreciation differences	(11)	2	10
Postretirement benefits	—	—	(9)
Other	(7)	5	2
Included in other income —			
Depreciation differences	—	1	1
Other	10	—	—
	(8)	8	4
Deferred investment tax credits, amortization:			
Included in operating expenses	(9)	(9)	(9)
Total income tax expense	\$244	\$254	\$261

In accordance with SFAS 109, "Accounting for Income Taxes," a regulatory asset, representing the probable recovery from customers of future income taxes, which is expected to occur when temporary differences reverse, was recorded along with a corresponding deferred tax liability. Also, a regulatory liability, recognizing the lower expected revenue resulting from reduced income taxes associated with amortizing accumulated deferred investment tax credits, was recorded. Investment tax credits have been deferred and will continue to be credited to income over the lives of the related property.

The Company adjusts its deferred tax liabilities for changes enacted in tax laws or rates. Recognizing that regulators will probably reduce future revenues for deferred tax liabilities initially recorded at rates in excess of the current statutory rate, reductions in the deferred tax liability were credited to the regulatory liability.

Temporary differences gave rise to the following deferred tax assets and deferred tax liabilities at December 31:

(in millions)	1997	1996
Accumulated Deferred Income Taxes:		
Depreciation	\$1,045	\$1,070
Regulatory assets, net	451	488
Capitalized taxes and expenses	176	210
Deferred benefit costs	(46)	(48)
Regulatory liabilities, net	(42)	(46)
Other	9	23
Total net accumulated deferred income tax liabilities	\$1,593	\$1,697

NOTE 8 – Retirement Benefits The Company has defined-benefit retirement plans covering substantially all of its employees. Benefits are based on the employees' years of service and compensation. The Company's plans are funded in compliance with income tax regulations and federal funding requirements.

Following is the pension plan information related to AmerenUE's plans as of December 31:

Pension costs for the years 1997, 1996 and 1995, were \$24 million, \$28 million and \$26 million, respectively, of which approximately 17%, 19% and 20%, respectively was charged to construction accounts.

Funded Status of Pension Plans:

(in millions)	1997	1996	1995
Actuarial present value of benefit obligation:			
Vested benefit obligation	\$ 705	\$661	\$679
Accumulated benefit obligation	\$ 829	\$752	\$758
Projected benefit obligation for service rendered to date	\$ 999	\$919	\$913
Less: Plan assets at fair value*	1,006	924	847
(Excess) Deficiency of plan assets versus projected benefit obligation	(7)	(5)	66
Unrecognized net gain	115	96	22
Unrecognized prior service cost	(69)	(76)	(82)
Unrecognized net assets at transition	7	8	9
Accrued pension cost at December 31	\$ 46	\$ 23	\$ 15

* Plan assets consist principally of common stocks and fixed income securities.

Components of Net Pension Expense:

(in millions)	1997	1996	1995
Service cost – benefits earned during the period	\$ 22	\$ 22	\$ 19
Interest cost on projected benefit obligation	69	65	66
Actual return on plan assets	(134)	(107)	(166)
Net amortization and deferral	67	48	107
Pension cost	\$ 24	\$ 28	\$ 26

Assumptions for Actuarial Present Value of Projected Benefit Obligations:

	1997	1996	1995
Discount rate at measurement date	7.0%	7.5%	7.25%
Increase in future compensation	4.0%	4.5%	4.25%
Plan assets long-term rate of return	8.5%	8.5%	8.5%

AmerenCIPS uses a September 30 measurement date for its valuation of pension plan assets and liabilities. Following is the pension plan information related to AmerenCIPS' plan as of December 31:

Pension costs for the years 1997, 1996 and 1995, were \$5 million, \$4 million and \$6 million, respectively, of which approximately 15% in 1997 and 1996 and 18% in 1995 was charged to construction accounts.

Funded Status of Pension Plan:

(in millions)	1997	1996	1995
Actuarial present value of benefit obligation:			
Vested benefit obligation	\$164	\$148	\$121
Accumulated benefit obligation	\$190	\$171	\$142
Projected benefit obligation for service rendered to date	\$234	\$211	\$181
Less: Plan assets at fair value*	315	253	221
(Excess) of plan assets versus projected benefit obligation	(81)	(42)	(40)
Unrecognized net gain	76	40	33
Unrecognized prior service cost	(11)	(11)	(5)
Unrecognized net assets at transition	3	3	4
Prepaid pension costs at September 30	(13)	(10)	(8)
Expense, net of funding October to December	(2)	(1)	—
Prepaid pension cost at December 31	\$ (15)	\$ (11)	\$ (8)

* Plan assets consist principally of common and preferred stocks, bonds, money market instruments and real estate.

Components of Net Pension Expense:

(in millions)	1997	1996	1995
Service cost – benefits earned during the period	\$ 7	\$ 7	\$ 7
Interest cost on projected benefit obligation	16	13	12
Actual return on plan assets	(60)	(30)	(34)
Net amortization and deferral	42	14	21
Pension cost	\$ 5	\$ 4	\$ 6

Assumptions for Actuarial Present Value of Projected Benefit Obligations:

	1997	1996	1995
Discount rate at measurement date	7.5%	7.5%	7.5%
Increase in future compensation	4.5%	4.5%	4.5%
Plan assets long-term rate of return	8.5%	8.5%	8.0%

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees may become eligible for those benefits if they reach retirement age while working for the Company. The Company accrues the expected postretirement benefit costs during employees' years of service.

The following is information related to AmerenUE's postretirement benefit plans as of December 31: AmerenUE's funding policy is to annually contribute the net periodic cost to a Voluntary Employee Beneficiary Association trust (VEBA). Postretirement benefit costs were \$44 million for each of the years 1997, 1996 and 1995, of which approximately 17% was charged to construction accounts in 1997 and 19% in each of 1996 and 1995. AmerenUE's transition obligation at December 31, 1997, is being amortized over the next 15 years.

In August 1994, the MoPSC authorized the recovery of postretirement benefit costs in rates to the extent that such costs are funded. In December 1995, the Company established two external trust funds for retiree health care and life insurance benefits. For 1995, actual claims paid were approximately \$15 million. In 1997 and 1996, claims were paid out of the plan trust funds.

Funded Status of the Plans:

(in millions)	1997	1996	1995
Accumulated postretirement benefit obligation:			
Active employees eligible for benefits	\$ 41	\$ 38	\$ 74
Retired employees	202	193	211
Other active employees	90	80	32
Total benefit obligation	333	311	317
Less: Plan assets at fair market value*	81	47	14
Accumulated postretirement benefit obligation in excess of plan assets	252	264	303
Unrecognized – transition obligation	(187)	(200)	(213)
– gain/(loss)	18	19	(7)
Postretirement benefit liability at December 31	\$ 83	\$ 83	\$ 83

* Plan assets consist principally of common stocks and fixed income securities.

Components of Postretirement Benefit Cost:

(in millions)	1997	1996	1995
Service cost – benefits earned during the period	\$12	\$12	\$10
Interest cost on projected benefit obligation	23	22	24
Actual return on plan assets	(9)	(4)	—
Amortization – transition obligation	12	12	12
– unrecognized gain	(1)	(1)	(2)
Deferred gain	7	3	—
Net periodic cost	\$44	\$44	\$44

Assumptions for the Obligation Measurements:

	1997	1996	1995
Discount rate at measurement date	7%	7.5%	7.25%
Plan assets long-term rate of return	8.5%	8.5%	8.5%
Medical cost trend rate – initial	7%	8.25%	9.25%
– ultimate	5%	5.25%	5.25%
Ultimate medical cost trend rate expected in year	2000	2000	2000

A 1% increase in the medical cost trend rate is estimated to increase the net periodic cost and the accumulated postretirement benefit obligation approximately \$3 million and \$23 million, respectively.

The following is information related to AmerenCIPS' postretirement benefit plans as of December 31: AmerenCIPS' funding policy is to fund the two VEBAs and the 401(h) account established within the AmerenCIPS retirement income trust with the lessor of the net periodic cost or the amount deductible for federal income tax purposes. AmerenCIPS uses a September 30 measurement date for its valuation of postretirement assets and liabilities.

Postretirement benefit costs were \$12 million for 1997, \$16 million for 1996 and \$17 million for 1995, of which approximately 17% was charged to construction accounts in 1997 and 15% in each of 1996 and 1995. AmerenCIPS' transition obligation at December 31, 1997, is being amortized over the next 15 years.

Funded Status of the Plans:

(in millions)	1997	1996	1995
Accumulated postretirement benefit obligation:			
Active employees eligible for benefits	\$ 23	\$ 20	\$ 17
Retired employees	47	54	50
Other active employees	67	65	76
Total benefit obligation	137	139	143
Less: Plan assets at fair market value*	106	71	49
Accumulated postretirement benefit obligation in excess of plan assets	31	68	94
Unrecognized – transition obligation	(84)	(89)	(99)
– gain	64	38	24
Accrued postretirement benefit cost at September 30	11	17	19
Expense, net of funding, October to December	(7)	(14)	(15)
Postretirement benefit liability at December 31	\$ 4	\$ 3	\$ 4

* Plan assets consist principally of common and preferred stocks, bonds, money market instruments and real estate.

Components of Postretirement Benefit Cost:

(in millions)	1997	1996	1995
Service cost – benefits earned during the period	\$ 4	\$ 4	\$ 4
Interest cost on projected benefit obligation	10	11	10
Actual return on plan assets	(21)	(9)	(8)
Amortization of transition obligation	6	6	6
Deferred gains	13	4	5
Net periodic cost	\$ 12	\$16	\$17

Assumptions for the Obligation Measurements:

	1997	1996	1995
Discount rate at measurement date	7.25%	7.5%	7.5%
Plan assets long-term rate of return	8.5%	8.5%	8.0%
Medical cost trend rate – initial	8.5%	9.8%	10.6%
– ultimate	5.5%	4.5%	4.0%
Ultimate medical cost trend rate expected in year	2005	2005	2007

A 1% increase in the medical cost trend rate is estimated to increase the net periodic cost and the accumulated postretirement benefit obligation as of September 30, 1997 approximately \$3 million and \$22 million, respectively.

NOTE 9 – Stock Option Plans

AmerenUE has a long-term incentive plan (the Plan) for eligible employees. The Plan provides for the grant of options, performance awards, restricted stock, dividend equivalents and stock appreciation rights. Under the terms of the Plan, options may be granted at a price not less than the fair market value of the common shares at the date of grant. Granted options vest over a period of five years, beginning at the date of grant, and provide for acceleration of exercisability of the options upon the occurrence of certain events, including retirement. Outstanding options expire on various dates through 2007. Under the Plan, subject to adjustment as provided in the Plan, 2.5 million shares have been authorized to be issued or delivered.

Summary of Stock Options:

	1997	1996	1995
Options outstanding at beginning of the year	307,390	142,500	—
Options granted during the year	195,880	165,590	142,500
Options exercised during the year	—	—	—
Options expired/canceled during the year	7,200	700	—
Options outstanding at end of the year	496,070	307,390	142,500
Options exercisable at end of the year	134,785	39,710	9,800
Exercise price range of options granted	\$38.50	\$43	\$35.50-\$35.875

In accordance with APB 25, no compensation cost has been recognized for the Company's stock compensation plans. In 1996, the Company adopted the disclosure-only method under SFAS 123, "Accounting for Stock-Based Compensation." If the fair value based accounting method under this statement had been used to account for stock-based compensation cost, the effects on 1997, 1996 and 1995 net income and earnings per share would have been immaterial.

The Company's calculation of basic and diluted earnings per share resulted in the same earnings per share amounts for each of the years 1997, 1996 and 1995. The reconciling item in each of the years is comprised of assumed stock option conversions which increased the number of shares outstanding in the diluted earnings per share calculation by 7,318 shares, 12,879 shares and 3,892 shares in 1997, 1996 and 1995, respectively.

NOTE 10 – Commitments and Contingencies

The Company is engaged in a construction program under which expenditures averaging approximately \$333 million, including AFC, are anticipated during each of the next five years. This estimate does not include any construction expenditures which may be incurred by the Company to meet new air quality standards for ozone and particulate matter, as discussed later in this Note.

The Company has commitments for the purchase of coal under long-term contracts. Coal contract commitments, including transportation costs, for 1998 through 2002 are estimated to total \$1.5 billion. Total coal purchases, including transportation costs, for 1997, 1996 and 1995 were \$476 million, \$514 million and \$460 million, respectively. The Company also has existing contracts with pipeline and natural gas suppliers to provide natural gas for distribution and electric generation. Gas-related contracted cost commitments for 1998 through 2002 are estimated to total \$212 million. Total delivered natural gas costs for 1997, 1996 and 1995 were \$160 million, \$161 million and \$127 million, respectively. The Company's nuclear fuel commitments for 1998 through 2002, including uranium concentrates, conversion, enrichment and fabrication, are expected to total \$116 million, and are expected to be financed under the nuclear fuel lease. Nuclear fuel expenditures for 1997, 1996 and 1995 were \$35 million, \$51 million and \$42 million, respectively. Additionally, the Company has long-term contracts with other utilities to purchase electric capacity. These commitments for 1998 through 2002 are estimated to total \$187 million. During 1997, 1996 and 1995, electric capacity purchases were \$34 million, \$44 million and \$42 million, respectively.

During 1996, the Company restructured its contract with one of its major coal suppliers. In 1997, the Company paid a \$70 million restructuring payment to the supplier, which allows them to purchase at market prices low-sulfur, non-Illinois coal through the supplier (in substitution for the high-sulfur Illinois coal the Company was obligated to purchase under the original contract); and would receive options for future purchases of low-sulfur, non-Illinois coal from the supplier through 1999 at set negotiated prices.

By switching to low-sulfur coal, the Company was able to discontinue operating a generating station scrubber. The benefits of the restructuring include lower cost coal, avoidance of significant capital expenditures to renovate the scrubber and elimination of scrubber operations and maintenance costs (offset by scrubber retirement expenses). The net benefits of restructuring are expected to exceed \$100 million over the next 10 years. In December 1996, the ICC entered an order approving the switch to non-Illinois coal, recovery of the restructuring payment plus associated carrying costs (Restructuring Charges) through the retail FAC over six years, and continued recovery in rates of the undepreciated scrubber investment plus costs of removal. Additionally, in May 1997 the FERC approved recovery of the wholesale portion of the Restructuring Charges through the wholesale FAC. As a result of the ICC and FERC orders, the Company classified the \$72 million of the Restructuring Charges made to the coal supplier in February 1997 as a regulatory asset and, through December 1997, recovered approximately \$10 million of the Restructuring Charges through the retail FAC and from wholesale customers.

A group of industrial customers filed with the Illinois Third District Appellate Court (the Court) in February 1997 an appeal of the December 1996 order of the ICC. On November 24, 1997, the Court reversed the ICC's December 1996 order, finding that the Restructuring Charges were not direct costs

of fuel that may be recovered through the retail FAC, but rather should be considered as a part of a review of aggregate revenue requirements in a full rate case. Restructuring Charges allocated to wholesale customers (approximately \$7 million) are not in question as a result of the opinion of the Court. In December 1997, the Company requested a rehearing by the Court; that request was denied. However, the Court did rule that all revenues collected under the retail FAC in 1997 would not have to be refunded to customers. The Company has appealed to the Illinois Supreme Court the Court's decision that Restructuring Charges may not be recovered through the retail FAC.

The recoverability of the Restructuring Charges under the retail FAC in Illinois was also impacted by the Electric Service Customer Choice and Rate Relief Law of 1997 (the Act). Among other things, the Act provides utilities with the option to eliminate the retail FAC and limits the ability of utilities to file a full rate case for its aggregate revenue requirements. After evaluating the impact of the Act on the future recoverability of the Company's Restructuring Charges through future rates, the Company concluded that the unamortized balance of the Illinois retail portion of its Restructuring Charges as of December 31, 1997, should be written off (\$34 million, net of income taxes). See Note 2 - Regulatory Matters for further information.

The Company's insurance coverage for Callaway Nuclear Plant at December 31, 1997, was as follows:

Type and Source of Coverage

(in millions)	Maximum Coverages	Maximum Assessments for Single Incidents
Public Liability:		
American Nuclear Insurers	\$ 200	\$—
Pool Participation	8,720	79 (a)
	\$8,920 (b)	\$79
Nuclear Worker Liability:		
American Nuclear Insurers	\$ 200 (c)	\$ 3
Property Damage:		
American Nuclear Insurers	\$ 500	\$—
Nuclear Electric Insurance Ltd.	2,250 (d)	11
	\$2,750	\$11
Replacement Power:		
Nuclear Electric Insurance Ltd.	\$ 473 (e)	\$ 4

(a) Retrospective premium under the Price-Anderson liability provisions of the Atomic Energy Act of 1954, as amended, (Price-Anderson). Subject to retrospective assessment with respect to loss from an incident at any U.S. reactor, payable at \$10 million per year.

(b) Limit of liability for each incident under Price-Anderson.

(c) Industry limit for potential liability from workers claiming exposure to the hazard of nuclear radiation.

(d) Includes premature decommissioning costs.

(e) Weekly indemnity of \$3.5 million, for 52 weeks which commences after the first 21 weeks of an outage, plus \$2.8 million per week for 104 weeks thereafter.

Price-Anderson limits the liability for claims from an incident involving any licensed U.S. nuclear facility. The limit is based on the number of licensed reactors and is adjusted at least every five years based on the Consumer Price Index. Utilities owning a nuclear reactor cover this exposure through a combination of private insurance and mandatory participation in a financial protection pool as established by Price-Anderson.

If losses from a nuclear incident at Callaway Plant exceed the limits of, or are not subject to, insurance, or if coverage is not available, the Company will self-insure the risk. Although the Company has no reason to anticipate a serious nuclear incident, if one did occur it could have a material but indeterminable adverse effect on the Company's financial position, results of operations or liquidity.

Under the Title IV of the Clean Air Act Amendments of 1990, the Company is required to significantly reduce total annual sulfur dioxide emissions by the year 2000. Significant reductions in nitrogen oxide are also required. By switching to low-sulfur coal and early banking of emission credits, the Company anticipates that it can comply with the requirements of the law without significant revenue increases because the related capital costs are largely offset by lower fuel costs. As of year-end 1997, estimated remaining capital costs expected to be incurred pertaining to Clean Air Act-related projects totaled \$107 million.

In July 1997, the United States Environmental Protection Agency (EPA) issued final regulations revising the National Ambient Air Quality Standards for ozone and particulate matter. Although specific emission control requirements are still being developed, it is believed that the revised standards will require significant additional reductions in nitrogen oxide and sulfur dioxide emissions from coal-fired boilers. In October 1997, the EPA announced that Missouri and Illinois are included in the area targeted for nitrogen oxide emissions reductions as part of the EPA's regional control program. Reduction requirements in nitrogen oxide emissions from the Company's coal-fired boilers could exceed 80% from 1990 levels by the year 2002. Reduction requirements in sulfur dioxide emissions may be up to 50% beyond that already required by Phase II acid rain control provisions of the 1990 Clean Air Act Amendments and could be required by 2007. Because of the magnitude of these additional reductions, the Company could be required to incur significantly higher capital costs to meet future compliance obligations for its coal-fired boilers or purchase power from other sources, either of which could have significantly higher operations and maintenance expenditures associated with compliance. At this time, the Company is unable to determine the impact of the revised air quality standards on its future financial condition, results of operations or liquidity.

In December 1997, the United States and numerous other countries agreed to certain environmental provisions (the Kyoto Protocol), which would require decreases in greenhouse gases in an effort to address the "global warming" issue. The Company is unable to predict what requirements, if any, will be adopted in this country. However, implementation of the Kyoto Protocol in its present form would likely result in significantly higher capital costs and operations and maintenance expenditures by the Company. At this time, the Company is unable to determine the impact of these proposals on its future financial condition, results of operations or liquidity.

As of December 31, 1997, the Company's utility operating subsidiaries were designated as potentially responsible parties (PRP) by federal and state environmental protection agencies at five hazardous waste sites. Other hazardous waste sites have been identified for which the Company may be responsible but has not been designated a PRP.

Costs relating to studies and remediation and associated legal and litigation expenses at the sites located in Illinois are being accrued and deferred rather than expensed currently, pending recovery through rates. Through December 31, 1997, the total of the costs deferred, net of recoveries from insurers and through environmental adjustment clause rate riders approved by the ICC, was \$13 million.

The ICC has instituted a reconciliation proceeding to review the Company's environmental remediation activities in 1993, 1994 and 1995 and to determine whether the revenues collected under the riders in 1993 were consistent with the amount of remediation costs prudently and properly incurred. Amounts found to have been incorrectly included under the riders would be subject to refund. In mid-1997, the Company and the ICC Staff submitted a stipulation with regard to all matters at issue which concluded that the amounts collected under the environmental rate rider were appropriate in all material respects. A ruling from the ICC is still pending.

The Company continually reviews remediation costs that may be required for all of these sites. Any unrecovered environmental costs are not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

The International Union of Operating Engineers Local 148 and the International Brotherhood of Electrical Workers Local 702 filed unfair labor practice charges with the National Labor Relations Board (NLRB) relating to the legality of the lockout by AmerenCIPS of both unions during 1993. The NLRB has issued complaints against AmerenCIPS concerning its lockout. Both unions seek, among other things, back pay and other benefits for the period of the lockout. The Company estimates the amount of back pay and other benefits for both unions to be approximately \$17 million. An administrative law judge of the NLRB has ruled that the lockout was unlawful. On July 23, 1996, the Company appealed to the NLRB. The Company believes the lockout was both lawful and reasonable and that the final resolution of the disputes will not have a material adverse effect on its financial position, results of operations or liquidity.

Regulatory changes enacted and being considered at the federal and state levels continue to change the structure of the utility industry and utility regulation, as well as encourage increased competition. At this time, the Company is unable to predict the impact of these changes on its future financial condition, results of operations or liquidity. (See Note 2 – Regulatory Matters for further information.)

The Company is involved in other legal and administrative proceedings before various courts and agencies with respect to matters arising in the ordinary course of business, some of which involve substantial amounts. The Company believes that the final disposition of these proceedings will not have a material adverse effect on its financial position, results of operations or liquidity.

NOTE 11 – Callaway Nuclear Plant

Under the Nuclear Waste Policy Act of 1982, the DOE is responsible for the permanent storage and disposal of spent nuclear fuel. The DOE currently charges one mill per nuclear-generated kilowatthour sold for future disposal of spent fuel. Electric rates charged to customers provide for recovery of such costs. The DOE is not expected to have its permanent storage facility for spent fuel available until at least 2015. The Company has sufficient storage capacity at Callaway Plant site until 2004 and is pursuing a viable storage alternative. This alternative will require Nuclear Regulatory Commission approval. The delayed availability of the DOE's disposal facility is not expected to adversely affect the continued operation of Callaway Plant.

Electric rates charged to customers provide for recovery of Callaway Plant decommissioning costs over the life of the plant, based on an assumed 40-year life, ending with expiration of the plant's operating license in 2024. The Callaway site is assumed to be decommissioned using the DECON (immediate dismantlement) method. Decommissioning costs, including decontamination, dismantling and site restoration, are estimated to be \$451 million in current year dollars and are expected to escalate approximately 4% per year through the end of decommissioning activity in 2033. Decommissioning costs are charged to depreciation expense over Callaway's service life and amounted to \$7 million in each of the years 1997, 1996 and 1995. Every three years, the MoPSC requires the Company to file updated cost studies for decommissioning Callaway, and electric rates may be adjusted at such times to reflect changed estimates. The latest study was filed in 1996. Costs collected from customers are deposited in an external trust fund to provide for Callaway's decommissioning. Fund earnings are expected to average 9.25% annually through the date of decommissioning. If the assumed return on trust assets is not earned, the Company believes it is probable that such earnings deficiency will be recovered in rates. Trust fund earnings, net of expenses, appear on the consolidated balance sheet as increases in the nuclear decommissioning trust fund and in the accumulated provision for nuclear decommissioning.

The staff of the SEC has questioned certain current accounting practices of the electric utility industry, regarding the recognition, measurement and classification of decommissioning costs for nuclear generating stations in the financial statements of electric utilities. In response to these questions, the Financial Accounting Standards Board has agreed to review the accounting for removal costs, including decommissioning. The Company does not expect that changes in the accounting for nuclear decommissioning costs will have a material effect on its financial position, results of operations or liquidity.

NOTE 12 – Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and Temporary Investments/Short-Term Borrowings

The carrying amounts approximate fair value because of the short-term maturity of these instruments.

Marketable Securities

The fair value is based on quoted market prices obtained from dealers or investment managers.

Nuclear Decommissioning Trust Fund

The fair value is estimated based on quoted market prices for securities.

Preferred Stock of Subsidiaries

The fair value is estimated based on the quoted market prices for the same or similar issues.

Long-Term Debt of Subsidiaries

The fair value is estimated based on the quoted market prices for same or similar issues or on the current rates offered to the Company for debt of comparable maturities.

Carrying amounts and estimated fair values of the Company's financial instruments at December 31:

(in millions)	1997 Carrying Amount	1997 Fair Value	1996 Carrying Amount	1996 Fair Value
Marketable securities	\$ 32	\$ 32	\$ 51	\$ 51
Preferred stock	235	214	299	257
Long-term debt (including current portion)	2,558	2,692	2,482	2,545

The Company has investments in debt and equity securities that are held in trust funds for the purpose of funding the nuclear decommissioning of Callaway Nuclear Plant (see Note 11 – Callaway Nuclear Plant). The Company has classified these investments in debt and equity securities as available for sale and has recorded all such investments at their fair market value at December 31, 1997 and 1996. In 1997, 1996 and 1995, the proceeds from the sale of investments were \$24 million, \$20 million and \$9 million, respectively. Using the specific identification method to determine cost, the gross realized gains on those sales were approximately \$2 million for 1997 and \$1 million each for 1996 and 1995. Net realized and unrealized gains and losses are reflected in the accumulated provision for nuclear decommissioning on the consolidated balance sheet, which is consistent with the method used by the Company to account for the decommissioning costs recovered in rates.

Costs and fair values of investments in debt and equity securities in the nuclear decommissioning trust fund at December 31 were as follows:

1997 (in millions)		Gross Unrealized		Fair Value
Security Type	Cost	Gain	(Loss)	
Debt securities	\$34	\$ 3	\$ —	\$ 37
Equity securities	43	40	—	83
Cash equivalents	2	—	—	2
	\$79	\$43	\$ —	\$122

1996 (in millions)		Gross Unrealized		Fair Value
Security Type	Cost	Gain	(Loss)	
Debt securities	\$29	\$ 2	\$ —	\$31
Equity securities	40	22	—	62
Cash equivalents	4	—	—	4
	\$73	\$24	\$ —	\$97

The contractual maturities of investments in debt securities at December 31, 1997 were as follows:

(in millions)	Cost	Fair Value
1 year to 5 years	\$ 4	\$ 4
5 years to 10 years	6	7
Due after 10 years	24	26
	\$34	\$37

Selected Consolidated Financial Information

(Millions of Dollars Except Shares and per Share Amounts and Ratios)	1997	1996	1995	1994	1993	1992
Results of Operations (Year ended December 31,)						
Operating revenues	\$3,327	\$3,328	\$3,236	\$3,270	\$3,272	\$3,047
Operating expenses	2,744	2,752	2,658	2,685	2,724	2,514
Operating income	582	576	578	585	548	533
Income before extraordinary charge	387	372	373	391	369	361
Extraordinary charge, net of income taxes	52	—	—	—	—	—
Net income	335	372	373	391	369	361
Average common shares outstanding	137,215,462	137,215,462	137,215,462	137,253,617	137,254,771	137,254,771
Assets, Obligations and Equity Capital (December 31,)						
Total assets	\$8,828	\$8,933	\$8,788	\$8,629	\$8,546	\$7,631
Long-term debt obligations	2,506	2,335	2,373	2,413	2,301	2,213
Preferred stock subject to mandatory redemption	—	1	1	1	1	1
Preferred stock not subject to mandatory redemption	235	298	298	298	298	283
Common equity	3,019	3,016	2,971	2,917	2,840	2,781
Financial Indices (Year ended December 31,)						
Earnings per share of common stock before extraordinary charge	\$2.82	\$2.71	\$2.72	\$2.85	\$2.69	\$2.63
Extraordinary charge, net of income taxes	\$(.38)	—	—	—	—	—
Earnings per share of common stock (based on average shares outstanding)	\$2.44	\$2.71	\$2.72	\$2.85	\$2.69	\$2.63
Dividend payout ratio	99%	88%	86%	80%	83%	82%
Return on average common stock equity	11.14%	12.51%	12.76%	13.69%	13.18%	13.30%
Ratio earnings to fixed charges						
AmerenUE	4.70	4.68	4.78	4.68	4.66	4.66
AmerenCIPS	3.64	4.30	4.41	4.93	4.82	4.12
Book value per common share	\$22.00	\$21.98	\$21.65	\$21.25	\$20.69	\$20.26
Capitalization Ratios (December 31,)						
Common equity	52.4%	53.4%	52.6%	51.8%	52.2%	52.7%
Preferred stock	4.1	5.3	5.3	5.3	5.5	5.4
Long-term debt	43.5	41.3	42.1	42.9	42.3	41.9
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Electric Operating Statistics

(Year Ended December 31,)	1997	1996	1995	1994	1993	1992
Electric Operating Revenues (Millions)						
Residential	\$1,064	\$1,070	\$1,073	\$1,014	\$1,037	\$952
Commercial	927	920	906	884	861	846
Industrial	500	500	496	487	486	520
Wholesale	91	91	87	84	81	77
Interchange	224	280	230	243	254	123
EEl	207	198	201	276	251	256
Miscellaneous	71	50	48	42	46	43
Credit to customers	(20)	(47)	(33)	—	—	—
Total Electric Operating Revenues	\$3,064	\$3,062	\$3,008	\$3,030	\$3,016	\$2,817
Kilowatthour Sales (Millions)						
Residential	14,325	14,418	14,086	13,282	13,636	12,103
Commercial	14,990	14,872	14,464	14,043	13,642	12,964
Industrial	11,404	11,191	10,971	10,728	10,407	11,371
Wholesale	2,323	2,328	2,248	2,137	2,088	1,953
Interchange	9,402	10,768	8,176	8,080	10,326	4,387
EEl	11,220	10,554	10,850	14,594	12,521	14,037
Miscellaneous	317	305	316	301	317	307
Total Kilowatthour Sales	63,981	64,436	61,111	63,165	62,937	57,122
Electric Customers (End of Year)						
Residential	1,282,042	1,275,534	1,267,976	1,258,757	1,248,723	1,243,863
Commercial	180,206	176,621	173,810	171,072	168,566	166,912
Industrial	6,554	6,660	6,782	6,750	7,137	7,067
Wholesale	21	20	21	21	21	23
Miscellaneous	2,381	2,398	2,434	2,406	2,407	2,367
Total Electric Customers	1,471,204	1,461,233	1,451,023	1,439,006	1,426,854	1,420,232
Residential Customer Data (Average)						
Kilowatthours used	11,215	11,354	11,152	10,606	10,946	9,683
Annual electric bill	\$833.34	\$842.82	\$849.62	\$809.27	\$832.46	\$761.08
Revenue per kilowatthour	7.38¢	7.30¢	7.62¢	7.63¢	7.61¢	7.86¢
Gross Instantaneous Peak Demand (Megawatts)						
AmerenUE	8,055	8,085	7,965	7,430	7,540	7,135
AmerenCIPS	1,923	1,892	1,940	1,854	1,848	1,649
Capability at Time of Peak, Including Net Purchases and Sales (Megawatts)						
AmerenUE	8,950	9,120	8,714	8,469	8,597	8,407
AmerenCIPS	2,491	2,519	2,489	2,510	2,439	2,534
Generating Capability at Time of Peak (Megawatts)						
AmerenUE	8,279	8,244	8,184	8,057	7,963	7,868
AmerenCIPS	3,033	3,033	3,018	3,018	2,901	2,881
Coal Burned (Tons)	21,392,000	20,062,000	17,715,000	16,885,000	14,879,000	14,843,000
Price per Ton of Coal (Average)	\$23.54	\$25.25	\$26.86	\$28.02	\$33.36	\$33.33
Source of Energy Supply (Percent)						
Coal	83.8%	79.6%	76.3%	76.2%	70.7%	73.9%
Nuclear	19.3	19.2	18.3	23.0	19.5	19.5
Hydro	2.7	2.8	3.6	3.9	4.6	3.5
Purchased, net	(5.8)	(1.6)	1.8	(3.1)	5.2	3.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Gas Operating Statistics

(Year Ended December 31,)	1997	1996	1995	1994	1993	1992
Natural Gas Operating Revenues (Millions)						
Residential	\$150	\$161	\$137	\$138	\$153	\$139
Commercial	55	61	51	53	58	53
Industrial	22	21	18	24	22	13
Off system sales	13	—	—	—	—	—
Miscellaneous	10	11	11	10	12	13
Total Natural Gas Operating Revenues	\$250	\$254	\$217	\$225	\$245	\$218
Dekatherm Sales (Millions)						
Residential	23	27	24	23	26	22
Commercial	9	11	10	10	10	9
Industrial	6	5	5	6	6	3
Off system sales	5	—	—	—	—	—
Total Dekatherm Sales	43	43	39	39	42	34
Natural Gas Customers (End of Year)						
Residential	263,588	260,989	257,848	254,328	251,171	248,707
Commercial	30,147	29,911	29,446	29,037	28,676	28,393
Industrial	412	402	378	351	307	261
Total Natural Gas Customers	294,147	291,302	287,672	283,716	280,154	277,361

Ameren Corporation and Subsidiaries Officers and Directors

OFFICERS

Ameren Corporation

Charles W. Mueller
Chairman, President and Chief Executive Officer

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Senior Vice President, Finance

William E. Jaudes
Vice President and General Counsel

Warner L. Baxter
Controller

Jerre E. Birdsong
Treasurer

James C. Thompson
Secretary

AmerenUE

Charles J. Schukai
Senior Vice President, Customer Services

William J. Carr
Vice President, Customer Services - Regional

Garry L. Randolph
Vice President, Nuclear Operations

Robert J. Schukai
Vice President, Power Plants

William C. Shores
Vice President, Customer Services - Metropolitan

AmerenCIPS

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President and Chief Executive Officer

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Vice President, Finance & Administration and Secretary

James T. Birkett
Vice President, Power Operations

Gilbert W. Moorman
Vice President, Regional Operations

D. Robert Patterson
Vice President, Regional Operations

Ameren Services

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Vice President, Corporate Communications

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Vice President, Information Services

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Vice President, Engineering & Construction

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Vice President, Supply Services

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Samuel E. Willis
Vice President, Industrial Relations

Ronald C. Zdellar
Vice President, Customer Services - Division Support

Ameren Energy

Shannon B. Burchett
President

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Retired President and Chief Executive Officer - CIPSCO Incorporated

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Retired Deputy Chairman - The May Department Stores Company

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Hanne M. Merriman
Principal - Hanne Merriman Associates, a retail business consulting firm

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President and Chief Executive Officer - P.L. Miller and Associates, a management consulting firm

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President, Chief Executive Officer and Chairman of the Board - Ameren Corporation

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Retired Chairman of the Board - Peabody Holding Company, Inc

Harvey Saligman ²
Retired Managing Partner - Cynwyd Investments, a real estate partnership

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Senior Vice President, Customer Services - AmerenUE

Janet McAfee Weakley ^{1,2}
President - Janet McAfee, Inc., a residential real estate company

James W. Wogslund ²
Retired Vice Chairman - Caterpillar, Inc.

¹ Member of Executive Committee

² Member of Auditing Committee

Advisors to the Board

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Retired Chairman and Chief Executive Officer - Union Electric Company

Thomas Jacobsen
Chairman, President and Chief Executive Officer - Mercantile Bancorporation Inc., a bank holding company

Investor Information

Common Stock and Dividend Information

Ameren's common stock is listed on the New York Stock Exchange (ticker symbol: AEE). AEE began trading on January 2, 1998, following the merger on December 31, 1997, and is being issued in exchange for Union Electric and CIPSCO Incorporated common stock.

Common stockholders of record totaled 102,710 and 37,777 for Union Electric (UEP) and CIPSCO Incorporated (CIP), respectively at December 31, 1997. The following includes the price ranges and dividends paid per common share for UEP and CIP during the past two years:

UEP

1997

Quarter Ended	High	Low	Dividends Paid
March 31	\$39 ³ / ₄	\$36 ¹ / ₄	63 ¹ / ₂ ¢
June 30	37 ¹³ / ₁₆	34 ¹ / ₂	63 ¹ / ₂
September 30	38 ³ / ₈	36 ⁷ / ₁₆	63 ¹ / ₂
December 31	43 ³ / ₄	35 ⁵ / ₈	63 ¹ / ₂

1996

Quarter Ended	High	Low	Dividends Paid
March 31	\$44 ⁷ / ₈	\$38 ⁷ / ₈	62 ¹ / ₂ ¢
June 30	41 ¹ / ₄	38 ⁷ / ₈	62 ¹ / ₂
September 30	40 ⁵ / ₈	36	62 ¹ / ₂
December 31	40 ⁷ / ₈	36 ⁷ / ₈	63 ¹ / ₂

CIP

1997

Quarter Ended	High	Low	Dividends Paid
March 31	\$37	\$34 ⁷ / ₈	52¢
June 30	36 ³ / ₈	33 ¹ / ₂	53
September 30	38 ³ / ₁₆	36	53
December 31	45	36 ³ / ₈	53

1996

Quarter Ended	High	Low	Dividends Paid
March 31	\$41 ¹ / ₄	\$37 ⁷ / ₈	51¢
June 30	38 ⁵ / ₈	35 ⁷ / ₈	52
September 30	38 ¹ / ₂	34 ⁷ / ₈	52
December 31	38 ¹ / ₄	34 ⁷ / ₈	52

Annual Meeting

The annual meeting of Ameren common stockholders and Union Electric and CIPS preferred stockholders will convene at 9 a.m., Tuesday, April 28, 1998, at Powell Symphony Hall, 718 North Grand Boulevard, St. Louis, Missouri.

DRPlus

Through DRPlus — Ameren's dividend reinvestment and stock purchase plan — stockholders, customers and employees of Ameren and its subsidiaries can:

- make cash investments by check or automatic cash payment, totaling up to \$120,000, in Ameren common stock annually
- reinvest their dividends in Ameren common stock — or receive Ameren dividends in cash
- place Ameren common stock certificates in safekeeping and receive regular account statements.

If you have not yet exchanged your Union Electric or CIPSCO common stock certificates for Ameren common stock certificates, please contact the Investor Services Department.

This is not an offer to sell, or a solicitation of an offer to buy, any securities.

Direct Deposit of Dividends

All registered Ameren common and Union Electric and CIPS preferred stockholders can have their cash dividends automatically credited to their bank accounts. This service gives stockholders immediate access to their dividend on the dividend payment date and eliminates the possibility of lost or stolen dividend checks.

Ameren's Web Site

To obtain AEE's daily stock price, recent financial statistics and other information about the company, visit Ameren's home page on the internet. Ameren's web site address is: <http://www.ameren.com>

Investor Services

The company's Investor Services representatives are available to help you each business day from 7:30 a.m. to 4:30 p.m. (central time). Please write or call:

Ameren Services Company
Investor Services Department
P.O. Box 66887
St. Louis, MO 63166-6887

St. Louis area 554-3502
Toll-free 1-800-255-2237

Office

One Ameren Plaza
1901 Chouteau Avenue
St. Louis, MO 63103
314-621-3222

Stock and First Mortgage Bond Transfer Agent and Registrar

Ameren Services Company

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St. Louis, Missouri 63166

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