

Chairman's Letter

To Our Owners

Over the past year, we have followed a well-defined strategy to capitalize on our generating assets, grow earnings, reduce costs and effectively manage regulatory and market uncertainties. We have enhanced the performance of our existing assets and made necessary investments to prepare for an increasingly competitive environment. That strategy has proved both durable and successful.

We continue to seek opportunities to maximize our generating assets. Ameren ranks 11th in the nation in generation capacity. 1998 was marked by several initiatives to secure and enhance this position by increasing the availability of our coal-fired plants and sustaining the already strong performance of our nuclear unit. Our Labadie and Rush Island plants set all-time generation records in 1998, while our Callaway Nuclear Plant needed only 31 days to complete its ninth refueling, tying the record set during the plant's last refueling in the fall of 1996. This record was the second shortest of any of the 27 nuclear plant refuelings conducted in the spring of 1998. Callaway continues to rank as one of the nation's best managed nuclear plants, earning recognition for operating efficiency and safety in a period of increased regulatory scrutiny.

These generation resources paid dividends in the summer of 1998 when utilities were paying unprecedented prices for power purchases. We effectively managed power costs in the face of soaring wholesale electricity prices, and these abnormally high prices had little impact on Ameren's financial results, unlike the experience of several other utilities. The year also marked further development of our energy trading and marketing affiliate. AmerenEnergy is now poised to capitalize on Ameren's strong generation assets. Finally, in 1998 we signed contracts that set the stage for the installation of combustion turbines that, by the year 2001, will add more than 700 megawatts to our generating capacity. We continue to grow earnings through core business development and investment in new products and energy-related ventures. We are developing a stream of attractive products and services that will benefit our customers and enhance our company's earnings growth. These include a number of technologically sophisticated products, from an automated bill consolidation service Ameren Ability to an energy management product Ameren Abacus that allows business or institutional customers to track energy use by process, building or facility.

Another of Ameren's major ventures involves partnerships with design and engineering firms. Foremost among these is Gateway Energy Systems, a firm that designs, builds, finances, owns and

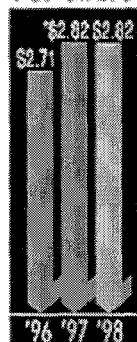
operates utility systems for large institutional and industrial customers. In 1998, Gateway Energy sealed a 20-year contract to build a \$20 steam facility for a Fortune 500 company.

We continue to reduce costs by increasing operating efficiency through the effective use of technology. These initiatives range from installation of remote sensing devices on our distribution lines to expansion of our automated meter system — now the world's largest. We are also focused on lowering fuel costs. In 1998 in Illinois, we chose to eliminate the fuel adjustment clauses, which called for offering credits if certain fuel costs dropped or increasing customer bills if they rose. That decision, coupled with the fact that we have operated for several years without a fuel adjustment clause in Missouri, has given us additional incentive to continue to manage our fuel costs effectively. Our four AmerenUE coal-fired power plants continue to use substantial quantities of lower cost, low-sulfur Western coal, reducing production costs and emissions. In 1998, AmerenCIPS' Newton Plant began using Western coal. We will continue to aggressively explore these and other options to reduce our fuel costs.

In addition, we realize that increased productivity is critical to controlling operating costs. In 1998 we eliminated more than 400 positions, essentially without layoffs, through a hiring freeze and a targeted separation plan. These reductions will yield savings of approximately \$20 million to \$25 million annually.

Ameren's entire work force now stands at approximately 7,450 employees — the level of employment for Union Electric alone in 1987. Compared to a decade ago, Ameren companies are serving 8% more customers — with 24% fewer employees. In 1998, Public Utility Fortnightly, a leading industry publication, recognized Ameren as one of the nation's most efficient utilities, ranking our company as the second "most improved" and 11th most efficient.

Earnings Per Share



*Excluding an extraordinary charge of \$.48.

We will continue to improve our efficiency as we refine our strategies and determine the skills that are most important in meeting the challenges of a competitive environment.

Finally, we are effectively managing the market and regulatory uncertainties we face by remaining visible and active in the industry restructuring debate and on other issues. We have continually communicated to a range of government officials that we cannot support initiatives aimed at increasing competition in ways that do not adequately protect our shareholders and our customers.

On the environmental front, we are using our resources to propose alternatives to the several stringent, technically

flawed regulations that federal environmental officials proposed and established in 1998. We continue to research, investigate and test technologies that offer workable and affordable alternatives.

Going forward, our strategy's operating model will increasingly be based on a business line approach. These business lines include generation; energy transmission and distribution; retail customer service; business and corporate services; and non-regulated operations. Business line teams spent 1998 planning and developing strategies that will yield added revenue and cost savings.

These efforts will keep our management and employees focused on the specific strategies that bring bottom line results in an ever-changing competitive environment. As we mark the completion of our first full year as Ameren Corporation, we can tell you that our strategy has brought results.

1998 Financial Performance In 1998, our company earned \$386 million, or \$2.82 per share. This compares to 1997 earnings of \$335 million, or \$2.44 per share, including a 1997 extraordinary charge. That charge of \$52 million, net of income taxes, reduced 1997 earnings 38 cents per share. Excluding nonrecurring charges, ongoing earnings for 1998 were \$2.93 per share, compared to \$2.77 per share for 1997.

Electric revenues were up slightly in 1998 over 1997, despite rate decreases and a \$43 million credit to Missouri electric customers. These reduced earnings 6 cents and 18 cents per share, respectively. Kilowatthour sales to retail customers within our service territory were up 4%. Our annual sales growth — in a now-expanded, economically strong service area — stands at better than 2%.

Electric Industry Restructuring in Illinois Ameren continued to develop technology, organize staffs and contribute to working groups the state created to respond to the multiple requirements of 1997 legislation setting the stage for provider choice. Certain large commercial and industrial customers in Illinois can choose their energy providers in late 1999, with all business and residential customers able to choose providers by May 2002. The law also called for a 5% rate reduction that began Aug. 1, 1998, for our Illinois residential customers. That rate decrease is expected to reduce future annual revenues by approximately \$14 million (\$8 million over 1998).

Electric Industry Restructuring in Missouri Missouri legislators and regulators continue to analyze the issue of provider choice. As members of various restructuring task forces and committees, Ameren's managers continue to be very active in promoting the interests of its investors and customers.

In Summary Ameren Corporation is a stronger and

Service Area

more focused company than ever before. We are confident that our operating performance, growth initiatives and strategic direction will make Ameren a success in any competitive environment.

We are investing in the people, technology and facilities that support our core energy business. Through our merger and direct sales initiatives, we are expanding our market area and customer base. We continue to develop products that retain and attract customers, as we selectively pursue non-regulated business opportunities. While we do not underestimate the challenges, we enter the new era committed to returning value to you, our shareholders.

Going forward, we are enthusiastic about the opportunities that are open to a financially strong company, like ours. We realize that you will be best served by a company that can maintain its low-cost advantage, meet customers' total energy needs and deliver superior earnings growth.

Our thanks go to our employees and to our dedicated directors who have been actively involved in charting our course.

Sincerely,

A handwritten signature in black ink, appearing to read "C. W. Mueller", with a stylized flourish at the end.

Charles W. Mueller

Chairman, President and Chief Executive Officer

February 10, 1999