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RATINGS SERVICES

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Summary:

Ameren Corp.

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Table Of Contents

Summary:

Ameren Corp.

Corporate Credit Rating	BBB/Watch Pos/A-2

Profile Assessments

BUSINESS RISK	EXCELLENT	Vulnerable — Excellent
FINANCIAL RISK	SIGNIFICANT	Highly leveraged — Minimal

Rationale

Business Risk: Excellent

- Looking ahead, we expect Ameren Corp. to be solely made up of regulated utility businesses
- Operates businesses that are rate-regulated, monopolistic, and provide an essential service
- Management has refocused its strategy and time on just the regulated businesses
- Slow economic and sales growth within its service territories

Financial Risk: Significant

- Consistent historical financial measures that we expect Ameren will maintain (debt to EBITDA of about 4x)
- High annual capital spending at about $1.5 billion or greater
- Dividend minimally maintained at existing level
- Historical positive discretionary cash flow that we expect will revert to negative, primarily reflecting higher capital spending

CreditWatch: Watch Pos

The ratings on Ameren are on CreditWatch with positive implications, reflecting the high probability of an additional upgrade following the completion of the merchant sale to Dynegy Inc. The CreditWatch status also reflects our base-case forecast once the transaction has been completed and includes funds from operations (FFO) to debt of about 20% and debt to EBITDA of about 4x. These financial measures are consistent with the "significant" financial risk profile category and, when viewed together with Ameren's "excellent" business risk profile, could support a modestly higher rating. Key risks to our forecast include the outcomes of future rate cases and our expectation for continued weak economic growth within the company's regulated service territories. We could upgrade Ameren and its regulated subsidiaries if the company closes the transaction in a timely manner while meeting our expected financial measures.

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Standard & Poor's Base-Case Scenario

Assumptions

- The company completes the sale of its merchant assets to Dynegy by the fourth quarter of 2013
- Continued weak economic growth that supports our expectation for flat regulatory sales growth
- Operating measures for safety, reliability, and generation reliability continue to gradually improve
- No material improvement assumed to the company's management of regulatory risk

Key Metrics

	2012A	2013E	2014E
Debt/EBITDA (x)	3.7	3.7-4.2	3.7-4.2
FFO/debt (%)	20.5	18-2	18-21
EBITDA interest coverage (x)	4.3	4.2-4.7	4.2-4.7

Standard & Poor's adjusted consolidated financial ratios for Ameren include debt adjustments for operating leases ($190 million) and pension-related items ($760 million). EBITDA adjustments include operating leases ($13 million), pension-related items ($28 million), and asset-retirement obligations ($24 million). FFO adjustments include operating leases ($22 million) and pension-related items ($80 million). A--Actual. E--Estimate.

Business Risk: Excellent

Ameren is a large U.S.-based diversified energy holding company. On March 14, 2013, the company announced a definitive agreement to sell all of its merchant assets. Despite the Illinois Pollution Control Board's recent denial to transfer the variance relief to Dynegy from Ameren, we continue to expect that the agreement will close in the fourth quarter of 2013. Ameren's remaining businesses will consist of rate-regulated utilities.

The consolidated "excellent" business risk profile reflects our forward-looking assessment of Ameren's businesses as a 100% regulated utility. The company's business model reflects its lower-risk, monopolistic, rate-regulated utility businesses that provide an essential service.

Ameren's regulated utilities deliver natural gas and electricity to about 3.3 million customers in Illinois and Missouri. In addition, the company has more than 10,000 megawatts of generating capacity, almost all of which is generated from coal and nuclear.

The company's ability to effectively manage regulatory risk is an important factor for its business risk profile. Recently, the company worked with Illinois legislators to pass a state senate bill that will allow the Illinois electric utilities to use a year-end rate base and capital structures as well as the weighted cost of capital for reconciliations. We view these changes as supportive of credit quality. In addition, the company continues to work with legislators to allow natural gas utilities to use an infrastructure rider for certain infrastructure investments. In Missouri, the company is also engaging with legislators to allow the Missouri electric utilities to implement an infrastructure system replacement surcharge. In general, we would view these riders as potentially reducing the regulatory lag and credit supportive.

Reflected in the business risk profile is our assessment of the company's management and governance as "satisfactory". This partially reflects our expectation that management will successfully execute its strategic disciplined plan of continuing to build its regulated businesses.

Financial Risk: Significant

We consider Ameren's financial risk profile as "significant", reflecting our expectation that, following the close of the merchant sale transaction, FFO to debt will equal about 20% and debt to EBITDA will be about 4x for the intermediate term. The company's historical financial measures have demonstrated a high degree of consistency since 2009. This is the direct result of management's proactive decisions, including a dividend reduction, equity issuance, operation and maintenance cost reductions, and effective management of capital spending. For the 12 months ended March 2013, FFO to debt rose to 22.7% compared with 20.5% at year-end 2012 and debt to EBITDA also improved to 3.4x compared with 3.7x at year-end 2012. Both of these results are consistent with the significant financial risk profile category (20% to 30% and 3x to 4x, respectively). We expect that Ameren will generally maintain its historical financial measures, reflecting the sale of its merchant business despite the eventual expiration of bonus depreciation and increased capital spending on its regulated businesses.

We expect that the company will have negative discretionary cash flow reflecting high capital spending at more than $1.5 billion annually. We also expect net cash flow (FFO less dividends) to capital spending to be about 70%, indicating the need for external funding. Overall, we expect the company to finance its investments in a manner that preserves its credit quality.

Liquidity: Adequate

We view Ameren's liquidity as "adequate" and we believe the company could more than cover its needs for the next 12 to 18 months, even if EBITDA decreased by 15%. We expect that the company's sources of liquidity over the next 12 to 18 months will exceed its uses by 1.4x. We do not expect that Ameren would require access to the capital markets during this period to meet its liquidity needs.

Principal Liquidity Sources	Principal Liquidity Uses
• FFO of about $1.6 billion annually • Assumed credit facility availability of about $1.6 billion • Assumed working capital of about $40 million	• Capital spending of more than $1.5 billion • Long-term debt maturities of more than $500 million in 2014 • Dividends less than $400 million

Recovery Analysis

We rate the senior unsecured debt at Ameren Corp. one notch lower than the corporate credit rating because of structural subordination. This results from priority obligations exceeding 20% of total assets.

Related Criteria And Research

- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Business Risk/Financial Risk Matrix Expanded, Sept. 18, 2012
- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008
- 2008 Corporate Ratings Criteria: Ratios And Adjustments, April 15, 2008

Business And Financial Risk Matrix

	Financial Risk					
Business Risk	Minimal	Modest	Intermediate	Significant	Aggressive	Highly Leveraged
Excellent	AAA/AA+	AA	A	A-	BBB	--
Strong	AA	A	A-	BBB	BB	BB-
Satisfactory	A-	BBB+	BBB	BB+	BB-	B+
Fair	--	BBB-	BB+	BB	BB-	B
Weak	--	--	BB	BB-	B+	B-
Vulnerable	--	--	--	B+	B	B- or below

Note: These rating outcomes are shown for guidance purposes only. The ratings indicated in each cell of the matrix are the midpoints of the likely rating possibilities. There can be small positives and negatives that would lead to an outcome of one notch higher or lower than the typical matrix outcome. Moreover, there will be exceptions that go beyond a one-notch divergence. For example, the matrix does not address the lowest rungs of the credit spectrum (i.e., the 'CCC' category and lower). Other rating outcomes that are more than one notch off the matrix may occur for companies that have liquidity that we judge as "less than adequate" or "weak" under our criteria, or companies with "satisfactory" or better business risk profiles that have extreme debt burdens due to leveraged buyouts or other reasons. For government-related entities (GREs), the indicated rating would apply to the standalone credit profile, before giving any credit for potential government support.