

Southern Company

1st Quarter 2017 Earnings

March 31, 2017

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May 3, 2017

Southern Company reports first-quarter 2017 earnings

ATLANTA - Southern Company today reported first-quarter 2017 earnings of \$658 million, or 66 cents per share, compared with earnings of \$489 million, or 53 cents per share, in the first quarter of 2016.

Excluding the items described in the “Net Income - Excluding Items” table below, Southern Company earned \$652 million, or 66 cents per share, during the first quarter of 2017, compared with \$536 million, or 58 cents per share, during the first quarter of 2016.

Non-GAAP Financial Measures	Three Months Ended March	
	2017	2016
Net Income - Excluding Items (in millions)		
Net Income - As Reported	\$658	\$489
Estimated Loss on Kemper IGCC	108	53
Tax Impact	(41)	(20)
Loss on Plant Scherer Unit 3	33	-
Tax Impact	(13)	-
Acquisition and Integration Costs	4	20
Tax Impact	(1)	(6)
Wholesale Gas Services	(114)	-
Tax Impact	46	-
Earnings Guidance Comparability Item:		
Equity Return Related to Kemper IGCC		
Schedule Extension	(23)	-
Tax Impact	(5)	-
Net Income - Excluding Items	\$652	\$536
Average Shares Outstanding - (in millions)	993	916
Basic Earnings Per Share - Excluding Items	\$0.66	\$0.58

NOTE: For more information regarding these non-GAAP adjustments, see the footnotes accompanying the Financial Highlights page of the earnings package.

Earnings drivers year-over-year for the first quarter 2017 were positively influenced by Southern Company Gas, which was acquired on July 1, 2016. Additionally, earnings were positively influenced by retail revenue effects and lower non-fuel operating and maintenance costs at Southern Company’s traditional electric operating companies. These impacts were partially offset by mild weather, increased interest expense and share issuances.

“Each of our major business units had a great start to the year,” said Chairman, President and CEO Thomas A. Fanning. “Despite headwinds from unseasonably warm weather during the first two months of the year, our traditional electric and gas operating companies performed well, and they are on track to deliver on their targets for 2017 and beyond. In fact, Southern Company Gas - including its seven premier state-regulated gas utilities - performed exactly as expected.”

First quarter 2017 operating revenues were \$5.77 billion, compared with \$3.99 billion for the first quarter of 2016, an increase of 44.6 percent. Southern Company Gas accounted for \$1.56 billion of the increase in operating revenues for the first quarter of 2017.

Southern Company’s first quarter earnings slides with supplemental financial information are available at <http://investor.southerncompany.com>.

Southern Company’s financial analyst call will begin at 1 p.m. Eastern Time today, during which Fanning and Chief Financial Officer Art P. Beattie will discuss earnings and provide a general business update. Investors, media and the public may listen to a live webcast of the call and view associated slides at <http://investor.southerncompany.com/webcasts>. A replay of the webcast will be available on the site for 12 months.

About Southern Company

Southern Company (NYSE: SO) is America’s premier energy company, with 46,000 megawatts of generating capacity and 1,500 billion cubic feet of combined natural gas consumption and throughput volume serving 9 million customers through its subsidiaries. The company provides clean, safe, reliable and affordable energy through electric operating companies in four states, natural gas distribution companies in seven states, a competitive generation company serving wholesale customers across America and a nationally recognized provider of customized energy solutions, as well as fiber optics and wireless communications. Southern Company brands are known for excellent customer service, high reliability and affordable prices that are below the national average. Through an industry-leading commitment to innovation, Southern Company and its subsidiaries are inventing America’s energy future by developing the full portfolio of energy resources, including carbon-free nuclear, 21st century coal, natural gas, renewables and energy efficiency, and creating new products and services for the benefit of customers. Southern Company has been named by the U.S. Department of Defense and G.I. Jobs magazine as a top military employer, recognized among the Top 50 Companies for Diversity by DiversityInc, listed by Black Enterprise magazine as one of the 40 Best Companies for Diversity and designated a Top Employer for Hispanics by Hispanic Network. The company has earned a National Award of Nuclear Science and History from the National Atomic Museum Foundation for its leadership and commitment to nuclear development and is continually ranked among the top energy companies in Fortune's annual *World’s Most Admired Electric and Gas Utility* rankings. Visit our website at www.southerncompany.com.

Cautionary Notes Regarding Forward-Looking Statements:

Certain information contained in this release is forward-looking information based on current expectations and plans that involve risks and uncertainties. Forward-looking information includes, among other things, statements concerning performance targets. Southern Company cautions that there are certain factors that can cause actual results to differ materially from the forward-looking information that has been provided. The reader is cautioned not to put undue reliance on this forward-looking information, which is not a guarantee of future performance and is subject to a number of uncertainties and other factors, many of which are outside the control of Southern Company; accordingly, there can be no assurance that such suggested results will be realized. The following factors, in addition to those discussed in Southern Company’s Annual Report on Form 10-K for the year ended December 31, 2016, and subsequent securities filings, could cause actual results to differ materially from management

expectations as suggested by such forward-looking information: the impact of recent and future federal and state regulatory changes, including environmental laws regulating emissions, discharges, and disposal to air, water, and land, and also changes in tax and other laws and regulations to which Southern Company and its subsidiaries are subject, including potential tax reform, as well as changes in application of existing laws and regulations; current and future litigation, regulatory investigations, proceedings, or inquiries; the effects, extent, and timing of the entry of additional competition in the markets in which Southern Company's subsidiaries operate; variations in demand for electricity and natural gas, including those relating to weather, the general economy and recovery from the last recession, population and business growth (and declines), the effects of energy conservation and efficiency measures, including from the development and deployment of alternative energy sources such as self-generation and distributed generation technologies, and any potential economic impacts resulting from federal fiscal decisions; available sources and costs of natural gas and other fuels; limits on pipeline capacity; effects of inflation; the ability to control costs and avoid cost overruns during the development, construction, and operation of facilities, which include the development and construction of generating facilities with designs that have not been finalized or previously constructed, including changes in labor costs and productivity, adverse weather conditions, shortages and inconsistent quality of equipment, materials, and labor; sustaining nitrogen supply, continued issues with ash removal systems, contractor or supplier delay, non-performance under construction, operating, or other agreements, operational readiness, including specialized operator training and required site safety programs, unforeseen engineering or design problems, start-up activities (including major equipment failure and system integration), and/or operational performance (including additional costs to satisfy any operational parameters ultimately adopted by any Public Service Commission (PSC)); the results of the bankruptcy filing of Westinghouse Electric Company LLC and WECTEC Global Project Services Inc. (together, the Contractor) and the impact of any inability or other failure by Toshiba Corporation to perform its obligations under its guarantee of certain obligations of the Contractor, including any effect on the construction of Plant Vogtle Units 3 and 4 and Georgia Power's Department of Energy loan guarantee; the ability to construct facilities in accordance with the requirements of permits and licenses, to satisfy any environmental performance standards and the requirements of tax credits and other incentives, and to integrate facilities into the Southern Company system upon completion of construction; investment performance of the Southern Company system's employee and retiree benefit plans and nuclear decommissioning trust funds; advances in technology; ongoing renewable energy partnerships and development agreements; state and federal rate regulations and the impact of pending and future rate cases and negotiations, including rate actions relating to fuel and other cost recovery mechanisms; legal proceedings and regulatory approvals and actions related to Plant Vogtle Units 3 and 4, including Georgia PSC approvals and Nuclear Regulatory Commission actions; actions related to cost recovery for the integrated coal gasification combined cycle facility under construction in Kemper County Mississippi (Kemper IGCC), including the ultimate impact of the 2015 decision of the Mississippi Supreme Court and related legal or regulatory proceedings, Mississippi PSC review of the prudence of Kemper IGCC costs and approval of further permanent rate recovery plans, actions relating to proposed securitization, satisfaction of requirements to utilize grants, and the ultimate impact of the termination of the proposed sale of an interest in the Kemper IGCC to South Mississippi Electric Power Association; the ability to successfully operate the electric utilities' generating, transmission, and distribution facilities and Southern Company Gas' natural gas distribution and storage facilities and the successful performance of necessary corporate functions; the inherent risks involved in operating and constructing nuclear generating facilities, including environmental, health, regulatory, natural disaster, terrorism, and financial risks; the inherent risks involved in transporting and storing natural gas; the performance of projects undertaken by the non-utility businesses and the success of efforts to invest in and develop new opportunities; internal restructuring or other restructuring options that may be pursued; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to Southern Company or its subsidiaries; the possibility that the anticipated benefits from the acquisition of Southern Company Gas cannot be fully realized or may take longer to realize than expected, the possibility that costs related to the integration of Southern Company and Southern Company Gas will be

greater than expected, the ability to retain and hire key personnel and maintain relationships with customers, suppliers, or other business partners, and the diversion of management time on integration-related issues; the ability of counterparties of Southern Company and its subsidiaries to make payments as and when due and to perform as required; the ability to obtain new short- and long-term contracts with wholesale customers; the direct or indirect effect on the Southern Company system's business resulting from cyber intrusion or terrorist incidents and the threat of terrorist incidents; interest rate fluctuations and financial market conditions and the results of financing efforts; changes in Southern Company's and any of its subsidiaries' credit ratings, including impacts on interest rates, access to capital markets, and collateral requirements; the impacts of any sovereign financial issues, including impacts on interest rates, access to capital markets, impacts on foreign currency exchange rates, counterparty performance, and the economy in general, as well as potential impacts on the benefits of the Department of Energy loan guarantees; the ability of Southern Company's electric utilities to obtain additional generating capacity (or sell excess generating capacity) at competitive prices; catastrophic events such as fires, earthquakes, explosions, floods, tornadoes, hurricanes and other storms, droughts, pandemic health events such as influenzas, or other similar occurrences; the direct or indirect effects on the Southern Company system's business resulting from incidents affecting the U.S. electric grid, natural gas pipeline infrastructure, or operation of generating or storage resources; and the effect of accounting pronouncements issued periodically by standard-setting bodies. Southern Company expressly disclaims any obligation to update any forward-looking information.

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Southern Company
Financial Highlights
(In Millions of Dollars Except Earnings Per Share)

	Three Months Ended March	
	2017	2016
Net Income—As Reported (See Notes)		
Traditional Electric Operating Companies	\$ 432	\$ 465
Southern Power	70	50
Southern Company Gas ¹	239	—
Total	741	515
Parent Company and Other	(83)	(26)
Net Income—As Reported	\$ 658	\$ 489
Basic Earnings Per Share ²	\$ 0.66	\$ 0.53
Average Shares Outstanding <i>(in millions)</i>	993	916
End of Period Shares Outstanding <i>(in millions)</i>	995	918
Non-GAAP Financial Measures		
Net Income—Excluding Items (See Notes)		
	2017	2016
Net Income—As Reported	\$ 658	\$ 489
Estimated Loss on Kemper IGCC ³	108	53
Tax Impact	(41)	(20)
Loss on Plant Scherer Unit 3 ⁴	33	—
Tax Impact	(13)	—
Acquisition and Integration Costs ⁵	4	20
Tax Impact	(1)	(6)
Wholesale Gas Services ⁶	(114)	—
Tax Impact	46	—
Earnings Guidance Comparability Item:		
Equity Return Related to Kemper IGCC Schedule Extension ⁷	(23)	—
Tax Impact	(5)	—
Net Income—Excluding Items	\$ 652	\$ 536
Basic Earnings Per Share—Excluding Items	\$ 0.66	\$ 0.58

- See Notes on the following page.

Southern Company Financial Highlights

Notes

- In connection with the adoption in the fourth quarter 2016 of a new accounting standard for stock compensation, previously reported amounts for income tax expense were reduced by a total of \$4.5 million for the three months ended March 31, 2016.

(1) On July 1, 2016, Southern Company completed the acquisition of Southern Company Gas.

(2) For the three months ended March 31, 2017 and 2016, dilution does not change basic earnings per share by more than 1 cent and is not material.

(3) Earnings for the three months ended March 31, 2017 and 2016 include the estimated probable losses relating to Mississippi Power Company's construction of the integrated coal gasification combined cycle facility in Kemper County, Mississippi (Kemper IGCC) which significantly impacted the presentation of earnings and earnings per share. Similar charges of uncertain amounts may occur with uncertain frequency in future periods.

(4) Earnings for the three months ended March 31, 2017 include a \$32.5 million write-down (\$20 million after tax) of Gulf Power Company's ownership of Plant Scherer Unit 3 as a result of the retail rate case settlement approved by the Florida Public Service Commission on April 4, 2017. Further charges are not expected to occur.

(5) Earnings for the three months ended March 31, 2017 and 2016 include costs related to the acquisition and integration of Southern Company Gas. Further costs are expected to continue to occur in connection with the related integration activities; however, the amount and duration of such expenditures is uncertain.

(6) Earnings for the three months ended March 31, 2017 include the Wholesale Gas Services business of Southern Company Gas. Presenting earnings and earnings per share excluding Wholesale Gas Services provides investors with an additional measure of operating performance that excludes the volatility resulting from mark-to-market and lower of weighted average cost or current market price accounting adjustments.

(7) Earnings for the three months ended March 31, 2017 include additional allowance for funds used during construction (AFUDC) equity as a result of extending the schedule for the Kemper IGCC construction project. Southern Company's 2017 earnings guidance, initially presented in October 2016, assumed construction would be complete and AFUDC equity would cease by November 30, 2016. As a result, Southern Company believes presentation of earnings per share excluding these amounts provides investors with information comparable to the 2017 guidance. Management also uses such measures to evaluate Southern Company's performance in 2017.

Southern Company
Significant Factors Impacting EPS

Three Months Ended March		
2017	2016	Change

Earnings Per Share– As Reported¹ (See Notes)	\$ 0.66	\$ 0.53	\$ 0.13
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Significant Factors:

Traditional Electric Operating Companies		\$ (0.04)
Southern Power		0.02
Southern Company Gas ²		0.26
Parent Company and Other		(0.06)
Increase in Shares		(0.05)
Total–As Reported		<u>\$ 0.13</u>

Three Months Ended March		
2017	2016	Change

Non-GAAP Financial Measures			
Earnings Per Share– Excluding Items (See Notes)	\$ 0.66	\$ 0.58	\$ 0.08

Total–As Reported		\$ 0.13
Kemper IGCC Impacts ³		0.01
Loss on Plant Scherer Unit 3 ⁴		0.02
Acquisition and Integration Costs ⁵		(0.01)
Wholesale Gas Services ⁶		(0.07)
Total–Excluding Items		<u>\$ 0.08</u>

- See Notes on the following page.

Southern Company

Significant Factors Impacting EPS

Notes

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Earnings for the three months ended March 31, 2017 also include additional allowance for funds used during construction (AFUDC) equity as a result of extending the schedule for the Kemper IGCC construction project. Southern Company's 2017 earnings guidance, initially presented in October 2016, assumed construction would be complete and AFUDC equity would cease by November 30, 2016. As a result, Southern Company believes presentation of earnings per share excluding these amounts provides investors with information comparable to the 2017 guidance. Management also uses such measures to evaluate Southern Company's performance in 2017.

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Southern Company
EPS Earnings Analysis
Three Months Ended March 2017 vs. March 2016

Cents	Description
(1)¢	Retail Sales
8¢	Retail Revenue Impacts
(9)¢	Weather
7¢	Non-Fuel O&M
(3)¢	Other Income and Deductions
(1)¢	Interest Expense
(2)¢	Income Taxes
(1)¢	Total Traditional Electric Operating Companies
2¢	Southern Power
19¢	Southern Company Gas ¹
(7)¢	Parent and Other
(5)¢	Increase in Shares
8¢	Total Change in EPS (Excluding Items)
(1)¢	Kemper IGCC Impacts ²
(2)¢	Loss on Plant Scherer Unit 3 ³
1¢	Acquisition and Integration Costs ⁴
7¢	Gas Wholesale Services ⁵
13¢	Total Change in EPS (As Reported)

- See Notes on the following page.

Southern Company
EPS Earnings Analysis
Three Months Ended March 2017 vs. March 2016

Notes

- In connection with the adoption in the fourth quarter 2016 of a new accounting standard for stock compensation, previously reported amounts for income tax expense were reduced by a total of \$4.5 million for the three months ended March 31, 2016.

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Southern Company
Consolidated Earnings As Reported
(In Millions of Dollars)

	Three Months Ended March		
	2017	2016	Change
Income Account-			
Retail Electric Revenues-			
Fuel	\$ 928	\$ 875	\$ 53
Non-Fuel	2,466	2,502	(36)
Wholesale Electric Revenues	531	396	135
Other Electric Revenues	175	181	(6)
Natural Gas Revenues	1,530	—	1,530
Other Revenues	141	38	103
Total Revenues	5,771	3,992	1,779
Fuel and Purchased Power	1,175	1,076	99
Cost of Natural Gas	719	—	719
Cost of Other Sales	88	19	69
Non-Fuel O & M	1,329	1,107	222
Depreciation and Amortization	716	541	175
Taxes Other Than Income Taxes	330	256	74
Estimated Loss on Kemper IGCC	108	53	55
Total Operating Expenses	4,465	3,052	1,413
Operating Income	1,306	940	366
Allowance for Equity Funds Used During Construction	57	53	4
Earnings from equity method investments	39	—	39
Interest Expense, Net of Amounts Capitalized	416	246	170
Other Income (Expense), net	(6)	(29)	23
Income Taxes	315	217	98
Net Income	665	501	164
Less:			
Dividends on Preferred and Preference Stock of Subsidiaries	11	11	—
Net Income (Loss) Attributable to Noncontrolling Interests	(4)	1	(5)
NET INCOME ATTRIBUTABLE TO SOUTHERN COMPANY	\$ 658	\$ 489	\$ 169

Notes

- Certain prior year data may have been reclassified to conform with current year presentation.
- In connection with the adoption in the fourth quarter 2016 of a new accounting standard for stock compensation, previously reported amounts for income tax expense were reduced by a total of \$4.5 million for the three months ended March 31, 2016.

Southern Company
Kilowatt-Hour Sales and Customers

(In Millions of KWHs)

	Three Months Ended March			
	2017	2016	Change	Weather Adjusted Change
Kilowatt-Hour Sales-				
Total Sales	45,693	45,476	0.5 %	
Total Retail Sales-	35,504	38,038	(6.7)%	(1.1)%
Residential	10,916	12,602	(13.4)%	0.8 %
Commercial	11,768	12,323	(4.5)%	(1.9)%
Industrial	12,606	12,888	(2.2)%	(2.2)%
Other	214	225	(4.9)%	(4.7)%
Total Wholesale Sales	10,189	7,438	37.0 %	N/A

(In Thousands of Customers)

	Period Ended March		
	2017	2016 ¹	Change
Regulated Utility Customers-			
Total Utility Customers-	9,226	9,155	0.8 %
Total Traditional Electric	4,608	4,561	1.0 %
Southern Company Gas	4,618	4,594	0.5 %

Notes

(1) Southern Company's acquisition of Southern Company Gas was completed on July 1, 2016. March 2016 customers are shown on a pro forma basis for comparative purposes.

Southern Company
Financial Overview As Reported
(In Millions of Dollars)

	Three Months Ended March		
	2017	2016	% Change
Southern Company –			
Operating Revenues	\$ 5,771	\$ 3,992	44.6 %
Earnings Before Income Taxes	980	718	36.5 %
Net Income Available to Common	658	489	34.6 %
Alabama Power –			
Operating Revenues	\$ 1,382	\$ 1,331	3.8 %
Earnings Before Income Taxes	304	262	16.0 %
Net Income Available to Common	174	156	11.5 %
Georgia Power –			
Operating Revenues	\$ 1,832	\$ 1,872	(2.1)%
Earnings Before Income Taxes	420	432	(2.8)%
Net Income Available to Common	260	269	(3.3)%
Gulf Power –			
Operating Revenues	\$ 350	\$ 335	4.5 %
Earnings Before Income Taxes	34	51	(33.3)%
Net Income Available to Common	18	29	(37.9)%
Mississippi Power –			
Operating Revenues	\$ 272	\$ 257	5.8 %
Earnings (Loss) Before Income Taxes	(47)	1	N/M
Net Income (Loss) Available to Common	(20)	11	N/M
Southern Power –			
Operating Revenues	\$ 450	\$ 315	42.9 %
Earnings Before Income Taxes	14	28	(50.0)%
Net Income Available to Common	70	50	40.0 %
Southern Company Gas¹ –			
Operating Revenues	\$ 1,560	\$ —	N/A
Earnings Before Income Taxes	389	—	N/A
Net Income Available to Common	239	—	N/A

N/M - not meaningful

N/A - not applicable

Notes

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(1) On July 1, 2016, Southern Company completed the acquisition of Southern Company Gas.