

Southern Company

3rd Quarter 2017 Earnings

September 30, 2017

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November 1, 2017

Southern Company reports third quarter 2017 earnings

ATLANTA - Southern Company today reported third quarter 2017 earnings of \$1.07 billion, or \$1.07 per share, compared with earnings of \$1.14 billion, or \$1.18 per share, in the third quarter of 2016. For the nine months ended September 30, 2017, Southern Company reported earnings of \$347 million, or 35 cents per share, compared with earnings of \$2.25 billion, or \$2.40 per share, for the same period in 2016.

Excluding the items described in the “Net Income - Excluding Items” table below, Southern Company earned \$1.13 billion, or \$1.12 per share, during the third quarter of 2017, compared with \$1.23 billion, or \$1.27 per share, during the third quarter of 2016. For the nine months ended September 30, 2017, excluding these items, Southern Company earned \$2.51 billion, or \$2.51 per share, compared with earnings of \$2.46 billion, or \$2.62 per share, for the same period in 2016.

Non-GAAP Financial Measures Net Income - Excluding Items (in millions)	Three Months Ended September		Year-to-Date September	
	2017	2016	2017	2016
Net Income - As Reported	\$1,069	\$1,139	\$347	\$2,251
Estimated Loss on Kemper IGCC	34	88	3,155	222
Tax Impact	(13)	(34)	(951)	(85)
Loss on Plant Scherer Unit 3	—	—	33	—
Tax Impact	—	—	(13)	—
Acquisition and Integration Costs	6	43	19	107
Tax Impact	7	(14)	2	(34)
Wholesale Gas Services	38	18	(48)	18
Tax Impact	(15)	(7)	20	(7)
Earnings Guidance Comparability Item:				
Equity Return Related to Kemper IGCC				
Schedule Extension	—	(7)	(47)	(7)
Tax Impact	—	(1)	(9)	(1)
Net Income - Excluding Items	\$1,126	\$1,225	\$2,508	\$2,464
Average Shares Outstanding - (in millions)	1,003	968	998	940
Basic Earnings Per Share - Excluding Items	\$1.12	\$1.27	\$2.51	\$2.62

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 third quarter 2017 were positively influenced by retail revenue effects at Southern Company's traditional electric operating companies and were negatively influenced by mild weather, timing for Southern Power tax credits, increased interest expense and share issuances.

"Our premier, state-regulated electric and gas franchise operations and our competitive generation subsidiary, Southern Power, continued to perform at a high level in the third quarter of 2017, delivering on our commitment to provide clean, safe, reliable and affordable energy to customers," said Chairman, President and CEO Thomas A. Fanning. "This longstanding customer focus, as further manifested by the resiliency demonstrated in our hurricane restoration efforts during the past quarter, is the cornerstone for delivering on our long-term financial objectives as we continue to build America's energy future."

Third quarter 2017 operating revenues were \$6.20 billion, compared with \$6.26 billion for the third quarter of 2016, a decrease of 1.0 percent. This decrease in quarter-over-quarter revenues is primarily due to the effects of milder weather and electricity outages experienced during Hurricane Irma. For the nine months ended September 30, 2017, operating revenues were \$17.4 billion, compared with \$14.7 billion during the same period of 2016, an increase of 18.3 percent. Southern Company Gas accounted for \$2.3 billion of the increase in operating revenues for the nine months ended September 30, 2017.

Southern Company's third 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.

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

	Three Months Ended September		Year-to-Date September	
	2017	2016	2017	2016
Net Income—As Reported (See Notes)				
Traditional Electric Operating Companies	\$ 1,008	\$ 1,022	\$ —	\$ 2,086
Southern Power	124	176	276	315
Southern Company Gas ¹	15	4	303	4
Total	1,147	1,202	579	2,405
Parent Company and Other	(78)	(63)	(232)	(154)
Net Income—As Reported	\$ 1,069	\$ 1,139	\$ 347	\$ 2,251
Basic Earnings Per Share ²	\$ 1.07	\$ 1.18	\$ 0.35	\$ 2.40
Average Shares Outstanding <i>(in millions)</i>	1,003	968	998	940
End of Period Shares Outstanding <i>(in millions)</i>			1,004	980
Non-GAAP Financial Measures				
Net Income—Excluding Items (See Notes)				
Net Income—As Reported	\$ 1,069	\$ 1,139	\$ 347	\$ 2,251
Estimated Loss on Kemper IGCC ³	34	88	3,155	222
Tax Impact	(13)	(34)	(951)	(85)
Loss on Plant Scherer Unit 3 ⁴	—	—	33	—
Tax Impact	—	—	(13)	—
Acquisition and Integration Costs ⁵	6	43	19	107
Tax Impact	7	(14)	2	(34)
Wholesale Gas Services ⁶	38	18	(48)	18
Tax Impact	(15)	(7)	20	(7)
Earnings Guidance Comparability Item:				
Equity Return Related to Kemper IGCC Schedule Extension ⁷	—	(7)	(47)	(7)
Tax Impact	—	(1)	(9)	(1)
Net Income—Excluding Items	\$ 1,126	\$ 1,225	\$ 2,508	\$ 2,464
Basic Earnings Per Share—Excluding Items	\$ 1.12	\$ 1.27	\$ 2.51	\$ 2.62

-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 \$9 million and \$25 million for the three and nine months ended September 30, 2016, respectively.

- For comparative purposes, Net Income - Excluding Items and Basic Earnings Per Share - Excluding Items in prior year periods do not reflect any adjustments to exclude (1) Southern Company Gas earnings, net of acquisition and integration costs and Wholesale Gas Services (\$0.04 per share for the three and nine months ended September 30, 2016), (2) acquisition debt financing costs related to the acquisition of Southern Company Gas (\$0.05 and \$0.07 per share for the three and nine months ended September 30, 2016, respectively), and (3) the impact of additional shares of common stock issued to finance a portion of the purchase price for the 50% interest in Southern Natural Gas Company, L.L.C. (SNG) (\$0.02 and \$0.01 per share for the three and nine months ended September 30, 2016, respectively). These items were not contemplated in Southern Company's February 2016 guidance and, therefore, were previously excluded in the periods through December 31, 2016.

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

(2) For the three and nine months ended September 30, 2017 and 2016, dilution does not change basic earnings per share by more than 2 cents and is not material.

(3) Earnings for the three and nine months ended September 30, 2017 and 2016 include the estimated losses relating to Mississippi Power Company's integrated coal gasification combined cycle facility construction project in Kemper County, Mississippi (Kemper IGCC) which significantly impacted the presentation of earnings and earnings per share. Further charges of uncertain amounts may occur in future periods in connection with the resolution of the Mississippi Public Service Commission's Kemper Settlement Docket.

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

Southern Company
Significant Factors Impacting EPS

	Three Months Ended September			Year-to-Date September		
	2017	2016	Change	2017	2016	Change
Earnings Per Share– As Reported¹ (See Notes)	\$ 1.07	\$ 1.18	\$ (0.11)	\$ 0.35	\$ 2.40	\$ (2.05)

Significant Factors:						
Traditional Electric Operating Companies			\$ (0.01)			\$ (2.22)
Southern Power			(0.05)			(0.04)
Southern Company Gas ²			0.01			0.32
Parent Company and Other			(0.02)			(0.09)
Increase in Shares			(0.04)			(0.02)
Total–As Reported			<u>\$ (0.11)</u>			<u>\$ (2.05)</u>

	Three Months Ended September			Year-to-Date September		
	2017	2016	Change	2017	2016	Change
Non-GAAP Financial Measures Earnings Per Share– Excluding Items (See Notes)	\$ 1.12	\$ 1.27	\$ (0.15)	\$ 2.51	\$ 2.62	\$ (0.11)
Total–As Reported			\$ (0.11)			\$ (2.05)
Kemper IGCC Impacts ³			(0.03)			2.02
Loss on Plant Scherer Unit 3 ⁴			—			0.02
Acquisition and Integration Costs ⁵			(0.02)			(0.06)
Wholesale Gas Services ⁶			0.01			(0.04)
Total–Excluding Items			<u>\$ (0.15)</u>			<u>\$ (0.11)</u>

- See Notes on the following page.

Southern Company

Significant Factors Impacting EPS

Notes

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

Cents	Description
(4)¢	Retail Sales
9¢	Retail Revenue Impacts
(10)¢	Weather
(1)¢	Wholesale Operations
4¢	Non-Fuel O&M
(1)¢	Depreciation and Amortization
1¢	Taxes Other Than Income Taxes
(2)¢	Other Income and Deductions
1¢	Interest Expense
(1)¢	Income Taxes
(4)¢	Total Traditional Electric Operating Companies
(5)¢	Southern Power
1¢	Southern Company Gas ¹
(3)¢	Parent and Other
(4)¢	Increase in Shares
(15)¢	Total Change in QTD EPS (Excluding Items)
3¢	Kemper IGCC Impacts ²
2¢	Acquisition and Integration Costs ³
(1)¢	Wholesale Gas Services ⁴
(11)¢	Total Change in QTD EPS (As Reported)

- See Notes on the following page.

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

Notes

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

	Three Months Ended September			Year-to-Date September		
	2017	2016	Change	2017	2016	Change
Income Account-						
Retail Electric Revenues-						
Fuel	\$ 1,185	\$ 1,296	\$ (111)	\$ 3,130	\$ 3,169	\$ (39)
Non-Fuel	3,430	3,512	(82)	8,656	8,763	(107)
Wholesale Electric Revenues	718	613	105	1,867	1,455	412
Other Electric Revenues	168	181	(13)	510	529	(19)
Natural Gas Revenues	532	518	14	2,746	518	2,228
Other Revenues	168	144	24	494	281	213
Total Revenues	6,201	6,264	(63)	17,403	14,715	2,688
Fuel and Purchased Power	1,541	1,627	(86)	4,018	3,915	103
Cost of Natural Gas	134	133	1	1,085	133	952
Cost of Other Sales	90	84	6	293	161	132
Non-Fuel O & M	1,287	1,411	(124)	3,918	3,616	302
Depreciation and Amortization	767	695	72	2,236	1,805	431
Taxes Other Than Income Taxes	303	309	(6)	941	821	120
Estimated Loss on Kemper IGCC	34	88	(54)	3,155	222	2,933
Total Operating Expenses	4,156	4,347	(191)	15,646	10,673	4,973
Operating Income	2,045	1,917	128	1,757	4,042	(2,285)
Allowance for Equity Funds Used During Construction	18	52	(34)	133	150	(17)
Earnings from Equity Method Investments	32	29	3	100	28	72
Interest Expense, Net of Amounts Capitalized	407	374	33	1,248	913	335
Other Income (Expense), net	11	(8)	19	2	(66)	68
Income Taxes	590	439	151	317	917	(600)
Net Income	1,109	1,177	(68)	427	2,324	(1,897)
Less:						
Dividends on Preferred and Preference Stock of Subsidiaries	10	11	(1)	32	34	(2)
Net Income Attributable to Noncontrolling Interests	30	27	3	48	39	9
NET INCOME ATTRIBUTABLE TO SOUTHERN COMPANY	\$ 1,069	\$ 1,139	\$ (70)	\$ 347	\$ 2,251	\$ (1,904)

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 \$9 million and \$25 million for the three and nine months ended September 30, 2016, respectively.

Southern Company
Kilowatt-Hour Sales and Customers
(In Millions of KWHs)

As Reported	Three Months Ended September				Year-to-Date September			
	2017	2016	Change	Weather Adjusted Change	2017	2016	Change	Weather Adjusted Change
Kilowatt-Hour Sales-								
Total Sales	58,276	58,648	(0.6)%		155,626	152,625	2.0 %	
Total Retail Sales-	44,449	47,071	(5.6)%	(1.3)%	118,802	124,535	(4.6)%	(1.0)%
Residential	15,499	17,213	(10.0)%	(2.0)%	38,502	42,257	(8.9)%	(0.6)%
Commercial	14,969	15,805	(5.3)%	(1.4)%	40,007	41,509	(3.6)%	(1.1)%
Industrial	13,770	13,833	(0.5)%	(0.5)%	39,656	40,102	(1.1)%	(1.1)%
Other	211	220	(4.1)%	(3.8)%	637	667	(4.4)%	(4.2)%
Total Wholesale Sales	13,827	11,577	19.4 %	N/A	36,824	28,090	31.1 %	N/A

(In Thousands of Customers)

Regulated Utility Customers-	Period Ended September		
	2017	2016	Change
Total Utility Customers-	9,187	9,106	0.9 %
Total Traditional Electric	4,632	4,584	1.0 %
Southern Company Gas	4,555	4,522	0.7 %

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

	Three Months Ended September			Year-to-Date September		
	2017	2016	% Change	2017	2016	% Change
Southern Company –						
Operating Revenues	\$ 6,201	\$ 6,264	(1.0)%	\$ 17,403	\$ 14,715	18.3 %
Earnings Before Income Taxes	1,699	1,616	5.1 %	744	3,241	(77.0)%
Net Income Available to Common	1,069	1,139	(6.1)%	347	2,251	(84.6)%
Alabama Power –						
Operating Revenues	\$ 1,740	\$ 1,785	(2.5)%	\$ 4,606	\$ 4,561	1.0 %
Earnings Before Income Taxes	546	575	(5.0)%	1,236	1,196	3.3 %
Net Income Available to Common	325	352	(7.7)%	729	721	1.1 %
Georgia Power –						
Operating Revenues	\$ 2,546	\$ 2,698	(5.6)%	\$ 6,426	\$ 6,621	(2.9)%
Earnings Before Income Taxes	934	967	(3.4)%	1,906	1,964	(3.0)%
Net Income Available to Common	580	600	(3.3)%	1,188	1,217	(2.4)%
Gulf Power –						
Operating Revenues	\$ 437	\$ 436	0.2 %	\$ 1,144	\$ 1,136	0.7 %
Earnings Before Income Taxes	103	77	33.8 %	199	189	5.3 %
Net Income Available to Common	63	45	40.0 %	117	108	8.3 %
Mississippi Power –						
Operating Revenues	\$ 341	\$ 352	(3.1)%	\$ 915	\$ 885	3.4 %
Earnings (Loss) Before Income Taxes	64	24	166.7 %	(2,918)	11	N/M
Net Income (Loss) Available to Common	40	26	53.8 %	(2,034)	39	N/M
Southern Power –						
Operating Revenues	\$ 618	\$ 500	23.6 %	\$ 1,597	\$ 1,189	34.3 %
Earnings Before Income Taxes	115	101	13.9 %	195	187	4.3 %
Net Income Available to Common	124	176	(29.5)%	276	315	(12.4)%
Southern Company Gas¹ –						
Operating Revenues	\$ 565	\$ 543	4.1 %	\$ 2,841	\$ 543	N/M
Earnings Before Income Taxes	67	11	N/M	536	11	N/M
Net Income Available to Common	15	4	N/M	303	4	N/M

N/M - not meaningful

Notes

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