

Southern Company

4th Quarter 2017 Earnings

December 31, 2017

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February 21, 2018

Southern Company reports fourth-quarter and full-year 2017 earnings

ATLANTA - Southern Company today reported fourth-quarter 2017 earnings of \$496 million, or 49 cents per share, compared with earnings of \$197 million, or 20 cents per share, in the fourth quarter of 2016. Southern Company also reported full-year 2017 earnings of \$842 million, or 84 cents per share, compared with earnings of \$2.45 billion, or \$2.57 per share, in 2016.

Excluding the items described in the “Net Income - Excluding Items” table below, Southern Company earned \$509 million, or 51 cents per share, during the fourth quarter of 2017, compared with \$295 million, or 30 cents per share, during the fourth quarter of 2016. For the full-year 2017, excluding these items, Southern Company earned \$3.02 billion, or \$3.02 per share, compared with earnings of \$2.76 billion, or \$2.90 per share, in 2016.

Non-GAAP Financial Measures Net Income - Excluding Items (in millions)	Three Months Ended December		Year-to-Date December	
	2017	2016	2017	2016
Net Income - As Reported	\$496	\$197	\$842	\$2,448
Estimated Loss on Kemper IGCC	211	206	3,366	428
Tax Impact	(25)	(79)	(975)	(164)
Loss on Plant Scherer Unit 3	-	-	33	-
Tax Impact	-	-	(13)	-
Acquisition and Integration Costs	16	12	35	120
Tax Impact	10	(4)	12	(38)
Wholesale Gas Services	105	(15)	57	4
Tax Impact	(20)	4	-	(4)
Earnings Guidance Comparability Items:				
Equity Return Related to Kemper IGCC				
Schedule Extension	-	(22)	(47)	(29)
Tax Impact	-	(4)	(9)	(5)
Tax Reform	(284)	-	(284)	-
Net Income - Excluding Items	\$509	\$295	\$3,017	\$2,760
Average Shares Outstanding - (in millions)	1,007	986	1,000	951
Basic Earnings Per Share - Excluding Items	\$0.51	\$0.30	\$3.02	\$2.90

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

Earnings for the fourth quarter and full year 2017 were positively influenced by retail revenue effects and lower operations and maintenance costs at Southern Company's traditional electric operating companies, and results from Southern Company Gas, partially offset by increased share issuances. Full year 2017 earnings were further negatively influenced by milder weather and lower customer usage.

"2017 was an eventful year for Southern Company, highlighted by the continued operational excellence of our premier state-regulated electric and gas utilities," said Chairman, President and CEO Thomas A. Fanning. "We experienced a banner year for electric generation, transmission and distribution, including timely responses to catastrophic weather events in our service footprint. In addition, during its first full year as a part of Southern Company, Southern Company Gas continued to deliver as expected in support of our customer-focused business model."

Fourth quarter 2017 operating revenues were \$5.63 billion, compared with \$5.18 billion for the fourth quarter of 2016, an increase of 8.6 percent. Operating revenues for the full year 2017 were \$23.03 billion, compared with \$19.90 billion in 2016, a 15.8 percent increase. Southern Company Gas accounted for \$2.27 billion of the increase in operating revenues for the full year 2017.

Southern Company's fourth quarter earnings slides with supplemental financial information, including its earnings guidance for 2018, 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 electric and gas utility customers through its subsidiaries. The company provides clean, safe, reliable and affordable energy through electric utilities in four states, natural gas distribution utilities 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, advanced carbon capture technologies, natural gas, renewables, energy efficiency and storage technology. 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. Visit our website at www.southerncompany.com.

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

	Three Months Ended December		Year-to-Date December	
	2017	2016	2017	2016
Net Income—As Reported (See Notes)				
Traditional Electric Operating Companies	\$ (191)	\$ 147	\$ (193)	\$ 2,233
Southern Power	795	23	1,071	338
Southern Company Gas ¹	(60)	110	243	114
Total	544	280	1,121	2,685
Parent Company and Other	(48)	(83)	(279)	(237)
Net Income—As Reported	\$ 496	\$ 197	\$ 842	\$ 2,448
Basic Earnings Per Share ²	\$ 0.49	\$ 0.20	\$ 0.84	\$ 2.57
Average Shares Outstanding <i>(in millions)</i>	1,007	986	1,000	951
End of Period Shares Outstanding <i>(in millions)</i>			1,008	990
Non-GAAP Financial Measures				
Net Income—Excluding Items (See Notes)				
Net Income—As Reported	\$ 496	\$ 197	\$ 842	\$ 2,448
Estimated Loss on Kemper IGCC ³	211	206	3,366	428
Tax Impact	(25)	(79)	(975)	(164)
Loss on Plant Scherer Unit 3 ⁴	—	—	33	—
Tax Impact	—	—	(13)	—
Acquisition and Integration Costs ⁵	16	12	35	120
Tax Impact	10	(4)	12	(38)
Wholesale Gas Services ⁶	105	(15)	57	4
Tax Impact	(20)	4	—	(4)
Earnings Guidance Comparability Items:				
Equity Return Related to Kemper IGCC Schedule Extension ⁷	—	(22)	(47)	(29)
Tax Impact	—	(4)	(9)	(5)
Tax Reform ⁸	(284)	—	(284)	—
Net Income—Excluding Items	\$ 509	\$ 295	\$ 3,017	\$ 2,760
Basic Earnings Per Share—Excluding Items	\$ 0.51	\$ 0.30	\$ 3.02	\$ 2.90

-See Notes on the following page.

Southern Company Financial Highlights

Notes

- 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 (\$0.10 and \$0.15 per share for the three and twelve months ended December 31, 2016, respectively), (2) acquisition debt financing costs related to the acquisition of Southern Company Gas (\$0.04 and \$0.11 per share for the three and twelve months ended December 31, 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. (\$0.01 and \$0.03 per share for the three and twelve months ended December 31, 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 twelve months ended December 31, 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 twelve months ended December 31, 2017 and 2016 include charges related 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. These charges for the three and twelve months ended December 31, 2017 include \$4 million of related legal expenses, recorded as operations and maintenance expenses. Additional cancellation costs of approximately \$50 million to \$100 million pretax are expected to occur in future periods.

(4) Earnings for the twelve months ended December 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 and twelve months ended December 31, 2017 and 2016 include costs related to the acquisition and integration of Southern Company Gas and earnings for the three and twelve months ended December 31, 2017 include costs related to the pending dispositions of Elizabethtown Gas and Elkton Gas. Further costs are expected to continue to occur in connection with integration activities and closing the dispositions; however, the amount and duration of such expenditures is uncertain.

(6) Earnings for the three and twelve months ended December 31, 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 twelve months ended December 31, 2017 and the three and twelve months ended December 31, 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.

(8) Earnings for the three and twelve months ended December 31, 2017 include the net tax benefit as a result of federal tax reform legislation, which was signed into law on December 22, 2017. Southern Company's 2017 earnings guidance, initially presented in October 2016, assumed no changes to tax laws. As a result, Southern Company believes presentation of earnings per share excluding this net tax benefit provides investors with information comparable to guidance. Management also uses such measures to evaluate Southern Company's performance. The impact of federal tax reform legislation (\$21 million) on the Wholesale Gas Services business of Southern Company Gas is included in the adjustment above for Wholesale Gas Services.

Southern Company
Significant Factors Impacting EPS

	Three Months Ended December			Year-to-Date December		
	2017	2016	Change	2017	2016	Change
Earnings Per Share– As Reported¹ (See Notes)	\$ 0.49	\$ 0.20	\$ 0.29	\$ 0.84	\$ 2.57	\$ (1.73)

Significant Factors:						
Traditional Electric Operating Companies			\$ (0.34)			\$ (2.55)
Southern Power			0.78			0.77
Southern Company Gas ²			(0.17)			0.13
Parent Company and Other			0.03			(0.04)
Increase in Shares			(0.01)			(0.04)
Total–As Reported			<u>\$ 0.29</u>			<u>\$ (1.73)</u>

	Three Months Ended December			Year-to-Date December		
	2017	2016	Change	2017	2016	Change
Non-GAAP Financial Measures Earnings Per Share– Excluding Items (See Notes)	\$ 0.51	\$ 0.30	\$ 0.21	\$ 3.02	\$ 2.90	\$ 0.12
Total–As Reported			\$ 0.29			\$ (1.73)
Kemper IGCC Impacts ³			0.09			2.09
Loss on Plant Scherer Unit 3 ⁴			—			0.02
Acquisition and Integration Costs ⁵			0.02			(0.04)
Wholesale Gas Services ⁶			0.09			0.06
Tax Reform ⁷			(0.28)			(0.28)
Total–Excluding Items			<u>\$ 0.21</u>			<u>\$ 0.12</u>

- See Notes on the following page.

Southern Company

Significant Factors Impacting EPS

Notes

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Earnings for the twelve months ended December 31, 2017 and the three and twelve months ended December 31, 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.

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Southern Company
EPS Earnings Analysis

Description	Three Months Ended December 2017 vs. 2016	Year-to-Date December 2017 vs. 2016
Retail Sales	\$0.02	\$(0.04)
Retail Revenue Impacts	0.09	0.32
Weather	0.04	(0.18)
Wholesale Operations	—	(0.01)
Other Operating Revenues	0.01	—
Non-Fuel O&M	0.04	0.15
Purchased Power Capacity Expense	—	0.01
Depreciation and Amortization	(0.02)	(0.05)
Taxes Other Than Income Taxes	(0.01)	—
Other Income and Deductions	(0.02)	(0.08)
Income Taxes	(0.01)	(0.03)
Total Traditional Electric Operating Companies	\$0.14	\$0.09
Southern Power	0.04	—
Southern Company Gas ¹	0.04	0.31
Parent and Other	—	(0.12)
Increase in Shares	(0.01)	(0.16)
Total Change in EPS (Excluding Items)	\$0.21	\$0.12
Kemper IGCC Impacts ²	(0.09)	(2.09)
Loss on Plant Scherer Unit 3 ³	—	(0.02)
Acquisition and Integration Costs ⁴	(0.02)	0.04
Wholesale Gas Services ⁵	(0.09)	(0.06)
Tax Reform ⁶	0.28	0.28
Total Change in EPS (As Reported)	\$0.29	\$(1.73)

- See Notes on the following page.

Southern Company
EPS Earnings Analysis
Three and Twelve Months Ended December 2017 vs. December 2016

Notes

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

	Three Months Ended December			Year-to-Date December		
	2017	2016	Change	2017	2016	Change
Income Account-						
Retail Electric Revenues-						
Fuel	\$ 966	\$ 952	\$ 14	\$ 4,095	\$ 4,121	\$ (26)
Non-Fuel	2,578	2,350	228	11,235	11,113	122
Wholesale Electric Revenues	559	471	88	2,426	1,926	500
Other Electric Revenues	171	169	2	681	698	(17)
Natural Gas Revenues	1,045	1,078	(33)	3,791	1,596	2,195
Other Revenues	310	161	149	803	442	361
Total Revenues	5,629	5,181	448	23,031	19,896	3,135
Fuel and Purchased Power	1,245	1,196	49	5,263	5,111	152
Cost of Natural Gas	515	480	35	1,601	613	988
Cost of Other Sales	220	99	121	513	260	253
Non-Fuel O & M	1,565	1,624	(59)	5,481	5,240	241
Depreciation and Amortization	774	697	77	3,010	2,502	508
Taxes Other Than Income Taxes	309	292	17	1,250	1,113	137
Estimated Loss on Kemper IGCC	207	206	1	3,362	428	2,934
Total Operating Expenses	4,835	4,594	241	20,480	15,267	5,213
Operating Income	794	587	207	2,551	4,629	(2,078)
Allowance for Equity Funds Used During Construction	27	52	(25)	160	202	(42)
Earnings from Equity Method Investments	6	31	(25)	106	59	47
Interest Expense, Net of Amounts Capitalized	446	404	42	1,694	1,317	377
Other Income (Expense), net	(56)	(27)	(29)	(55)	(93)	38
Income Taxes	(175)	34	(209)	142	951	(809)
Net Income	500	205	295	926	2,529	(1,603)
Less:						
Dividends on Preferred and Preference Stock of Subsidiaries	6	11	(5)	38	45	(7)
Net Income Attributable to Noncontrolling Interests	(2)	(3)	1	46	36	10
NET INCOME ATTRIBUTABLE TO SOUTHERN COMPANY	\$ 496	\$ 197	\$ 299	\$ 842	\$ 2,448	\$ (1,606)

Notes

- Certain prior year data may have been reclassified to conform with current year presentation.

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

As Reported	Three Months Ended December				Year-to-Date December			
	2017	2016	Change	Weather Adjusted Change	2017	2016	Change	Weather Adjusted Change
Kilowatt-Hour Sales-								
Total Sales	49,915	45,162	10.5 %		205,541	197,788	3.9 %	
Total Retail Sales-	37,705	36,209	4.1 %	1.4 %	156,507	160,745	(2.6)%	(0.4)%
Residential	12,034	11,080	8.6 %	0.8 %	50,536	53,337	(5.3)%	(0.3)%
Commercial	12,333	12,224	0.9 %	(0.1)%	52,340	53,733	(2.6)%	(0.9)%
Industrial	13,130	12,690	3.5 %	3.5 %	52,785	52,792	— %	— %
Other	208	215	(2.9)%	(3.1)%	846	883	(4.0)%	(3.9)%
Total Wholesale Sales	12,210	8,953	36.4 %	N/A	49,034	37,043	32.4 %	N/A

(In Thousands of Customers)

Regulated Utility Customers-	Period Ended December		
	2017	2016	Change
Total Utility Customers-	9,263	9,179	0.9 %
Total Traditional Electric	4,640	4,593	1.0 %
Southern Company Gas	4,623	4,586	0.8 %

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

	Three Months Ended December			Year-to-Date December		
	2017	2016	% Change	2017	2016	% Change
Southern Company –						
Operating Revenues	\$ 5,629	\$ 5,181	8.6 %	\$ 23,031	\$ 19,896	15.8 %
Earnings Before Income Taxes	325	239	36.0 %	1,068	3,480	(69.3)%
Net Income Available to Common	496	197	151.8 %	842	2,448	(65.6)%
Alabama Power –						
Operating Revenues	\$ 1,433	\$ 1,329	7.8 %	\$ 6,039	\$ 5,889	2.5 %
Earnings Before Income Taxes	198	174	13.8 %	1,434	1,370	4.7 %
Net Income Available to Common	119	102	16.7 %	848	822	3.2 %
Georgia Power –						
Operating Revenues	\$ 1,884	\$ 1,762	6.9 %	\$ 8,310	\$ 8,383	(0.9)%
Earnings Before Income Taxes	352	163	116.0 %	2,258	2,127	6.2 %
Net Income Available to Common	227	113	100.9 %	1,414	1,330	6.3 %
Gulf Power –						
Operating Revenues	\$ 372	\$ 349	6.6 %	\$ 1,516	\$ 1,485	2.1 %
Earnings Before Income Taxes	30	42	(28.6)%	229	231	(0.9)%
Net Income Available to Common	19	23	(17.4)%	135	131	3.1 %
Mississippi Power –						
Operating Revenues	\$ 271	\$ 277	(2.2)%	\$ 1,187	\$ 1,163	2.1 %
Earnings (Loss) Before Income Taxes	(202)	(162)	24.7 %	(3,120)	(152)	N/M
Net Income (Loss) Available to Common	(556)	(89)	N/M	(2,590)	(50)	N/M
Southern Power –						
Operating Revenues	\$ 478	\$ 389	22.9 %	\$ 2,075	\$ 1,577	31.6 %
Earnings (Loss) Before Income Taxes	(17)	(8)	112.5 %	178	179	(0.6)%
Net Income Available to Common	795	23	N/M	1,071	338	216.9 %
Southern Company Gas¹ –						
Operating Revenues	\$ 1,079	\$ 1,109	(2.7)%	\$ 3,920	\$ 1,652	137.3 %
Earnings Before Income Taxes	74	178	(58.4)%	610	190	221.1 %
Net Income (Loss) Available to Common	(60)	110	(154.5)%	243	114	113.2 %

N/M - not meaningful

Notes

- See Financial Highlights pages for discussion of certain significant items occurring during the periods presented.

(1) On July 1, 2016, Southern Company completed the acquisition of Southern Company Gas. Year-to-Date December 2016 reflects financial results for Southern Company Gas for the period July 1, 2016 through December 31, 2016.