

# Southern Company

## 2nd Quarter 2019 Earnings

### June 30, 2019

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July 31, 2019

## Southern Company reports second-quarter 2019 earnings

ATLANTA - Southern Company today reported second-quarter 2019 earnings of \$899 million, or 86 cents per share, compared with a loss of \$154 million, or 15 cents per share, in the second quarter of 2018. For the six months ended June 30, 2019, Southern Company reported earnings of \$2.98 billion, or \$2.86 per share, compared with earnings of \$784 million, or 77 cents per share, for the same period in 2018.

Excluding the items described in the “Net Income - Excluding Items” table below, Southern Company earned \$833 million, or 80 cents per share, during the second quarter of 2019, compared with \$815 million, or 80 cents per share, during the second quarter of 2018. For the six months ended June 30, 2019, excluding these items, Southern Company earned \$1.56 billion, or \$1.50 per share, compared with earnings of \$1.71 billion, or \$1.69 per share, for the same period in 2018.

Non-GAAP Financial Measures	Three Months Ended June		Year-to-Date June	
	2019	2018	2019	2018
<b>Net Income - Excluding Items (in millions)</b>	<b>\$899</b>	<b>\$(154)</b>	<b>\$2,982</b>	<b>\$784</b>
Net Income (Loss) - As Reported	\$899	\$(154)	\$2,982	\$784
Acquisition, Disposition, and Integration Impacts	18	172	(2,481)	233
Tax Impact	(67)	4	1,122	(1)
Estimated Loss on Plants Under Construction	8	1,060	13	1,105
Tax Impact	(2)	(270)	(3)	(281)
Wholesale Gas Services	(29)	32	(93)	(108)
Tax Impact	6	(11)	23	25
Litigation Settlement	-	(24)	-	(24)
Tax Impact	-	6	-	6
<b>Earnings Guidance Comparability Items:</b>				
Adoption of Tax Reform	-	-	-	(31)
<b>Net Income - Excluding Items</b>	<b>\$833</b>	<b>\$815</b>	<b>\$1,563</b>	<b>\$1,708</b>
Average Shares Outstanding - (in millions)	1,044	1,014	1,041	1,012
Basic Earnings Per Share - Excluding Items	\$0.80	\$0.80	\$1.50	\$1.69

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 second quarter 2019 were positively influenced by higher revenues associated with changes in rates and pricing, net of usage changes, as well as warmer than normal weather at Southern Company's regulated utilities. These impacts were partially offset by the impact of divested entities on earnings.

"We are very pleased with our financial and operational performance in the first half of 2019, as our premier, state-regulated electric and gas franchise operations continued to perform well in the second quarter," said Chairman, President and CEO Thomas A. Fanning. "In particular, our electrical system has proved to be very resilient in what has so far been a hot summer in the Southeast."

Second quarter 2019 operating revenues were \$5.10 billion, compared with \$5.63 billion for the second quarter of 2018, a decrease of 9.4 percent. For the six months ended June 30, 2019, operating revenues were \$10.51 billion, compared with \$12.00 billion for the corresponding period in 2018, a decrease of 12.4 percent. These decreases were primarily related to a reduction in revenue resulting from the sale of Gulf Power and other assets that are no longer affiliated with Southern Company.

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

Southern Company's financial analyst call will begin at 8 a.m. Eastern Time today, during which Fanning and Chief Financial Officer Andrew W. Evans 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 a leading energy company serving 9 million customers through its subsidiaries. The company provides clean, safe, reliable and affordable energy through electric operating companies in three states, natural gas distribution companies in four states, a competitive generation company serving wholesale customers across America, a leading distributed energy infrastructure company, a fiber optics network and telecommunications services. Southern Company brands are known for excellent customer service, high reliability and affordable prices below the national average. For more than a century, we have been building the future of energy and developing the full portfolio of energy resources, including carbon-free nuclear, advanced carbon capture technologies, natural gas, renewables, energy efficiency and storage technology. Through an industry-leading commitment to innovation and a low-carbon future, Southern Company and its subsidiaries develop the customized energy solutions our customers and communities require to drive growth and prosperity. Our uncompromising values ensure we put the needs of those we serve at the center of everything we do and govern our business to the benefit of our world. Our corporate culture and hiring practices have been recognized nationally by the U.S. Department of Defense, G.I. Jobs magazine, DiversityInc, Black Enterprise, Forbes and the Women's Choice Award. To learn more, visit [www.southerncompany.com](http://www.southerncompany.com).

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

	Three Months Ended June		Year-to-Date June	
	2019	2018	2019	2018
<b>Net Income—As Reported (See Notes)</b>				
Traditional Electric Operating Companies	\$ 782	\$ (48)	\$ 1,346	\$ 563
Southern Power	174	22	230	143
Southern Company Gas	106	(31)	376	248
<b>Total</b>	<b>1,062</b>	<b>(57)</b>	<b>1,952</b>	<b>954</b>
Parent Company and Other	(163)	(97)	1,030	(170)
<b>Net Income (Loss)—As Reported</b>	<b>\$ 899</b>	<b>\$ (154)</b>	<b>\$ 2,982</b>	<b>\$ 784</b>
Basic Earnings (Loss) Per Share <sup>1</sup>	\$ 0.86	\$ (0.15)	\$ 2.86	\$ 0.77
Average Shares Outstanding <i>(in millions)</i>	1,044	1,014	1,041	1,012
End of Period Shares Outstanding <i>(in millions)</i>			1,045	1,014
<b>Non-GAAP Financial Measures</b>				
<b>Net Income—Excluding Items (See Notes)</b>				
Net Income (Loss)—As Reported	\$ 899	\$ (154)	\$ 2,982	\$ 784
Acquisition, Disposition, and Integration Impacts <sup>2</sup>	18	172	(2,481)	233
Tax Impact	(67)	4	1,122	(1)
Estimated Loss on Plants Under Construction <sup>3</sup>	8	1,060	13	1,105
Tax Impact	(2)	(270)	(3)	(281)
Wholesale Gas Services <sup>4</sup>	(29)	32	(93)	(108)
Tax Impact	6	(11)	23	25
Litigation Settlement <sup>5</sup>	—	(24)	—	(24)
Tax Impact	—	6	—	6
<b>Earnings Guidance Comparability Items:</b>				
Adoption of Tax Reform <sup>6</sup>	—	—	—	(31)
<b>Net Income—Excluding Items</b>	<b>\$ 833</b>	<b>\$ 815</b>	<b>\$ 1,563</b>	<b>\$ 1,708</b>
Basic Earnings Per Share—Excluding Items	\$ 0.80	\$ 0.80	\$ 1.50	\$ 1.69

-See Notes on the following page.

## Southern Company

### Financial Highlights

#### Notes

- (1) For the three and six months ended June 30, 2019 and 2018, dilution does not change basic earnings per share by more than 2 cents and is not material.
- (2) Earnings for the three months ended June 30, 2019 primarily include a \$23 million pre-tax (\$88 million after tax) gain on the sale of Southern Power Company's Plant Nacogdoches and a \$32 million pre-tax and after-tax goodwill impairment charge in contemplation of the sale of the utility infrastructure services business unit at PowerSecure, Inc. Earnings for the six months ended June 30, 2019 also include a \$2.5 billion pre-tax gain (\$1.3 billion after tax) on the sale of Gulf Power Company. Earnings for the three months ended June 30, 2018 include: (i) a pre-tax loss of \$36 million (\$76 million after tax) associated with the sale of Pivotal Home Solutions; (ii) a \$119 million pre-tax (\$89 million after tax) impairment charge associated with the disposition of Plants Stanton and Oleander; and (iii) \$17 million pre-tax (\$11 million after tax) of other acquisition, disposition, and integration costs. Earnings for the six months ended June 30, 2018 also include a \$42 million (pre tax and after tax) goodwill impairment charge associated with the Pivotal Home Solutions transaction and (ii) an additional \$19 million pre tax (\$14 million after tax) of other acquisition, disposition, and integration costs. Further impacts are expected to be recorded in 2019 in connection with the sales of Gulf Power Company and Plant Nacogdoches, as well as the pending sale of Plant Mankato. Further costs are also expected to continue to occur in connection with the integration of Southern Company Gas; however, the amount and duration of such expenditures is uncertain.
- (3) Earnings for the three and six months ended June 30, 2019 and for the six months ended June 30, 2018 include charges and associated legal expenses related to Mississippi Power Company's integrated coal gasification combined cycle facility project in Kemper County, Mississippi (Kemper IGCC). Earnings for the three and six months ended June 30, 2018 also include a \$1.1 billion charge (\$0.8 billion after tax) for an estimated probable loss on Georgia Power Company's construction of Plant Vogtle Units 3 and 4. All of these charges significantly impacted the presentation of earnings and earnings per share. Additional pre-tax closure costs, including mine reclamation, of up to \$25 million for Mississippi Power Company's Kemper IGCC may occur through 2020. Mississippi Power Company is also currently evaluating its options regarding the final disposition of the carbon dioxide pipeline and is in discussions with the Department of Energy regarding property closeout and disposition, for which the related costs could be material. Further charges for Georgia Power Company's Plant Vogtle Units 3 and 4 may occur; however, the amount and timing of any such charges is uncertain.
- (4) Earnings for the three and six months ended June 30, 2019 and 2018 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.
- (5) Earnings for the three and six months ended June 30, 2018 include the settlement proceeds of Mississippi Power Company's claim for lost revenue resulting from the 2010 Deepwater Horizon oil spill in the Gulf of Mexico. Further proceeds are not expected.
- (6) Earnings for the six months ended June 30, 2018 include additional net tax benefits as a result of implementing federal tax reform legislation, which was signed into law in December 2017. During 2018, Southern Company obtained and analyzed additional information that was not initially available or reported as provisional amounts at December 31, 2017. Additional adjustments are not expected.

**Southern Company**  
**Significant Factors Impacting EPS**

	Three Months Ended June			Year-to-Date June		
	2019	2018	Change	2019	2018	Change
<b>Earnings (Loss) Per Share– As Reported<sup>1</sup> (See Notes)</b>	<b>\$ 0.86</b>	<b>\$ (0.15)</b>	<b>\$ 1.01</b>	<b>\$ 2.86</b>	<b>\$ 0.77</b>	<b>\$ 2.09</b>

<b>Significant Factors:</b>						
Traditional Electric Operating Companies			<b>\$ 0.82</b>			<b>\$ 0.77</b>
Southern Power			<b>0.15</b>			<b>0.09</b>
Southern Company Gas			<b>0.13</b>			<b>0.13</b>
Parent Company and Other			<b>(0.06)</b>			<b>1.18</b>
Increase in Shares			<b>(0.03)</b>			<b>(0.08)</b>
<b>Total–As Reported</b>			<b><u>\$ 1.01</u></b>			<b><u>\$ 2.09</u></b>

	Three Months Ended June			Year-to-Date June		
	2019	2018	Change	2019	2018	Change
<b>Non-GAAP Financial Measures</b>						
<b>Earnings Per Share– Excluding Items (See Notes)</b>	<b>\$ 0.80</b>	<b>\$ 0.80</b>	<b>\$ —</b>	<b>\$ 1.50</b>	<b>\$ 1.69</b>	<b>\$ (0.19)</b>
<b>Total–As Reported</b>			<b>\$ 1.01</b>			<b>\$ 2.09</b>
Acquisition, Disposition, and Integration Impacts <sup>2</sup>			<b>(0.22)</b>			<b>(1.53)</b>
Estimated Loss on Plants Under Construction <sup>3</sup>			<b>(0.77)</b>			<b>(0.81)</b>
Wholesale Gas Services <sup>4</sup>			<b>(0.04)</b>			<b>0.01</b>
Litigation Settlement <sup>5</sup>			<b>0.02</b>			<b>0.02</b>
Adoption of Tax Reform <sup>6</sup>			<b>—</b>			<b>0.03</b>
<b>Total–Excluding Items</b>			<b><u>\$ —</u></b>			<b><u>\$ (0.19)</u></b>

- See Notes on the following page.

## Southern Company

### Significant Factors Impacting EPS

#### Notes

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**Southern Company**  
**EPS Earnings Analysis**

Description	Three Months Ended June 2019 vs. 2018	Year-to-Date June 2019 vs. 2018
Retail Sales	\$(0.03)	\$(0.04)
Retail Revenue Impacts	0.10	0.14
Weather	0.03	(0.04)
Wholesale and Other Operating Revenues	0.01	0.03
Non-Fuel O&M	(0.02)	(0.03)
Interest Expense, Depreciation and Amortization, Other	—	—
Income Taxes	0.01	0.03
Gulf Power Earnings	(0.04)	(0.08)
<b>Total Traditional Electric Operating Companies</b>	<b>\$0.06</b>	<b>\$0.01</b>
Southern Power	(0.03)	(0.10)
Southern Company Gas	0.01	—
Parent and Other	(0.02)	(0.06)
Increase in Shares	(0.02)	(0.04)
<b>Total Change in EPS (Excluding Items)</b>	<b>\$—</b>	<b>\$(0.19)</b>
Acquisition, Disposition, and Integration Impacts <sup>1</sup>	0.22	1.53
Estimated Loss on Plants Under Construction <sup>2</sup>	0.77	0.81
Wholesale Gas Services <sup>3</sup>	0.04	(0.01)
Litigation Settlement <sup>4</sup>	(0.02)	(0.02)
Adoption of Tax Reform <sup>5</sup>	—	(0.03)
<b>Total Change in EPS (As Reported)</b>	<b>\$1.01</b>	<b>\$2.09</b>

- See Notes on the following page.



**Southern Company**  
**EPS Earnings Analysis**  
**Three and Six Months Ended June 2019 vs. June 2018**

**Notes**

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

	Three Months Ended			Year-to-Date		
	2019	2018	Change	2019	2018	Change
<b>Income Account-</b>						
Retail Electric Revenues-						
Fuel	\$ 919	\$ 1,022	\$ (103)	\$ 1,723	\$ 2,049	\$ (326)
Non-Fuel	2,621	2,718	(97)	4,900	5,259	(359)
Wholesale Electric Revenues	542	616	(74)	1,041	1,239	(198)
Other Electric Revenues	161	170	(9)	331	330	1
Natural Gas Revenues	689	706	(17)	2,163	2,314	(151)
Other Revenues	166	395	(229)	352	808	(456)
<b>Total Revenues</b>	<b>5,098</b>	<b>5,627</b>	<b>(529)</b>	<b>10,510</b>	<b>11,999</b>	<b>(1,489)</b>
Fuel and Purchased Power	1,115	1,339	(224)	2,135	2,707	(572)
Cost of Natural Gas	191	228	(37)	877	949	(72)
Cost of Other Sales	84	279	(195)	203	568	(365)
Non-Fuel O & M	1,316	1,523	(207)	2,628	2,972	(344)
Depreciation and Amortization	755	783	(28)	1,506	1,552	(46)
Taxes Other Than Income Taxes	299	316	(17)	628	671	(43)
Estimated Loss on Plants Under Construction	4	1,060	(1,056)	6	1,105	(1,099)
(Gain) Loss on Dispositions, net	(8)	36	(44)	(2,506)	36	(2,542)
<b>Total Operating Expenses</b>	<b>3,756</b>	<b>5,564</b>	<b>(1,808)</b>	<b>5,477</b>	<b>10,560</b>	<b>(5,083)</b>
Operating Income	1,342	63	1,279	5,033	1,439	3,594
Allowance for Equity Funds Used During Construction	31	32	(1)	63	63	—
Earnings from Equity Method Investments	33	31	2	81	72	9
Interest Expense, Net of Amounts Capitalized	429	470	(41)	859	928	(69)
Other Income (Expense), net	99	78	21	176	138	38
Income Taxes (Benefit)	145	(139)	284	1,505	(25)	1,530
<b>Net Income (Loss)</b>	<b>931</b>	<b>(127)</b>	<b>1,058</b>	<b>2,989</b>	<b>809</b>	<b>2,180</b>
Less:						
Dividends on Preferred Stock of Subsidiaries	3	4	(1)	7	8	(1)
Net Income Attributable to Noncontrolling Interests	29	23	6	—	17	(17)
<b>NET INCOME (LOSS) ATTRIBUTABLE TO SOUTHERN COMPANY</b>	<b>\$ 899</b>	<b>\$ (154)</b>	<b>\$ 1,053</b>	<b>\$ 2,982</b>	<b>\$ 784</b>	<b>\$ 2,198</b>

**Notes**

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

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

**Three Months Ended June**

	As Reported				Adjusted <sup>1</sup>		
	2019	2018	Change	Weather Adjusted Change	2018	Change	Weather Adjusted Change
	<b>Kilowatt-Hour Sales-</b>						
Total Sales	<b>48,434</b>	52,260	(7.3)%		49,289	(1.7)%	
Total Retail Sales-	<b>36,752</b>	39,624	(7.2)%	(8.5)%	36,809	(0.2)%	(1.5)%
Residential	<b>11,520</b>	12,691	(9.2)%	(11.9)%	11,321	1.8 %	(1.0)%
Commercial	<b>12,386</b>	13,373	(7.4)%	(8.6)%	12,373	0.1 %	(1.3)%
Industrial	<b>12,662</b>	13,363	(5.2)%	(5.2)%	12,925	(2.0)%	(2.0)%
Other	<b>184</b>	197	(6.2)%	(6.2)%	190	(3.0)%	(3.0)%
Total Wholesale Sales	<b>11,682</b>	12,636	(7.6)%	N/A	12,480	(6.4)%	N/A

**Year-to-Date June**

	As Reported				Adjusted <sup>1</sup>		
	2019	2018	Change	Weather Adjusted Change	2018	Change	Weather Adjusted Change
	<b>Kilowatt-Hour Sales-</b>						
Total Sales	<b>93,601</b>	103,104	(9.2)%		97,511	(4.0)%	
Total Retail Sales-	<b>71,117</b>	78,014	(8.8)%	(7.9)%	72,731	(2.2)%	(1.3)%
Residential	<b>22,421</b>	25,657	(12.6)%	(10.1)%	23,072	(2.8)%	(0.3)%
Commercial	<b>23,372</b>	25,660	(8.9)%	(8.5)%	23,814	(1.9)%	(1.6)%
Industrial	<b>24,951</b>	26,295	(5.1)%	(5.1)%	25,458	(2.0)%	(2.0)%
Other	<b>373</b>	402	(7.3)%	(7.1)%	387	(3.8)%	(3.6)%
Total Wholesale Sales	<b>22,484</b>	25,090	(10.4)%	N/A	24,780	(9.3)%	N/A

**Notes**

(1) Kilowatt-hour sales comparisons to the prior year were significantly impacted by the disposition of Gulf Power Company on January 1, 2019. These 2018 kilowatt-hour sales and changes exclude Gulf Power Company.

**Southern Company**  
**Customers**  
*(In Thousands of Customers)*

	<b>Period Ended June</b>		
	<b>2019</b>	2018	Change
<b>Regulated Utility Customers-</b>			
Total Utility Customers-	<b>8,477</b>	9,276	(8.6)%
Total Traditional Electric <sup>1</sup>	<b>4,246</b>	4,667	(9.0)%
Southern Company Gas <sup>2</sup>	<b>4,231</b>	4,609	(8.2)%

**Notes**

(1) Includes approximately 466,000 customers at June 30, 2018 related to Gulf Power Company, which was sold on January 1, 2019.

(2) Includes approximately 407,000 total customers at June 30, 2018 related to Elizabethtown Gas, Elkton Gas, and Florida City Gas, which were sold in July 2018.

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

	Three Months Ended June			Year-to-Date June		
	2019	2018	% Change	2019	2018	% Change
<b>Southern Company<sup>1</sup> –</b>						
Operating Revenues	<b>\$ 5,098</b>	\$ 5,627	(9.4)%	<b>\$10,510</b>	\$11,999	(12.4)%
Earnings (Loss) Before Income Taxes	<b>1,076</b>	(266)	N/M	<b>4,494</b>	784	N/M
Net Income (Loss) Available to Common	<b>899</b>	(154)	N/M	<b>2,982</b>	784	N/M
<b>Alabama Power –</b>						
Operating Revenues	<b>\$ 1,513</b>	\$ 1,503	0.7 %	<b>\$ 2,921</b>	\$ 2,976	(1.8)%
Earnings Before Income Taxes	<b>388</b>	326	19.0 %	<b>671</b>	636	5.5 %
Net Income Available to Common	<b>296</b>	259	14.3 %	<b>513</b>	484	6.0 %
<b>Georgia Power –</b>						
Operating Revenues	<b>\$ 2,117</b>	\$ 2,048	3.4 %	<b>\$ 3,951</b>	\$ 4,008	(1.4)%
Earnings (Loss) Before Income Taxes	<b>577</b>	(539)	N/M	<b>970</b>	(94)	N/M
Net Income (Loss) Available to Common	<b>448</b>	(396)	N/M	<b>759</b>	(44)	N/M
<b>Mississippi Power –</b>						
Operating Revenues	<b>\$ 313</b>	\$ 297	5.4 %	<b>\$ 600</b>	\$ 598	0.3 %
Earnings Before Income Taxes	<b>42</b>	60	(30.0)%	<b>86</b>	49	75.5 %
Net Income Available to Common	<b>37</b>	46	(19.6)%	<b>74</b>	39	89.7 %
<b>Southern Power<sup>1</sup> –</b>						
Operating Revenues	<b>\$ 510</b>	\$ 555	(8.1)%	<b>\$ 953</b>	\$ 1,064	(10.4)%
Earnings (Loss) Before Income Taxes	<b>152</b>	(28)	N/M	<b>170</b>	(12)	N/M
Net Income Available to Common	<b>174</b>	22	N/M	<b>230</b>	143	60.8 %
<b>Southern Company Gas<sup>1</sup> –</b>						
Operating Revenues	<b>\$ 689</b>	\$ 730	(5.6)%	<b>\$ 2,163</b>	\$ 2,369	(8.7)%
Earnings Before Income Taxes	<b>112</b>	24	N/M	<b>459</b>	407	12.8 %
Net Income (Loss) Available to Common	<b>106</b>	(31)	N/M	<b>376</b>	248	51.6 %

N/M - not meaningful

**Notes**

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

- (1) Financial comparisons to the prior year were impacted by (i) Southern Company Gas' disposition of: (a) Pivotal Home Solutions on June 4, 2018, (b) Elizabethtown Gas and Elkton Gas on July 1, 2018, and (c) Florida City Gas on July 29, 2018; (ii) the disposition of Southern Power Company's ownership interest in Plants Oleander and Stanton on December 4, 2018; (iii) Southern Power Company's sale of (a) a 33% equity interest in a limited partnership indirectly owning substantially all of its solar facilities on May 22, 2018 and (b) a noncontrolling interest in its subsidiary owning eight operating wind facilities on December 11, 2018; and (iv) the disposition of Gulf Power Company on January 1, 2019.