

Southern Company

3rd Quarter 2019 Earnings

September 30, 2019

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October 30, 2019

Southern Company reports third-quarter 2019 earnings

ATLANTA - Southern Company today reported third-quarter 2019 earnings of \$1.32 billion, or \$1.26 per share, compared with \$1.16 billion, or \$1.14 per share, in the third quarter of 2018. For the nine months ended September 30, 2019, Southern Company reported earnings of \$4.30 billion, or \$4.12 per share, compared with earnings of \$1.95 billion, or \$1.92 per share, for the same period in 2018.

Excluding the items described in the “Net Income - Excluding Items” table below, Southern Company earned \$1.40 billion, or \$1.34 per share, during the third quarter of 2019, compared with \$1.16 billion, or \$1.14 per share, during the third quarter of 2018. For the nine months ended September 30, 2019, excluding these items, Southern Company earned \$2.97 billion, or \$2.84 per share, compared with earnings of \$2.87 billion, or \$2.83 per share, for the same period in 2018.

Non-GAAP Financial Measures	Three Months Ended September		Year-to-Date September	
	2019	2018	2019	2018
Net Income - Excluding Items (in millions)				
Net Income - As Reported	\$1,316	\$1,164	\$4,298	\$1,948
Acquisition, Disposition, and Integration Impacts	5	(326)	(2,477)	(93)
Tax Impact	7	306	1,130	305
Estimated Loss on Plants Under Construction	3	2	16	1,108
Tax Impact	(1)	(1)	(4)	(282)
Wholesale Gas Services	14	24	(79)	(83)
Tax Impact	(5)	(6)	18	18
Asset Impairment	92	-	92	-
Tax Impact	(27)	-	(27)	-
Litigation Settlement	-	-	-	(24)
Tax Impact	-	-	-	6
Earnings Guidance Comparability Items:				
Adoption of Tax Reform	-	-	-	(31)
Net Income - Excluding Items	\$1,404	\$1,163	\$2,967	\$2,872
Average Shares Outstanding - (in millions)	1,048	1,023	1,043	1,016
Basic Earnings Per Share - Excluding Items	\$1.34	\$1.14	\$2.84	\$2.83

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 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 continue to be pleased with our operational performance through the first three quarters of 2019, as our premier, state-regulated electric and gas franchises provided reliable energy to customers despite the challenge of record-breaking temperatures in our service footprint" said Chairman, President and CEO Thomas A. Fanning. "Our electrical system demonstrated great resilience during these conditions with strong generation availability and record year-to-date transmission performance, resulting in exceptional reliability for customers. Even amid these peak loads, a diverse fuel mix enabled the Southern Company system to reduce carbon emissions by 35% compared to the strongest demand of 2007 - our benchmark year for carbon emissions."

Third quarter 2019 operating revenues were \$6.0 billion, compared with \$6.2 billion for the third quarter of 2018, a decrease of 2.7 percent. For the nine months ended September 30, 2019, operating revenues were \$16.5 billion, compared with \$18.2 billion for the corresponding period in 2018, a decrease of 9.1 percent. These decreases reflect the sales of Gulf Power and other assets that are no longer affiliated with Southern Company.

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 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.

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

	Three Months Ended September		Year-to-Date September	
	2019	2018	2019	2018
Net Income—As Reported (See Notes)				
Traditional Electric Operating Companies	\$ 1,373	\$ 1,148	\$ 2,719	\$ 1,711
Southern Power	86	92	316	235
Southern Company Gas	(29)	46	347	294
Total	1,430	1,286	3,382	2,240
Parent Company and Other	(114)	(122)	916	(292)
Net Income—As Reported	\$ 1,316	\$ 1,164	\$ 4,298	\$ 1,948
Basic Earnings Per Share ¹	\$ 1.26	\$ 1.14	\$ 4.12	\$ 1.92
Average Shares Outstanding <i>(in millions)</i>	1,048	1,023	1,043	1,016
End of Period Shares Outstanding <i>(in millions)</i>			1,049	1,029

	Three Months Ended September		Year-to-Date September	
	2019	2018	2019	2018
Non-GAAP Financial Measures				
Net Income—Excluding Items (See Notes)				
Net Income—As Reported	\$ 1,316	\$ 1,164	\$ 4,298	\$ 1,948
Acquisition, Disposition, and Integration Impacts ²	5	(326)	(2,477)	(93)
Tax Impact	7	306	1,130	305
Estimated Loss on Plants Under Construction ³	3	2	16	1,108
Tax Impact	(1)	(1)	(4)	(282)
Wholesale Gas Services ⁴	14	24	(79)	(83)
Tax Impact	(5)	(6)	18	18
Asset Impairment ⁵	92	—	92	—
Tax Impact	(27)	—	(27)	—
Litigation Settlement ⁶	—	—	—	(24)
Tax Impact	—	—	—	6
Earnings Guidance Comparability Items:				
Adoption of Tax Reform ⁷	—	—	—	(31)
Net Income—Excluding Items	\$ 1,404	\$ 1,163	\$ 2,967	\$ 2,872
Basic Earnings Per Share—Excluding Items	\$ 1.34	\$ 1.14	\$ 2.84	\$ 2.83

-See Notes on the following page.

Southern Company

Financial Highlights

Notes

- (1) For the three and nine months ended September 30, 2019 and 2018, dilutive impacts are immaterial (\$0.03 or less per share). Diluted earnings per share was \$1.25 and \$4.09 in the third quarter and year-to-date 2019, respectively, and \$1.13 and \$1.91 in the third quarter and year-to-date 2018, respectively.
- (2) Earnings for the three months ended September 30, 2019 include an \$18 million pre-tax and after-tax impairment charge in contemplation of the sale of PowerSecure Inc.'s lighting services business, partially offset by \$13 million pre tax (\$6 million after tax) of other acquisition, disposition, and integration impacts. Earnings for the nine months ended September 30, 2019 include a \$2.5 billion pre-tax gain (\$1.3 billion after tax) on the sale of Gulf Power Company, a \$23 million pre-tax (\$88 million after tax) gain on the sale of Southern Power Company's Plant Nacogdoches, and \$17 million pre tax (\$7 million after tax) of other acquisition, disposition, and integration impacts, partially offset by pre-tax and after-tax impairment charges totaling \$50 million related to the sale and contemplated sale of PowerSecure Inc.'s utility infrastructure services and lighting businesses, respectively. Earnings for the three months ended September 30, 2018 primarily include: (i) a combined \$351 million pre-tax (\$38 million after tax) gain on the sales of Elizabethtown Gas, Elkton Gas, and Florida City Gas and (ii) \$25 million pre tax (\$18 million after tax) of other acquisition, disposition, and integration costs. Earnings for the nine months ended September 30, 2018 primarily include: (i) a net combined \$317 million pre-tax gain (\$35 million after-tax loss) on the sales of Elizabethtown Gas, Elkton Gas, Florida City Gas, and Pivotal Home Solutions; (ii) a \$42 million (pre tax and after tax) goodwill impairment charge associated with the Pivotal Home Solutions transaction; (iii) a \$119 million pre-tax (\$89 million after tax) impairment charge associated with the sales of Plants Stanton and Oleander; and (iv) \$63 million pre tax (\$46 million after tax) of other acquisition, disposition, and integration costs. Further impacts are expected to be recorded in 2019 in connection with the sale of Gulf Power Company, 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 nine months ended September 30, 2019 and 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 nine months ended September 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. Additional pre-tax closure costs, including mine reclamation, of up to \$20 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 nine months ended September 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 nine months ended September 30, 2019 include a pre-tax impairment charge of \$92 million (\$65 million after tax) associated with Southern Company Gas' natural gas storage facility in Louisiana. Further charges associated with this facility are not expected. Southern Company Gas has two other natural gas storage facilities with a combined net book value of \$328 million at September 30, 2019. These facilities could be impacted by ongoing U.S. natural gas storage market changes that may imply impacts to future rates and/or asset values, and, if sustained, could trigger impairment.
- (6) Earnings for the nine months ended September 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.
- (7) Earnings for the nine months ended September 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 September			Year-to-Date September		
	2019	2018	Change	2019	2018	Change
Earnings Per Share– As Reported¹ (See Notes)	\$ 1.26	\$ 1.14	\$ 0.12	\$ 4.12	\$ 1.92	\$ 2.20
Significant Factors:						
Traditional Electric Operating Companies			\$ 0.22			\$ 0.99
Southern Power			(0.01)			0.08
Southern Company Gas			(0.07)			0.05
Parent Company and Other			0.01			1.19
Increase in Shares			(0.03)			(0.11)
Total–As Reported			<u>\$ 0.12</u>			<u>\$ 2.20</u>

	Three Months Ended September			Year-to-Date September		
	2019	2018	Change	2019	2018	Change
Non-GAAP Financial Measures Earnings Per Share– Excluding Items (See Notes)	\$ 1.34	\$ 1.14	\$ 0.20	\$ 2.84	\$ 2.83	\$ 0.01
Total–As Reported			\$ 0.12			\$ 2.20
Acquisition, Disposition, and Integration Impacts ²			0.03			(1.50)
Estimated Loss on Plants Under Construction ³			—			(0.80)
Wholesale Gas Services ⁴			(0.01)			—
Asset Impairment ⁵			0.06			0.06
Litigation Settlement ⁶			—			0.02
Adoption of Tax Reform ⁷			—			0.03
Total–Excluding Items			<u>\$ 0.20</u>			<u>\$ 0.01</u>

- 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 September 2019 vs. 2018	Year-to-Date September 2019 vs. 2018
Retail Sales	\$(0.05)	\$(0.10)
Retail Revenue Impacts	0.18	0.33
Weather	0.09	0.05
Wholesale and Other Operating Revenues	0.02	0.05
Non-Fuel O&M	—	(0.03)
Interest Expense, Depreciation and Amortization, Other	(0.02)	(0.02)
Income Taxes	0.06	0.09
Gulf Power Earnings	(0.06)	(0.14)
Total Traditional Electric Operating Companies	\$0.22	\$0.23
Southern Power	(0.01)	(0.10)
Southern Company Gas	0.01	0.01
Parent and Other	0.01	(0.05)
Increase in Shares	(0.03)	(0.08)
Total Change in EPS (Excluding Items)	\$0.20	\$0.01
Acquisition, Disposition, and Integration Impacts ¹	(0.03)	1.50
Estimated Loss on Plants Under Construction ²	—	0.80
Wholesale Gas Services ³	0.01	—
Asset Impairment ⁴	(0.06)	(0.06)
Litigation Settlement ⁵	—	(0.02)
Adoption of Tax Reform ⁶	—	(0.03)
Total Change in EPS (As Reported)	\$0.12	\$2.20

- See Notes on the following page.

Southern Company
EPS Earnings Analysis
Three and Nine Months Ended September 2019 vs. September 2018

Notes

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

	Three Months Ended September			Year-to-Date September		
	2019	2018	Change	2019	2018	Change
Income Account-						
Retail Electric Revenues-						
Fuel	\$ 1,083	\$ 1,222	\$ (139)	\$ 2,807	\$ 3,271	\$ (464)
Non-Fuel	3,429	3,383	46	8,329	8,642	(313)
Wholesale Electric Revenues	625	698	(73)	1,667	1,937	(270)
Other Electric Revenues	163	165	(2)	492	495	(3)
Natural Gas Revenues	498	492	6	2,661	2,806	(145)
Other Revenues	197	199	(2)	549	1,007	(458)
Total Revenues	5,995	6,159	(164)	16,505	18,158	(1,653)
Fuel and Purchased Power	1,326	1,567	(241)	3,461	4,274	(813)
Cost of Natural Gas	79	104	(25)	956	1,053	(97)
Cost of Other Sales	114	120	(6)	316	688	(372)
Non-Fuel O & M	1,292	1,404	(112)	3,888	4,217	(329)
Depreciation and Amortization	760	787	(27)	2,267	2,338	(71)
Taxes Other Than Income Taxes	303	319	(16)	931	990	(59)
Estimated Loss on Plants Under Construction	4	1	3	10	1,105	(1,095)
Impairment Charges	110	36	74	142	197	(55)
(Gain) Loss on Dispositions, net	(6)	(353)	347	(2,512)	(317)	(2,195)
Total Operating Expenses	3,982	3,985	(3)	9,459	14,545	(5,086)
Operating Income	2,013	2,174	(161)	7,046	3,613	3,433
Allowance for Equity Funds Used During Construction	33	36	(3)	96	99	(3)
Earnings from Equity Method Investments	39	36	3	120	108	12
Interest Expense, Net of Amounts Capitalized	434	458	(24)	1,294	1,386	(92)
Other Income (Expense), net	61	57	4	239	195	44
Income Taxes	367	623	(256)	1,872	598	1,274
Net Income	1,345	1,222	123	4,335	2,031	2,304
Less:						
Dividends on Preferred Stock of Subsidiaries	4	4	—	11	12	(1)
Net Income Attributable to Noncontrolling Interests	25	54	(29)	26	71	(45)
NET INCOME ATTRIBUTABLE TO SOUTHERN COMPANY	\$ 1,316	\$ 1,164	\$ 152	\$ 4,298	\$ 1,948	\$ 2,350

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 September

	As Reported				Adjusted ¹		
	2019	2018	Change	Weather Adjusted Change	2018	Change	Weather Adjusted Change
	Kilowatt-Hour Sales-						
Total Sales	56,703	59,501	(4.7)%		55,898	1.4 %	
Total Retail Sales-	43,090	46,195	(6.7)%	(9.6)%	42,789	0.7 %	(2.4)%
Residential	15,368	16,458	(6.6)%	(12.4)%	14,717	4.4 %	(1.9)%
Commercial	14,404	15,445	(6.7)%	(9.4)%	14,298	0.7 %	(2.1)%
Industrial	13,133	14,097	(6.8)%	(6.8)%	13,585	(3.3)%	(3.3)%
Other	185	195	(5.4)%	(5.7)%	189	(2.2)%	(2.4)%
Total Wholesale Sales	13,613	13,306	2.3 %	N/A	13,109	3.8 %	N/A

Year-to-Date September

	As Reported				Adjusted ¹		
	2019	2018	Change	Weather Adjusted Change	2018	Change	Weather Adjusted Change
	Kilowatt-Hour Sales-						
Total Sales	150,303	162,605	(7.6)%		153,409	(2.0)%	
Total Retail Sales-	114,207	124,209	(8.1)%	(8.5)%	115,520	(1.1)%	(1.7)%
Residential	37,790	42,115	(10.3)%	(11.0)%	37,789	— %	(0.9)%
Commercial	37,776	41,105	(8.1)%	(8.8)%	38,112	(0.9)%	(1.7)%
Industrial	38,084	40,392	(5.7)%	(5.7)%	39,043	(2.5)%	(2.5)%
Other	557	597	(6.7)%	(6.6)%	576	(3.3)%	(3.2)%
Total Wholesale Sales	36,096	38,396	(6.0)%	N/A	37,889	(4.7)%	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)

	Period Ended September		
	2019	2018	Change
Regulated Utility Customers-			
Total Utility Customers-	8,462	8,856	(4.4)%
Total Traditional Electric ¹	4,254	4,679	(9.1)%
Southern Company Gas	4,208	4,177	0.7%

Notes

(1) Includes approximately 467,000 customers at September 30, 2018 related to Gulf Power Company, which was sold on January 1, 2019.

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

	Three Months Ended September			Year-to-Date September		
	2019	2018	% Change	2019	2018	% Change
Southern Company¹ –						
Operating Revenues	\$ 5,995	\$ 6,159	(2.7)%	\$16,505	\$18,158	(9.1)%
Earnings Before Income Taxes	1,712	1,845	(7.2)%	6,207	2,629	136.1 %
Net Income Available to Common	1,316	1,164	13.1 %	4,298	1,948	120.6 %
Alabama Power –						
Operating Revenues	\$ 1,841	\$ 1,740	5.8 %	\$ 4,762	\$ 4,716	1.0 %
Earnings Before Income Taxes	617	504	22.4 %	1,288	1,140	13.0 %
Net Income Available to Common	469	373	25.7 %	982	857	14.6 %
Georgia Power –						
Operating Revenues	\$ 2,755	\$ 2,593	6.2 %	\$ 6,706	\$ 6,601	1.6 %
Earnings Before Income Taxes	1,094	926	18.1 %	2,064	833	147.8 %
Net Income Available to Common	839	664	26.4 %	1,598	621	157.3 %
Mississippi Power –						
Operating Revenues	\$ 370	\$ 358	3.4 %	\$ 970	\$ 956	1.5 %
Earnings Before Income Taxes	80	61	31.1 %	166	110	50.9 %
Net Income Available to Common	65	47	38.3 %	139	86	61.6 %
Southern Power¹ –						
Operating Revenues	\$ 574	\$ 635	(9.6)%	\$ 1,527	\$ 1,699	(10.1)%
Earnings Before Income Taxes	130	108	20.4 %	301	96	213.5 %
Net Income Available to Common	86	92	(6.5)%	316	235	34.5 %
Southern Company Gas¹ –						
Operating Revenues	\$ 498	\$ 492	1.2 %	\$ 2,661	\$ 2,861	(7.0)%
Earnings (Loss) Before Income Taxes	(51)	362	(114.1)%	408	769	(46.9)%
Net Income (Loss) Available to Common	(29)	46	(163.0)%	347	294	18.0 %

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 (a) Plants Oleander and Stanton on December 4, 2018 and (b) Plant Nacogdoches on June 13, 2019; (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) Southern Company's disposition of Gulf Power Company on January 1, 2019.