

Southern Company

4th Quarter 2019 Earnings

Contents

<u>Press Release</u>	Page 1
<u>Financial Highlights</u>	Page 4
<u>Significant Factors Impacting EPS</u>	Page 6
<u>EPS Earnings Analysis</u>	Page 8
<u>Consolidated Earnings</u>	Page 10
<u>Kilowatt-Hour Sales and Customers</u>	Page 11
<u>Financial Overview</u>	Page 13

Media Contact: Southern Company Media Relations
404-506-5333 or 1-866-506-5333
www.southerncompany.com

Investor Relations Contact:
Scott Gammill
404-506-0901
sagammil@southernco.com

February 20, 2020

Southern Company reports fourth-quarter and full-year 2019 earnings

ATLANTA - Southern Company today reported fourth-quarter 2019 earnings of \$440 million, or 42 cents per share, compared with \$278 million, or 27 cents per share, in the fourth quarter of 2018. Southern Company also reported full-year 2019 earnings of \$4.74 billion, or \$4.53 per share, compared with earnings of \$3.23 billion, or \$3.18 per share, in 2018.

Excluding the items described in the “Net Income - Excluding Items” table below, Southern Company earned \$283 million, or 27 cents per share, during the fourth quarter of 2019, compared with \$256 million, or 25 cents per share, during the fourth quarter of 2018. For the full year 2019, excluding these items, Southern Company earned \$3.25 billion, or \$3.11 per share, compared with earnings of \$3.13 billion, or \$3.07 per share, in 2018.

Non-GAAP Financial Measures Net Income - Excluding Items (in millions)	Three Months Ended December		Year-to-Date December	
	2019	2018	2019	2018
Net Income - As Reported	\$440	\$278	\$4,739	\$2,226
Less:				
Acquisition, Disposition, and Integration Impacts	39	(58)	2,516	35
Tax Impact	48	11	(1,081)	(294)
Estimated Loss on Plants Under Construction	(11)	6	(27)	(1,102)
Tax Impact	(4)	94	-	376
Wholesale Gas Services	136	(41)	215	42
Tax Impact	(34)	14	(52)	(4)
Asset Impairment	(16)	-	(108)	-
Tax Impact	(1)	-	26	-
Litigation Settlement	-	-	-	24
Tax Impact	-	-	-	(6)
Earnings Guidance Comparability Item:				
Adoption of Tax Reform	-	(4)	-	27
Net Income - Excluding Items	\$283	\$256	\$3,250	\$3,128
Average Shares Outstanding - (in millions)	1,052	1,034	1,046	1,020
Basic Earnings Per Share - Excluding Items	\$0.27	\$0.25	\$3.11	\$3.07

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

Earnings drivers for the full year 2019 were positively influenced by higher earnings at our state-regulated utilities, more than offsetting the impact of divested entities on earnings. The increases reflect the continued impacts of tax reform, including related changes in capital structure, as well as continued investment at our state-regulated utilities, along with customer growth, offset by declines in customer usage.

“By all accounts, 2019 was an outstanding year for Southern Company, as we performed well across a broad range of metrics,” said Chairman, President and CEO Thomas A. Fanning. “Operational performance at our state-regulated utilities was superb, with record generation and transmission reliability. Nicor Gas reliably delivered natural gas to customers in Illinois during unprecedented cold temperatures. We continued to decarbonize our generation fleet and we saw constructive outcomes in several key regulatory proceedings.”

“At Georgia Power’s Plant Vogtle, we accomplished all major 2019 milestones associated with the construction of new nuclear units 3 and 4,” added Fanning. “We have refined our aggressive site work plan for the project, which will serve as a tool to drive improved productivity to achieve the regulatory-approved in-service dates of November 2021 for Unit 3 and November 2022 for Unit 4.”

Fourth quarter 2019 operating revenues were \$4.91 billion, compared with \$5.34 billion for the fourth quarter of 2018, a decrease of 7.9 percent. Operating revenues for the full year 2019 were \$21.42 billion, compared with \$23.50 billion in 2018, a decrease of 8.8 percent. These decreases reflect the dispositions of Gulf Power and other assets.

Southern Company’s fourth 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 Andrew W. Evans will discuss earnings and provide a general business update, including earnings guidance for 2020. 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.

Cautionary Note 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 expected schedule for completion of Plant Vogtle units 3 and 4. 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, 2019 and subsequent securities filings, could cause actual results to differ materially from management expectations as suggested by such forward-looking information: the ability to control costs and avoid cost and schedule overruns during the development, construction, and operation of facilities or other projects, including Plant Vogtle Units 3 and 4, which includes components based on new technology that only within the last few years began initial operation in the global nuclear industry at this scale, and including changes in labor costs, availability and productivity; challenges with management of contractors or vendors; subcontractor performance; adverse weather conditions; shortages, delays, increased costs, or inconsistent quality of equipment, materials, and labor; contractor or supplier delay; delays due to judicial or regulatory action; nonperformance under construction, operating, or other agreements; operational readiness, including specialized operator training and required site safety programs; engineering or design problems; design and other licensing-based compliance matters, including, for nuclear units, the timely submittal by Southern Nuclear of the Inspections, Tests, Analyses, and Acceptance Criteria documentation for each unit and the related reviews and approvals by the U.S. Nuclear Regulatory Commission ("NRC") necessary to support NRC authorization to load fuel; challenges with start-up activities, including major equipment failure, system integration or regional transmission upgrades; and/or operational performance; the ability to overcome or mitigate the current challenges at Plant Vogtle Units 3 and 4 that could impact the cost and schedule for the project; legal proceedings and regulatory approvals and actions related to construction projects, such as Plant Vogtle Units 3 and 4 and pipeline projects, including Public Service Commission approvals and Federal Energy Regulatory Commission and NRC actions; under certain specified circumstances, a decision by holders of more than 10% of the ownership interests of Plant Vogtle Units 3 and 4 not to proceed with construction and the ability of other Vogtle owners to tender a portion of their ownership interests to Georgia Power following certain construction cost increases; in the event Georgia Power becomes obligated to provide funding to Municipal Electric Authority of Georgia ("MEAG") with respect to the portion of MEAG's ownership interest in Plant Vogtle Units 3 and 4 involving Jacksonville Electric Authority, any inability of Georgia Power to receive repayment of such funding; the ability to construct facilities in accordance with the requirements of permits and licenses (including satisfaction of NRC requirements), 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; the inherent risks involved in operating and constructing nuclear generating facilities; the ability of counterparties of Southern Company and its subsidiaries to make payments as and when due and to perform as required; the direct or indirect effect on the Southern Company system's business resulting from cyber intrusion or physical attack and the threat of physical attacks; catastrophic events such as fires, earthquakes, explosions, floods, tornadoes, hurricanes and other storms, droughts, pandemic health events or other similar occurrences; and 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. Southern Company expressly disclaims any obligation to update any forward-looking information.

###

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

	Three Months Ended December		Year-to-Date December	
	2019	2018	2019	2018
Net Income—As Reported (See Notes)				
Traditional Electric Operating Companies	\$ 210	\$ 407	\$ 2,929	\$ 2,117
Southern Power	23	(48)	339	187
Southern Company Gas	238	78	585	372
Total	471	437	3,853	2,676
Parent Company and Other	(31)	(159)	886	(450)
Net Income—As Reported	\$ 440	\$ 278	\$ 4,739	\$ 2,226
Basic Earnings Per Share ¹	\$ 0.42	\$ 0.27	\$ 4.53	\$ 2.18
Average Shares Outstanding <i>(in millions)</i>	1,052	1,034	1,046	1,020
End of Period Shares Outstanding <i>(in millions)</i>			1,053	1,034

	Three Months Ended December		Year-to-Date December	
	2019	2018	2019	2018
Non-GAAP Financial Measures				
Net Income—Excluding Items (See Notes)				
Net Income—As Reported	\$ 440	\$ 278	\$ 4,739	\$ 2,226
Less:				
Acquisition, Disposition, and Integration Impacts ²	39	(58)	2,516	35
Tax Impact	48	11	(1,081)	(294)
Estimated Loss on Plants Under Construction ³	(11)	6	(27)	(1,102)
Tax Impact	(4)	94	—	376
Wholesale Gas Services ⁴	136	(41)	215	42
Tax Impact	(34)	14	(52)	(4)
Asset Impairment ⁵	(16)	—	(108)	—
Tax Impact	(1)	—	26	—
Litigation Settlement ⁶	—	—	—	24
Tax Impact	—	—	—	(6)
Earnings Guidance Comparability Item:				
Adoption of Tax Reform ⁶	—	(4)	—	27
Net Income—Excluding Items	\$ 283	\$ 256	\$ 3,250	\$ 3,128
Basic Earnings Per Share—Excluding Items	\$ 0.27	\$ 0.25	\$ 3.11	\$ 3.07

-See Notes on the following page.

Southern Company

Financial Highlights

Notes

- (1) Dilutive impacts are immaterial (\$0.03 or less per share) in all periods. Diluted earnings per share was \$0.42 and \$4.50 for the three and twelve months ended December 31, 2019, respectively, and \$0.27 and \$2.17 for the three and twelve months ended December 31, 2018, respectively.
- (2) Earnings for the three months ended December 31, 2019 include: (i) a \$70 million pre-tax (\$102 million after-tax) increase for the gain on the sale of Gulf Power; (ii) a \$24 million pre-tax (\$17 million after-tax) impairment charge in contemplation of the pending sale of Pivotal LNG and Atlantic Coast Pipeline; and (iii) a net \$7 million pre-tax reduction to earnings (net \$2 million after-tax increase to earnings) of other acquisition, disposition, and integration impacts. Earnings for the twelve months ended December 31, 2019 include: (i) a \$2.6 billion pre-tax (\$1.4 billion after-tax) gain on the sale of Gulf Power; (ii) a \$23 million pre-tax (\$88 million after-tax) gain on the sale of Plant Nacogdoches; and (iii) \$18 million pre tax (\$11 million after tax) of other acquisition, disposition, and integration impacts, partially offset by: (i) a \$58 million pre-tax (\$52 million after-tax) net loss, including impairment charges, associated with the sales of PowerSecure's utility infrastructure services and lighting businesses and (ii) a \$24 million pre-tax (\$17 million after-tax) impairment charge in contemplation of the pending sale of Pivotal LNG and Atlantic Coast Pipeline. Earnings for the three months ended December 31, 2018 include: (i) a net combined \$27 million pre-tax loss (net combined \$15 million after-tax loss) to reflect the final adjustments for the sales of Elizabethtown Gas, Elkton Gas, Florida City Gas, and Pivotal Home Solutions and (ii) other acquisition, disposition, and integration costs of \$31 million pre tax (\$32 million after tax). Earnings for the twelve months ended December 31, 2018 include: (i) a net combined \$249 million pre-tax gain (\$93 million after-tax loss) on the sales of Elizabethtown Gas, Elkton Gas, Florida City Gas, and Pivotal Home Solutions, including a related impairment charge; (ii) a \$119 million pre-tax (\$89 million after-tax) impairment charge associated with the sales of Plants Stanton and Oleander; and (iii) \$95 million pre tax (\$77 million after tax) of other acquisition, disposition, and integration costs. Further impacts are expected to be recorded in 2020 in connection with the sale of Plant Mankato and the pending sale of Pivotal LNG and Atlantic Coast Pipeline.
- (3) Earnings for the three and twelve months ended December 31, 2019 and 2018 include charges, associated legal expenses, and tax impacts related to Mississippi Power's integrated coal gasification combined cycle facility project in Kemper County, Mississippi. Additionally, the three and twelve months ended December 31, 2018 include a \$95 million credit to earnings primarily resulting from the reduction of a related state income tax valuation allowance. Mississippi Power expects to substantially complete mine reclamation activities in 2020 and dismantlement of the abandoned gasifier-related assets and site restoration activities by 2024. The additional pre-tax period costs associated with these activities, including related costs for compliance and safety, asset retirement obligation accretion, and property taxes, are estimated to total \$17 million in 2020, \$15 to \$16 million annually in 2021 through 2023, and \$5 million in 2024. Earnings for the twelve months ended December 31, 2018 also include a \$1.1 billion charge (\$0.8 billion after tax) for an estimated probable loss on Georgia Power's construction of Plant Vogtle Units 3 and 4. Further charges for Georgia Power's Plant Vogtle Units 3 and 4 may occur; however, the amount and timing of any such charges are uncertain.
- (4) Earnings for the three and twelve months ended December 31, 2019 and 2018 include Wholesale Gas Services business results. Presenting earnings and earnings per share excluding Wholesale Gas Services provides 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 twelve months ended December 31, 2019 include a pre-tax impairment charge of \$91 million (\$69 million after tax) associated with a natural gas storage facility and earnings for the three months ended December 31, 2019 include an adjustment of \$(1) million pre tax (\$4 million after tax) of this impairment charge. Additionally, earnings for the three and twelve months ended December 31, 2019 include a pre-tax impairment charge of \$17 million (\$13 million after tax) related to a leveraged lease. Additional impairment charges associated with other natural gas storage facilities or this leveraged lease investment may occur; however, the amount and timing of any such charges are uncertain.
- (6) Earnings for the twelve months ended December 31, 2018 include the settlement proceeds of Mississippi Power's claim for lost revenue resulting from the 2010 Deepwater Horizon oil spill and earnings for the three and twelve months ended December 31, 2018 include additional net tax benefits as a result of implementing federal tax reform legislation. Additional proceeds or adjustments are not expected.

Southern Company
Significant Factors Impacting EPS

	Three Months Ended December			Year-to-Date December		
	2019	2018	Change	2019	2018	Change
Earnings Per Share– As Reported¹ (See Notes)	\$ 0.42	\$ 0.27	\$ 0.15	\$ 4.53	\$ 2.18	\$ 2.35
Significant Factors:						
Traditional Electric Operating Companies			\$ (0.19)			\$ 0.80
Southern Power			0.07			0.15
Southern Company Gas			0.15			0.21
Parent Company and Other			0.13			1.30
Increase in Shares			(0.01)			(0.11)
Total–As Reported			<u>\$ 0.15</u>			<u>\$ 2.35</u>

	Three Months Ended December			Year-to-Date December		
	2019	2018	Change	2019	2018	Change
Non-GAAP Financial Measures						
Earnings Per Share– Excluding Items (See Notes)	\$ 0.27	\$ 0.25	\$ 0.02	\$ 3.11	\$ 3.07	\$ 0.04
Total–As Reported			\$ 0.15			\$ 2.35
Less:						
Acquisition, Disposition, and Integration Impacts ²			0.13			1.63
Estimated Loss on Plants Under Construction ³			(0.11)			0.68
Wholesale Gas Services ⁴			0.13			0.13
Asset Impairment ⁵			(0.02)			(0.08)
Litigation Settlement ⁶			—			(0.02)
Adoption of Tax Reform ⁶			—			(0.03)
Total–Excluding Items			<u>\$ 0.02</u>			<u>\$ 0.04</u>

- See Notes on the following page.

Southern Company

Significant Factors Impacting EPS

Notes

- (1) Dilutive impacts are immaterial (\$0.03 or less per share) in all periods. Diluted earnings per share was \$0.42 and \$4.50 for the three and twelve months ended December 31, 2019, respectively, and \$0.27 and \$2.17 for the three and twelve months ended December 31, 2018, respectively.
- (2) Earnings for the three months ended December 31, 2019 include: (i) a \$70 million pre-tax (\$102 million after-tax) increase for the gain on the sale of Gulf Power; (ii) a \$24 million pre-tax (\$17 million after-tax) impairment charge in contemplation of the pending sale of Pivotal LNG and Atlantic Coast Pipeline; and (iii) a net \$7 million pre-tax reduction to earnings (net \$2 million after-tax increase to earnings) of other acquisition, disposition, and integration impacts. Earnings for the twelve months ended December 31, 2019 include: (i) a \$2.6 billion pre-tax (\$1.4 billion after-tax) gain on the sale of Gulf Power; (ii) a \$23 million pre-tax (\$88 million after-tax) gain on the sale of Plant Nacogdoches; and (iii) \$18 million pre tax (\$11 million after tax) of other acquisition, disposition, and integration impacts, partially offset by: (i) a \$58 million pre-tax (\$52 million after-tax) net loss, including impairment charges, associated with the sales of PowerSecure's utility infrastructure services and lighting businesses and (ii) a \$24 million pre-tax (\$17 million after-tax) impairment charge in contemplation of the pending sale of Pivotal LNG and Atlantic Coast Pipeline. Earnings for the three months ended December 31, 2018 include: (i) a net combined \$27 million pre-tax loss (net combined \$15 million after-tax loss) to reflect the final adjustments for the sales of Elizabethtown Gas, Elkton Gas, Florida City Gas, and Pivotal Home Solutions and (ii) other acquisition, disposition, and integration costs of \$31 million pre tax (\$32 million after tax). Earnings for the twelve months ended December 31, 2018 include: (i) a net combined \$249 million pre-tax gain (\$93 million after-tax loss) on the sales of Elizabethtown Gas, Elkton Gas, Florida City Gas, and Pivotal Home Solutions, including a related impairment charge; (ii) a \$119 million pre-tax (\$89 million after-tax) impairment charge associated with the sales of Plants Stanton and Oleander; and (iii) \$95 million pre tax (\$77 million after tax) of other acquisition, disposition, and integration costs. Further impacts are expected to be recorded in 2020 in connection with the sale of Plant Mankato and the pending sale of Pivotal LNG and Atlantic Coast Pipeline.
- (3) Earnings for the three and twelve months ended December 31, 2019 and 2018 include charges, associated legal expenses, and tax impacts related to Mississippi Power's integrated coal gasification combined cycle facility project in Kemper County, Mississippi. Additionally, the three and twelve months ended December 31, 2018 include a \$95 million credit to earnings primarily resulting from the reduction of a related state income tax valuation allowance. Mississippi Power expects to substantially complete mine reclamation activities in 2020 and dismantlement of the abandoned gasifier-related assets and site restoration activities by 2024. The additional pre-tax period costs associated with these activities, including related costs for compliance and safety, asset retirement obligation accretion, and property taxes, are estimated to total \$17 million in 2020, \$15 to \$16 million annually in 2021 through 2023, and \$5 million in 2024. Earnings for the twelve months ended December 31, 2018 also include a \$1.1 billion charge (\$0.8 billion after tax) for an estimated probable loss on Georgia Power's construction of Plant Vogtle Units 3 and 4. Further charges for Georgia Power's Plant Vogtle Units 3 and 4 may occur; however, the amount and timing of any such charges are uncertain.
- (4) Earnings for the three and twelve months ended December 31, 2019 and 2018 include Wholesale Gas Services business results. Presenting earnings and earnings per share excluding Wholesale Gas Services provides 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 twelve months ended December 31, 2019 include a pre-tax impairment charge of \$91 million (\$69 million after tax) associated with a natural gas storage facility and earnings for the three months ended December 31, 2019 include an adjustment of \$(1) million pre tax (\$4 million after tax) of this impairment charge. Additionally, earnings for the three and twelve months ended December 31, 2019 include a pre-tax impairment charge of \$17 million (\$13 million after tax) related to a leveraged lease. Additional impairment charges associated with other natural gas storage facilities or this leveraged lease investment may occur; however, the amount and timing of any such charges are uncertain.
- (6) Earnings for the twelve months ended December 31, 2018 include the settlement proceeds of Mississippi Power's claim for lost revenue resulting from the 2010 Deepwater Horizon oil spill and earnings for the three and twelve months ended December 31, 2018 include additional net tax benefits as a result of implementing federal tax reform legislation. Additional proceeds or adjustments are not expected.

Southern Company
EPS Earnings Analysis

Description	Three Months Ended December 2019 vs. 2018	Year-to-Date December 2019 vs. 2018
Retail Sales	\$(0.02)	\$(0.12)
Retail Revenue Impacts	0.11	0.44
Weather	(0.03)	0.02
Wholesale and Other Operating Revenues	0.01	0.07
Non-Fuel O&M	(0.11)	(0.14)
Interest Expense, Depreciation and Amortization, Other	—	(0.03)
Income Taxes	0.04	0.14
Gulf Power Earnings	(0.01)	(0.16)
Total Traditional Electric Operating Companies	\$(0.01)	\$0.22
Southern Power	(0.02)	(0.12)
Southern Company Gas	0.03	0.04
Parent and Other	0.02	(0.02)
Increase in Shares	—	(0.08)
Total Change in EPS (Excluding Items)	\$0.02	\$0.04
Acquisition, Disposition, and Integration Impacts ¹	0.13	1.63
Estimated Loss on Plants Under Construction ²	(0.11)	0.68
Wholesale Gas Services ³	0.13	0.13
Asset Impairment ⁴	(0.02)	(0.08)
Litigation Settlement ⁵	—	(0.02)
Adoption of Tax Reform ⁵	—	(0.03)
Total Change in EPS (As Reported)	\$0.15	\$2.35

- See Notes on the following page.

Southern Company
EPS Earnings Analysis
Three and Twelve Months Ended December 2019 vs. December 2018

Notes

- (1) Earnings for the three months ended December 31, 2019 include: (i) a \$70 million pre-tax (\$102 million after-tax) increase for the gain on the sale of Gulf Power; (ii) a \$24 million pre-tax (\$17 million after-tax) impairment charge in contemplation of the pending sale of Pivotal LNG and Atlantic Coast Pipeline; and (iii) a net \$7 million pre-tax reduction to earnings (net \$2 million after-tax increase to earnings) of other acquisition, disposition, and integration impacts. Earnings for the twelve months ended December 31, 2019 include: (i) a \$2.6 billion pre-tax (\$1.4 billion after-tax) gain on the sale of Gulf Power; (ii) a \$23 million pre-tax (\$88 million after-tax) gain on the sale of Plant Nacogdoches; and (iii) \$18 million pre tax (\$11 million after tax) of other acquisition, disposition, and integration impacts, partially offset by: (i) a \$58 million pre-tax (\$52 million after-tax) net loss, including impairment charges, associated with the sales of PowerSecure's utility infrastructure services and lighting businesses and (ii) a \$24 million pre-tax (\$17 million after-tax) impairment charge in contemplation of the pending sale of Pivotal LNG and Atlantic Coast Pipeline. Earnings for the three months ended December 31, 2018 include: (i) a net combined \$27 million pre-tax loss (net combined \$15 million after-tax loss) to reflect the final adjustments for the sales of Elizabethtown Gas, Elkton Gas, Florida City Gas, and Pivotal Home Solutions and (ii) other acquisition, disposition, and integration costs of \$31 million pre tax (\$32 million after tax). Earnings for the twelve months ended December 31, 2018 include: (i) a net combined \$249 million pre-tax gain (\$93 million after-tax loss) on the sales of Elizabethtown Gas, Elkton Gas, Florida City Gas, and Pivotal Home Solutions, including a related impairment charge; (ii) a \$119 million pre-tax (\$89 million after-tax) impairment charge associated with the sales of Plants Stanton and Oleander; and (iii) \$95 million pre tax (\$77 million after tax) of other acquisition, disposition, and integration costs. Further impacts are expected to be recorded in 2020 in connection with the sale of Plant Mankato and the pending sale of Pivotal LNG and Atlantic Coast Pipeline.
- (2) Earnings for the three and twelve months ended December 31, 2019 and 2018 include charges, associated legal expenses, and tax impacts related to Mississippi Power's integrated coal gasification combined cycle facility project in Kemper County, Mississippi. Additionally, the three and twelve months ended December 31, 2018 include a \$95 million credit to earnings primarily resulting from the reduction of a related state income tax valuation allowance. Mississippi Power expects to substantially complete mine reclamation activities in 2020 and dismantlement of the abandoned gasifier-related assets and site restoration activities by 2024. The additional pre-tax period costs associated with these activities, including related costs for compliance and safety, asset retirement obligation accretion, and property taxes, are estimated to total \$17 million in 2020, \$15 to \$16 million annually in 2021 through 2023, and \$5 million in 2024. Earnings for the twelve months ended December 31, 2018 also include a \$1.1 billion charge (\$0.8 billion after tax) for an estimated probable loss on Georgia Power's construction of Plant Vogtle Units 3 and 4. Further charges for Georgia Power's Plant Vogtle Units 3 and 4 may occur; however, the amount and timing of any such charges are uncertain.
- (3) Earnings for the three and twelve months ended December 31, 2019 and 2018 include Wholesale Gas Services business results. Presenting earnings and earnings per share excluding Wholesale Gas Services provides 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.
- (4) Earnings for the twelve months ended December 31, 2019 include a pre-tax impairment charge of \$91 million (\$69 million after tax) associated with a natural gas storage facility and earnings for the three months ended December 31, 2019 include an adjustment of \$(1) million pre tax (\$4 million after tax) of this impairment charge. Additionally, earnings for the three and twelve months ended December 31, 2019 include a pre-tax impairment charge of \$17 million (\$13 million after tax) related to a leveraged lease. Additional impairment charges associated with other natural gas storage facilities or this leveraged lease investment may occur; however, the amount and timing of any such charges are uncertain.
- (5) Earnings for the twelve months ended December 31, 2018 include the settlement proceeds of Mississippi Power's claim for lost revenue resulting from the 2010 Deepwater Horizon oil spill and earnings for the three and twelve months ended December 31, 2018 include additional net tax benefits as a result of implementing federal tax reform legislation. Additional proceeds or adjustments are not expected.

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

	Three Months Ended December			Year-to-Date December		
	2019	2018	Change	2019	2018	Change
Income Account-						
Retail Electric Revenues-						
Fuel	\$ 784	\$ 1,012	\$ (228)	\$ 3,591	\$ 4,283	\$ (692)
Non-Fuel	2,164	2,297	(133)	10,493	10,939	(446)
Wholesale Electric Revenues	485	579	(94)	2,152	2,516	(364)
Other Electric Revenues	144	169	(25)	636	664	(28)
Natural Gas Revenues	1,131	1,048	83	3,792	3,854	(62)
Other Revenues	206	232	(26)	755	1,239	(484)
Total Revenues	4,914	5,337	(423)	21,419	23,495	(2,076)
Fuel and Purchased Power	977	1,334	(357)	4,438	5,608	(1,170)
Cost of Natural Gas	363	486	(123)	1,319	1,539	(220)
Cost of Other Sales	119	118	1	435	806	(371)
Non-Fuel O & M	1,712	1,672	40	5,600	5,889	(289)
Depreciation and Amortization	771	793	(22)	3,038	3,131	(93)
Taxes Other Than Income Taxes	299	325	(26)	1,230	1,315	(85)
Estimated Loss on Plants Under Construction	14	(8)	22	24	1,097	(1,073)
Impairment Charges	26	13	13	168	210	(42)
(Gain) Loss on Dispositions, net	(57)	26	(83)	(2,569)	(291)	(2,278)
Total Operating Expenses	4,224	4,759	(535)	13,683	19,304	(5,621)
Operating Income	690	578	112	7,736	4,191	3,545
Allowance for Equity Funds Used During Construction	32	39	(7)	128	138	(10)
Earnings from Equity Method Investments	42	40	2	162	148	14
Interest Expense, Net of Amounts Capitalized	442	456	(14)	1,736	1,842	(106)
Other Income (Expense), net	13	(81)	94	252	114	138
Income Taxes (Benefit)	(74)	(149)	75	1,798	449	1,349
Net Income	409	269	140	4,744	2,300	2,444
Less:						
Dividends on Preferred Stock of Subsidiaries	5	4	1	15	16	(1)
Net Income (Loss) Attributable to Noncontrolling Interests	(36)	(13)	(23)	(10)	58	(68)
NET INCOME ATTRIBUTABLE TO SOUTHERN COMPANY	\$ 440	\$ 278	\$ 162	\$ 4,739	\$ 2,226	\$ 2,513

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 December

	As Reported				Adjusted ¹		
	2019	2018	Change	Weather Adjusted Change	2018	Change	Weather Adjusted Change
	Kilowatt-Hour Sales-						
Total Sales	46,185	49,539	(6.8)%		46,943	(1.6)%	
Total Retail Sales-	34,254	37,973	(9.8)%	(8.2)%	35,529	(3.6)%	(2.1)%
Residential	10,738	12,475	(13.9)%	(9.7)%	11,281	(4.8)%	(0.6)%
Commercial	11,324	12,346	(8.3)%	(7.7)%	11,510	(1.6)%	(1.1)%
Industrial	12,022	12,949	(7.2)%	(7.2)%	12,542	(4.1)%	(4.1)%
Other	170	203	(16.3)%	(16.1)%	196	(13.4)%	(13.1)%
Total Wholesale Sales	11,931	11,566	3.2 %	N/A	11,414	4.5 %	N/A

Year-to-Date December

	As Reported				Adjusted ¹		
	2019	2018	Change	Weather Adjusted Change	2018	Change	Weather Adjusted Change
	Kilowatt-Hour Sales-						
Total Sales	196,488	212,144	(7.4)%		200,353	(1.9)%	
Total Retail Sales-	148,461	162,182	(8.5)%	(8.4)%	151,049	(1.7)%	(1.8)%
Residential	48,528	54,590	(11.1)%	(10.7)%	49,070	(1.1)%	(0.8)%
Commercial	49,101	53,451	(8.1)%	(8.6)%	49,623	(1.1)%	(1.6)%
Industrial	50,106	53,341	(6.1)%	(6.1)%	51,584	(2.9)%	(2.9)%
Other	726	800	(9.1)%	(9.0)%	772	(5.8)%	(5.7)%
Total Wholesale Sales	48,027	49,962	(3.9)%	N/A	49,304	(2.6)%	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 December		
	2019	2018	Change
Regulated Utility Customers-			
Total Utility Customers-	8,543	8,933	(4.4)%
Total Traditional Electric ¹	4,266	4,685	(8.9)%
Southern Company Gas	4,277	4,248	0.7%

Notes

(1) Includes approximately 463,000 customers at December 31, 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 December			Year-to-Date December		
	2019	2018	% Change	2019	2018	% Change
Southern Company¹ –						
Operating Revenues	\$ 4,914	\$ 5,337	(7.9)%	\$21,419	\$23,495	(8.8)%
Earnings Before Income Taxes	335	120	179.2 %	6,542	2,749	138.0 %
Net Income Available to Common	440	278	58.3 %	4,739	2,226	112.9 %
Alabama Power –						
Operating Revenues	\$ 1,363	\$ 1,316	3.6 %	\$ 6,125	\$ 6,032	1.5 %
Earnings Before Income Taxes	67	96	(30.2)%	1,355	1,236	9.6 %
Net Income Available to Common	88	73	20.5 %	1,070	930	15.1 %
Georgia Power –						
Operating Revenues	\$ 1,703	\$ 1,818	(6.3)%	\$ 8,408	\$ 8,420	(0.1)%
Earnings Before Income Taxes	128	175	(26.9)%	2,192	1,007	117.7 %
Net Income Available to Common	122	173	(29.5)%	1,720	793	116.9 %
Mississippi Power –						
Operating Revenues	\$ 294	\$ 308	(4.5)%	\$ 1,264	\$ 1,265	(0.1)%
Earnings Before Income Taxes	3	24	(87.5)%	169	134	26.1 %
Net Income Available to Common	—	149	(100.0)%	139	235	(40.9)%
Southern Power¹ –						
Operating Revenues	\$ 411	\$ 506	(18.8)%	\$ 1,938	\$ 2,205	(12.1)%
Earnings (Loss) Before Income Taxes	(28)	(14)	100.0 %	273	82	232.9 %
Net Income (Loss) Available to Common	23	(48)	(147.9)%	339	187	81.3 %
Southern Company Gas¹ –						
Operating Revenues	\$ 1,131	\$ 1,048	7.9 %	\$ 3,792	\$ 3,909	(3.0)%
Earnings Before Income Taxes	307	67	358.2 %	715	836	(14.5)%
Net Income Available to Common	238	78	205.1 %	585	372	57.3 %

Notes

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

- (1) Financial comparisons to the prior year were significantly 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.