

Southern Company

2nd Quarter 2020 Earnings

Contents

<u>Press Release</u>	Page 1
<u>Financial Highlights</u>	Page 3
<u>Significant Factors Impacting EPS</u>	Page 5
<u>EPS Earnings Analysis</u>	Page 7
<u>Consolidated Earnings</u>	Page 9
<u>Kilowatt-Hour Sales and Customers</u>	Page 10
<u>Financial Overview</u>	Page 11

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

July 30, 2020

Southern Company reports second-quarter 2020 earnings

ATLANTA - Southern Company today reported second-quarter 2020 earnings of \$612 million, or 58 cents per share, compared with \$899 million, or 86 cents per share, in the second quarter of 2019. For the six months ended June 30, 2020, Southern Company reported earnings of \$1.48 billion, or \$1.40 per share, compared with earnings of \$2.98 billion, or \$2.86 per share, for the same period in 2019.

Excluding the items described in the “Net Income - Excluding Items” table below, Southern Company earned \$822 million, or 78 cents per share, during the second quarter of 2020, compared with \$833 million, or 80 cents per share, during the second quarter of 2019. For the six months ended June 30, 2020, excluding these items, Southern Company earned \$1.65 billion, or \$1.56 per share, compared with \$1.56 billion, or \$1.50 per share, for the same period in 2019.

Non-GAAP Financial Measures Net Income - Excluding Items (in millions)	Three Months Ended June		Year-to-Date June	
	2020	2019	2020	2019
Net Income - As Reported	\$ 612	\$ 899	\$ 1,480	\$ 2,982
Less:				
Acquisition and Disposition Impacts	—	(18)	38	2,481
Tax Impact	—	67	(16)	(1,122)
Estimated Loss on Plants Under Construction	(152)	(8)	(155)	(13)
Tax Impact	39	2	40	3
Wholesale Gas Services	(31)	29	—	93
Tax Impact	8	(6)	—	(23)
Asset Impairment	(154)	—	(154)	—
Tax Impact	80	—	80	—
Net Income - Excluding Items	\$ 822	\$ 833	\$ 1,647	\$ 1,563
Average Shares Outstanding - (in millions)	1,058	1,044	1,057	1,041
Basic Earnings Per Share - Excluding Items	\$ 0.78	\$ 0.80	\$ 1.56	\$ 1.50

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 2020 were negatively impacted by a decline in sales from demand reduction related to the COVID-19 pandemic and mild weather, largely offset by diligent cost control and constructive state regulatory actions completed in 2019 at the company’s utilities.

“Despite the challenges of the COVID-19 pandemic, Southern Company and its subsidiaries have never taken a day off,” said Chairman, President and CEO Thomas A. Fanning. “Our electric and gas utilities have continued to provide clean, safe, reliable and affordable energy to customers while operating under appropriate health and safety protocols,” added Fanning. “Whether it’s our response to major storms in the Southeast or working within our communities to promote racial justice, we continue to deliver results, including continued progress on new nuclear construction.”

Second-quarter 2020 operating revenues were \$4.62 billion, compared with \$5.10 billion for the second quarter of 2019, a decrease of 9.4 percent. For the six months ended June 30, 2020, operating revenues were \$9.64 billion, compared with \$10.51 billion for the corresponding period in 2019, a decrease of 8.3 percent. These decreases were primarily due to lower fuel costs, milder weather and a sales decline from COVID-19 demand reduction.

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 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. 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 June		Year-to-Date June	
	2020	2019	2020	2019
Net Income—As Reported (See Notes)				
Traditional Electric Operating Companies	\$ 645	\$ 782	\$ 1,287	\$ 1,346
Southern Power	63	174	138	230
Southern Company Gas	71	106	346	376
Total	779	1,062	1,771	1,952
Parent Company and Other	(167)	(163)	(291)	1,030
Net Income—As Reported	\$ 612	\$ 899	\$ 1,480	\$ 2,982
Basic Earnings Per Share ¹	\$ 0.58	\$ 0.86	\$ 1.40	\$ 2.86
Average Shares Outstanding <i>(in millions)</i>	1,058	1,044	1,057	1,041
End of Period Shares Outstanding <i>(in millions)</i>			1,056	1,045

	Three Months Ended June		Year-to-Date June	
	2020	2019	2020	2019
Non-GAAP Financial Measures				
Net Income—Excluding Items (See Notes)				
Net Income—As Reported	\$ 612	\$ 899	\$ 1,480	\$ 2,982
Less:				
Acquisition and Disposition Impacts ²	—	(18)	38	2,481
Tax Impact	—	67	(16)	(1,122)
Estimated Loss on Plants Under Construction ³	(152)	(8)	(155)	(13)
Tax Impact	39	2	40	3
Wholesale Gas Services ⁴	(31)	29	—	93
Tax Impact	8	(6)	—	(23)
Asset Impairment ⁵	(154)	—	(154)	—
Tax Impact	80	—	80	—
Net Income—Excluding Items	\$ 822	\$ 833	\$ 1,647	\$ 1,563
Basic Earnings Per Share—Excluding Items	\$ 0.78	\$ 0.80	\$ 1.56	\$ 1.50

-See Notes on the following page.

Southern Company

Financial Highlights

Notes

- (1) For the three and six months ended June 30, 2020 and 2019, dilution does not change basic earnings per share by more than \$0.02 and is not material.
- (2) Earnings for the six months ended June 30, 2020 primarily include a \$39 million pre-tax (\$23 million after-tax) gain on the sale of Southern Power Company's Plant Mankato. 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 of PowerSecure, Inc. Earnings for the six months ended June 30, 2019 also include a preliminary \$2.5 billion pre-tax (\$1.3 billion after-tax) gain on the sale of Gulf Power Company.
- (3) Earnings for the three and six months ended June 30, 2020 and 2019 include charges, associated legal expenses, and tax impacts related to Mississippi Power Company's integrated coal gasification combined cycle facility project in Kemper County, Mississippi. Earnings for the three and six months ended June 30, 2020 also include a \$149 million pre-tax (\$111 million after-tax) charge for an estimated probable loss on Georgia Power Company's construction of Plant Vogtle Units 3 and 4, which significantly impacted earnings and earnings per share. Mississippi Power Company expects to substantially complete mine reclamation activities in 2020 and dismantlement of the abandoned gasifier-related assets and site restoration activities in 2025. The additional pre-tax period and closure costs associated with these activities, including related costs for compliance and safety, asset retirement obligation accretion, and property taxes, are estimated to total up to \$11 million for the remainder of 2020, \$16 million in 2021, and \$11 million to \$13 million annually in 2022 through 2025. Further charges for Georgia Power Company's construction of 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 six months ended June 30, 2020 and 2019 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 three and six months ended June 30, 2020 include a pre-tax impairment charge of \$154 million (\$74 million after tax) related to a leveraged lease.

Southern Company
Significant Factors Impacting EPS

	Three Months Ended June			Year-to-Date June		
	2020	2019	Change	2020	2019	Change
Earnings Per Share– As Reported¹ (See Notes)	\$ 0.58	\$ 0.86	\$ (0.28)	\$ 1.40	\$ 2.86	\$ (1.46)

Significant Factors:						
Traditional Electric Operating Companies			\$ (0.13)			\$ (0.05)
Southern Power			(0.11)			(0.09)
Southern Company Gas			(0.03)			(0.03)
Parent Company and Other			—			(1.27)
Increase in Shares			(0.01)			(0.02)
Total–As Reported			<u>\$ (0.28)</u>			<u>\$ (1.46)</u>

	Three Months Ended June			Year-to-Date June		
	2020	2019	Change	2020	2019	Change
Non-GAAP Financial Measures Earnings Per Share– Excluding Items (See Notes)	\$ 0.78	\$ 0.80	\$ (0.02)	\$ 1.56	\$ 1.50	\$ 0.06

Total–As Reported			\$ (0.28)			\$ (1.46)
Less:						
Acquisition and Disposition Impacts ²			(0.05)			(1.28)
Estimated Loss on Plants Under Construction ³			(0.10)			(0.10)
Wholesale Gas Services ⁴			(0.04)			(0.07)
Asset Impairment ⁵			(0.07)			(0.07)
Total–Excluding Items			<u>\$ (0.02)</u>			<u>\$ 0.06</u>

- See Notes on the following page.

Southern Company

Significant Factors Impacting EPS

Notes

- (1) For the three and six months ended June 30, 2020 and 2019, dilution does not change basic earnings per share by more than \$0.02 and is not material.
- (2) Earnings for the six months ended June 30, 2020 primarily include a \$39 million pre-tax (\$23 million after-tax) gain on the sale of Southern Power Company's Plant Mankato. 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 of PowerSecure, Inc. Earnings for the six months ended June 30, 2019 also include a preliminary \$2.5 billion pre-tax (\$1.3 billion after-tax) gain on the sale of Gulf Power Company.
- (3) Earnings for the three and six months ended June 30, 2020 and 2019 include charges, associated legal expenses, and tax impacts related to Mississippi Power Company's integrated coal gasification combined cycle facility project in Kemper County, Mississippi. Earnings for the three and six months ended June 30, 2020 also include a \$149 million pre-tax (\$111 million after-tax) charge for an estimated probable loss on Georgia Power Company's construction of Plant Vogtle Units 3 and 4, which significantly impacted earnings and earnings per share. Mississippi Power Company expects to substantially complete mine reclamation activities in 2020 and dismantlement of the abandoned gasifier-related assets and site restoration activities in 2025. The additional pre-tax period and closure costs associated with these activities, including related costs for compliance and safety, asset retirement obligation accretion, and property taxes, are estimated to total up to \$11 million for the remainder of 2020, \$16 million in 2021, and \$11 million to \$13 million annually in 2022 through 2025. Further charges for Georgia Power Company's construction of 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 six months ended June 30, 2020 and 2019 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 three and six months ended June 30, 2020 include a pre-tax impairment charge of \$154 million (\$74 million after tax) related to a leveraged lease.

Southern Company
EPS Earnings Analysis

Description	Three Months Ended June 2020 vs. 2019	Year-to-Date June 2020 vs. 2019
Retail Sales	\$(0.09)	\$(0.08)
Retail Revenue Impacts	0.11	0.20
Weather	(0.10)	(0.11)
Wholesale and Other Operating Revenues	0.01	—
Non-Fuel O&M	0.05	0.06
Depreciation and Amortization, Interest Expense, Other	(0.05)	(0.12)
Income Taxes	0.05	0.10
Total Traditional Electric Operating Companies	\$(0.02)	\$0.05
Southern Power	(0.02)	(0.02)
Southern Company Gas	0.01	0.04
Parent and Other	0.02	0.01
Increase in Shares	(0.01)	(0.02)
Total Change in EPS (Excluding Items)	\$(0.02)	\$0.06
Acquisition and Disposition Impacts ¹	(0.05)	(1.28)
Estimated Loss on Plants Under Construction ²	(0.10)	(0.10)
Wholesale Gas Services ³	(0.04)	(0.07)
Asset Impairment ⁴	(0.07)	(0.07)
Total Change in EPS (As Reported)	\$(0.28)	\$(1.46)

- See Notes on the following page.

Southern Company
EPS Earnings Analysis
Three and Six Months Ended June 2020 vs. June 2019

Notes

- (1) Earnings for the six months ended June 30, 2020 primarily include a \$39 million pre-tax (\$23 million after-tax) gain on the sale of Southern Power Company's Plant Mankato. 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 of PowerSecure, Inc. Earnings for the six months ended June 30, 2019 also include a preliminary \$2.5 billion pre-tax (\$1.3 billion after-tax) gain on the sale of Gulf Power Company.
- (2) Earnings for the three and six months ended June 30, 2020 and 2019 include charges, associated legal expenses, and tax impacts related to Mississippi Power Company's integrated coal gasification combined cycle facility project in Kemper County, Mississippi. Earnings for the three and six months ended June 30, 2020 also include a \$149 million pre-tax (\$111 million after-tax) charge for an estimated probable loss on Georgia Power Company's construction of Plant Vogtle Units 3 and 4, which significantly impacted earnings and earnings per share. Mississippi Power Company expects to substantially complete mine reclamation activities in 2020 and dismantlement of the abandoned gasifier-related assets and site restoration activities in 2025. The additional pre-tax period and closure costs associated with these activities, including related costs for compliance and safety, asset retirement obligation accretion, and property taxes, are estimated to total up to \$11 million for the remainder of 2020, \$16 million in 2021, and \$11 million to \$13 million annually in 2022 through 2025. Further charges for Georgia Power Company's construction of 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 six months ended June 30, 2020 and 2019 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 three and six months ended June 30, 2020 include a pre-tax impairment charge of \$154 million (\$74 million after tax) related to a leveraged lease.

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

	Three Months Ended			Year-to-Date		
	2020	2019	Change	2020	2019	Change
Income Account-						
Retail Electric Revenues-						
Fuel	\$ 676	\$ 919	\$ (243)	\$ 1,353	\$ 1,723	\$ (370)
Non-Fuel	2,506	2,621	(115)	4,907	4,900	7
Wholesale Electric Revenues	472	542	(70)	889	1,041	(152)
Other Electric Revenues	168	161	7	320	331	(11)
Natural Gas Revenues	636	689	(53)	1,885	2,163	(278)
Other Revenues	162	166	(4)	284	352	(68)
Total Revenues	4,620	5,098	(478)	9,638	10,510	(872)
Fuel and Purchased Power	821	1,115	(294)	1,638	2,135	(497)
Cost of Natural Gas	144	191	(47)	583	877	(294)
Cost of Other Sales	74	84	(10)	129	203	(74)
Non-Fuel O&M	1,203	1,320	(117)	2,498	2,634	(136)
Depreciation and Amortization	873	755	118	1,730	1,506	224
Taxes Other Than Income Taxes	298	299	(1)	629	628	1
Estimated Loss on Plant Vogtle Units 3 and 4	149	—	149	149	—	149
(Gain) Loss on Dispositions, net	—	(8)	8	(39)	(2,506)	2,467
Total Operating Expenses	3,562	3,756	(194)	7,317	5,477	1,840
Operating Income	1,058	1,342	(284)	2,321	5,033	(2,712)
Allowance for Equity Funds Used During Construction	35	31	4	68	63	5
Earnings from Equity Method Investments	30	33	(3)	72	81	(9)
Interest Expense, Net of Amounts Capitalized	444	429	15	900	859	41
Impairment of Leveraged Lease	154	—	154	154	—	154
Other Income (Expense), net	101	99	2	204	176	28
Income Taxes	5	145	(140)	150	1,505	(1,355)
Net Income	621	931	(310)	1,461	2,989	(1,528)
Less:						
Dividends on Preferred Stock of Subsidiaries	4	3	1	7	7	—
Net Income (Loss) Attributable to Noncontrolling Interests	5	29	(24)	(26)	—	(26)
NET INCOME ATTRIBUTABLE TO SOUTHERN COMPANY	\$ 612	\$ 899	\$ (287)	\$ 1,480	\$ 2,982	\$(1,502)

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)

	Three Months Ended June				Year-to-Date June			
	2020	2019	Change	Weather Adjusted Change	2020	2019	Change	Weather Adjusted Change
Kilowatt-Hour Sales-								
Total Sales	43,547	48,434	(10.1)%		87,811	93,601	(6.2)%	
Total Retail Sales-	32,460	36,752	(11.7)%	(7.5)%	66,505	71,117	(6.5)%	(3.7)%
Residential	10,879	11,520	(5.6)%	4.7 %	21,745	22,421	(3.0)%	3.8 %
Commercial	10,531	12,386	(15.0)%	(11.5)%	21,470	23,372	(8.1)%	(6.3)%
Industrial	10,886	12,662	(14.0)%	(14.0)%	22,952	24,951	(8.0)%	(8.0)%
Other	164	184	(11.3)%	(11.3)%	338	373	(9.4)%	(9.2)%
Total Wholesale Sales	11,087	11,682	(5.1)%	N/A	21,306	22,484	(5.2)%	N/A

(In Thousands of Customers)

	Period Ended June		
	2020	2019	Change
Regulated Utility Customers-			
Total Utility Customers-	8,580	8,477	1.2%
Total Traditional Electric	4,305	4,246	1.4%
Southern Company Gas	4,275	4,231	1.0%

Southern Company

Financial Overview

As Reported

(In Millions of Dollars)

	Three Months Ended June			Year-to-Date June		
	2020	2019	% Change	2020	2019	% Change
Southern Company^{1,2} –						
Operating Revenues	\$ 4,620	\$ 5,098	(9.4)%	\$ 9,638	\$ 10,510	(8.3)%
Earnings Before Income Taxes	626	1,076	(41.8)%	1,611	4,494	(64.2)%
Net Income Available to Common	612	899	(31.9)%	1,480	2,982	(50.4)%
Alabama Power –						
Operating Revenues	\$ 1,365	\$ 1,513	(9.8)%	\$ 2,716	\$ 2,921	(7.0)%
Earnings Before Income Taxes	395	388	1.8 %	762	671	13.6 %
Net Income Available to Common	298	296	0.7 %	578	513	12.7 %
Georgia Power –						
Operating Revenues	\$ 1,928	\$ 2,117	(8.9)%	\$ 3,754	\$ 3,951	(5.0)%
Earnings Before Income Taxes	319	577	(44.7)%	665	970	(31.4)%
Net Income Available to Common	308	448	(31.3)%	638	759	(15.9)%
Mississippi Power –						
Operating Revenues	\$ 283	\$ 313	(9.6)%	\$ 559	\$ 600	(6.8)%
Earnings Before Income Taxes	41	42	(2.4)%	79	86	(8.1)%
Net Income Available to Common	39	37	5.4 %	71	74	(4.1)%
Southern Power² –						
Operating Revenues	\$ 439	\$ 510	(13.9)%	\$ 814	\$ 953	(14.6)%
Earnings Before Income Taxes	74	152	(51.3)%	125	170	(26.5)%
Net Income Available to Common	63	174	(63.8)%	138	230	(40.0)%
Southern Company Gas –						
Operating Revenues	\$ 636	\$ 689	(7.7)%	\$ 1,885	\$ 2,163	(12.9)%
Earnings Before Income Taxes	87	112	(22.3)%	441	459	(3.9)%
Net Income Available to Common	71	106	(33.0)%	346	376	(8.0)%

Notes

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

- (1) Earnings comparisons to the prior year were significantly impacted by the preliminary gain associated with the sale of Gulf Power Company on January 1, 2019.
- (2) Earnings and revenue comparisons to the prior year were significantly impacted by Southern Power Company's dispositions of Plant Nacogdoches on June 13, 2019 and Plant Mankato on January 17, 2020.