

# Southern Company

## 3rd Quarter 2020 Earnings

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October 29, 2020

## Southern Company reports third-quarter 2020 earnings

ATLANTA – Southern Company today reported third-quarter 2020 earnings of \$1.25 billion, or \$1.18 per share, compared with \$1.32 billion, or \$1.26 per share, in the third quarter of 2019. For the nine months ended September 30, 2020, Southern Company reported earnings of \$2.73 billion, or \$2.58 per share, compared with earnings of \$4.30 billion, or \$4.12 per share, for the same period in 2019.

Excluding the items described in the “Net Income – Excluding Items” table below, Southern Company earned \$1.29 billion, or \$1.22 per share, during the third quarter of 2020, compared with \$1.40 billion, or \$1.34 per share, during the third quarter of 2019. For the nine months ended September 30, 2020, excluding these items, Southern Company earned \$2.94 billion, or \$2.78 per share, compared with \$2.97 billion, or \$2.84 per share, for the same period in 2019.

Non-GAAP Financial Measures	Three Months Ended		Year-to-Date	
	September		September	
Net Income - Excluding Items (in millions)	2020	2019	2020	2019
Net Income - As Reported	\$ 1,251	\$ 1,316	\$ 2,732	\$ 4,298
Less:				
Acquisition and Disposition Impacts	—	(5)	38	2,477
Tax Impact	—	(7)	(16)	(1,130)
Estimated Loss on Plants Under Construction	3	(3)	(151)	(16)
Tax Impact	(1)	1	39	4
Wholesale Gas Services	(62)	(14)	(61)	79
Tax Impact	17	5	16	(18)
Asset Impairment	—	(92)	(154)	(92)
Tax Impact	—	27	80	27
<b>Net Income - Excluding Items</b>	<b>\$ 1,294</b>	<b>\$ 1,404</b>	<b>\$ 2,941</b>	<b>\$ 2,967</b>
<b>Average Shares Outstanding - (in millions)</b>	<b>1,058</b>	<b>1,048</b>	<b>1,058</b>	<b>1,043</b>
<b>Basic Earnings Per Share - Excluding Items</b>	<b>\$ 1.22</b>	<b>\$ 1.34</b>	<b>\$ 2.78</b>	<b>\$ 2.84</b>

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

“During the third quarter and much of this year, unprecedented circumstances, including the COVID-19 pandemic and an exceptionally active storm season, have confronted our customers and communities. Employees throughout the Southern Company system have responded by continuing to deliver industry-leading reliability and service to those customers we are privileged to serve,” said Chairman, President and CEO Thomas A. Fanning. “Our priorities moving forward include maintaining best-in-class service levels and cost discipline at our utilities while continuing to work diligently to bring Vogtle Units 3 and 4 online by the November 2021 and November 2022 regulatory-approved in-service dates.”

Third-quarter 2020 operating revenues were \$5.6 billion, compared with \$6.0 billion for the third quarter of 2019, a decrease of 6.3 percent. For the nine months ended September 30, 2020, operating revenues were \$15.3 billion, compared with \$16.5 billion for the corresponding period in 2019, a decrease of 7.6 percent. These decreases were primarily due to lower fuel costs and a sales decline resulting from milder weather and COVID-19.

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 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](http://www.southerncompany.com).

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

	Three Months Ended September		Year-to-Date September	
	2020	2019	2020	2019
<b>Net Income—As Reported (See Notes)</b>				
Traditional Electric Operating Companies	\$ 1,284	\$ 1,373	\$ 2,571	\$ 2,719
Southern Power	74	86	212	316
Southern Company Gas	14	(29)	360	347
<b>Total</b>	<b>1,372</b>	<b>1,430</b>	<b>3,143</b>	<b>3,382</b>
Parent Company and Other	(121)	(114)	(411)	916
<b>Net Income—As Reported</b>	<b>\$ 1,251</b>	<b>\$ 1,316</b>	<b>\$ 2,732</b>	<b>\$ 4,298</b>
Basic Earnings Per Share <sup>1</sup>	\$ 1.18	\$ 1.26	\$ 2.58	\$ 4.12
Average Shares Outstanding <i>(in millions)</i>	1,058	1,048	1,058	1,043
End of Period Shares Outstanding <i>(in millions)</i>			1,056	1,049

	Three Months Ended September		Year-to-Date September	
	2020	2019	2020	2019
<b>Non-GAAP Financial Measures</b>				
<b>Net Income—Excluding Items (See Notes)</b>				
Net Income—As Reported	\$ 1,251	\$ 1,316	\$ 2,732	\$ 4,298
Less:				
Acquisition and Disposition Impacts <sup>2</sup>	—	(5)	38	2,477
Tax Impact	—	(7)	(16)	(1,130)
Estimated Loss on Plants Under Construction <sup>3</sup>	3	(3)	(151)	(16)
Tax Impact	(1)	1	39	4
Wholesale Gas Services <sup>4</sup>	(62)	(14)	(61)	79
Tax Impact	17	5	16	(18)
Asset Impairment <sup>5</sup>	—	(92)	(154)	(92)
Tax Impact	—	27	80	27
<b>Net Income—Excluding Items</b>	<b>\$ 1,294</b>	<b>\$ 1,404</b>	<b>\$ 2,941</b>	<b>\$ 2,967</b>
Basic Earnings Per Share—Excluding Items	\$ 1.22	\$ 1.34	\$ 2.78	\$ 2.84

-See Notes on the following page.

## Southern Company

### Financial Highlights

#### Notes

- (1) For the three and nine months ended September 30, 2020 and 2019, dilution does not change basic earnings per share by more than \$0.03 and is not material. Diluted earnings per share was \$1.18 and \$2.57 in the third quarter and year-to-date 2020, respectively, and \$1.25 and \$4.09 in the third quarter and year-to-date 2019, respectively.
- (2) Earnings for the nine months ended September 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 September 30, 2019 include an \$18 million pre-tax and after-tax impairment charge in contemplation of the sale of PowerSecure, Inc.'s lighting business, partially offset by \$13 million pre tax (\$6 million after tax) of other acquisition and disposition impacts. Earnings for the nine months ended September 30, 2019 include a \$2.5 billion pre-tax (\$1.3 billion after-tax) gain 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 and disposition 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.
- (3) Earnings for the three and nine months ended September 30, 2020 and 2019 include charges (net of salvage proceeds), associated legal expenses (net of insurance recoveries), and tax impacts related to Mississippi Power Company's integrated coal gasification combined cycle facility project in Kemper County, Mississippi. Earnings for the nine months ended September 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 costs associated with these activities, including related costs for compliance and safety, asset retirement obligation accretion, and property taxes, are estimated to total \$3 million for the remainder of 2020 and \$10 million to \$15 million annually for 2021 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 nine months ended September 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 nine months ended September 30, 2020 include a pre-tax impairment charge of \$154 million (\$74 million after tax) related to a leveraged lease. 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 which 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.

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

	Three Months Ended September			Year-to-Date September		
	2020	2019	Change	2020	2019	Change
<b>Earnings Per Share– As Reported<sup>1</sup> (See Notes)</b>	<b>\$ 1.18</b>	\$ 1.26	<b>\$ (0.08)</b>	<b>\$ 2.58</b>	\$ 4.12	<b>\$ (1.54)</b>

**Significant Factors:**

Traditional Electric Operating Companies			<b>\$ (0.09)</b>			<b>\$ (0.14)</b>
Southern Power			<b>(0.01)</b>			<b>(0.10)</b>
Southern Company Gas			<b>0.04</b>			<b>0.01</b>
Parent Company and Other			<b>(0.01)</b>			<b>(1.28)</b>
Increase in Shares			<b>(0.01)</b>			<b>(0.03)</b>
<b>Total–As Reported</b>			<b><u>\$ (0.08)</u></b>			<b><u>\$ (1.54)</u></b>

	Three Months Ended September			Year-to-Date September		
	2020	2019	Change	2020	2019	Change
<b>Non-GAAP Financial Measures Earnings Per Share– Excluding Items (See Notes)</b>	<b>\$ 1.22</b>	\$ 1.34	<b>\$ (0.12)</b>	<b>\$ 2.78</b>	\$ 2.84	<b>\$ (0.06)</b>

<b>Total–As Reported</b>			<b>\$ (0.08)</b>			<b>\$ (1.54)</b>
Less:						
Acquisition and Disposition Impacts <sup>2</sup>			<b>0.01</b>			<b>(1.27)</b>
Estimated Loss on Plants Under Construction <sup>3</sup>			—			<b>(0.10)</b>
Wholesale Gas Services <sup>4</sup>			<b>(0.03)</b>			<b>(0.10)</b>
Asset Impairment <sup>5</sup>			<b>0.06</b>			<b>(0.01)</b>
<b>Total–Excluding Items</b>			<b><u>\$ (0.12)</u></b>			<b><u>\$ (0.06)</u></b>

- See Notes on the following page.

## Southern Company

### Significant Factors Impacting EPS

#### Notes

- (1) For the three and nine months ended September 30, 2020 and 2019, dilution does not change basic earnings per share by more than \$0.03 and is not material. Diluted earnings per share was \$1.18 and \$2.57 in the third quarter and year-to-date 2020, respectively, and \$1.25 and \$4.09 in the third quarter and year-to-date 2019, respectively.
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**Southern Company**  
**EPS Earnings Analysis**

<b>Description</b>	<b>Three Months Ended September 2020 vs. 2019</b>	<b>Year-to-Date September 2020 vs. 2019</b>
Retail Sales	\$(0.04)	\$(0.12)
Retail Revenue Impacts	0.04	0.24
Weather	(0.10)	(0.21)
Non-Fuel O&M	—	0.06
Depreciation and Amortization, Interest Expense, Other	(0.04)	(0.16)
Income Taxes	0.05	0.15
<b>Total Traditional Electric Operating Companies</b>	<b>\$(0.09)</b>	<b>\$(0.04)</b>
Southern Power	(0.01)	(0.02)
Southern Company Gas	0.01	0.05
Parent and Other	(0.02)	(0.01)
Increase in Shares	(0.01)	(0.04)
<b>Total Change in EPS (Excluding Items)</b>	<b>\$(0.12)</b>	<b>\$(0.06)</b>
Acquisition and Disposition Impacts <sup>1</sup>	0.01	(1.27)
Estimated Loss on Plants Under Construction <sup>2</sup>	—	(0.10)
Wholesale Gas Services <sup>3</sup>	(0.03)	(0.10)
Asset Impairment <sup>4</sup>	0.06	(0.01)
<b>Total Change in EPS (As Reported)</b>	<b>\$(0.08)</b>	<b>\$(1.54)</b>

- See Notes on the following page.



## Southern Company

### EPS Earnings Analysis

#### Notes

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

	Three Months Ended September			Year-to-Date September		
	2020	2019	Change	2020	2019	Change
<b>Income Account-</b>						
Retail Electric Revenues-						
Fuel	\$ 949	\$ 1,083	\$ (134)	\$ 2,301	\$ 2,807	\$ (506)
Non-Fuel	3,294	3,429	(135)	8,202	8,329	(127)
Wholesale Electric Revenues	584	625	(41)	1,473	1,667	(194)
Other Electric Revenues	164	163	1	484	492	(8)
Natural Gas Revenues	477	498	(21)	2,362	2,661	(299)
Other Revenues	152	197	(45)	436	549	(113)
<b>Total Revenues</b>	<b>5,620</b>	<b>5,995</b>	<b>(375)</b>	<b>15,258</b>	<b>16,505</b>	<b>(1,247)</b>
Fuel and Purchased Power	1,163	1,326	(163)	2,801	3,461	(660)
Cost of Natural Gas	71	79	(8)	654	956	(302)
Cost of Other Sales	72	114	(42)	201	316	(115)
Non-Fuel O&M	1,286	1,296	(10)	3,785	3,898	(113)
Depreciation and Amortization	889	760	129	2,619	2,267	352
Taxes Other Than Income Taxes	304	303	1	932	931	1
Estimated Loss on Plant Vogtle Units 3 and 4	—	—	—	149	—	149
Impairment Charges	—	110	(110)	—	142	(142)
(Gain) Loss on Dispositions, net	—	(6)	6	(39)	(2,512)	2,473
<b>Total Operating Expenses</b>	<b>3,785</b>	<b>3,982</b>	<b>(197)</b>	<b>11,102</b>	<b>9,459</b>	<b>1,643</b>
Operating Income	1,835	2,013	(178)	4,156	7,046	(2,890)
Allowance for Equity Funds Used During Construction	38	33	5	106	96	10
Earnings from Equity Method Investments	33	39	(6)	105	120	(15)
Interest Expense, Net of Amounts Capitalized	443	434	9	1,343	1,294	49
Impairment of Leveraged Lease	—	—	—	154	—	154
Other Income (Expense), net	113	61	52	319	239	80
Income Taxes	293	367	(74)	443	1,872	(1,429)
<b>Net Income</b>	<b>1,283</b>	<b>1,345</b>	<b>(62)</b>	<b>2,746</b>	<b>4,335</b>	<b>(1,589)</b>
Less:						
Dividends on Preferred Stock of Subsidiaries	4	4	—	11	11	—
Net Income (Loss) Attributable to Noncontrolling Interests	28	25	3	3	26	(23)
<b>NET INCOME ATTRIBUTABLE TO SOUTHERN COMPANY</b>	<b>\$ 1,251</b>	<b>\$ 1,316</b>	<b>\$ (65)</b>	<b>\$ 2,732</b>	<b>\$ 4,298</b>	<b>\$(1,566)</b>

**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)*

	<u>Three Months Ended September</u>				<u>Year-to-Date September</u>			
	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Weather Adjusted Change</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Weather Adjusted Change</u>
<b>Kilowatt-Hour Sales-</b>								
Total Sales	<b>53,099</b>	56,703	(6.4)%		<b>140,910</b>	150,303	(6.2)%	
Total Retail Sales-	<b>40,218</b>	43,090	(6.7)%	(3.0)%	<b>106,724</b>	114,207	(6.6)%	(3.4)%
Residential	<b>14,740</b>	15,368	(4.1)%	3.5 %	<b>36,485</b>	37,790	(3.5)%	3.7 %
Commercial	<b>13,140</b>	14,404	(8.8)%	(5.1)%	<b>34,611</b>	37,776	(8.4)%	(5.9)%
Industrial	<b>12,177</b>	13,133	(7.3)%	(7.3)%	<b>35,129</b>	38,084	(7.8)%	(7.8)%
Other	<b>161</b>	185	(12.6)%	(12.3)%	<b>499</b>	557	(10.5)%	(10.3)%
Total Wholesale Sales	<b>12,881</b>	13,613	(5.4)%	N/A	<b>34,186</b>	36,096	(5.3)%	N/A

*(In Thousands of Customers)*

	<u>Period Ended September</u>		
	<u>2020</u>	<u>2019</u>	<u>Change</u>
<b>Regulated Utility Customers-</b>			
Total Utility Customers-	<b>8,580</b>	8,462	1.4%
Total Traditional Electric	<b>4,322</b>	4,254	1.6%
Southern Company Gas	<b>4,258</b>	4,208	1.2%

## Southern Company

### Financial Overview

#### As Reported

(In Millions of Dollars)

	Three Months Ended September			Year-to-Date September		
	2020	2019	Change	2020	2019	Change
<b>Southern Company<sup>1,2</sup> –</b>						
Operating Revenues	\$ 5,620	\$ 5,995	(6.3)%	\$ 15,258	\$ 16,505	(7.6)%
Earnings Before Income Taxes	1,576	1,712	(7.9)%	3,189	6,207	(48.6)%
Net Income Available to Common	1,251	1,316	(4.9)%	2,732	4,298	(36.4)%
<b>Alabama Power –</b>						
Operating Revenues	\$ 1,729	\$ 1,841	(6.1)%	\$ 4,445	\$ 4,762	(6.7)%
Earnings Before Income Taxes	578	617	(6.3)%	1,340	1,288	4.0 %
Net Income Available to Common	444	469	(5.3)%	1,022	982	4.1 %
<b>Georgia Power –</b>						
Operating Revenues	\$ 2,617	\$ 2,755	(5.0)%	\$ 6,371	\$ 6,706	(5.0)%
Earnings Before Income Taxes	945	1,094	(13.6)%	1,609	2,064	(22.0)%
Net Income Available to Common	773	839	(7.9)%	1,411	1,598	(11.7)%
<b>Mississippi Power –</b>						
Operating Revenues	\$ 336	\$ 370	(9.2)%	\$ 895	\$ 970	(7.7)%
Earnings Before Income Taxes	79	80	(1.3)%	158	166	(4.8)%
Net Income Available to Common	67	65	3.1 %	138	139	(0.7)%
<b>Southern Power<sup>2</sup> –</b>						
Operating Revenues	\$ 523	\$ 574	(8.9)%	\$ 1,337	\$ 1,527	(12.4)%
Earnings Before Income Taxes	116	130	(10.8)%	242	301	(19.6)%
Net Income Available to Common	74	86	(14.0)%	212	316	(32.9)%
<b>Southern Company Gas –</b>						
Operating Revenues	\$ 477	\$ 498	(4.2)%	\$ 2,362	\$ 2,661	(11.2)%
Earnings (Loss) Before Income Taxes	17	(51)	N/M	458	408	12.3 %
Net Income (Loss) Available to Common	14	(29)	N/M	360	347	3.7 %

N/M - Not meaningful

#### **Notes**

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

- (1) Year-to-date 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.