

David M. Ratcliffe
Chairman, President, & CEO



DEAR FELLOW SHAREHOLDERS:

We take pride in the way we do business and in our results.

Our company is strong and well-managed.

*Our people are determined to continually improve
our results as well as how we achieve them.*



We accomplished much that produced excellent financial results in 2004, though we faced significant challenges, including unprecedented hurricane damage. Reported earnings were \$2.07 per share, exceeding both our target and analysts' expectations. The financial markets recognized the excellent performance of the men and women who work for Southern Company. Our share price increased a healthy 10.8 percent. Including dividends, which increased to an annual rate of \$1.43 per share, Southern Company shareholders enjoyed a total return of 16.1 percent.

Operationally, we had another outstanding year. Our generating plants and power delivery systems continued to operate at record levels of reliability. We continued working to be ready to meet the growing energy needs of the Southeast's expanding economy. To do this, we invested responsibly in new infrastructure and environmental controls. And we again led the industry in customer satisfaction ratings.

Late in the year, the Georgia Public Service Commission approved a three-year rate plan, raising Georgia Power's base rates for the first time since 1991, but by only 4.2 percent. This provides important rate stability as we plan to invest \$5 billion over the next five years in new electric generation capacity, power lines, and environmental controls in Georgia, our largest single market.

The major operational challenge to our system in 2004 was, of course, the series of hurricanes that hit the South in August

and September. The worst of them for us was Hurricane Ivan. That storm caused 1.6 million customers to lose power at its peak. But Ivan also provided a stage upon which to show what "Southern Style" really means. Our response showed this company at its best. Our people performed admirably, not only by restoring power quickly but also with many humanitarian acts. I encourage you to take a look at the special discussion of the hurricanes on Pages 16-17.

OUR STRATEGY IS SOLID

When a new chief executive takes office, as I had the privilege of doing last year, people usually wonder if there will be a change in direction. I want to reiterate that Southern Company's fundamental business model is strong and not in need of a course correction. Our Southeast-based strategy combines a strong regulated retail utility core business with a steadily growing competitive generation business, and it continues to work well. I believe that investors want a good return for low risk. Therefore, we will work to continue to maintain our excellent credit ratings, strong asset base, low-risk strategy, and outstanding execution.

Of course, we have challenges in this business. We always do. Among the biggest will be managing rising costs, particularly fuel prices and their effect on overall rates. The regulatory landscape also presents uncertainties, notably in the areas of air quality and wholesale market prices. But it's important to remember

that a company as complex as ours has a full slate of regulatory and political issues as a matter of normal business. In the second term of the Bush administration, there have been changes at key industry oversight and Cabinet positions, and there may be more. We will work to build credible relationships with the new leaders, like we have done with their predecessors. And we will continue to advocate positions that are in the best interests of our customers, shareholders, employees, and the communities we serve.

Our industry is exploring what kind of technology is best for baseload generation in this country. Questions about imported oil, fuel costs, and the environment make this a complex decision. Our response is that we should not bet on any one technology. We should preserve all of the options, including coal, natural gas, nuclear, and renewables. The coal option, which includes both conventional and newer technologies such as coal gasification, is important because we have between 200 to 300 years of coal supply in this country. We also should continue to explore programs that improve efficiency and manage demand while making sure we have the capacity that is needed to meet the increasing energy needs of our growing region. We will continue to work to facilitate generation technology that ensures a reliable, affordable, and environmentally sound supply of energy. Ultimately, companies have to make decisions and go forward. We have and we will. For example, we are building a commercial-scale coal gasification facility in Florida in cooperation with the U.S. Department of Energy and our partners at the Orlando Utilities Commission. And we are participating in a consortium to demonstrate and test a new licensing process for constructing advanced nuclear power plants.

SOUTHERN STYLE

I hope this year's annual report gives you a good overview of where we are as a company. There are a number of things I believe make us unique in our field. Some, like financial and operational results, are easily measured. Others go to the core of who we are and what it means to be Southern Company. To that end, we have begun a concerted effort to strengthen our emphasis on Southern Style, the value proposition that has guided our company for 10 years.

We've simplified Southern Style into three main tenets. They are unquestionable trust, superior performance, and total commitment. The three are inter-related and, I believe, directly connected to our long-term business success. The areas where our business results are the strongest are those where trust is the strongest. When people know one another, they trust one another. Trusting one another greatly simplifies communication and decision-making and allows us to run the business more efficiently and effectively. This creates an environment that attracts top-quality people with a long view of success. As we demonstrate daily and over the long term that this is simply who we are, then I believe shareholders, customers, and regulators will continue to know we are a company they can count on. They will know we are totally committed to delivering sustained superior performance and that if something goes wrong, we will respond.

Our emphasis on sustaining excellent results and on making Southern Style an everyday reality is the major reason why I look to the future of this company with great confidence. With a focus on serving the region we know best, our strong fundamentals, and our excellent track record, we intend to remain one of the most admired electric utility companies in the nation.



David M. Ratcliffe
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