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"Delivering electricity reliably"

Baseload Generation—the generating facilities within the system that are operated to the greatest extent possible, to maximize efficiency and minimize costs, thus providing the “basis” of generation requirements.

Book Value—a company’s common stock equity as it appears on a balance sheet, equal to total assets minus liabilities, preferred stock, and intangible assets such as goodwill. Book value per share refers to the book value of a company divided by the number of shares outstanding.

Competitive Generation Business—our market-based wholesale electricity supply business that, primarily through long-term contracts, serves customers who can choose their suppliers based on price, reliability, capacity, and other market needs.

Distribution Lines—power lines, like those in neighborhoods, that carry moderate-voltage electricity to customer service areas.

Dividend Yield—the annual dividend income per share received from a company divided by its current stock price.

Earnings Per Share—net income divided by the average number of shares of common stock outstanding.

Federal Energy Regulatory Commission (FERC)—an independent agency within the U.S. Department of Energy that, among other things, regulates wholesale sales of electricity and transmission in interstate commerce.

Generating Capacity—the amount of energy that can be produced using all of our power generation facilities.

Kilowatt-hour—the basic unit of electric energy, which equals one kilowatt of power taken from an electric circuit steadily for one hour. A 100-watt light bulb burning for 10 hours uses one kilowatt-hour of electricity.

Market Value—what investors believe a company is worth, calculated by multiplying the number of shares outstanding by the current market price of the company’s shares.

Megawatt—one thousand kilowatts. A measurement of electricity usually used when discussing large amounts, such as the capacity of generating plants.

Payout Ratio—the percentage of earnings that is paid to shareholders in the form of dividends.

Public Service Commissions (PSC)—the authorities that regulate utilities at the state level.

Regulated Retail Business—the part of our business that generates, transmits, and distributes electricity to commercial, industrial, and residential customers in most of Alabama and Georgia, the Florida panhandle, and southeastern Mississippi.

Retail Markets—markets in which energy is sold and delivered directly to the ultimate end-users of that energy.

Return on Equity—a measure of profitability, calculated as net income divided by shareholders’ equity.

Risk-adjusted Return—a measure of return which factors in the risk (expected variability in returns) of the investment relative to other stocks.

Total Shareholder Return—stock price appreciation plus reinvested dividends. The distribution of shares of Mirant Corporation stock to Southern Company shareholders is treated as a special dividend for purposes of calculating Southern Company shareholder return.

Transmission Lines—circuits carrying power at a high voltage. They generally carry the power from the source of generation to the point where the voltage is reduced and distributed to customers.

Wholesale Customers—energy marketers, electric and gas utilities, municipal utilities, rural electric cooperatives, and other entities that buy power for resale to retail customers.

Glossary

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MAJOR SUBSIDIARIES & BUSINESS UNITS
Alabama Power
Georgia Power
Gulf Power
Mississippi Power
Savannah Electric*
Southern Power
Southern Nuclear
SouthernLINC Wireless
Southern Telecom

* Merge with Georgia Power planned in 2006.

SOUTHERN COMPANY
30 Ivan Allen Jr. Blvd. NW
Atlanta, GA 30308
(404) 506-5000
www.southerncompany.com

601 Pennsylvania Ave. NW
Suite 800 South
Washington, D.C. 20004

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18 On the Cover: (L-R)
Robin Fulle, Senior Instrument Technician, Plant Bowen, Georgia Power
Mark Rallis, Principal Research Engineer–Research and Development, Anniston, Alabama
Donna Dudley, Environmental Affairs, Southern Company
Robin Painter, Senior Residential Energy Consultant, Gulf Power

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10 Up Front:
"Actions speak louder than words. We strive to achieve outstanding results and to improve the way that we achieve them."

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Serving one of the fastest-growing regions in the country, Southern Company is a leader in the energy industry. We focus on providing reliable, affordable electricity with outstanding service to our 4.2 million retail and wholesale customers. Our goal is to consistently deliver solid risk-adjusted returns for our shareholders by executing a clear strategy.

Basic to being front and center is our belief that actions are more important than words. We are committed to keeping our promises, and we understand that the way we do business means as much as the results we achieve.
In a year that was marked by significant challenges, your company performed well in 2005. We strive to be leaders in our industry, to be “front and center.” Southern Company employees demonstrated leadership as they delivered outstanding results in 2005 for our shareholders, our customers, and the communities we serve.

They did so in ways that were dramatic, such as responding to a great natural disaster, Hurricane Katrina. And they did so in thousands of daily actions that don't necessarily grab headlines but contribute just the same to our long-term success.

Earnings in 2005 were $2.14 a share, which exceeded the top end of our targeted range. Our core utility business continued to benefit from the relatively strong economy and population growth in the Southeast, which drove the demand for electricity higher. We also had strong results from our competitive generation business, which added to its portfolio of long-term wholesale contracts and also acquired the 680-megawatt Oleander generating plant in central Florida, increasing our presence in that fast-growing market. Dividends were increased last year to an annual rate of $1.49 per share as we extended our record of consecutive quarterly dividend payments that reaches back to 1948. The past year was the fourth straight in which we raised the dividend; the 4 percent annual rate increase in 2005 was the largest of these. Our share price reached an all-time high in September and closed with a gain for the year. Total return to shareholders was 7.6 percent, better than the broad Standard & Poor’s 500 Index. This was, however, below the industry average as several utility-sector stocks, in comparison to ours, rebounded from recent declines that Southern Company had not experienced. If you consider total return over the long term, which I think is appropriate for an investment such as ours, we remain one of the industry’s strongest performers. Beyond the solid financial performance, we continued to excel in customer satisfaction, reliability, and corporate responsibility.

Any discussion of 2005 for us must include Hurricane Katrina, the devastating storm that in late August caused unprecedented destruction to the Gulf Coast of Mississippi as well as significant damage and outages in Alabama. In Mississippi, every one of our customers lost power, and our generation and power delivery infrastructure was severely damaged. The heroic effort led by our employees to restore power within 12 days to all Mississippi Power customers who could safely receive it is detailed in a special section beginning on Page 20. The way that people throughout Southern Company came together as a team to rebuild the system and provide aid to their fellow employees who had suffered considerable personal losses was inspiring and made me prouder than ever to be a part of this company.

The past year was one in which issues related to the costs of producing energy—global issues, really—rose to the forefront. As one of the nation’s largest generators of electricity, we are not immune to these pressures, and our customers have felt the impact. Rising fuel costs present a new challenge to keeping the price of our product affordable. One of the ways that we are able to continue to offer retail prices significantly below the national average is to maintain a fuel mix that is diverse and thus less subject to price volatility. About 90 percent of our combined power generation is fueled by coal, nuclear, and hydro. The costs of these sources have been more stable than natural gas, the other main fuel used to generate electricity in the United States. This issue won’t go away, and we will continue our work to mitigate the effect on our customers.
A major reason we have been able to achieve solid results over the long term is our successful execution of a clear, uncomplicated strategy. It is based on a customer focused regulated retail core business serving the economically-strong Southeast and a conservatively structured, higher-growth competitive generation business. By investing in our infrastructure to ensure reliability, managing the business to keep prices affordable, and focusing on customer satisfaction in all areas of the business, we have built a record of successfully executing the strategy. These actions, all related, also help contribute to constructive regulatory environments. This business model has produced solid risk-adjusted returns for our shareholders over the long term and served our customers well. I believe it continues to be a good model going forward.

That said, we must continue to sharpen our focus and we are doing so. In 2005, for example, we decided to exit the retail natural gas business. We closed the sale of Southern Company Gas early this year. And we’ve decided to merge Savannah Electric, our electric utility serving the coastal region of Georgia, into our largest subsidiary, Georgia Power. As the energy industry continues to evolve, we will continue to assess our business, discuss strategic issues, and challenge ourselves as to things that we should do differently. This is part of our annual business planning process.

There are some things that don’t show up as clearly on the bottom line that are vitally important to our success. These go beyond what we do to how we do it. In particular, I would like you to know about two areas that underpin our traditional business operations and were major areas of focus in 2005. One is Southern Style, the value proposition that contributes in a real way to our goal to be leaders in our business. Southern Style articulates our corporate culture in three tenets: unquestionable trust, superior performance, and total commitment. I believe the renewed emphasis on Southern Style has been well received by employees and is increasingly embedded in our behavior. These qualities were on display for the world to see during our response to Hurricane Katrina. Our continued emphasis and day-to-day focus on Southern Style will make us a better company.

The other major priority is our corporate safety program. It’s called Target Zero, named to reflect our commitment to an injury-free workplace. We believe that this goal is achievable. The reason for emphasizing safety is obvious: We care about our people, so we want them to be safe. There is, however, a strong business element too. A company with safe, healthy employees is more productive, so our customers and shareholders benefit as well.

I hope you’ll agree as you review this year’s annual report that 2005 overall was a good year for the company. I have high hopes for the future and am confident of the commitment that all of us at Southern Company have for continued success.

Sincerely,

David M. Ratcliffe

March 20, 2006
### Financial Highlights

<table>
<thead>
<tr>
<th>Metric</th>
<th>2005</th>
<th>2004</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues (in millions)</td>
<td>$13,554</td>
<td>$11,729</td>
<td>15.6%</td>
</tr>
<tr>
<td>Earnings from continuing operations (in millions)</td>
<td>$1,591</td>
<td>$1,529</td>
<td>4.1%</td>
</tr>
<tr>
<td>Basic earnings per share from continuing operations</td>
<td>$2.14</td>
<td>$2.07</td>
<td>3.4%</td>
</tr>
<tr>
<td>Diluted earnings per share from continuing operations</td>
<td>$2.13</td>
<td>$2.06</td>
<td>3.4%</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>$1.47 ½</td>
<td>$1.41 ½</td>
<td>4.2%</td>
</tr>
<tr>
<td>Dividend yield (percent)</td>
<td>4.3%</td>
<td>4.2%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Average shares outstanding (in millions)</td>
<td>744</td>
<td>739</td>
<td>0.7%</td>
</tr>
<tr>
<td>Return on average common equity (percent)</td>
<td>15.17%</td>
<td>15.38%</td>
<td>(1.4)%</td>
</tr>
<tr>
<td>Book value per share</td>
<td>$14.42</td>
<td>$13.86</td>
<td>4.0%</td>
</tr>
<tr>
<td>Market price (year-end, closing)</td>
<td>$34.53</td>
<td>$33.52</td>
<td>3.0%</td>
</tr>
<tr>
<td>Total market value of common stock (year-end, in millions)</td>
<td>$25,602</td>
<td>$24,855</td>
<td>3.0%</td>
</tr>
<tr>
<td>Total assets (in millions)</td>
<td>$39,877</td>
<td>$36,955</td>
<td>7.9%</td>
</tr>
<tr>
<td>Total kilowatt-hour sales (in millions)</td>
<td>196,877</td>
<td>192,382</td>
<td>2.3%</td>
</tr>
<tr>
<td>Retail</td>
<td>159,076</td>
<td>157,143</td>
<td>1.2%</td>
</tr>
<tr>
<td>Sales for resale</td>
<td>37,801</td>
<td>35,239</td>
<td>7.3%</td>
</tr>
<tr>
<td>Total number of customers—electric (year-end, in thousands)</td>
<td>4,248</td>
<td>4,197</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

### Charts

**Earnings Per Share**
- **From continuing operations**
  - '01: 1.62
  - '02: 1.86
  - '03: 2.04
  - '04: 2.07
  - '05: 2.14

**Operating Revenues**
- **From continuing operations**
  - '01: 10,155
  - '02: 10,447
  - '03: 11,018
  - '04: 11,729
  - '05: 13,554

**Return on Average Common Equity**
- **From continuing operations**
  - '01: 13.51
  - '02: 15.79
  - '03: 16.05
  - '04: 15.38
  - '05: 15.17
THE FEDERAL ENERGY POLICY ACT
The energy bill was a long time in the making, and its passage in 2005 was a major event for our company, our industry, and our nation. It is comprehensive legislation with numerous provisions that, in our judgment, are appropriate. Among other things, it provides for greater reliability, encourages the use of domestic resources such as coal, and has incentives for the development of advanced nuclear power units. We think these things are right. The biggest impact will be felt over the long term. We are a long-view, long-term industry. We build assets that last for many decades, and we have to plan them five to 10 years in advance to meet the needs of our customers. So the implications of the bill will become evident as we make these kinds of far-reaching decisions.

INDUSTRY CONSOLIDATION
There are some who believe that recent changes in federal utility holding company laws will lead to increased merger activity. As for Southern Company, we will continue our disciplined way of evaluating any opportunities that arise. The important questions for us are whether a transaction would add to shareholder value and enhance our ability to continue to deliver high reliability, low prices, and industry-leading customer satisfaction. In other words, would it make good business sense? It’s worth pointing out, too, that we already are a large company. Even with the completion of mergers that have been proposed elsewhere, we would still be among the largest in the industry. So there’s no pressing need to do something simply to become bigger.

NUCLEAR POWER’S FUTURE
We are moving ahead—individually and in partnerships, including the NuStart consortium—through the multi-stage federal and state licensing process that is required before any decision to build a nuclear facility is made.

ENVIRONMENTAL PERFORMANCE
We expect to file this year for an Early Site Permit for a third unit at Plant Vogtle in Georgia and in 2008 for a Combined Construction and Operating License there, both of which are important preliminary regulatory steps. We also recently announced an agreement with Duke Power to jointly evaluate the potential construction of a plant in South Carolina. And we are pursuing the Westinghouse AP1000 as the nuclear reactor technology for potential new nuclear units. We believe that nuclear energy must remain an option for expanding our generating fleet because it has proven to be safe, reliable, and cost-effective, with relatively low environmental impact. We expect that we will need new baseload generation to serve our customers around 2015, so we probably will make a definitive decision within the next two years.
MAKING THE RIGHT CHOICES

One thing that defines our business is its long-term nature. People who invest in utility companies generally do so not to make a quick buck but to enjoy solid returns over an extended period. Similarly, we have to plan today to serve the energy needs of our customers many years into the future.

The importance of making the right choices for the long term has never been greater. The U.S. population continues to grow, especially in the South. The Census Bureau projects that by 2030 about four of every 10 people in the country will live in the South. Just like folks today, they will want energy delivered reliably, affordably, and with less impact on the environment.

How to meet these needs is a national, even a global, issue. But that doesn’t mean we should wait for others to address it. Southern Company is facing this challenge and working to make the right choices. Our view is that the right choices involve a diverse supply of fuels and technologies. Narrow solutions won’t do.

We believe coal should continue to be part of our energy supply plan. Coal currently produces more than half the nation’s electricity (and about 70 percent of Southern Company’s). There is a 250-year supply of coal here in the United States. It is generally available and comparatively cheap. But coal use has well-known environmental implications. So we must develop and install technologies to lessen its environmental impact. Southern Company already is at work on this issue on several fronts.

We’re part of the FutureGen Industrial Alliance, a national effort to facilitate design, construction, and operation of the first near-zero-emissions coal-based power plant. Another initiative of ours is the 285-megawatt integrated gasification combined cycle—or “coal-to-gas”—plant we’ll build with our partners in Florida, using technology that Southern Company helped develop. We also recently opened the nation’s first center for testing technologies to reduce mercury emissions.

Additional nuclear power is another option. We have a long record of safely and efficiently generating nuclear power, which emits no greenhouse gases. The main obstacles to nuclear are the political resolution of the spent fuel issue and the long time it takes to plan, license, and build a plant. We cannot ignore nuclear if we want to serve the growing demand for electricity. Therefore, we are laying the groundwork needed to make the right choice about whether to build a new nuclear facility.

The other main fuel currently used for generating electricity is natural gas. Because gas has many other uses, supplies have tightened and prices are quite volatile. However, it is a relatively clean fuel. The nation will need more gas, and efforts should be made to increase domestic production.

All of the major fuels currently being utilized have pros and cons. Some say the answer is to use more renewable sources, such as wind and solar power. Excluding hydroelectricity, renewable sources provide only 2 percent of U.S. energy. Renewable energy has promise but also limitations. There are issues of supply, reliability, and cost. It’s impossible for existing renewable technologies by themselves to keep up with expected levels of population and energy demand growth, particularly in the Southeast. Still, renewables should be in the mix. We are involved in biomass and wind projects, and we hope they can provide some of our energy needs.

Conservation also is part of the answer. Demand-side programs and other efficiency efforts have helped Southern Company avoid 3,000 megawatts of energy needs during peak periods. More can be done, so we’re working to find additional opportunities to lower demand and help customers reduce costs.

It’s a fact that we will need new generation to meet growing energy needs. Our economy, quality of life, and ability to compete globally depend on making the right choices that allow us to provide a reliable and affordable supply of energy in an environmentally responsible manner.
Energy Star
To McDonald’s USA, LLC, Southern Company account manager Cindy Verner is a star. The U.S. Division of the global foodservice retailer named her a 2005 “U.S. Energy All-Star” for her efforts to help the company more effectively manage its energy usage. Sharing Southern Company’s energy expertise with National Energy Manager Steve De Palo (left) and others at McDonald’s is how she does it.

Helping the best become better
Kathi Ramani, information technology project manager, is overseeing the implementation of a program to evaluate customer call center transactions. The information is used to help customer service representatives improve their performance and to train new employees.

One customer service rep…
600+ calls in a single day
Melissa Smith of Gulf Power certainly knows something about listening to customers. When Hurricane Dennis hit northwest Florida, she answered 608 calls during a single 14-hour shift.

Eye on supply
Billy Studdard, fleet optimization project manager, is part of the team that makes sure we have enough power to serve customers. He forecasts energy needs days in advance and works with plants to ensure the company has sufficient and the most economical generation capacity on line to meet system demand.

Reaching out
Customer service representative Tammy Aman talks with Hispanic customers at Alabama Power’s call center. She is part of the effort to make contacting the company easier for the growing number of customers who do not speak English.
It’s simple but true. Customer satisfaction is the center around which everything in our business revolves. It’s why we invest to keep our system running reliably. The reason we try to manage the business to keep costs under control. And the principle behind training our employees to offer the best service possible. We have a reputation and a record for customer satisfaction that leads the industry. We intend to keep it.

One of the most prestigious measures of how well a company treats its customers is the American Customer Satisfaction Index, an independent indicator produced by the Stephen M. Ross Business School at the University of Michigan, in partnership with the American Society for Quality and the international consulting firm CFI Group. We’re proud to note that the survey in 2005 rated Southern Company as the top electric utility for customer satisfaction. For the sixth straight year.

Customer satisfaction drives our business results and also helps us to maintain constructive regulatory environments. But customer satisfaction is about more than philosophies and programs. It’s about the actions of individuals. And when it comes to taking care of customers, we think our employees are the best. At Southern Company, we take a broad view of customer focus. It’s a key part of everyone’s job description. The people on the opposite page—a small sampling of our customer-focused work force—are good examples of what we mean. They represent different areas of the company, including some that don’t come into direct contact with customers and may not seem like the place for traditional “customer service” jobs. Yet each of these employees—and their colleagues throughout the company—is committed to customer satisfaction and doing work that ultimately helps serve customers. Whether it’s correcting a customer’s immediate problem or preventing a potential one, making sure our power is there when customers need it, dispensing useful information, or developing technological solutions to make dealing with the company easier, the things that we do are aimed at achieving greater customer satisfaction.

To remain a customer satisfaction leader, we know we have to maintain our focus. So we will continue to make customer satisfaction our highest priority, develop our employees’ customer service skills, improve our systems for serving customers, ensure that our employees reflect the communities we serve, and let our customers know how important they are. That’s our pledge.
Southern Style is the value proposition that guides the way our more than 25,000 employees conduct business. It encompasses our pledge to earn unquestionable trust, our dedication to superior performance, and our total commitment to the success of everyone touched by our business.

A key goal of Southern Style is to value our employees and strive for a culture of excellence through inclusion. By being involved in the communities we serve, including schools, we can play a part in developing the next generation of qualified workers. An example is the Gulf Power Academy, a partnership with West Florida High School of Advanced Technology created to expose students to and provide skills for careers in the electric utility and construction industries. The academy graduated its first class in 2005, and seven participants were offered entry-level jobs with the company. Two of them, Thomas Mitchell and Maurice Prewitt, are pictured here with Jennifer Grove, who coordinates the program.

UNQUESTIONABLE TRUST

Honesty, respect, fairness, and integrity drive our behavior. We keep our promises, and ethical behavior is our standard.
**SUPERIOR PERFORMANCE** We are dedicated to superior performance throughout our business. Our priorities are safety first, teamwork, diversity, and continuous improvement through strong leadership.

**TOTAL COMMITMENT** We are committed to the success of our employees, customers, and shareholders and to citizenship and stewardship in all our actions.

*up front*

*Actions* speak louder than words
Southern Company’s strategy is clear. We’re in the business of generating and delivering reliable, affordable electricity with outstanding customer service. Our regulated utilities in Alabama, Florida, Georgia, and Mississippi serve 4.2 million customers in a fast-growing and economically vibrant region. The regulated retail business provides the substantial majority of our revenue and earnings. We also have a higher-growth competitive generation business that, consistent with our fundamental business model, is primarily based on long-term contracts. The competitive generation business operates within the four states of our core business as well as in surrounding states, where its presence is growing.

With more and more people moving to the South, the number of customers we serve has continued to grow. We project average long-term customer growth of 1.8 percent a year, which is expected to result in total demand growth of 2 percent annually. We strive to contribute positively to the continuing growth of our region by being an active partner in the economic development efforts of the communities we serve. This has been a Southern Company tradition for more than 80 years.

By successfully executing our strategy, we have built a record of solid, long-term shareholder value. And we’ve paid a consecutive quarterly dividend—equal to or higher than the previous quarter—for 58 years. Looking ahead, our goals for our major businesses are to continue to lead the industry in service and customer satisfaction, deliver superior risk-adjusted returns, and earn at least $300 million from competitive generation by 2007. Our financial goals are to continue to achieve annual earnings-per-share growth averaging 5 percent over the long term, a return on equity in the top quartile of the electric utility industry, risk-adjusted returns that are among the best in the industry, dividend growth consistent with our long-term earnings-per-share objectives, and strong credit quality. Our earnings-per-share target for 2006 is in a range of $2.15 to $2.20 (including the full value of the net income from our synthetic fuels business, which receives tax credits that are set to expire in 2007).
A GROWING PRESENCE
Tim Haskew, generation development project manager, was a member of the team that negotiated Southern Power’s purchase of Plant Oleander. The plant’s location in Florida fit our competitive generation growth strategy. Since completing the acquisition in 2005, several long-term contracts have been signed to provide wholesale customers with reliable power from Oleander.
environmentally centered

Cleaner energy, today and tomorrow

It’s one of our greatest challenges: How to meet the ever-growing demand for electricity while continuing to minimize the impact of electricity production on the environment. There are no simple answers and there is no single answer. To do it right, we must address environmental challenges with a variety of solutions, some that will work today and others that hold promise for tomorrow.

At Southern Company we’ve already invested nearly $2 billion that has helped us reduce emissions of nitrogen oxide and sulfur dioxide by about 37 percent since 1990, while increasing generation about 37 percent to meet our customers’ energy needs. And now we have embarked on one of the largest environmental-control construction programs ever undertaken by a U.S. utility, with plans to spend more than $6 billion over the next 10 years to cut emissions even further. Over the next three years in particular, we are entering a period of significant capital investment on scrubbers and other controls to reduce NOₓ, SO₂, and mercury emissions from our larger coal-fired plants.

We’re also focused on advanced coal technologies, including those that will help enable us to capture and sequester carbon as we search for ways to reduce emissions of carbon dioxide.

Environmental challenges are ongoing challenges. We believe many of the solutions for the future are to be found in technology. So we’re committed to be at the forefront of seeking new ways to deliver electricity as cleanly and effectively as possible. Some of our initiatives include:

- Working with Georgia Tech on a project to explore the possibility of building wind turbines off the coast of Georgia.
- Opening and operating the nation’s first-of-its-kind comprehensive mercury research center in Pensacola, Florida. The initial phase of testing will evaluate the performance of five different advanced control technologies.
- Participating with other utilities and the U.S. Department of Energy to jointly build and operate a prototype near-zero-emissions coal-based power plant.
- Building, in a partnership, a 285-megawatt advanced coal gasification facility in central Florida. This facility will feature the cleanest, most efficient coal-fired generating technology currently available.
- Continuing and expanding research and development into environmental technologies at our nationally recognized Power Systems Development Facility near Wilsonville, Alabama.
- Increasing management resources focused on the development of a renewable generation portfolio.
RISING TO THE CHALLENGE

High above the panorama of north Georgia, lineman B.J. Hall works on a 230-kilovolt transmission line that is being constructed to meet the energy needs of the area's growing population. The project is part of the ongoing investment to ensure reliability for our customers.

the frontlines

Reliability is always top of mind

Flip a switch or press a button, the power comes on. A customer shouldn’t have to ponder it any further. Thinking about what’s behind that small miracle, that’s our job. We plan, train, and invest so that the coffee pot helps wake you up, the TV brings you the big game, and the computer works to provide your company with outstanding results.

Southern Company customers used nearly 197 billion kilowatt-hours of electricity in 2005 and set an all-time peak demand record on July 26. It takes exceptional teamwork and a commitment to operational excellence to meet this level of demand with the reliability that our customers have come to expect.

When a plant is being run well, it is also safer. Our renewed emphasis on safety throughout the company has resulted in some notable achievements at our generating plants in 2005. There was a 31 percent reduction in recordable injuries in fossil/hydro generation, while 12 fossil plants and the entire hydro system finished the year without a recordable injury. However, we want to go further and eliminate accidents altogether.

There’s a lot of talk these days about making sure transmission and distribution systems are able to handle the increasing demand for electricity. That’s nothing new for Southern Company, as we have been investing steadily to stay up to date. We’ve kept our focus on reliability and plan to continue doing so. We expect to invest an additional $3.3 billion over the next three years to expand and maintain our transmission and distribution networks.
A RECORD OF SOLID RISK-ADJUSTED RETURNS

This chart compares Southern Company (SO) common stock’s risk and total return relative to other large electric utilities for the five years ended December 31, 2005. Risk is shown by “beta,” a measure of stock volatility commonly used by securities analysts. A lower beta means less volatility. A beta of 1 represents the risk for the overall market. Southern Company had a beta of 0.65 for the period. Stocks with lower betas typically provide lower total returns, but Southern Company has had a lower beta as well as solid long-term total returns.
### Focused on Long-Term Performance

<table>
<thead>
<tr>
<th>TOTAL SHAREHOLDER RETURN (percent)</th>
<th>1-year</th>
<th>5-year</th>
<th>10-year</th>
<th>30-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southern Company</td>
<td>7.6</td>
<td>16.7</td>
<td>14.3</td>
<td>15.6</td>
</tr>
<tr>
<td>S&amp;P 500 Electric Utility Index</td>
<td>17.7</td>
<td>5.5</td>
<td>9.4</td>
<td>NA</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>4.9</td>
<td>0.5</td>
<td>9.1</td>
<td>12.7</td>
</tr>
</tbody>
</table>

Compound annual growth rates for the period ending December 31, 2005. Assummes dividends were reinvested and returns compounded daily.

- **37%** Increased generation since 1990
- **37%** Reduction of NOx and SO2 emissions since 1990
- **#1** Our rank among electric utilities by the American customer satisfaction index for six straight years

- **58** Years of consecutive quarterly dividend payments
- **19.4** Number of years the average Southern Company shareholder has held our stock
- **$15,038** Value on 12/31/2005 of $1,000 invested in Southern Company 19.4 years earlier (assumes dividends reinvested)
the center of the storm

Responding to Hurricane Katrina

SCENES FROM THE DISASTER
The damage and destruction from Hurricane Katrina was felt far and wide across the Gulf Coast. A workforce that grew from 1,200 to 12,000 in the wake of the storm was able to get the power back on for Mississippi Power customers.
With 126 mph winds and a 28-foot storm surge, Hurricane Katrina roared into the Gulf Coast at daybreak August 29, sparing little in its wake. The damage to lives and property was enormous and terrifying. Southern Company subsidiaries Mississippi Power and Alabama Power were hit hard. It was the worst storm ever for Mississippi Power, with all 195,000 of its customers left without power and destruction of historic proportions. On the following pages are highlights of how Southern Company banded together to respond. It is a story of how strong leadership, selflessness, thoughtful planning, solid execution, help from our friends, and—most of all—teamwork combined to get the lights back on for all who could safely receive power in a remarkable 12 DAYS.
IN THE WAKE OF THE STORM

Numbers don’t tell the whole story but they do help illustrate the breadth of the challenge in the aftermath of Hurricane Katrina. All of Mississippi Power’s 195,000 customers lost power, the most in its history. All Mississippi Power employees were impacted. Many lost their homes, and we are helping them to rebuild; thankfully, none of them lost their lives. With the main objective being the safe and quick restoration of power, the lines that separate subsidiaries, business units, departments, and functions immediately dissolved. Southern Company came together as one.
Though unmatched in its fury, Katrina was not the first bad hurricane to hit the Southern Company territory. We’ve learned from previous storms and applied the lessons to our ongoing training and disaster preparation. These lessons were put to use in responding to Katrina. Plans provided for flexible and decentralized authority so that decisions were made as close as possible to the disaster. Well before Katrina hit Mississippi, the disaster plan was activated, and 20 storm directors, with clearly understood responsibilities, began putting it into action.

Once the storm hit, a large team was in place with more help on the way. The basic work of rebuilding the infrastructure had to be supported by a wide range of activities, including staging areas, security, and procurement of food, shelter, and fuel. Southern Company’s structure as a “vertically integrated” utility company—meaning it performs all three functions of generating, transmitting, and distributing electricity—was a key to our efficient, coordinated response. With a foundation of experience and planning, the stage was set for the extraordinary effort to confront the storm’s havoc.

**STEPPING FORWARD**

Hurricane Katrina placed many Southern Company employees in high-profile roles. Among those in key positions were (from left) Melvin Wilson, Mississippi Power sales manager, who directed storm logistics; Aline Ward, regional chief information officer, one of many employees who were on the job despite losing a home; Jim George, coastal district supervisor for SouthernLINC Wireless, who helped ensure effective communications; Johnnie Andrews, a Georgia Power distribution manager, who came to Mississippi to lead underground crews; and Mike Neighbors, a power delivery manager with Alabama Power, who helped in Mississippi despite the storm damage in his own state.
Katrina resulted in massive damage to Mississippi Power’s transmission and distribution systems, generating facilities, and offices. More than half of all employees suffered significant damage to their homes (86 employees lost their homes), yet they set aside their own problems and reported to work to restore customers’ power. Help flowed in from Southern Company’s other subsidiaries and business units—even Katrina-battered Alabama Power among them—to do the work of power restoration and to help Mississippi Power employees deal with their personal losses. As in other large storms, assistance also arrived from utilities across the country and Canada.

Southern Company’s culture of trust, performance, and commitment came to the fore. In addition to sister operating companies joining to work as one team, management and frontline employees worked together seamlessly. There were great examples of resourcefulness as 140,000 gallons of fuel were delivered to 5,000 trucks every night and 30,000 meals a day were served to workers; innovation as SouthernLINC Wireless provided the only reliable communications system in operation during a crucial period; and heroism as employees helped rescue coastal residents trapped by the storm. In the words of Mississippi Governor Haley Barbour, the company did a “breathtaking job.” Following the storm, Southern Company Chairman, President, and CEO David M. Ratcliffe was asked to testify before a U.S. Senate committee on how the company managed to respond so well. A “strong culture of teamwork” was a fundamental reason, he said, that the effort succeeded. The effectiveness of the team effort was widely noted in the national media.

In a stirring sign of teamwork, more than 200 employees and volunteers came to Mississippi from across Southern Company to help 700 Mississippi Power workers with emergency repairs to their homes. The visiting team repaired roofs, installed tarps, removed damaged trees and carpet, salvaged furniture, did laundry, and babysat. This freed the Mississippi Power employees to focus on the big task of restoring power.

The Gulf Coast still shows the ravages of the storm and will for some time. Much remains to be done. Mississippi Power was part of the Governor’s Commission that developed the “Recovery, Rebuilding, and Renewal” plan. Again, the company is committed to a team effort, this time to make the coastal region stronger than before.
BACK IN BUSINESS
David Kidd (front), owner of Lil’ Ray’s restaurant in Gulfport, had to shut down after suffering roof damage in the storm. The quick restoration of power and support from the Mississippi Power team including commercial marketing representative Bob Jenkins and marketing engineer Barry Youngblood helped Lil’ Ray’s to reopen, much to the delight of crawfish fans.
BOARD OF DIRECTORS

1. David M. Ratcliffe
   Chairman, President, and Chief Executive Officer
   Southern Company
   Atlanta, Georgia
   Age 57; elected 2003
   Other corporate directorships: None

2. Juanita P. Baranco
   Executive Vice President and Chief Operating Officer
   Baranco Automotive Group (automobile sales)
   Morrow, Georgia
   Age 57; elected 2006
   Board committees: Audit
   Other corporate directorships: Cox Radio Incorporated

3. Dorrit J. Bern
   Chairman, President, and Chief Executive Officer
   Charming Shoppes Incorporated (retail)
   Bensalem, Pennsylvania
   Age 55; elected 1999
   Board committees: Finance (chair), Governance
   Other corporate directorships: Charming Shoppes Incorporated

4. Francis S. Blake
   Executive Vice President of Business Development and Corporate Operations
   The Home Depot Incorporated (retail)
   Atlanta, Georgia
   Age 56; elected 2004
   Board committees: Audit
   Other corporate directorships: None

5. Thomas F. Chapman
   Retired Chairman and Chief Executive Officer
   Equifax Incorporated (information services and transaction processing)
   Atlanta, Georgia
   Age 62; elected 1999
   Board committees: Governance (chair), Compensation and Management Succession
   Other corporate directorships: None

6. Donald M. James
   Chairman and Chief Executive Officer
   Vulcan Materials Company
   (construction materials)
   Birmingham, Alabama
   Age 57; elected 1999
   Board committees: Compensation and Management Succession, Finance
   Other corporate directorships: Vulcan Materials Company, Protective Life Corporation, Wachovia Corporation

7. Zack T. Pate
   Chairman Emeritus
   World Association of Nuclear Operators
   (nuclear power industry)
   Atlanta, Georgia
   Age 69; elected 1998
   Board committees: Nuclear (chair), Audit
   Other corporate directorships: None

8. J. Neal Purcell
   Retired Vice Chairman—Audit Operations
   KPMG (audit and accounting)
   Duluth, Georgia
   Age 64; elected 2003
   Board committees: Audit (chair)
   Other corporate directorships: Synovus Financial Corporation, Dollar General Corporation, Kaiser Permanente Health Care and Hospitals

   Chairman, President, and Chief Executive Officer
   Capital City Bank Group Incorporated (banking)
   Tallahassee, Florida
   Age 52; elected 2006
   Board committees: Compensation and Management Succession, Finance
   Other corporate directorships: Capital City Bank Group Incorporated

10. Jerry St. Pé
    Former President
    Ingalls Shipbuilding
    Retired Executive Vice President
    Litton Industries (shipbuilding)
    Pascagoula, Mississippi
    Age 66; elected 1995
    Board committees: Compensation and Management Succession (chair), Governance
    Other corporate directorships: None
1. David M. Ratcliffe  
   *Chairman, President, and Chief Executive Officer*  
   Ratcliffe, 57, joined the company as a biologist with Georgia Power in 1971, and has been in his current position since 2004. Previously, he was president and CEO of Georgia Power, Southern Company's largest subsidiary, from 1999 to 2004 and also served as president and CEO of Mississippi Power from 1991 to 1995. Ratcliffe has held executive and management positions in the areas of finance, external affairs, fuel services, operations and planning, and research and environmental affairs.

2. J. Barnie Beasley Jr.  
   *Chairman, President, and Chief Executive Officer, Southern Nuclear*  
   Beasley, 54, joined the company as a cooperative education student with Georgia Power in 1969. He has been in his current job as president and CEO of Southern Nuclear since 2004 and also became chairman in 2005. Beasley served in various electrical distribution roles before transferring to Plant Vogtle in 1980, and has held several executive and management positions since then in the company’s nuclear power system, which includes six nuclear reactors.

3. W. Paul Bowers  
   *President, Southern Company Generation*  
   Bowers, 49, joined the company as a residential sales representative with Gulf Power in 1979. He has been in his current position, with overall responsibility for fossil and hydro generation and operations, Southern Power, engineering and construction services, and environmental affairs and research services, since 2001. Bowers also served as president and CEO of Southern Power from 2001 to 2005 and president and CEO of Southern Company’s former UK subsidiary from 1998 to 2000.

4. Robert G. Dawson  
   *President and Chief Executive Officer, SouthernLINC Wireless and Southern Telecom*  
   Dawson, 58, joined the company as a cooperative education student with Southern Company Services in 1964. He has held his current position, heading the company’s telecommunications subsidiaries, since 1995. Previously, Dawson served as vice president of Latin America and Caribbean assets for Southern Energy (now Mirant Corporation) and also has held executive and management positions in generation, power delivery, and fuel services.

5. Andrew J. Dearman III  
   *Executive Vice President and Chief Transmission Officer*  
   Dearman, 52, joined the company as a junior engineer with Alabama Power in 1975. He was named to his current position, overseeing the Southern Company transmission system, in 2001. Previously, Dearman was senior vice president and chief technical officer for Southern Power (now Mirant Corporation) and also held executive positions in power generation and delivery, as well as serving at Alabama Power as a division vice president and in various construction-related jobs.

6. Dwight H. Evans  
   *Executive Vice President*  
   Evans, 57, joined the company as a design engineer and environmental engineer with Georgia Power in 1970. He has held his current position, which includes responsibility for environmental policy, regulatory and legislative affairs, and corporate communication, since 2001. Previously, Evans was president and CEO of Mississippi Power and also has held executive positions in external affairs and governmental affairs.

7. Thomas A. Fanning  
   *Executive Vice President, Chief Financial Officer, and Treasurer*  
   Fanning, 49, joined the company as a financial analyst in 1980. He has held his current position, which also includes responsibility for corporate strategy, since 2003. He previously was president and CEO of Gulf Power and served as chief financial officer at Georgia Power and Mississippi Power. Fanning also has held several officer positions in the areas of finance, strategy, international business development, and information technology.

8. Michael D. Garrett  
   *Executive Vice President*  
   Garrett, 56, joined the company as a cooperative education student with Georgia Power in 1968. He began his current job as president and CEO of Georgia Power in 2004. Previously, Garrett was president and CEO of Mississippi Power. He also has held executive positions at Alabama Power in the areas of customer operations, regulatory affairs, finance, and external affairs, as well as serving as Birmingham Division vice president.

9. G. Edison Holland  
   *Executive Vice President, General Counsel, and Corporate Secretary*  
   Holland, 53, joined the company as vice president and corporate counsel for Gulf Power in 1992. He was named to his current position, which also includes serving as the chief compliance officer, in 2001. Previously, he was president and CEO of Savannah Electric from 1997 to 2001. Holland also has served as vice president of power generation and transmission at Gulf Power.

10. Anthony R. James  
    *Executive Vice President and President of Shared Services*  
    James, 55, joined the company as a safety and health supervisor with Georgia Power in 1978. He began his current job, overseeing the centralized corporate functions that provide services to operating subsidiaries, in 2006. James previously was president and CEO of Savannah Electric from 2001 to 2005. He also has held executive, management, and supervisory positions in power generation, plant maintenance, plant management, employee benefits, wholesale power marketing, and safety and health.

11. Charles D. McCrary  
    *Executive Vice President*  
    McCrary, 54, joined the company as an assistant project planning engineer with Alabama Power in 1973. He began his current job as president and CEO of Alabama Power in 2001. Previously, McCrary was chief production officer for Southern Company and president and CEO of Southern Power. He also held executive positions at Alabama Power and Southern Nuclear as well as various jobs in engineering, system planning, fuels, and environmental affairs.

12. Susan N. Story  
    *President and Chief Executive Officer, Gulf Power*  
    Story, 46, joined the company as a nuclear power plant engineer in 1982. She has held her current position leading Southern Company’s subsidiary serving northwest Florida since 2003. Previously, Story was executive vice president of engineering and construction services for Southern Company Generation and Energy Marketing. She also has held executive and management positions in the areas of supply chain management, real estate, corporate services, and human resources.

13. Anthony J. Topazi  
    *President and Chief Executive Officer, Mississippi Power*  
    Topazi, 55, joined the company as a cooperative education student with Alabama Power in 1969. He began his current job leading the Southern Company subsidiary that serves southeast Mississippi in 2004. Topazi previously was executive vice president for Southern Company Generation and Energy Marketing and also served as senior vice president of Southern Power. He held various positions at Alabama Power, including Western Division vice president and Birmingham Division vice president.
STOCKHOLDER INFORMATION

TRANSFER AGENT
SCS Stockholder Services is Southern Company’s transfer agent, dividend-paying agent, investment plan administrator, and registrar. If you have questions concerning your Southern Company stockholder account, please contact:

By mail
SCS Stockholder Services
P.O. Box 54250
Atlanta, GA 30308-0250

By phone
9 to 12, 1 to 5 ET
(800) 554-7626

AUDITORS
Deloitte & Touche LLP
Suite 1500, 191 Peachtree St. NE
Atlanta, GA 30303

INVESTOR INFORMATION LINE
For recorded information about earnings and dividends, stock quotes, and current news releases, call toll-free (866) 762-6411.

INSTITUTIONAL INVESTOR INQUIRIES
Southern Company maintains an investor relations office in Atlanta, (404) 506-5195, to meet the information needs of institutional investors and securities analysts.

ELECTRONIC DELIVERY
Any stockholder may enroll for electronic delivery of proxy materials by logging on at www.icsdelivery.com/so.

CERTIFICATIONS
Southern Company has filed the required certifications of its chief executive officer and chief financial officer under Section 302 of the Sarbanes-Oxley Act of 2002 regarding the quality of our public disclosures as exhibits 31(a)1 and 31(a)2 to Southern Company’s Annual Report on Form 10-K for the year ended December 31, 2005. The certification of Southern Company’s chief executive officer regarding compliance with the New York Stock Exchange (NYSE) corporate governance listing standards required by NYSE Rule 303A.12 will be filed with the NYSE following the 2006 Annual Meeting of Stockholders. Last year, Southern Company filed this certification with the NYSE on June 6, 2005.

ENVIRONMENTAL INFORMATION
Southern Company publishes a variety of information on its activities to meet the company’s environmental commitments. It is available online at www.southerncompany.com/planetpower/ and in print. To request printed materials, write to:

Chris Hobson
Senior Vice President, Research and Environmental Affairs
600 North 18th St.
P.O. Box 2641
Birmingham, AL 35203-2206

STOCKHOLDER SERVICES INTERNET SITE
Located within Southern Company’s Investor Relations Web site at http://investor.southerncompany.com, the Stockholder Services site provides transfer instructions, service request forms, and answers to frequently asked questions.

Through this site, registered stockholders may also securely access their account information, including share balance, market value, and dividend payment details—as well as change their account mailing addresses.

SOUTHERN INVESTMENT PLAN
The Southern Investment Plan (SIP) provides a convenient way to purchase common stock and reinvest dividends. Access the Stockholder Services Internet site to review the Prospectus and download an enrollment form.

DIRECT REGISTRATION
Southern Company common stock can be issued in direct registration (book entry or uncertificated) form. The stock is DRS (Direct Registration System) eligible.

DIVIDEND PAYMENTS
The entire amount of dividends paid in 2005 is taxable.

The board of directors sets the record and payment dates for quarterly dividends. A dividend of 37\(\frac{1}{4}\) cents per share was paid in March 2006.

For the remainder of 2006, projected record dates are May 1, Aug. 7, and Nov. 6. Projected payment dates for dividends declared during the remainder of 2006 are June 6, Sept. 6, and Dec. 6.

ANNUAL MEETING
The 2006 Annual Meeting of Stockholders will be held Wednesday, May 24 at 10 a.m. ET at the Southern Pine at Callaway, Highway 18, Pine Mountain, GA 31822.

COMMON STOCK
Southern Company common stock is listed on the NYSE under the ticker symbol SO. At December 31, 2005, Southern Company had 118,285 stockholders of record.