
Thomas A. Fanning

CHAIRMAN, PRESIDENT AND CEO
SOUTHERN COMPANY



DEAR FELLOW SHAREHOLDERS:

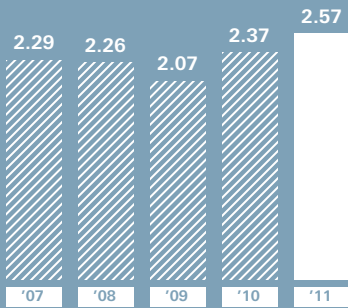
The success of a business lies in the value it delivers to the customers, communities, employees and shareholders it serves. For Southern Company, that statement has never been more true—especially during a year in which we came to expect the unexpected.

In 2011, the world often seemed an uncertain place. The prospect of global economic recovery was hindered by difficulties in Europe. A massive earthquake and tsunami spread waves of destruction throughout much of Japan. Earthquakes affected Washington, D.C., and a major hurricane devastated portions of America's eastern seaboard.

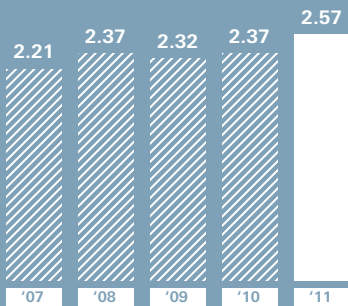
Southern Company and its customers faced their share of surprises as well. Early in the year, severe winter storms invaded our system's territory, and in April, tornadoes caused loss of life and widespread power outages. Tsunami-inflicted damage to Japan's Fukushima facility fueled debate about the future of nuclear power in the U.S. And we saw further movement toward intrusive federal regulation that could affect our nation's ability to provide safe, clean, reliable and affordable electricity for years to come.

And yet, through all of that and more, Southern Company not only survived but also advanced—making excellent progress toward achieving our five strategic priorities, which I introduced in last year's letter to shareholders. Here's a quick update on each:

- **STICK TO THE FUNDAMENTALS.** The reliability of our fossil-hydro generating plants in 2011 was the second-best in our company's history. We also saw continued improvement in the reliability of our transmission and distribution system. Overall, our prices remain below the national average, and our customer satisfaction ranks among the best in the industry.
- **ACHIEVE SUCCESS WITH MAJOR CONSTRUCTION PROJECTS.** We received final licensing approval for the two new groundbreaking AP1000 nuclear units at Georgia Power's Plant Vogtle, while at Plant Ratcliffe in Kemper County, Miss., construction is under way that is intended to introduce 21st century coal technology to the U.S. in 2014. Targets related to cost and schedule remain achievable for both projects.
- **SUPPORT THE BUILDING OF A NATIONAL ENERGY POLICY.** We are engaging constructively on several external fronts to promote a common sense policy with two components: 1) to use all the "arrows in the quiver"—nuclear, 21st century coal, natural



Basic Earnings Per Share
(in dollars)



Basic Earnings Per Share, Excluding Litigation Settlement with MC Asset Recovery, Leveraged Lease Charges and Synthetic Fuels*
(in dollars)

* Not a financial measure under generally accepted accounting principles. See Glossary on page 34 for additional information.

CHAIRMAN'S LETTER

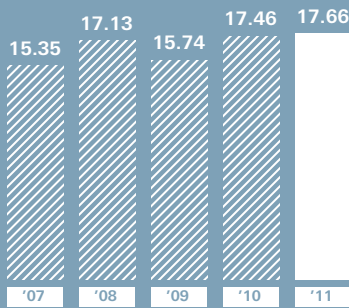
gas, renewables and energy efficiency—or, as President Obama referred to it in his State of the Union address, an “all of the above” approach; and 2) to develop innovative energy technology solutions, not rhetoric, through proprietary research and development. We are working to make this policy a reality through constructive engagement in legislation, regulation and, if necessary, litigation, all for the benefit of the customers we serve.

- **PROMOTE SMART ENERGY.** We continued our 20-year (and counting) smart grid evolution by achieving nearly 90 percent of our goal of adding more than 4.6 million smart meters to our system. Meanwhile, we are promoting safe, clean, reliable and affordable electro-technologies that benefit customers throughout all phases of the delivery chain, from fuel to generation to transmission to consumption.
- **VALUE AND DEVELOP OUR PEOPLE.** We reinforced our well-known tradition for personnel development in 2011. About 25 percent of our officers assumed new positions last year, and we also brought in a few new leaders from outside the company to further strengthen our bench. We completed more than 400 transfers of employees between our various subsidiaries. We were named the No. 1 military-friendly employer among U.S. utilities by G.I. Jobs magazine. Further, DiversityInc magazine honored us as the No. 1 utility workplace for diversity and inclusion.

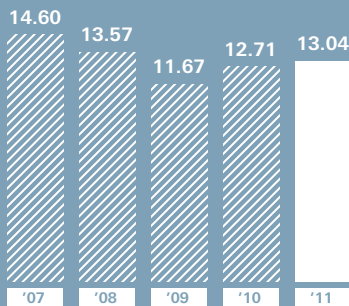
We also delivered a total shareholder return of 27 percent, with the second-lowest level of volatility among S&P 500 companies and the highest financial strength of any company of size in our industry. Value Line has assigned us an earnings predictability score of 100 percent, making us one of the few companies in America to achieve that lofty level. In terms of value, you'd be hard-pressed to find any investment that delivered on a risk-adjusted basis as well as Southern Company did in 2011.

Going forward, the management of risk will continue to be key, especially to the extent that conditions remain volatile. Markets today seem to be awakening to the reality that risk matters, and companies like ours have benefited. In the future, the shrewd valuation and management of risk is expected to take on even more importance as baby boomers reach retirement age and find themselves in need of stable assets capable of providing reliable performance over time.

This emerging financial environment is tailor-made for Southern Company. Because of our disciplined approach to risk, few companies anywhere are better equipped to deliver favorable risk-adjusted returns. Our “arrows in the quiver” philosophy is an important part



Operating Revenues
(in billions of dollars)



Return On Average Common Equity
(percent)

CHAIRMAN'S LETTER

of this approach, as we transition our energy production further away from coal to natural gas and expand our nuclear production with the new Vogtle units.

Which brings us back to the topic of value. Earlier this year, Southern Company celebrated its 100th anniversary, joining the short list of American businesses that can make that claim. That kind of longevity comes only with an unyielding commitment to customer value, which for us means industry-leading reliability, affordable rates, personalized service and community commitment. Our efforts reveal themselves in lots of different ways but always with the same end in mind—that the Southeast, and anywhere else our company operates, will be better off because of the contributions we make.

Toward that end, our system is building new nuclear units that are safer and more advanced than ever before. We have developed proprietary coal technology that operates almost as cleanly as natural gas and are using it at a plant designed to capture 65 percent of its carbon dioxide output, which will then be sold for use in recovering American oil reserves. We're expanding our use of natural gas and solar power, and building the largest biomass plant in the U.S. We're helping customers learn more about electricity and discover smarter ways to use it. We're investing in innovation, job creation, community involvement and more, for one reason and one reason only—because it brings value to those we serve.

Understanding this value proposition is perhaps the best way to understand Southern Company's value as an investment. When customers receive ever-increasing value for the dollars they spend, they tend to be more satisfied. Which lets regulators know our business is running smoothly. Which enables us to access the capital we need to become even better at what we do. Which leads to even higher levels of satisfaction.

It's a formula that has served us well for a long time, and we intend to remain steady on that course. As we begin our second hundred years, our mission is intact, and our identity clear. We are committed to extending our history of reliable, trustworthy financial performance well into the future.

Sincerely,

Thomas A. Fanning

March 28, 2012