

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This report contains forward-looking statements. Forward-looking statements include, among other things, statements concerning retail sales, retail rates, customer growth, economic recovery, fuel and environmental cost recovery and other rate actions, current and proposed environmental regulations and related estimated expenditures, future earnings, dividend payout ratios, access to sources of capital, financing activities, start and completion of construction projects, plans and estimated costs for new generation resources, storm damage cost recovery and repairs, and estimated construction and other expenditures. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “could,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential,” or “continue” or the negative of these terms or other similar terminology. There are various factors that could cause actual results to differ materially from those suggested by the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include:

- the impact of recent and future federal and state regulatory changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, implementation of the Energy Policy Act of 2005, environmental laws including regulation of water, coal combustion byproducts, and emissions of sulfur, nitrogen, carbon, soot, particulate matter, hazardous air pollutants, including mercury, and other substances, financial reform legislation, and also changes in tax and other laws and regulations to which Southern Company and its subsidiaries are subject, as well as changes in application of existing laws and regulations;
- current and future litigation, regulatory investigations, proceedings, or inquiries, including the pending Environmental Protection Agency civil actions against certain Southern Company subsidiaries, Federal Energy Regulatory Commission matters, and Internal Revenue Service and state tax audits;
- the effects, extent, and timing of the entry of additional competition in the markets in which Southern Company’s subsidiaries operate;
- variations in demand for electricity, including those relating to weather, the general economy and recovery from the recent recession, population and business growth (and declines), and the effects of energy conservation measures;
- available sources and costs of fuels;
- effects of inflation;
- ability to control costs and avoid cost overruns during the development and construction of facilities;
- investment performance of Southern Company’s employee benefit plans and nuclear decommissioning trust funds;
- advances in technology;
- state and federal rate regulations and the impact of pending and future rate cases and negotiations, including rate actions relating to fuel and other cost recovery mechanisms;
- regulatory approvals and actions related to the Plant Vogtle expansion, including Georgia Public Service Commission (PSC) approvals, Nuclear Regulatory Commission actions, and potential U.S. Department of Energy (DOE) loan guarantees;
- regulatory approvals and other actions related to the Kemper integrated coal gasification combined cycle facility, including Mississippi PSC approvals, potential DOE loan guarantees, the South Mississippi Electric Power Association purchase decision, utilization of investment tax credits, and the outcome of further proceedings regarding the Mississippi PSC’s issuance of the certificate of public conveyance and necessity;
- the performance of projects undertaken by the non-utility businesses and the success of efforts to invest in and develop new opportunities;
- internal restructuring or other restructuring options that may be pursued;
- potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to Southern Company or its subsidiaries;
- the ability of counterparties of Southern Company and its subsidiaries to make payments as and when due and to perform as required;
- the ability to obtain new short- and long-term contracts with wholesale customers;
- the direct or indirect effect on Southern Company’s business resulting from terrorist incidents and the threat of terrorist incidents, including cyber intrusion;
- interest rate fluctuations and financial market conditions and the results of financing efforts, including Southern Company’s and its subsidiaries’ credit ratings;
- the impacts of any potential U.S. credit rating downgrade or other sovereign financial issues, including impacts on interest rates, access to capital markets, impacts on currency exchange rates, counterparty performance, and the economy in general, as well as potential impacts on the availability or benefits of proposed DOE loan guarantees;
- the ability of Southern Company and its subsidiaries to obtain additional generating capacity at competitive prices;
- catastrophic events such as fires, earthquakes, explosions, floods, hurricanes, droughts, pandemic health events such as influenzas, or other similar occurrences;
- the direct or indirect effects on Southern Company’s business resulting from incidents affecting the U.S. electric grid or operation of generating resources;
- the effect of accounting pronouncements issued periodically by standard setting bodies; and
- other factors discussed elsewhere herein and in other reports, including Southern Company’s annual report on Form 10-K for the fiscal year ended December 31, 2011 (Form 10-K) filed by Southern Company from time to time with the Securities and Exchange Commission.

Southern Company expressly disclaims any obligation to update any forward-looking statements.

## FINANCIAL INFORMATION

The following condensed financial presentation should not be considered a substitute for the full financial statements, inclusive of footnotes and Management’s Discussion and Analysis of Financial Condition and Results of Operations, provided to all shareholders in Appendix B to the Company’s 2012 Proxy Statement and included in the Form 10-K as filed with the Securities and Exchange Commission. Appendix B to the Proxy Statement

and the Form 10-K also contain detailed discussions of major uncertainties, contingencies, risks, and other issues the Company faces. A copy of the Form 10-K and/or the Proxy Statement, when available, including the full financial statements, can be obtained by calling 1-800-554-7626 or accessing it online at <http://investor.southerncompany.com>.

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of The Southern Company is responsible for establishing and maintaining an adequate system of internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002 and as defined in Exchange Act Rule 13a-15(f). A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Under management's supervision, an evaluation of the design and effectiveness of Southern Company's internal control over financial reporting was conducted based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that



**Thomas A. Fanning**  
Chairman, President, and Chief Executive Officer

Southern Company's internal control over financial reporting was effective as of December 31, 2011.

Deloitte & Touche LLP, an independent registered public accounting firm, as auditors of Southern Company's financial statements, has issued an attestation report on the effectiveness of Southern Company's internal control over financial reporting as of December 31, 2011. Deloitte & Touche LLP's report on Southern Company's internal control over financial reporting appears in Appendix B to the Proxy Statement and in the Form 10-K as filed with the Securities and Exchange Commission.



**Art P. Beattie**  
Executive Vice President and Chief Financial Officer

*February 24, 2012*

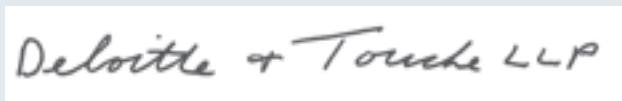
## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### To the Board of Directors and Stockholders of Southern Company

We have audited the consolidated balance sheets and consolidated statements of capitalization of The Southern Company and Subsidiary Companies (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. We have also audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. Such consolidated financial statements, management's assessment of the effectiveness of the Company's internal control over financial reporting, and our report on the consolidated financial statements and internal control over financial reporting dated February 24, 2012, expressing unqualified opinions (which are not included herein) are in-

cluded in Appendix B to the Proxy Statement for the 2012 annual meeting of stockholders. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on such condensed consolidated financial statements in relation to the complete consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 2011 and 2010, and the related condensed consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2011, is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.



Atlanta, Georgia  
*February 24, 2012*

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2011, 2010, and 2009

<i>(in millions)</i>	2011	2010	2009
<b>OPERATING REVENUES:</b>			
Retail revenues	\$15,071	\$14,791	\$13,307
Wholesale revenues	1,905	1,994	1,802
Other electric revenues	611	589	533
Other revenues	70	82	101
Total operating revenues	17,657	17,456	15,743
<b>OPERATING EXPENSES:</b>			
Fuel	6,262	6,699	5,952
Purchased power	608	563	474
Other operations and maintenance	3,938	4,010	3,526
MC Asset Recovery litigation settlement	-	-	202
Depreciation and amortization	1,717	1,513	1,503
Taxes other than income taxes	901	869	818
Total operating expenses	13,426	13,654	12,475
OPERATING INCOME	4,231	3,802	3,268
<b>OTHER INCOME AND (EXPENSE):</b>			
Allowance for equity funds used during construction	153	194	200
Interest expense, net of amounts capitalized	(857)	(895)	(905)
Other income (expense), net	(40)	(35)	41
Total other income and (expense)	(744)	(736)	(664)
EARNINGS BEFORE INCOME TAXES	3,487	3,066	2,604
Income taxes	1,219	1,026	896
CONSOLIDATED NET INCOME	2,268	2,040	1,708
Dividends on Preferred and Preference Stock of Subsidiaries	65	65	65
CONSOLIDATED NET INCOME AFTER DIVIDENDS ON PREFERRED AND PREFERENCE STOCK OF SUBSIDIARIES	\$ 2,203	\$ 1,975	\$ 1,643
<b>COMMON STOCK DATA:</b>			
Earnings per share (EPS)–			
Basic EPS	\$2.57	\$2.37	\$2.07
Diluted EPS	2.55	2.36	2.06
Average number of shares of common stock outstanding – <i>(in millions)</i>			
Basic	857	832	795
Diluted	864	837	796
Cash dividends paid per share of common stock	\$1.8725	\$1.8025	\$1.7325

Full disclosure of all financial information is included in Appendix B to the Proxy Statement and in the Form 10-K as filed with the Securities and Exchange Commission, including the accompanying footnotes, which are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2011, 2010, and 2009

<i>(in millions)</i>	2011	2010	2009
<b>OPERATING ACTIVITIES:</b>			
Consolidated net income	\$ 2,268	\$ 2,040	\$ 1,708
Adjustments to reconcile consolidated net income to net cash provided from operating activities—			
Depreciation and amortization, total	2,048	1,831	1,788
Deferred income taxes	1,155	1,038	25
Deferred revenues	(4)	(103)	(54)
Allowance for equity funds used during construction	(153)	(194)	(200)
Pension, postretirement, and other employee benefits	(45)	(614)	(3)
Stock based compensation expense	42	33	23
Generation construction screening costs	-	(51)	(22)
Other, net	19	70	43
Changes in certain current assets and liabilities—			
Receivables	362	80	585
Fossil fuel stock	(62)	135	(432)
Materials and supplies	(60)	(30)	(39)
Other current assets	(17)	(17)	(47)
Accounts payable	(5)	4	(125)
Accrued taxes	330	(308)	(95)
Accrued compensation	10	180	(226)
Other current liabilities	15	(103)	334
Net cash provided from operating activities	5,903	3,991	3,263
<b>INVESTING ACTIVITIES:</b>			
Property additions	(4,525)	(4,086)	(4,670)
Distribution of restricted cash	63	25	119
Nuclear decommissioning trust fund purchases	(2,195)	(2,009)	(1,234)
Nuclear decommissioning trust fund sales	2,190	2,004	1,228
Proceeds from property sales	25	18	340
Cost of removal, net of salvage	(93)	(125)	(119)
Change in construction payables	191	(51)	215
Other investing activities	161	(32)	(198)
Net cash used for investing activities	(4,183)	(4,256)	(4,319)
<b>FINANCING ACTIVITIES:</b>			
Increase (decrease) in notes payable, net	(438)	659	(306)
Proceeds—			
Long-term debt issuances	3,719	3,151	3,042
Common stock issuances	723	772	1,286
Redemptions and repurchases—			
Long-term debt	(3,170)	(2,966)	(1,234)
Payment of common stock dividends	(1,601)	(1,496)	(1,369)
Payment of dividends on preferred and preference stock of subsidiaries	(65)	(65)	(65)
Other financing activities	(20)	(33)	(25)
Net cash provided from (used for) financing activities	(852)	22	1,329
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>868</b>	<b>(243)</b>	<b>273</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>447</b>	<b>690</b>	<b>417</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 1,315</b>	<b>\$ 447</b>	<b>\$ 690</b>

Full disclosure of all financial information is included in Appendix B to the Proxy Statement and in the Form 10-K as filed with the Securities and Exchange Commission, including the accompanying footnotes, which are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

At December 31, 2011 and 2010

ASSETS (in millions)	2011	2010
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,315	\$ 447
Restricted cash and cash equivalents	8	68
Receivables—		
Customer accounts receivable	1,074	1,140
Unbilled revenues	376	420
Under recovered regulatory clause revenues	143	209
Other accounts and notes receivable	282	285
Accumulated provision for uncollectible accounts	(26)	(25)
Fossil fuel stock, at average cost	1,367	1,308
Materials and supplies, at average cost	903	827
Vacation pay	160	151
Prepaid expenses	385	784
Other regulatory assets, current	239	210
Other current assets	46	59
<b>Total current assets</b>	<b>6,272</b>	<b>5,883</b>
<b>PROPERTY, PLANT, AND EQUIPMENT:</b>		
In service	59,744	56,731
Less accumulated depreciation	21,154	20,174
Plant in service, net of depreciation	38,590	36,557
Other utility plant, net	55	-
Nuclear fuel, at amortized cost	774	670
Construction work in progress	5,591	4,775
<b>Total property, plant, and equipment</b>	<b>45,010</b>	<b>42,002</b>
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Nuclear decommissioning trusts, at fair value	1,207	1,370
Leveraged leases	649	624
Miscellaneous property and investments	262	277
<b>Total other property and investments</b>	<b>2,118</b>	<b>2,271</b>
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Deferred charges related to income taxes	1,365	1,280
Prepaid pension costs	-	88
Unamortized debt issuance expense	156	178
Unamortized loss on reacquired debt	285	274
Deferred under recovered regulatory clause revenues	48	218
Other regulatory assets, deferred	3,532	2,402
Other deferred charges and assets	481	436
<b>Total deferred charges and other assets</b>	<b>5,867</b>	<b>4,876</b>
<b>TOTAL ASSETS</b>	<b>\$59,267</b>	<b>\$55,032</b>

Full disclosure of all financial information is included in Appendix B to the Proxy Statement and in the Form 10-K as filed with the Securities and Exchange Commission, including the accompanying footnotes, which are an integral part of the financial statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

At December 31, 2011 and 2010

LIABILITIES AND STOCKHOLDERS' EQUITY <i>(in millions)</i>	2011	2010
<b>CURRENT LIABILITIES:</b>		
Securities due within one year	\$ 1,717	\$ 1,301
Notes payable	859	1,297
Accounts payable	1,553	1,275
Customer deposits	347	332
Accrued taxes—		
Accrued income taxes	13	8
Unrecognized tax benefits	22	187
Other accrued taxes	425	440
Accrued interest	226	225
Accrued vacation pay	205	194
Accrued compensation	450	438
Liabilities from risk management activities	209	152
Other regulatory liabilities, current	125	88
Other current liabilities	426	535
<b>Total current liabilities</b>	<b>6,577</b>	<b>6,472</b>
<b>LONG-TERM DEBT</b>	<b>18,647</b>	<b>18,154</b>
<b>DEFERRED CREDITS AND OTHER LIABILITIES:</b>		
Accumulated deferred income taxes	8,809	7,554
Deferred credits related to income taxes	224	235
Accumulated deferred investment tax credits	611	509
Employee benefit obligations	2,442	1,580
Asset retirement obligations	1,321	1,257
Other cost of removal obligations	1,165	1,158
Other regulatory liabilities, deferred	297	312
Other deferred credits and liabilities	514	517
<b>Total deferred credits and other liabilities</b>	<b>15,383</b>	<b>13,122</b>
<b>TOTAL LIABILITIES</b>	<b>40,607</b>	<b>37,748</b>
<b>REDEEMABLE PREFERRED STOCK OF SUBSIDIARIES</b>	<b>375</b>	<b>375</b>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>18,285</b>	<b>16,909</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$59,267</b>	<b>\$55,032</b>

Full disclosure of all financial information is included in Appendix B to the Proxy Statement and in the Form 10-K as filed with the Securities and Exchange Commission, including the accompanying footnotes, which are an integral part of the financial statements.