

THOMAS A. FANNING
Chairman, President and CEO
Southern Company, 33 years of service



DEAR FELLOW SHAREHOLDERS:

When a company celebrates its 100-year anniversary—as Southern Company did in 2012—it means a lot of things have gone right. That kind of sustained success requires the efforts of multiple generations of employees, spanning the decades and connected by a common and consistent focus on meeting the needs of the customers we serve.

That same focus was very much in evidence in 2012, as demonstrated by the strong results we achieved against our five strategic priorities:

EXCEL AT THE FUNDAMENTALS. We continued to provide outstanding system reliability, with a fossil/hydro peak season equivalent forced outage rate that has led our industry peers for six years running and eight of the last nine. We also extended our superior performance in transmission and distribution reliability, with a trend of improvement that stretches over the past decade.

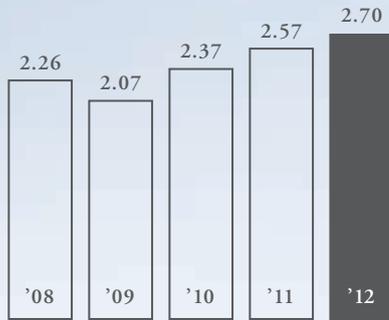
We expanded the transformation of our generation mix, tripling the percentage of natural gas in just five years and using more gas than coal for the first time in our history. As a result, our customers benefited from approximately \$1 billion in fuel savings as compared with 2011.

This strong operational performance enabled all four of our regulated utilities to place in the top quartile nationally in customer satisfaction in 2012.

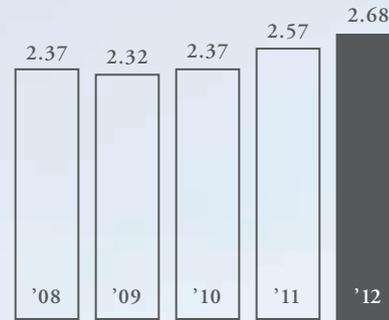
ACHIEVE SUCCESS WITH MAJOR CONSTRUCTION. Significant progress was made at Plant Vogtle units 3 and 4, where construction of new nuclear generation is now one-third complete. Meanwhile, construction at the Kemper project—a 21st century coal gasification plant in Mississippi—is 75 percent complete and scheduled to begin start-up activities this summer before beginning operation in 2014.

SUPPORT THE BUILDING OF A NATIONAL ENERGY POLICY. We continued to advocate for a common sense energy policy that utilizes all available fuel sources—new nuclear, 21st century coal, natural gas, renewables and energy efficiency—and invests in energy innovation through research and development. We also emerged as a leading voice for the restoration of America's financial integrity, and saw progress in this area with the passage of legislation preserving a rational approach for taxes on dividends and capital gains.

PROMOTE SMART ENERGY THROUGH INNOVATION. We achieved the completion of 4.4 million smart meter installations



BASIC EARNINGS PER SHARE
(IN DOLLARS)



BASIC EARNINGS PER SHARE EXCLUDING
MC ASSET RECOVERY INSURANCE SETTLEMENT,
LITIGATION SETTLEMENT WITH MC ASSET RECOVERY,
AND LEVERAGED LEASE CHARGES*
(IN DOLLARS)

* Not a financial measure under generally accepted accounting principles.
See Glossary on page 36 for additional information.

in Georgia, Alabama and Florida, and continue to explore the many potential beyond-the-meter uses of this important and exciting technology.

VALUE AND DEVELOP OUR PEOPLE. We continued to focus on improving the skill sets of our employees through a process of employee development and cross-training. Over the past two years, we have transferred some 700 employees across system lines, broadening their experience and better preparing them for the challenges that lie ahead. We also implemented a new online learning platform that further enhances our training capabilities.

Despite these achievements, we know that many challenges remain—and we will approach them with the same uncompromising dedication that has always served us so well.

The health of the global economy will continue to influence our business. The issues we see abroad are no longer associated with just a single continent; even as Europe struggles, we see challenged growth in China, South America and elsewhere. With one-quarter of our company's industrial sales tied to exports, this is an area that bears watching for some time to come.

Meanwhile, the fate of the American economy cannot be disconnected from that of the rest of the world; what happens overseas has real impact here at home. And while we

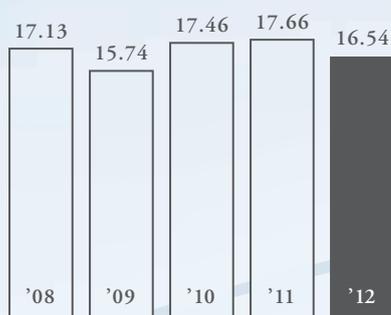
have seen encouraging signs of emerging domestic growth in recent months, it's still far too difficult to determine whether a sustained recovery is under way.

Federal regulation of air and water issues will affect the financial strength of the customers and communities we serve, and therefore will require our active participation in this ongoing debate.

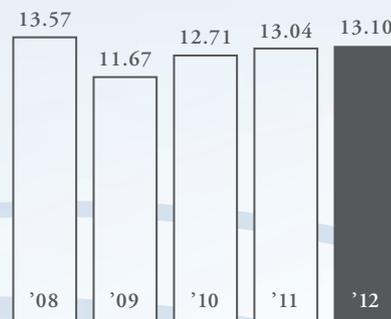
Internal challenges await us as well—challenges related to sales and revenues and financial pressures on various fronts. In response, we must become increasingly diligent in the scrutiny of our cost structure, as we seek the best possible ways to hold down costs while continuing to meet the needs of those we serve.

We will not merely react to these challenges; we will aggressively and proactively pursue solutions that enable us to leverage the very best of our talents and capabilities.

We will continue to provide exceptional service, seeking to reduce costs and increase efficiencies in our day-to-day processes. We will also increase our attention toward economic development as a means for bringing new jobs and capital investment into the region, and promote the expanded application of energy efficiency and end-use electrotechnologies that give customers more choices while improving their quality of life.



OPERATING REVENUES
(IN BILLIONS OF DOLLARS)



RETURN ON AVERAGE COMMON EQUITY
(PERCENT)

We will continue to be relentlessly focused on our construction activities at Vogtle, Kemper and elsewhere, as we build the country's only truly diversified energy portfolio with a total investment of more than \$20 billion.

We will continue to argue for a common sense energy policy, and to be a champion for comprehensive tax reform and the rebuilding of America's financial integrity. We will engage constructively with elected and appointed representatives at all levels of government to represent and protect the interests of the customers and communities we serve.

We will expand our use of Smart Energy, not just in terms of network devices such as smart meters, but also in terms of our generation fleet as it evolves to anticipate ever-changing conditions in the commodity markets.

We will hold ourselves accountable, both for the results we get and the way in which we get them. We will see ourselves not just as individual performers, but as members of a cohesive team and stewards of a great enterprise.

We will continue to build a diverse workforce, one that is empowered by diverse experiences and diverse skill sets. We will be innovative in our thinking and disciplined in our methods. And in the end, we will succeed as much by the strength of our common character as by the substance of our collective accomplishments.

I truly believe that Southern Company is the greatest electric utility in America. And we didn't get there by accident. Our founders established a legacy that's been passed down from generation to generation—not just by the leadership of our company, but by the employees themselves. Our long-standing traditions—of serving customers, supporting communities and displaying integrity wherever we go—make this more than a business. For those of us who work here, it's a sacred trust.

I want to thank you for your continued interest in—and support of—our company. I always believe the best days lie ahead, and I am confident that we have the talent and the resources to achieve our objective of providing consistent, predictable value to our shareholders. In the meantime, rest assured that the people of Southern Company will continue to serve—to honor the past and build for the future—for many generations to come.

Sincerely,

Thomas A. Fanning
April 1, 2013