

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking information based on current expectations and plans that involve risks and uncertainties. Forward-looking information includes, among other things, statements concerning projected cost and schedule for the completion of ongoing construction projects, economic growth, sales growth, capital expenditures, earnings per share growth, and load forecasts. Southern Company cautions that there are certain factors that can cause actual results to differ materially from the forward-looking information that has been provided. The reader is cautioned not to put undue reliance on this forward-looking information, which is not a guarantee of future performance and is subject to a number of uncertainties and other factors, many of which are outside the control of Southern Company; accordingly, there can be no assurance that such suggested results will be realized. The following factors, in addition to those discussed in Southern Company's Annual Report on Form 10-K for the year ended December 31, 2013 (Form 10-K), and subsequent securities filings, could cause actual results to differ materially from management expectations as suggested by such forward-looking information: 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, environmental laws including regulation of water, coal combustion residuals, and emissions of sulfur, nitrogen, carbon, soot, particulate matter, hazardous air pollutants, including mercury, and other substances, 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), the effects of energy conservation measures, including from the development and deployment of alternative energy sources such as self-generation and distributed generation technologies, and any potential economic impacts resulting from federal fiscal decisions; available sources and costs of fuels; effects of inflation; ability to control costs and avoid cost overruns during the development and construction of facilities, which include the development and construction of facilities with designs that have not been finalized or previously constructed, including changes in labor costs and productivity factors, adverse weather conditions, shortages and inconsistent quality of equipment, materials, and labor, contractor or supplier delay or non-performance under construction or other agreements, delays associated with start-up activities, including major equipment failure, system integration, and operations, and/or unforeseen engineering problems; ability to construct facilities in accordance with the requirements of permits and licenses and to satisfy any operational and environmental performance standards, including the requirements of tax credits and other incentives; investment performance of Southern Company's employee and retiree benefit plans and the Southern Company system's nuclear decom-

missioning 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 and Nuclear Regulatory Commission actions; actions related to cost recovery for the Kemper County integrated coal gasification combined cycle facility (Kemper IGCC), including actions relating to proposed securitization, Mississippi PSC approval of Mississippi Power Company's proposed rate recovery plan, as ultimately amended, which includes the ability to complete the proposed sale of an interest in the Kemper IGCC to South Mississippi Electric Power Association, the ability to utilize bonus depreciation, which currently requires that the Kemper IGCC be placed in service in 2014, and satisfaction of requirements to utilize investment tax credits and grants; Mississippi PSC review of the prudence of Kemper IGCC costs; the outcome of any legal or regulatory proceedings regarding the Mississippi PSC's issuance of the Certificate of Public Convenience and Necessity for the Kemper IGCC, the settlement agreement between Mississippi Power Company and the Mississippi PSC, or the State of Mississippi legislation designed to enhance the Mississippi PSC's authority to facilitate development and construction of baseload generation in the State of Mississippi; the inherent risks involved in operating and constructing nuclear generating facilities, including environmental, health, regulatory, natural disaster, terrorism, and financial risks; 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 the Southern Company system'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 benefits of U.S. Department of Energy 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 the Southern Company system'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 described elsewhere herein and in other reports, including the 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 information.

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 2014 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 (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation,

management concluded that Southern Company's internal control over financial reporting was effective as of December 31, 2013.

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, 2013. 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.



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



Art P. Beattie
Executive Vice President and Chief Financial Officer

February 27, 2014


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 Southern Company and Subsidiary Companies (the Company) as of December 31, 2013 and 2012, 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, 2013. We have also audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. 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 27, 2014, expressing an unqualified opinion (which is not included herein) are included in Appendix B to the proxy statement for the 2014 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, 2013 and 2012, and the related condensed consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2013, is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.



Atlanta, Georgia
February 27, 2014

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2013, 2012, and 2011

<i>(In Millions)</i>	2013	2012	2011
OPERATING REVENUES:			
Retail revenues	\$14,541	\$14,187	\$15,071
Wholesale revenues	1,855	1,675	1,905
Other electric revenues	639	616	611
Other revenues	52	59	70
Total operating revenues	17,087	16,537	17,657
OPERATING EXPENSES:			
Fuel	5,510	5,057	6,262
Purchased power	461	544	608
Other operations and maintenance	3,846	3,772	3,938
Depreciation and amortization	1,901	1,787	1,717
Taxes other than income taxes	934	914	901
Estimated loss on Kemper IGCC	1,180	–	–
Total operating expenses	13,832	12,074	13,426
OPERATING INCOME	3,255	4,463	4,231
OTHER INCOME AND (EXPENSE):			
Allowance for equity funds used during construction	190	143	153
Interest income	19	40	21
Interest expense, net of amounts capitalized	(824)	(859)	(857)
Other income (expense), net	(81)	(38)	(61)
Total other income and (expense)	(696)	(714)	(744)
EARNINGS BEFORE INCOME TAXES	2,559	3,749	3,487
Income taxes	849	1,334	1,219
CONSOLIDATED NET INCOME	1,710	2,415	2,268
Dividends on Preferred and Preference Stock of Subsidiaries	66	65	65
CONSOLIDATED NET INCOME AFTER DIVIDENDS ON PREFERRED AND PREFERENCE STOCK OF SUBSIDIARIES	\$ 1,644	\$ 2,350	\$ 2,203
COMMON STOCK DATA:			
Earnings per share (EPS)–			
Basic EPS	\$ 1.88	\$ 2.70	\$ 2.57
Diluted EPS	1.87	2.67	2.55
Average number of shares of common stock outstanding— <i>(in millions)</i>			
Basic	877	871	857
Diluted	881	879	864

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, 2013, 2012, and 2011*

<i>(In Millions)</i>	2013	2012	2011
OPERATING ACTIVITIES:			
Consolidated net income	\$ 1,710	\$ 2,415	\$ 2,268
Adjustments to reconcile consolidated net income to net cash provided from operating activities—			
Depreciation and amortization, total	2,298	2,145	2,048
Deferred income taxes	496	1,096	1,155
Investment tax credits	302	128	85
Allowance for equity funds used during construction	(190)	(143)	(153)
Pension, postretirement, and other employee benefits	131	(398)	(45)
Stock based compensation expense	59	55	42
Estimated loss on Kemper IGCC	1,180	—	—
Retail fuel cost over recovery—long-term	(123)	123	—
Other, net	82	(72)	(70)
Changes in certain current assets and liabilities—			
Receivables	(153)	234	362
Fossil fuel stock	481	(452)	(62)
Materials and supplies	36	(97)	(60)
Other current assets	(11)	(37)	(17)
Accounts payable	72	(89)	(5)
Accrued taxes	(85)	(71)	330
Accrued compensation	(138)	(28)	10
Retail fuel cost over recovery—short-term	(66)	129	(3)
Other current liabilities	16	(40)	18
Net cash provided from operating activities	6,097	4,898	5,903
INVESTING ACTIVITIES:			
Property additions	(5,463)	(4,809)	(4,525)
Investment in restricted cash	(149)	(280)	1
Distribution of restricted cash	96	284	63
Nuclear decommissioning trust fund purchases	(986)	(1,046)	(2,195)
Nuclear decommissioning trust fund sales	984	1,043	2,190
Cost of removal, net of salvage	(131)	(149)	(93)
Change in construction payables, net	(126)	(84)	198
Other investing activities	33	(127)	178
Net cash used for investing activities	(5,742)	(5,168)	(4,183)
FINANCING ACTIVITIES:			
Increase (decrease) in notes payable, net	662	(30)	(438)
Proceeds—			
Long-term debt issuances	2,938	4,404	3,719
Interest-bearing refundable deposit related to asset sale	—	150	—
Preference stock	50	—	—
Common stock issuances	695	397	723
Redemptions and repurchases—			
Long-term debt	(2,830)	(3,169)	(3,170)
Common stock repurchased	(20)	(430)	—
Payment of common stock dividends	(1,762)	(1,693)	(1,601)
Payment of dividends on preferred and preference stock of subsidiaries	(66)	(65)	(65)
Other financing activities	9	19	(20)
Net cash used for financing activities	(324)	(417)	(852)
NET CHANGE IN CASH AND CASH EQUIVALENTS	31	(687)	868
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	628	1,315	447
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 659	\$ 628	\$ 1,315

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, 2013 and 2012

ASSETS <i>(In Millions)</i>	2013	2012
CURRENT ASSETS:		
Cash and cash equivalents	\$ 659	\$ 628
Restricted cash and cash equivalents	–	7
Receivables–		
Customer accounts receivable	1,027	961
Unbilled revenues	448	441
Under recovered regulatory clause revenues	58	29
Other accounts and notes receivable	304	235
Accumulated provision for uncollectible accounts	(18)	(17)
Fossil fuel stock, at average cost	1,339	1,819
Materials and supplies, at average cost	959	1,000
Vacation pay	171	165
Prepaid expenses	489	657
Other regulatory assets, current	124	163
Other current assets	39	74
Total current assets	5,599	6,162
PROPERTY, PLANT, AND EQUIPMENT:		
In service	66,021	63,251
Less accumulated depreciation	23,059	21,964
Plant in service, net of depreciation	42,962	41,287
Other utility plant, net	240	263
Nuclear fuel, at amortized cost	855	851
Construction work in progress	7,151	5,989
Total property, plant, and equipment	51,208	48,390
OTHER PROPERTY AND INVESTMENTS:		
Nuclear decommissioning trusts, at fair value	1,465	1,303
Leveraged leases	665	670
Miscellaneous property and investments	218	216
Total other property and investments	2,348	2,189
DEFERRED CHARGES AND OTHER ASSETS:		
Deferred charges related to income taxes	1,432	1,385
Prepaid pension costs	419	–
Unamortized debt issuance expense	139	133
Unamortized loss on reacquired debt	293	309
Other regulatory assets, deferred	2,557	4,032
Other deferred charges and assets	551	549
Total deferred charges and other assets	5,391	6,408
TOTAL ASSETS	\$64,546	\$63,149

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CONDENSED CONSOLIDATED BALANCE SHEETS

At December 31, 2013 and 2012

LIABILITIES AND STOCKHOLDERS' EQUITY <i>(In Millions)</i>	2013	2012
CURRENT LIABILITIES:		
Securities due within one year	\$ 469	\$ 2,335
Interest-bearing refundable deposit related to asset sale	150	150
Notes payable	1,482	825
Accounts payable	1,376	1,387
Customer deposits	380	370
Accrued taxes—		
Accrued income taxes	13	10
Other accrued taxes	456	391
Accrued interest	251	237
Accrued vacation pay	217	212
Accrued compensation	303	433
Other regulatory liabilities, current	92	107
Other current liabilities	347	557
Total current liabilities	5,536	7,014
LONG-TERM DEBT	21,344	19,274
DEFERRED CREDITS AND OTHER LIABILITIES:		
Accumulated deferred income taxes	10,563	9,938
Deferred credits related to income taxes	202	211
Accumulated deferred investment tax credits	966	894
Employee benefit obligations	1,461	2,540
Asset retirement obligations	2,006	1,748
Other cost of removal obligations	1,270	1,194
Other regulatory liabilities, deferred	475	289
Other deferred credits and liabilities	584	668
Total deferred credits and other liabilities	17,527	17,482
TOTAL LIABILITIES	44,407	43,770
REDEEMABLE PREFERRED STOCK OF SUBSIDIARIES	375	375
TOTAL STOCKHOLDERS' EQUITY	19,764	19,004
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$64,546	\$63,149

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