

## Cautionary Statement Regarding Forward-Looking Statements

Southern Company's 2016 Summary Annual Report contains forward-looking statements. Forward-looking statements include, among other things, statements concerning the expected completion of construction projects. 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 environmental laws regulating emissions, discharges, and disposal to air, water and land, and also changes in tax and other laws and regulations to which Southern Company and its subsidiaries are subject, including potential tax reform legislation, as well as changes in application of existing laws and regulations;
- current and future litigation, regulatory investigations, proceedings or inquiries;
- 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 and natural gas, including those relating to weather, the general economy and recovery from the last recession, population and business growth (and declines), the effects of energy conservation and efficiency 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 natural gas and other fuels;
- limits on pipeline capacity;
- effects of inflation;
- the ability to control costs and avoid cost overruns during the development, construction and operation of facilities, which include the development and construction of generating facilities with designs that have not been finalized or previously constructed, including changes in labor costs and productivity, adverse weather conditions, shortages and inconsistent quality of equipment, materials, and labor, sustaining nitrogen supply, contractor or supplier delay, non-performance under construction, operating or other agreements, operational readiness, including specialized operator training and required site safety programs, unforeseen engineering or design problems, start-up activities (including major equipment failure and system integration), and/or operational performance (including additional costs to satisfy any operational parameters ultimately adopted by any Public Service Commission (PSC));
- the ability to construct facilities in accordance with the requirements of permits and licenses, to satisfy any environmental performance standards and the requirements of tax credits and other incentives and to integrate facilities into the Southern Company system upon completion of construction;
- investment performance of the Southern Company system's employee and retiree benefit plans and nuclear decommissioning trust funds;
- advances in technology;
- ongoing renewable energy partnerships and development agreements;
- 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;
- legal proceedings and regulatory approvals and actions related to Plant Vogtle Units 3 and 4, including Georgia PSC approvals and Nuclear Regulatory Commission actions;
- actions related to cost recovery for the Kemper IGCC, including the ultimate impact of the 2015 decision of the Mississippi Supreme Court, the Mississippi PSC's December 2015 rate order, and related legal or regulatory proceedings,

Mississippi PSC review of the prudence of Kemper IGCC costs and approval of further permanent rate recovery plans, actions relating to proposed securitization, satisfaction of requirements to utilize grants, and the ultimate impact of the termination of the proposed sale of an interest in the Kemper IGCC to South Mississippi Electric Power Association (now known as Cooperative Energy);

- the ability to successfully operate the electric utilities' generating, transmission, and distribution facilities and Southern Company Gas' natural gas distribution and storage facilities and the successful performance of necessary corporate functions;
- the inherent risks involved in operating and constructing nuclear generating facilities, including environmental, health, regulatory, natural disaster, terrorism and financial risks;
- the inherent risks involved in transporting and storing natural gas;
- 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 possibility that the anticipated benefits from the acquisition of Southern Company Gas cannot be fully realized or may take longer to realize than expected, the possibility that costs related to the integration of Southern Company and Southern Company Gas will be greater than expected, the ability to retain and hire key personnel and maintain relationships with customers, suppliers, or other business partners and the diversion of management time on integration-related issues;
- 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 cyber intrusion or terrorist incidents and the threat of terrorist incidents;
- interest rate fluctuations and financial market conditions and the results of financing efforts;
- changes in Southern Company's and any of its subsidiaries' credit ratings, including impacts on interest rates, access to capital markets, and collateral requirements;
- the impacts of any sovereign financial issues, including impacts on interest rates, access to capital markets, impacts on foreign currency exchange rates, counterparty performance and the economy in general, as well as potential impacts on the benefits of the Department of Energy loan guarantees;
- the ability of Southern Company's electric subsidiaries to obtain additional generating capacity (or sell excess generating capacity) at competitive prices;
- catastrophic events such as fires, earthquakes, explosions, floods, tornadoes, hurricanes and other storms, 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, natural gas pipeline infrastructure or operation of generating or storage resources;
- the effect of accounting pronouncements issued periodically by standard-setting bodies; and
- other factors discussed elsewhere herein and in other reports, including the Annual Report on Form 10-K for the year ended December 31, 2016 (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 the Company's Annual Report to Stockholders and included in the Form 10-K as filed with the Securities and Exchange Commission. The Annual Report to Stockholders

## 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 (2013) issued by the Committee of Sponsoring Organizations of the Treadway



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

February 21, 2017

## Report of Independent Registered Public Accounting Firm

We have audited the consolidated balance sheets and consolidated statements of capitalization of Southern Company and Subsidiary Companies (the Company) as of December 31, 2016 and 2015, 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, 2016. We have also audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. 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 21, 2017, expressing an unqualified opinion (which is not included herein) are included in the Annual Report to Stockholders. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an

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 Annual Report to Stockholders, including the full financial statements, can be obtained by calling Shareowner Services at 1-800-554-7626 or online at <http://investor.southerncompany.com>.

Commission. Based on this evaluation, management concluded that Southern Company's internal control over financial reporting was effective as of December 31, 2016.

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, 2016. Deloitte & Touche LLP's report on Southern Company's internal control over financial reporting appears in the Annual Report to Stockholders 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 21, 2017

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, 2016 and 2015, and the related condensed consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2016, is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.



Atlanta, Georgia  
February 21, 2017

## Condensed Consolidated Statements of Income

For the Years Ended December 31, 2016, 2015, and 2014

| (In Millions)  | 2016     | 2015     | 2014     |
|--|----------|----------|----------|
| <b>Operating Revenues:</b>   |          |          |          |
| Retail electric revenues   | \$15,234 | \$14,987 | \$15,550 |
| Wholesale electric revenues  | 1,926    | 1,798    | 2,184    |
| Other electric revenues  | 698      | 657      | 672      |
| Natural gas revenues   | 1,596    | —        | —        |
| Other revenues   | 442      | 47       | 61       |
| Total operating revenues   | 19,896   | 17,489   | 18,467   |
| <b>Operating Expenses:</b>   |          |          |          |
| Fuel   | 4,361    | 4,750    | 6,005    |
| Purchased power  | 750      | 645      | 672      |
| Cost of natural gas  | 613      | —        | —        |
| Cost of other sales  | 260      | —        | —        |
| Other operations and maintenance                                   | 5,240    | 4,416    | 4,354    |
| Depreciation and amortization                                      | 2,502    | 2,034    | 1,945    |
| Taxes other than income taxes                                      | 1,113    | 997      | 981      |
| Estimated loss on Kemper IGCC                                      | 428      | 365      | 868      |
| Total operating expenses   | 15,267   | 13,207   | 14,825   |
| <b>Operating Income</b>  | 4,629    | 4,282    | 3,642    |
| <b>Other Income and (Expense):</b>                                 |          |          |          |
| Allowance for equity funds used during construction                | 202      | 226      | 245      |
| Earnings from equity method investments                            | 59       | —        | —        |
| Interest expense, net of amounts capitalized                       | (1,317)  | (840)    | (835)    |
| Other income (expense), net  | (93)     | (39)     | (44)     |
| Total other income and (expense)                                   | (1,149)  | (653)    | (634)    |
| <b>Earnings Before Income Taxes</b>                                | 3,480    | 3,629    | 3,008    |
| Income taxes   | 951      | 1,194    | 977      |
| <b>Consolidated Net Income</b>                                     | 2,529    | 2,435    | 2,031    |
| Less:  |          |          |          |
| Dividends on preferred and preference stock of subsidiaries        | 45       | 54       | 68       |
| Net income attributable to noncontrolling interests                | 36       | 14       | —        |
| <b>Consolidated Net Income Attributable to Southern Company</b>    | \$ 2,448 | \$ 2,367 | \$ 1,963 |
| <b>Common Stock Data:</b>  |          |          |          |
| Earnings per share (EPS)—  |          |          |          |
| Basic EPS  | \$ 2.57  | \$ 2.60  | \$ 2.19  |
| Diluted EPS  | 2.55     | 2.59     | 2.18     |
| Average number of shares of common stock outstanding—(in millions) |          |          |          |
| Basic  | 951      | 910      | 897      |
| Diluted  | 958      | 914      | 901      |

Full disclosure of all financial information is included in the Annual Report to Stockholders 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, 2016, 2015, and 2014

| (In Millions)  | 2016     | 2015     | 2014     |
|--|----------|----------|----------|
| <b>Operating Activities:</b>   |          |          |          |
| Consolidated net income  | \$ 2,529 | \$ 2,435 | \$ 2,031 |
| Adjustments to reconcile consolidated net income to net cash provided from operating activities— |          |          |          |
| Depreciation and amortization, total   | 2,923    | 2,395    | 2,293    |
| Deferred income taxes  | (127)    | 1,404    | 709      |
| Collateral deposits  | (102)    | —        | —        |
| Allowance for equity funds used during construction  | (202)    | (226)    | (245)    |
| Pension, postretirement, and other employee benefits   | (65)     | 83       | (9)      |
| Pension and postretirement funding   | (1,029)  | (7)      | (506)    |
| Settlement of asset retirement obligations   | (171)    | (37)     | (17)     |
| Stock based compensation expense   | 121      | 99       | 63       |
| Hedge settlements  | (233)    | (17)     | —        |
| Estimated loss on Kemper IGCC  | 428      | 365      | 868      |
| Income taxes receivable, non-current   | (122)    | (413)    | —        |
| Other, net   | (36)     | (33)     | 13       |
| Changes in certain current assets and liabilities—   |          |          |          |
| -Receivables   | (544)    | 243      | (352)    |
| -Fossil fuel for generation  | 178      | 61       | 408      |
| -Natural gas for sale  | (226)    | —        | —        |
| -Materials and supplies  | (31)     | (44)     | (67)     |
| -Other current assets  | (174)    | (108)    | (57)     |
| -Accounts payable  | 301      | (353)    | 267      |
| -Accrued taxes   | 1,456    | 352      | (105)    |
| -Accrued compensation  | 36       | (41)     | 255      |
| -Retail fuel cost over recovery—short-term   | (231)    | 289      | (23)     |
| -Mirror CWIP   | —        | (271)    | 180      |
| -Other current liabilities   | 215      | 98       | 109      |
| Net cash provided from operating activities  | 4,894    | 6,274    | 5,815    |
| <b>Investing Activities:</b>   |          |          |          |
| Business acquisitions, net of cash acquired  | (10,689) | (1,719)  | (731)    |
| Property additions   | (7,310)  | (5,674)  | (5,246)  |
| Investment in restricted cash  | (733)    | (160)    | (11)     |
| Distribution of restricted cash  | 742      | 154      | 57       |
| Nuclear decommissioning trust fund purchases   | (1,160)  | (1,424)  | (916)    |
| Nuclear decommissioning trust fund sales   | 1,154    | 1,418    | 914      |
| Cost of removal, net of salvage  | (245)    | (167)    | (170)    |
| Change in construction payables, net   | (121)    | 402      | (107)    |
| Investment in unconsolidated subsidiaries  | (1,444)  | —        | —        |
| Prepaid long-term service agreement  | (134)    | (197)    | (181)    |
| Other investing activities   | (108)    | 87       | (17)     |
| Net cash used for investing activities   | (20,048) | (7,280)  | (6,408)  |
| <b>Financing Activities:</b>   |          |          |          |
| Increase (decrease) in notes payable, net  | 1,228    | 73       | (676)    |
| Proceeds—  |          |          |          |
| Long-term debt   | 16,368   | 7,029    | 3,169    |
| Interest-bearing refundable deposit  | —        | —        | 125      |
| Common stock   | 3,758    | 256      | 806      |
| Short-term borrowings  | —        | 755      | —        |
| Redemptions and repurchases—   |          |          |          |
| Long-term debt   | (3,145)  | (3,604)  | (816)    |
| Common stock   | —        | (115)    | (5)      |
| Interest-bearing refundable deposits   | —        | (275)    | —        |
| Preferred and preference stock   | —        | (412)    | —        |
| Short-term borrowings  | (478)    | (255)    | —        |
| Distributions to noncontrolling interests  | (72)     | (18)     | (1)      |
| Capital contributions from noncontrolling interests  | 682      | 341      | 8        |
| Purchase of membership interests from noncontrolling interests                                   | (129)    | —        | —        |
| Payment of common stock dividends  | (2,104)  | (1,959)  | (1,866)  |
| Other financing activities   | (383)    | (116)    | (100)    |
| Net cash provided from financing activities  | 15,725   | 1,700    | 644      |
| <b>Net Change in Cash and Cash Equivalents</b>   | 571      | 694      | 51       |
| <b>Cash and Cash Equivalents at Beginning of Year</b>  | 1,404    | 710      | 659      |
| <b>Cash and Cash Equivalents at End of Year</b>  | \$ 1,975 | \$ 1,404 | \$ 710   |

Full disclosure of all financial information is included in the Annual Report to Stockholders 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, 2016 and 2015

| Assets (In Millions)  | 2016             | 2015            |
|---|------------------|-----------------|
| <b>Current Assets:</b>  |                  |                 |
| Cash and cash equivalents   | \$ 1,975         | \$ 1,404        |
| Receivables—  |                  |                 |
| Customer accounts receivable  | 1,565            | 1,058           |
| Energy marketing receivable   | 623              | —               |
| Unbilled revenues   | 706              | 397             |
| Under recovered regulatory clause revenues  | 18               | 63              |
| Income taxes receivable, current  | 544              | 144             |
| Other accounts and notes receivable   | 377              | 398             |
| Accumulated provision for uncollectible accounts  | (43)             | (13)            |
| Materials and supplies  | 1,462            | 1,061           |
| Fossil fuel for generation  | 689              | 868             |
| Natural gas for sale  | 631              | —               |
| Prepaid expenses  | 364              | 495             |
| Other regulatory assets, current  | 581              | 580             |
| Other current assets  | 230              | 71              |
| <b>Total current assets</b>   | <b>9,722</b>     | <b>6,526</b>    |
| <b>Property, Plant, and Equipment:</b>  |                  |                 |
| In service  | 98,416           | 75,118          |
| Less accumulated depreciation   | 29,852           | 24,253          |
| Plant in service, net of depreciation   | 68,564           | 50,865          |
| Other utility plant, net  | —                | 233             |
| Nuclear fuel, at amortized cost   | 905              | 934             |
| Construction work in progress   | 8,977            | 9,082           |
| <b>Total property, plant, and equipment</b>   | <b>78,446</b>    | <b>61,114</b>   |
| <b>Other Property and Investments:</b>  |                  |                 |
| Goodwill  | 6,251            | 2               |
| Equity investments in unconsolidated subsidiaries   | 1,549            | 6               |
| Other intangible assets, net of amortization of \$62 and \$12<br>at December 31, 2016 and December 31, 2015, respectively | 970              | 317             |
| Nuclear decommissioning trusts, at fair value   | 1,606            | 1,512           |
| Leveraged leases  | 774              | 755             |
| Miscellaneous property and investments  | 270              | 160             |
| <b>Total other property and investments</b>   | <b>11,420</b>    | <b>2,752</b>    |
| <b>Deferred Charges and Other Assets:</b>   |                  |                 |
| Deferred charges related to income taxes  | 1,629            | 1,560           |
| Unamortized loss on reacquired debt   | 223              | 227             |
| Other regulatory assets, deferred   | 6,851            | 4,989           |
| Income taxes receivable, non-current  | 11               | 413             |
| Other deferred charges and assets   | 1,395            | 737             |
| <b>Total deferred charges and other assets</b>  | <b>10,109</b>    | <b>7,926</b>    |
| <b>Total Assets</b>   | <b>\$109,697</b> | <b>\$78,318</b> |

Full disclosure of all financial information is included in the Annual Report to Stockholders 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, 2016 and 2015

| Liabilities and Stockholders' Equity (In Millions)             | 2016             | 2015             |
|--|------------------|------------------|
| <b>Current Liabilities:</b>                                    |                  |                  |
| Securities due within one year                                 | \$ 2,587         | \$ 2,674         |
| Notes payable  | 2,241            | 1,376            |
| Energy marketing trade payables                                | 597              | —                |
| Accounts payable   | 2,228            | 1,905            |
| Customer deposits  | 558              | 404              |
| Accrued taxes—   |                  |                  |
| Accrued income taxes   | 193              | 9                |
| Unrecognized tax benefits                                      | 385              | 10               |
| Other accrued taxes  | 667              | 484              |
| Accrued interest   | 518              | 249              |
| Accrued compensation   | 915              | 777              |
| Asset retirement obligations, current                          | 378              | 217              |
| Liabilities from risk management activities, net of collateral | 107              | 156              |
| Acquisitions payable   | 489              | —                |
| Other regulatory liabilities, current                          | 236              | 278              |
| Over recovered regulatory clause revenues, current             | 135              | 106              |
| Other current liabilities                                      | 683              | 484              |
| <b>Total current liabilities</b>                               | <b>12,917</b>    | <b>9,129</b>     |
| <b>Long-Term Debt</b>  | <b>42,629</b>    | <b>24,688</b>    |
| <b>Deferred Credits and Other Liabilities:</b>                 |                  |                  |
| Accumulated deferred income taxes                              | 14,092           | 12,322           |
| Deferred credits related to income taxes                       | 219              | 187              |
| Accumulated deferred investment tax credits                    | 2,228            | 1,219            |
| Employee benefit obligations                                   | 2,299            | 2,582            |
| Asset retirement obligations, deferred                         | 4,136            | 3,542            |
| Unrecognized tax benefits, deferred                            | —                | 370              |
| Accrued environmental remediation                              | 397              | 42               |
| Other cost of removal obligations                              | 2,748            | 1,162            |
| Other regulatory liabilities, deferred                         | 258              | 254              |
| Other deferred credits and liabilities                         | 880              | 678              |
| <b>Total deferred credits and other liabilities</b>            | <b>27,257</b>    | <b>22,358</b>    |
| <b>Total Liabilities</b>                                       | <b>82,803</b>    | <b>56,175</b>    |
| <b>Redeemable Preferred Stock of Subsidiaries</b>              | <b>118</b>       | <b>118</b>       |
| <b>Redeemable Noncontrolling Interests</b>                     | <b>164</b>       | <b>43</b>        |
| <b>Total Stockholders' Equity</b>                              | <b>26,612</b>    | <b>21,982</b>    |
| <b>Total Liabilities and Stockholders' Equity</b>              | <b>\$109,697</b> | <b>\$ 78,318</b> |

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