Southern Company

2nd Quarter 2022 Earnings

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Attachment STF-235-25-c

News

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July 28, 2022

Southern Company reports second-quarter 2022 earnings

ATLANTA – Southern Company today reported second-quarter earnings of $1.1 billion, or $1.04 per share, in 2022 compared with $372 million, or 35 cents per share, in 2021. For the six months ended June 30, 2022, Southern Company reported earnings of $2.1 billion, or $2.01 per share, compared with $1.5 billion, or $1.42 per share, for the same period in 2021.

Excluding the items described under "Net Income – Excluding Items" in the table below, Southern Company earned $1.1 billion, or $1.07 per share, during the second quarter of 2022, compared with $891 million, or 84 cents per share, during the second quarter of 2021. For the six months ended June 30, 2022, excluding these items, Southern Company earned $2.2 billion, or $2.05 per share, compared with $1.9 billion, or $1.82 per share, for the same period in 2021.

Non-GAAP Financial Measures	**Three Months Ended June**		**Year-to-Date June**	
Net Income - Excluding Items (in millions)	**2022**	2021	**2022**	2021
Net Income - As Reported	**$ 1,107**	$ 372	**$ 2,139**	$ 1,508
Less:				
Estimated Loss on Plants Under Construction	**(54)**	(462)	**(55)**	(507)
Tax Impact	**13**	118	**13**	130
Acquisition and Disposition Impacts	**5**	1	**5**	1
Tax Impact	**(1)**	—	**(1)**	—
Wholesale Gas Services	**—**	(147)	**—**	19
Tax Impact	**—**	35	**—**	(5)
Asset Impairments	**—**	(89)	**—**	(89)
Tax Impact	**—**	25	**—**	25
Net Income - Excluding Items	**$ 1,144**	$ 891	**$ 2,177**	$ 1,934
Average Shares Outstanding - (in millions)	**1,065**	1,061	**1,064**	1,060
Basic Earnings Per Share - Excluding Items	**$ 1.07**	$ 0.84	**$ 2.05**	$ 1.82

NOTE: For more information regarding these non-GAAP adjustments, see the footnotes accompanying the Financial Highlights page of the earnings package.

Adjusted earnings drivers for the second quarter 2022, as compared with the same period in 2021, were higher revenues associated with increased usage, changes in rates and pricing, and warmer than normal

weather at our regulated electric utilities, partially offset by higher non-fuel operations and maintenance costs, reflecting a rising cost environment and our long-term commitments to reliability and resilience.

Second-quarter 2022 operating revenues were $7.2 billion, compared with $5.2 billion for the second quarter of 2021, an increase of 38.6 percent. For the six months ended June 30, 2022, operating revenues were $13.9 billion, compared with $11.1 billion for the corresponding period in 2021, an increase of 24.7 percent. These increases were primarily due to higher fuel costs and warmer weather in the second quarter 2022.

“Southern Company’s generation fleet and power delivery system performed exceedingly well during the second quarter, which included the second hottest June in 50 years” said Chairman, President and CEO, Thomas A. Fanning. “I am proud of our team’s continued outstanding performance during times when our customers need us most."

Southern Company’s second-quarter earnings slides with supplemental financial information are available at http://investor.southerncompany.com.

Southern Company’s financial analyst call will begin at 1 p.m. Eastern Time today, during which Fanning and Chief Financial Officer Daniel S. Tucker will discuss earnings and provide a general business update. Investors, media and the public may listen to a live webcast of the call and view associated slides at https://investor.southerncompany.com/events-and-presentations/default.aspx. A replay of the webcast will be available on the site for 12 months.

About Southern Company
Southern Company (NYSE: SO) is a leading energy company serving 9 million customers through its subsidiaries. The company provides clean, safe, reliable and affordable energy through electric operating companies in three states, natural gas distribution companies in four states, a competitive generation company serving wholesale customers across America, a leading distributed energy infrastructure company, a fiber optics network and telecommunications services. Southern Company brands are known for excellent customer service, high reliability and affordable prices below the national average. For more than a century, we have been building the future of energy and developing the full portfolio of energy resources, including carbon-free nuclear, advanced carbon capture technologies, natural gas, renewables, energy efficiency and storage technology. Through an industry-leading commitment to innovation and a low-carbon future, Southern Company and its subsidiaries develop the customized energy solutions our customers and communities require to drive growth and prosperity. Our uncompromising values ensure we put the needs of those we serve at the center of everything we do and govern our business to the benefit of our world. Our corporate culture and hiring practices have been recognized nationally by the U.S. Department of Defense, G.I. Jobs magazine, DiversityInc, Black Enterprise, Forbes and the Women’s Choice Award. To learn more, visit www.southerncompany.com.

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Southern Company

Financial Highlights

(In Millions of Dollars Except Earnings Per Share)

Net Income–As Reported (See Notes)	Three Months Ended June 2022	Three Months Ended June 2021	Year-To-Date June 2022	Year-To-Date June 2021
Traditional Electric Operating Companies	**$ 1,036**	$ 511	**$ 1,811**	$ 1,267
Southern Power	**98**	36	**170**	133
Southern Company Gas	**115**	(65)	**433**	333
Total	**1,249**	482	**2,414**	1,733
Parent Company and Other	**(142)**	(110)	**(275)**	(225)
Net Income–As Reported	**$ 1,107**	$ 372	**$ 2,139**	$ 1,508
Basic Earnings Per Share[1]	**$ 1.04**	$ 0.35	**$ 2.01**	$ 1.42
Average Shares Outstanding *(in millions)*	**1,065**	1,061	**1,064**	1,060
End of Period Shares Outstanding *(in millions)*			**1,063**	1,059

Non-GAAP Financial Measures	Three Months Ended June 2022	Three Months Ended June 2021	Year-To-Date June 2022	Year-To-Date June 2021
Net Income–Excluding Items (See Notes)	**2022**	2021	**2022**	2021
Net Income–As Reported	**$ 1,107**	$ 372	**$ 2,139**	$ 1,508
Less:				
Estimated Loss on Plants Under Construction[2]	**(54)**	(462)	**(55)**	(507)
Tax Impact	**13**	118	**13**	130
Acquisition and Disposition Impacts	**5**	1	**5**	1
Tax Impact	**(1)**	—	**(1)**	—
Wholesale Gas Services[3]	**—**	(147)	**—**	19
Tax Impact	**—**	35	**—**	(5)
Asset Impairments[4]	**—**	(89)	**—**	(89)
Tax Impact	**—**	25	**—**	25
Net Income–Excluding Items	**$ 1,144**	$ 891	**$ 2,177**	$ 1,934
Basic Earnings Per Share–Excluding Items	**$ 1.07**	$ 0.84	**$ 2.05**	$ 1.82

- See Notes on the following page.

Southern Company
Financial Highlights

Notes

(1) Dilution is not material in any period presented. Diluted earnings per share was $1.03 and $2.00 for the three and six months ended June 30, 2022 and was $0.35 and $1.41 for the three and six months ended June 30, 2021, respectively.

(2) Earnings for the three and six months ended June 30, 2022 include a charge of $52 million pre tax ($39 million after tax), earnings for the three months ended June 30, 2021 include a charge of $460 million pre tax ($343 million after tax), and earnings for the six months ended June 30, 2021 include charges totaling $508 million pre tax ($379 million after tax) for estimated probable losses on Georgia Power Company's construction of Plant Vogtle Units 3 and 4. Further charges may occur; however, the amount and timing of any such charges are uncertain. Earnings for the three and six months ended June 30, 2022 and 2021 also include charges (net of salvage proceeds), associated legal expenses (net of insurance recoveries), and tax impacts related to Mississippi Power Company's integrated coal gasification combined cycle facility project in Kemper County, Mississippi. Mississippi Power Company expects to incur additional pre-tax period costs to complete dismantlement of the abandoned gasifier-related assets and site restoration activities, including related costs for compliance and safety, asset retirement obligation accretion, and property taxes, net of salvage, totaling $10 million to $20 million annually through 2025.

(3) Earnings for the three and six months ended June 30, 2021 include results of the Wholesale Gas Services business, which was sold on July 1, 2021. Presenting earnings and earnings per share excluding Wholesale Gas Services provided an additional measure of operating performance that excluded the volatility resulting from mark-to-market and lower of weighted average cost or current market price accounting adjustments.

(4) Earnings for the three and six months ended June 30, 2021 include pre-tax impairment charges of $82 million ($58 million after tax) related to Southern Company Gas' investment in the PennEast Pipeline project and $7 million ($6 million after tax) related to a leveraged lease investment. Impairment charges may occur in the future; however, the amount and timing of any such charges are uncertain.

Southern Company
Significant Factors Impacting EPS

	Three Months Ended June			Year-To-Date June		
	2022	2021	Change	**2022**	2021	Change
Earnings Per Share– As Reported[1] (See Notes)	**$ 1.04**	$ 0.35	**$ 0.69**	**$ 2.01**	$ 1.42	**$ 0.59**
Significant Factors:						
Traditional Electric Operating Companies			**$ 0.49**			**$ 0.51**
Southern Power			**0.06**			**0.04**
Southern Company Gas			**0.17**			**0.09**
Parent Company and Other			**(0.03)**			**(0.04)**
Increase in Shares			**—**			**(0.01)**
Total–As Reported			**$ 0.69**			**$ 0.59**

	Three Months Ended June			Year-To-Date June		
Non-GAAP Financial Measures	**2022**	2021	Change	**2022**	2021	Change
Earnings Per Share– Excluding Items (See Notes)	**$ 1.07**	$ 0.84	**$ 0.23**	**$ 2.05**	$ 1.82	**$ 0.23**
Total–As Reported			**$ 0.69**			**$ 0.59**
Less:						
Estimated Loss on Plants Under Construction[2]			**0.28**			**0.31**
Acquisition and Disposition Impacts			**0.01**			**—**
Wholesale Gas Services[3]			**0.11**			**(0.01)**
Asset Impairments[4]			**0.06**			**0.06**
Total–Excluding Items			**$ 0.23**			**$ 0.23**

- See Notes on the following page.

Southern Company

Significant Factors Impacting EPS

Notes

(1) Dilution is not material in any period presented. Diluted earnings per share was $1.03 and $2.00 for the three and six months ended June 30, 2022 and was $0.35 and $1.41 for the three and six months ended June 30, 2021, respectively.

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Southern Company
EPS Earnings Analysis

Description	Three Months Ended June 2022 vs. 2021	Year-To-Date June 2022 vs. 2021
Retail Sales	6¢	7¢
Retail Revenue Impacts	16	21
Weather	10	11
Wholesale & Other Operating Revenues	1	1
Non-Fuel O&M(*)	(5)	(14)
Depreciation and Amortization, Interest Expense, Other	(3)	(2)
Income Taxes	(4)	(4)
Total Traditional Electric Operating Companies	**21¢**	**20¢**
Southern Power	6	4
Southern Company Gas	—	5
Parent and Other	(4)	(5)
Increase in Shares	—	(1)
Total Change in EPS (Excluding Items)	**23¢**	**23¢**
Estimated Loss on Plants Under Construction[1]	28	31
Acquisition and Disposition Impacts	1	—
Wholesale Gas Services[2]	11	(1)
Asset Impairments[3]	6	6
Total Change in EPS (As Reported)	**69¢**	**59¢**

(*) Includes non-service cost-related benefits income

- See additional Notes on the following page.

Southern Company

EPS Earnings Analysis

Notes

(1) Earnings for the three and six months ended June 30, 2022 include a charge of $52 million pre tax ($39 million after tax), earnings for the three months ended June 30, 2021 include a charge of $460 million pre tax ($343 million after tax), and earnings for the six months ended June 30, 2021 include charges totaling $508 million pre tax ($379 million after tax) for estimated probable losses on Georgia Power Company's construction of Plant Vogtle Units 3 and 4. Further charges may occur; however, the amount and timing of any such charges are uncertain. Earnings for the three and six months ended June 30, 2022 and 2021 also include charges (net of salvage proceeds), associated legal expenses (net of insurance recoveries), and tax impacts related to Mississippi Power Company's integrated coal gasification combined cycle facility project in Kemper County, Mississippi. Mississippi Power Company expects to incur additional pre-tax period costs to complete dismantlement of the abandoned gasifier-related assets and site restoration activities, including related costs for compliance and safety, asset retirement obligation accretion, and property taxes, net of salvage, totaling $10 million to $20 million annually through 2025.

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Southern Company
Consolidated Earnings
As Reported
(In Millions of Dollars)

	Three Months Ended June			Year-To-Date June		
	2022	2021	Change	**2022**	2021	Change
Retail Electric Revenues-						
Fuel	**$ 1,608**	$ 875	$ 733	**$ 2,622**	$ 1,712	$ 910
Non-Fuel	**3,181**	2,724	457	**5,780**	5,229	551
Wholesale Electric Revenues	**937**	546	391	**1,601**	1,091	510
Other Electric Revenues	**192**	175	17	**370**	346	24
Natural Gas Revenues	**1,083**	677	406	**3,140**	2,371	769
Other Revenues	**205**	201	4	**341**	359	(18)
Total Operating Revenues	**7,206**	5,198	2,008	**13,854**	11,108	2,746
Fuel and Purchased Power	**2,123**	1,065	1,058	**3,466**	2,120	1,346
Cost of Natural Gas	**452**	231	221	**1,546**	814	732
Cost of Other Sales	**114**	103	11	**183**	185	(2)
Non-Fuel O&M	**1,558**	1,438	120	**3,075**	2,810	265
Depreciation and Amortization	**913**	891	22	**1,805**	1,762	43
Taxes Other Than Income Taxes	**349**	313	36	**721**	657	64
Estimated Loss on Plant Vogtle Units 3 and 4	**52**	460	(408)	**52**	508	(456)
Gain on Dispositions, net	**(10)**	(11)	1	**(33)**	(54)	21
Total Operating Expenses	**5,551**	4,490	1,061	**10,815**	8,802	2,013
Operating Income	**1,655**	708	947	**3,039**	2,306	733
Allowance for Equity Funds Used During Construction	**53**	45	8	**104**	90	14
Earnings (Loss) from Equity Method Investments	**34**	(40)	74	**80**	5	75
Interest Expense, Net of Amounts Capitalized	**488**	450	38	**950**	901	49
Other Income (Expense), net	**139**	101	38	**283**	160	123
Income Taxes (Benefit)	**304**	(12)	316	**477**	178	299
Net Income	**1,089**	376	713	**2,079**	1,482	597
Dividends on Preferred Stock of Subsidiaries	**4**	4	—	**7**	7	—
Net Loss Attributable to Noncontrolling Interests	**(22)**	—	(22)	**(67)**	(33)	(34)
NET INCOME ATTRIBUTABLE TO SOUTHERN COMPANY	**$ 1,107**	$ 372	$ 735	**$ 2,139**	$ 1,508	$ 631

Notes

- Certain prior year data may have been reclassified to conform with current year presentation.

Southern Company

Kilowatt-Hour Sales and Customers

(In Millions of KWHs)

	Three Months Ended June				Year-To-Date June			
	2022	2021	Change	Weather Adjusted Change	**2022**	2021	Change	Weather Adjusted Change
Kilowatt-Hour Sales-								
Total Sales	**51,541**	46,020	12.0 %		**100,269**	92,442	8.5 %	
Total Retail Sales-	**37,072**	34,655	7.0 %	2.3 %	**72,228**	69,306	4.2 %	1.5 %
Residential	**12,062**	10,838	11.3 %	1.0 %	**24,166**	22,878	5.6 %	(0.1)%
Commercial	**12,246**	11,500	6.5 %	2.2 %	**23,233**	22,243	4.5 %	2.1 %
Industrial	**12,615**	12,162	3.7 %	3.7 %	**24,527**	23,870	2.8 %	2.8 %
Other	**149**	155	(4.2)%	(4.4)%	**302**	315	(4.4)%	(4.4)%
Total Wholesale Sales	**14,469**	11,365	27.3 %	N/A	**28,041**	23,136	21.2 %	N/A

(In Thousands of Customers)

	Period Ended June		
	2022	2021	Change
Regulated Utility Customers-			
Total Utility Customers-	**8,724**	8,659	0.8%
Total Traditional Electric	**4,410**	4,359	1.2%
Southern Company Gas	**4,314**	4,300	0.3%

Southern Company
Financial Overview
As Reported
(In Millions of Dollars)

	Three Months Ended June			Year-To-Date June		
	2022	2021	% Change	**2022**	2021	% Change
Southern Company –						
Operating Revenues	**$ 7,206**	$ 5,198	38.6 %	**$13,854**	$11,108	24.7 %
Earnings Before Income Taxes	**1,393**	364	N/M	**2,556**	1,660	54.0 %
Net Income Available to Common	**1,107**	372	N/M	**2,139**	1,508	41.8 %
Alabama Power –						
Operating Revenues	**$ 1,931**	$ 1,556	24.1 %	**$ 3,580**	$ 3,115	14.9 %
Earnings Before Income Taxes	**508**	439	15.7 %	**964**	910	5.9 %
Net Income Available to Common	**383**	331	15.7 %	**730**	690	5.8 %
Georgia Power –						
Operating Revenues	**$ 3,121**	$ 2,225	40.3 %	**$ 5,328**	$ 4,195	27.0 %
Earnings Before Income Taxes	**772**	93	N/M	**1,187**	462	N/M
Net Income Available to Common	**608**	143	N/M	**993**	494	N/M
Mississippi Power –						
Operating Revenues	**$ 434**	$ 303	43.2 %	**$ 769**	$ 610	26.1 %
Earnings Before Income Taxes	**57**	46	23.9 %	**107**	95	12.6 %
Net Income Available to Common	**45**	38	18.4 %	**87**	83	4.8 %
Southern Power –						
Operating Revenues	**$ 899**	$ 490	83.5 %	**$ 1,438**	$ 930	54.6 %
Earnings Before Income Taxes	**101**	34	N/M	**116**	89	30.3 %
Net Income Available to Common	**98**	36	N/M	**170**	133	27.8 %
Southern Company Gas –						
Operating Revenues	**$ 1,083**	$ 677	60.0 %	**$ 3,140**	$ 2,371	32.4 %
Earnings (Loss) Before Income Taxes	**151**	(94)	N/M	**567**	425	33.4 %
Net Income (Loss) Available to Common	**115**	(65)	N/M	**433**	333	30.0 %

N/M - Not Meaningful

Notes

- See Financial Highlights pages for discussion of certain significant items occurring during the periods