

Southern Company

1st Quarter 2002 Earnings

March 31, 2002

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April 18, 2002

Southern Company first quarter earnings 32 cents per share

Solid results above estimates

ATLANTA – Southern Company’s first quarter earnings were \$224 million, or 32 cents per share, exceeding analysts’ expectations, Chairman, President and Chief Executive Officer Allen Franklin said today.

Though the manufacturing sector of the economy in the Southeast continues to be soft, reducing demand for electricity, Franklin said certain positive factors and the fundamental strength of the company enabled Southern Company to produce strong overall results.

The results for the period compared with reported earnings per share of \$180 million, or 26 cents per share, in the first quarter of 2001.

“Our performance in the first quarter demonstrates once again that our time-tested business model has the flexibility to produce consistently solid results,” Franklin said. “With our main businesses all performing well, we are off to a good start in 2002.”

Decreased demand for electricity by industrial customers, as well as increased operations and maintenance expenses related to new generation that has been placed in service were

negative factors affecting earnings in the first quarter. However, the effect of these negative factors was offset by increased residential and commercial electricity sales, lower interest costs and the overall impact of regulatory rate proceedings in Alabama, Georgia and Mississippi, Franklin said.

Revenues for the first quarter were \$2.2 billion, compared with \$2.3 billion in the same period a year earlier.

Reviewing operations, Franklin said electricity use by retail customers in Southern Company's four-state service area increased 0.5 percent to 34.3 billion kilowatt-hours in the first quarter. In-home electricity needs were up 2.8 percent to 11.0 billion kilowatt-hours. Electricity use by commercial customers -- offices, stores and other non-manufacturing firms -- increased 1.3 percent to 10.8 billion kilowatt-hours. Industrial energy use declined 2.2 percent to 12.3 billion kilowatt-hours.

Total sales of electricity to Southern Company's customers in the Southeast, including sales to other utilities, decreased 0.3 percent to 40.7 billion kilowatt-hours.

In conjunction with this earnings announcement, Southern Company has posted on its Web site a package of detailed financial information on its first quarter performance. These materials are available at 7:30 a.m. EDT April 18 at www.southerncompany.com.

Southern Company's financial analyst call will be at 1 p.m. EDT April 18, at which time Franklin and Chief Financial Officer Gale Klappa will discuss earnings and provide a general business update. Investors, media and the public may listen to a live Webcast of the call at www.southerncompany.com. A replay of the Webcast will be available at the site for 10 days.

With 4 million customers and nearly 35,000 megawatts of generating capacity, Atlanta-based Southern Company (NYSE: SO) is the premier super-regional energy company in the Southeast and a leading U.S. producer of electricity. Southern Company owns electric utilities in four states, a fast-growing competitive generation company and an energy services business, as well as fiber optics and wireless communications. Southern Company brands are known for excellent customer service, high reliability and retail electric prices that are 15 percent below the national average. Southern Company has been named No. 1 on Fortune magazine's 2002 "America's Most Admired Companies" list in the Electric and Gas Utility industry. Southern Company has more than 500,000 shareholders, making its common stock one of the most widely held in the United States. Visit the Southern Company Web site at www.southerncompany.com.

Forward Looking Statements Note:

Certain information contained in this release is forward-looking information based on current expectations and plans that involve risks and uncertainties. Forward-looking information includes, among other things, statements concerning Southern Company's ability to produce consistently solid results. 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 indicated 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 Dec. 31, 2001, and subsequent securities filings, could cause results to differ materially from management expectations as suggested by such forward-looking information: the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental 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, including the EPA civil action against certain subsidiaries of Southern Company and the diversity litigation against certain subsidiaries of Southern Company; the effects, extent and timing of additional competition in the markets in which Southern Company's subsidiaries operate; the impact of fluctuations in commodity prices, interest rates and customer demand; state and federal rate regulation in the United States; political and legal conditions and developments in the United States; the performance of projects undertaken by the non-traditional business 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 effects of, and changes in, economic conditions in the areas in which Southern Company's subsidiaries operate; the direct or indirect effects on Southern Company's business resulting from the terrorist incidents on Sept. 11, 2001, or any similar such incidents or responses to such incidents; financial market conditions and the results of financing efforts; the timing and acceptance of Southern Company's new product and service offerings; the ability of Southern Company to obtain additional generating capacity at competitive prices; and weather and other natural phenomena.

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Southern Company Business Outlook

– **We will be focused on three major businesses:**

1. Regulated infrastructure businesses

- Transmission, distribution, and approximately 30,000 MW of regulated generation within our traditional operating companies.
- Annual Demand growth in our service territory expected to be 3 percent
- Strong customer growth of approximately 2 percent per year

2. Competitive generation

- We plan to complete approximately 5,000 MW of additional competitive generation by 2004 to serve rapid demand growth in the “super Southeast.” The current construction schedule for competitive generation is as follows:

2000	640 MW	(in service)
2001	430 MW	(in service)
2002	1,706 MW	
2003	2,227 MW	
Total	5,003 MW	

- This is in addition to our existing wholesale business that generated approximately \$100 million in net income for our operating companies in 2000.

3. Products and services for energy consumers

- We will leverage our existing infrastructure and customer base to deliver additional products and services.
- Currently this includes Southern Company Energy Solutions, Southern Telecom, and Southern LINC. Examples of current products offered include energy services, outdoor lighting, and access to dark optical fiber.

– **Goals for our Major Businesses**

1. Double the earnings contribution from the company’s competitive generation business (from \$100 million in 2000) to more than \$200 million by 2005.
2. Produce \$50 million net income from energy-related products and services by 2004
3. Lead the industry in service and customer satisfaction.

See caution regarding forward looking statements on page seven of this document

– **Financial Goals for the Company**

1. Earnings per Share Growth – at least 5% annual growth
2. Return on equity – top quartile of electric utilities
3. Dividend Payout – move to 75% gradually over time
4. Dividend Growth – half of earnings per share consistent with our payout objectives
5. Capital Structure – reach a minimum 38% equity ratio by 2003

– **We are targeting strong earnings results in 2002 while maintaining our current annual dividend of \$1.34 per share.**

Projected Earnings per Share

	2002
Regulated Infrastructure	1.53
Competitive Generation	0.22
Products and Services	0.03
Other*	0.05
Holding Company	<u>(0.10)</u>
Total	\$1.73

*Includes the leasing subsidiary previously managed at Mirant

– **Expected Sources and Uses of Funds from 2002 to 2005**

All Values in Billions

<u>Sources</u>	<u>2002-2005</u>
Funds from Operations	\$10.3
Equity Issuances	0.8
Net Debt and Preferred	<u>2.4</u>
	\$13.5
<u>Uses</u>	
Investments*	\$ 9.5
<i>Detailed Breakout Page 6</i>	
Common Dividends	<u>4.0</u>
	\$13.5

See caution regarding forward looking statements on page seven of this document

Investments**2002 - 2005****Regulated Infrastructure**

Fossil/Hydro Retrofits	0.7
Environmental	1.1
Nuclear Fuel & Retrofits	0.7
Transmission & Distribution	4.3
All Other	0.4

Total Regulated Infrastructure	\$7.2
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Competitive Generation	2.1
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Products/Services & Other	0.2
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Total Investments	\$ 9.5
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– Credit Ratings

	S & P			Moody's			Fitch	
	Senior Unsecured	Commercial Paper		Senior Unsecured	Commercial Paper		Senior Unsecured	Commercial Paper
Alabama Power	A	A-1**		A2	P-1**		A	F-1**
Georgia Power	A	A-1*		A2	P-1*		A+	F-1*
Gulf Power	A	A-1*		A2	P-1*		A	F-1*
Mississippi Power	A	A-1*		A1	P-1*		A+	F-1*
Savannah Electric	A	A-1*		A2	P-1*		-	F-1*
Southern Power	BBB+	-		Baa1	-		BBB+	-
Southern Company	A-	A-1		A3	P-1		A	F-1
*Commercial Paper issued through Southern Company Funding Corporation **Alabama Power can issue commercial paper through the Southern Company Funding Corporation or through its own commercial paper program.								

Forward Looking Statement Disclosure:

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Southern Company Financial Highlights

(In Millions of Dollars Except Earnings Per Share)

	3 Months Ended March	
	<u>2002</u> (Notes)	<u>2001</u> (Notes)
Consolidated Earnings—		
Southern Company		
Regulated Retail Business	\$ 200	\$169
Competitive Generation	<u>30</u>	<u>27</u>
Total	230	196
Synthetic Fuels	6	1
Products and Services	3	2
Leasing Business	6	5
Parent Company and Other	<u>(21)</u>	<u>(24)</u>
Net Income	<u>\$224</u>	<u>\$180</u>
Basic Earnings Per Share—(Notes)	<u>\$0.32</u>	\$0.26
Operating Revenues	\$ 2,214	\$2,270
Earnings Before Interest and Taxes	508	482
Average Shares Outstanding (in millions)	701	683
End of Period Shares Outstanding (in millions)	704	684

Significant Factors Impacting Reported EPS (Notes)

	3 Months Ended March		
	<u>2002</u>	<u>2001</u>	<u>Change</u>
	\$ 0.32	\$ 0.26	\$ 0.06
Consolidated Earnings—			
<u>Significant Factors:</u>			
Regulated Retail Business			0.05
Competitive Generation			-
Synthetic Fuels			0.01
Products and Services			-
Leasing Business			-
Parent and Other			0.01
Impact of Additional Shares			(0.01)
Total			<u>\$ 0.06</u>

Notes

- Diluted earnings per share are not more than 1 cent for any period reported above and are not material.
- Certain prior year data has been reclassified to conform with current year presentation.
- Information contained in this report is subject to review and adjustments and may be different from final results published in the Form 10-Q.

Southern Company

Analysis of Consolidated Earnings

(In Millions of Dollars)

	3 Months Ended March		
	<u>2002</u>	<u>2001</u>	<u>Change</u>
Income Account-			
Retail Revenue	\$ 1,844	\$ 1,886	\$ (42)
Wholesale Revenue	233	260	(27)
Other Operating Revenues	137	124	13
Total Revenues	2,214	2,270	(56)
Fuel and Purchased Power	642	722	(80)
Non-fuel O & M	674	631	43
Depreciation and Amortization	240	304	(64)
Taxes Other Than Income Taxes	140	137	3
Total Operating Expenses	1,696	1,794	(98)
Operating Income	518	476	42
Other Income, net	(10)	6	(16)
Earnings Before Interest			
Charges and Income Taxes	508	482	26
Interest Charges and Dividends	168	192	(24)
Income Taxes	116	110	6
NET INCOME	\$ 224	\$ 180	\$ 44

Kilowatt Hour Sales

(In Millions of KWHs)

	3 Months Ended March		
	<u>2002</u>	<u>2001</u>	<u>Change</u>
Kilowatt-Hour Sales-			
Total Sales	40,706	40,810	-0.3%
Total Retail Sales-	34,339	34,159	0.5%
Residential	10,981	10,679	2.8%
Commercial	10,811	10,671	1.3%
Industrial	12,300	12,570	-2.2%

Southern Company Financial Overview

(In Millions of Dollars)

	3 Months Ended March		
	<u>2002</u>	<u>2001</u>	<u>% Change</u>
Consolidated –			
Operating Revenues	\$2,214	\$2,270	-2.5%
Earnings Before Interest and Taxes	508	482	5.3%
Net Income	224	180	24.9%
Alabama Power –			
Operating Revenues	\$802	\$850	-5.6%
Earnings Before Interest and Taxes	185	183	1.5%
Net Income Available to Common	73	70	3.7%
Georgia Power –			
Operating Revenues	\$1,007	\$1,108	-9.1%
Earnings Before Interest and Taxes	263	243	8.2%
Net Income Available to Common	127	108	17.7%
Gulf Power –			
Operating Revenues	\$161	\$165	-2.5%
Earnings Before Interest and Taxes	26	24	8.4%
Net Income Available to Common	12	10	14.9%
Mississippi Power –			
Operating Revenues	\$183	\$171	6.9%
Earnings Before Interest and Taxes	29	24	19.8%
Net Income Available to Common	14	10	43.3%
Savannah Electric –			
Operating Revenues	\$57	\$62	-7.0%
Earnings Before Interest and Taxes	6	6	-0.1%
Net Income Available to Common	2	1	22.1%