

GAAP Reconciliation

The following tables set forth a reconciliation of AGL Resources' non-GAAP financial measures.

<i>In millions</i>	Three months ended March 31,					Three months ended June 30,					Three months ended September 30,					Three months ended December 31,				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011	2014	2013	2012	2011	2010
Operating revenues	\$ 1,721	\$ 2,462	\$ 1,612	\$ 1,318	\$ 876	\$ 674	\$ 889	\$ 805	\$ 604	\$ 371	\$ 584	\$ 589	\$ 574	\$ 526	\$ 291	\$ 1,445	\$ 1,218	\$ 1,114	\$ 767	\$ 665
Cost of goods sold	(935)	(1,400)	(920)	(669)	(455)	(222)	(402)	(353)	(189)	(134)	(146)	(198)	(174)	(163)	(112)	(765)	(663)	(562)	(384)	(332)
Revenue tax expense	(55)	(67)	(49)	(41)	—	(18)	(25)	(24)	(13)	—	(8)	(9)	(8)	(8)	—	(29)	(29)	(23)	(9)	—
Operating margin	731	995	643	608	421	434	462	428	402	237	430	382	392	355	179	651	526	529	374	333
Operating expenses																				
Operation and maintenance	249	289	231	230	131	209	211	204	194	127	204	193	199	186	106	246	253	226	190	145
Revenue tax expense	(55)	(67)	(49)	(41)	—	(18)	(25)	(24)	(13)	—	(8)	(9)	(8)	(8)	—	(29)	(29)	(23)	(9)	—
Depreciation and amortization	97	93	102	97	41	98	95	103	99	41	98	93	104	99	42	99	88	99	58	41
Taxes other than income taxes	76	88	69	61	13	38	42	43	32	11	28	30	27	26	12	48	48	40	21	10
Merger-related expenses	—	—	—	—	—	—	—	—	—	—	35	—	—	—	—	—	—	—	—	—
Goodwill impairment	—	—	—	—	—	—	—	—	—	—	14	—	—	—	—	—	—	—	—	—
Total operating expenses	367	403	353	347	185	327	323	326	312	179	371	307	322	303	160	364	360	342	260	196
Gain (loss) on disposition of assets	—	—	—	—	—	—	—	11	—	—	—	3	—	—	—	(1)	—	—	—	—
Operating income	364	592	290	261	236	107	139	113	90	58	59	78	70	52	19	286	166	187	114	137
Other income (expense)	3	3	5	4	1	4	2	6	9	2	2	3	7	5	1	6	(2)	6	3	(2)
EBIT	367	595	295	265	237	111	141	119	99	60	61	81	77	57	20	292	164	193	117	135
Interest expense, net	(44)	(46)	(45)	(47)	(29)	(42)	(45)	(44)	(45)	(33)	(42)	(44)	(37)	(45)	(30)	(44)	(44)	(46)	(42)	(29)
Income (loss) before income tax	323	549	250	218	208	69	96	75	54	27	19	37	40	12	(10)	248	120	147	75	106
Income tax expense (benefit)	118	203	91	79	75	25	37	30	20	10	7	14	16	6	(4)	96	40	52	40	36
Income (loss) from continuing operations	205	346	159	139	133	44	59	45	34	17	12	23	24	6	(6)	152	80	95	35	70
(Loss) income from discontinued operations, net of tax	—	(50)	1	(1)	—	—	1	(1)	(2)	—	—	(31)	1	—	—	—	4	4	—	—
Net income (loss)	205	296	160	138	133	44	60	44	32	17	12	(8)	25	6	(6)	152	84	99	35	70
Less: net income (loss) attributable to the noncontrolling interest	12	12	10	9	10	2	2	1	1	1	1	—	—	—	(1)	4	7	5	4	6
Net income (loss) attributable to AGL - as reported	193	284	150	129	123	42	58	43	31	16	11	(8)	25	6	(5)	148	77	94	31	64
Impact of merger-related expenses, net of tax	—	—	—	6	3	—	—	—	2	8	21	—	—	1	5	—	—	4	48	4
Impact of goodwill impairment, net of tax	—	—	—	—	—	—	—	—	—	—	9	—	—	—	—	—	—	—	—	—
Impact of additional accrual for Nicor Gas PBR issue, net of tax	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5	—	—
Net income (loss) attributable to AGL - as adjusted	\$ 193	\$ 284	\$ 150	\$ 135	\$ 126	\$ 42	\$ 58	\$ 43	\$ 33	\$ 24	\$ 41	\$ (8)	\$ 25	\$ 7	\$ —	\$ 148	\$ 77	\$ 103	\$ 79	\$ 68

<i>In millions</i>	Six months ended June 30,					Nine months ended September 30,					Twelve months ended December 31,				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011	2014	2013	2012	2011	2010
Operating revenues	\$ 2,395	\$ 3,351	\$ 2,417	\$ 1,922	\$ 1,247	\$ 2,979	\$ 3,940	\$ 2,991	\$ 2,448	\$ 1,538	\$ 5,385	\$ 4,209	\$ 3,562	\$ 2,305	\$ 2,373
Cost of goods sold	(1,157)	(1,802)	(1,273)	(858)	(589)	(1,303)	(2,000)	(1,447)	(1,021)	(701)	(2,765)	(2,110)	(1,583)	(1,085)	(1,164)
Revenue tax expense	(73)	(92)	(73)	(54)	—	(81)	(101)	(81)	(62)	—	(130)	(110)	(85)	(9)	—
Operating margin	1,165	1,457	1,071	1,010	658	1,595	1,839	1,463	1,365	837	2,490	1,989	1,894	1,211	1,209
Operating expenses															
Operation and maintenance	458	500	435	424	258	662	693	634	610	364	939	887	836	554	503
Revenue tax expense	(73)	(92)	(73)	(54)	—	(81)	(101)	(81)	(62)	—	(130)	(110)	(85)	(9)	—
Depreciation and amortization	195	188	205	196	82	293	281	309	295	124	380	397	394	182	160
Taxes other than income taxes	114	130	112	93	24	142	160	139	119	36	208	187	159	57	46
Merger-related expenses	—	—	—	—	—	35	—	—	—	—	—	—	—	—	—
Goodwill impairment	—	—	—	—	—	14	—	—	—	—	—	—	—	—	—
Total operating expenses	694	726	679	659	364	1,065	1,033	1,001	962	524	1,397	1,361	1,304	784	709
Gain on disposition of assets	—	—	11	—	—	—	3	11	—	—	2	11	—	—	—
Operating income	471	731	403	351	294	530	809	473	403	313	1,095	639	590	427	500
Other income (expense)	7	5	11	13	3	9	8	18	18	4	14	16	24	7	(1)
EBIT	478	736	414	364	297	539	817	491	421	317	1,109	655	614	434	499
Interest expense, net	(86)	(91)	(89)	(92)	(62)	(128)	(135)	(126)	(137)	(92)	(179)	(170)	(183)	(134)	(109)
Income before income tax	392	645	325	272	235	411	682	365	284	225	930	485	431	300	390
Income tax expense	143	240	121	99	85	150	254	137	105	81	350	177	157	121	140
Income from continuing operations	249	405	204	173	150	261	428	228	179	144	580	308	274	179	250
(Loss) income from discontinued operations, net of tax	—	(49)	—	(3)	—	—	(80)	1	(3)	—	(80)	5	1	—	—
Net income	249	356	204	170	150	261	348	229	176	144	500	313	275	179	250
Less: net income (loss) attributable to the noncontrolling interest	14	14	11	10	11	15	14	11	10	10	18	18	15	14	16
Net income attributable to AGL - as reported	235	342	193	160	139	246	334	218	166	134	482	295	260	165	234
Impact of merger-related expenses, net of tax	—	—	—	8	11	21	—	—	9	16	—	—	13	64	4
Impact of goodwill impairment, net of tax	—	—	—	—	—	9	—	—	—	—	—	—	—	—	—
Impact of additional accrual for Nicor Gas PBR issue, net of tax	—	—	—	—	—	—	—	—	—	—	—	—	5	—	—
Net income attributable to AGL - as adjusted	\$ 235	\$ 342	\$ 193	\$ 168	\$ 150	\$ 276	\$ 334	\$ 218	\$ 175	\$ 150	\$ 482	\$ 295	\$ 278	\$ 229	\$ 238

AGL RESOURCES INC.

Reconciliation of Earnings per Share to Adjusted Earnings per Share

(Unaudited)

Adjusted to exclude discontinued operations, goodwill impairment, merger-related expenses and wholesale services:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Diluted earnings per share - consolidated	\$0.09	\$(0.06)	\$2.05	\$2.80
Less: Discontinued operations (per share)	—	(0.25)	—	(0.67)
Diluted earnings per share - continuing operations	0.09	0.19	2.05	3.47
Add: Merger-related expenses (per share)	0.18	—	0.18	—
Add: Non-cash goodwill impairment (per share)	0.07	—	0.07	—
Diluted earnings per share - continuing operations adjusted for merger expenses and goodwill impairment	0.34	0.19	2.30	3.47
Less: Wholesale services (per share)	0.09	(0.03)	0.34	1.58
Diluted earnings per share - continuing operations adjusted for merger expenses, goodwill impairment and wholesale services	\$0.25	\$0.22	\$1.96	\$1.89

AGL RESOURCES INC.

Reconciliation of Wholesale Services' Reported EBIT to Economic Earnings

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Wholesale services EBIT reported on a GAAP basis	\$18	\$(7)	\$66	\$308
Current quarter and prior year-end realized storage roll-out, net	(10)	5	18	(10)
Current transportation and hedge movement, net of prior period hedge offset	(3)	(2)	9	(21)
Deferred incentive compensation	1	—	4	—
Economic Earnings	\$6	\$(4)	\$97	\$277

Reconciliations of operating margin, adjusted net income and adjusted earnings per share are available in our quarterly reports (Form 10-Q) and annual reports (Form 10-K) filed with the Securities and Exchange Commission.

Our management evaluates segment financial performance based on operating margin and earnings before interest and taxes (EBIT), which include the effects of corporate expense allocations. We believe that EBIT is a useful measurement of our performance because it provides information that can be used to evaluate the effectiveness of our businesses from an operational perspective, exclusive of the costs to finance those activities and exclusive of income taxes, neither of which is directly relevant to the efficiency of those operations.

Operating margin is a non-GAAP measure calculated as operating revenues minus cost of goods sold and revenue taxes, excluding operation and maintenance expense, depreciation and amortization, certain taxes other than income taxes and gains or losses on the sale of assets, if any. These items are included in our calculation of operating income. We believe operating margin is a better indicator than operating revenues of the contribution resulting from customer growth, since cost of gas and revenue taxes are generally passed directly through to customers.

AGL Resources has presented a non-GAAP measure of adjusted earnings per share (EPS) that excludes the impact of our wholesale services segment, our merger expenses, a non-cash goodwill impairment in our midstream segment and our discontinued operations. The company believes presenting EPS excluding wholesale services provides investors with an additional measure of operating performance excluding the volatility effects resulting from mark-to-market and LOCOM accounting adjustments in the wholesale services segment. As the company does not regularly engage in transactions of the magnitude of the proposed merger with Southern Company, and consequently does not regularly incur merger expenses of correlative size, the company believes presenting EPS excluding merger expenses provides investors with an additional measure of AGL Resources' core operating performance. The company also has chosen to exclude a non-cash goodwill impairment related to our midstream operations segment because management believes that investors may find it useful to assess our core operating performance without this non-cash item. Income (loss) related to the sale of Tropical Shipping is reflected as discontinued operations, and the company believes excluding the impacts of discontinued operations provides a more accurate view of earnings from continuing operations.

Operating margin and adjusted EPS should not be considered as alternatives to, or more meaningful indicators of, our operating performance than net income attributable to AGL Resources Inc., operating income or EPS as determined in accordance with GAAP. In addition, our operating margin and adjusted EPS may not be comparable to similarly titled measures of another company.