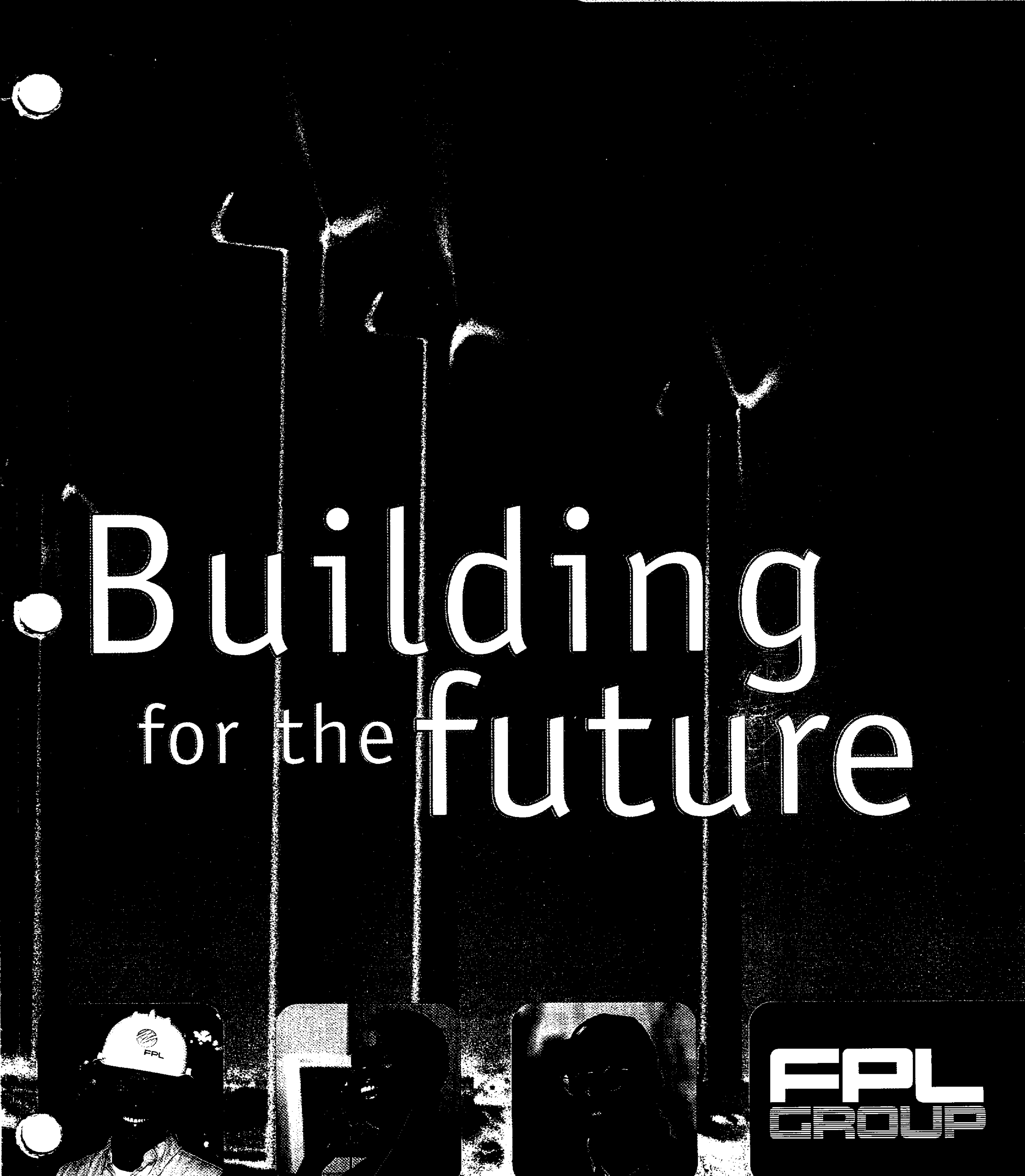
FPL Group 1999 annual report

# Building for the future



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# Profile

FPL Group is one of the nation's largest providers of electricity-related services. Its principal subsidiary, Florida Power & Light Company, serves more than seven million people along the eastern seaboard and the southern portion of Florida. FPL Energy, LLC, FPL Group's energy generating subsidiary, is a leader in producing electricity from clean and renewable fuels. FPL Energy owns and operates power plants in the U.S. and abroad, representing more than 3,000 megawatts.


**Right:** *Florida Power & Light Company serves 3.8 million customer accounts in 34 counties.*

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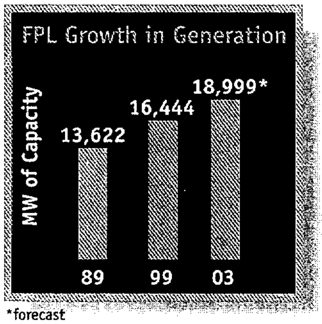

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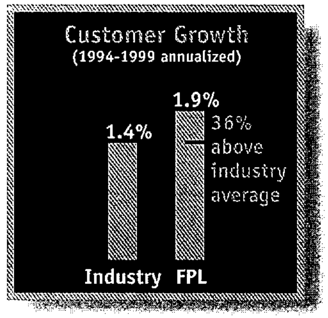
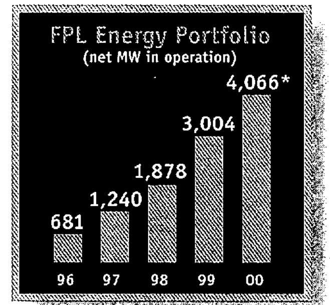


*forecast based on projects currently under construction

| **For the Years Ended December 31,** | **1999** | 1998 | % change |
|---|---|---|---|
| FINANCIAL RESULTS *(millions, except per share amounts)* | | | |
| Operating Revenues | $6,438 | $6,661 | (3.3) |
| Operating Income | $920(1) | $1,252 | (26.5) |
| Net Income, excluding nonrecurring items | $681(2) | $664 | 2.6 |
| Earnings Per Share, excluding nonrecurring items | | | |
| *(basic and assuming dilution)* | $3.98(2) | $3.85 | 3.4 |
| Cash Flow from Operating Activities | $1,563 | $1,743 | (10.3) |
| Total Assets | $13,441 | $12,029 | 11.7 |
| COMMON STOCK DATA | | | |
| Average Shares Outstanding *(millions)* | 171 | 173 | (1.2) |
| Dividends Per Share | $2.08 | $2.00 | 4.0 |
| Book Value Per Share | $31.47 | $29.76 | 5.7 |
| Market Price Per Share *(high/low)* | $61 15/16-$41 1/8 | $72 9/16-$56 1/16 | |
| OPERATING DATA | | | |
| Energy Sales *(millions kwh)* | 92,483 | 91,041 | 1.6 |
| FPL Customer Accounts *(average; thousands)* | 3,756 | 3,680 | 2.1 |
| Employees *(year end)* | 10,717 | 10,375 | 3.3 |

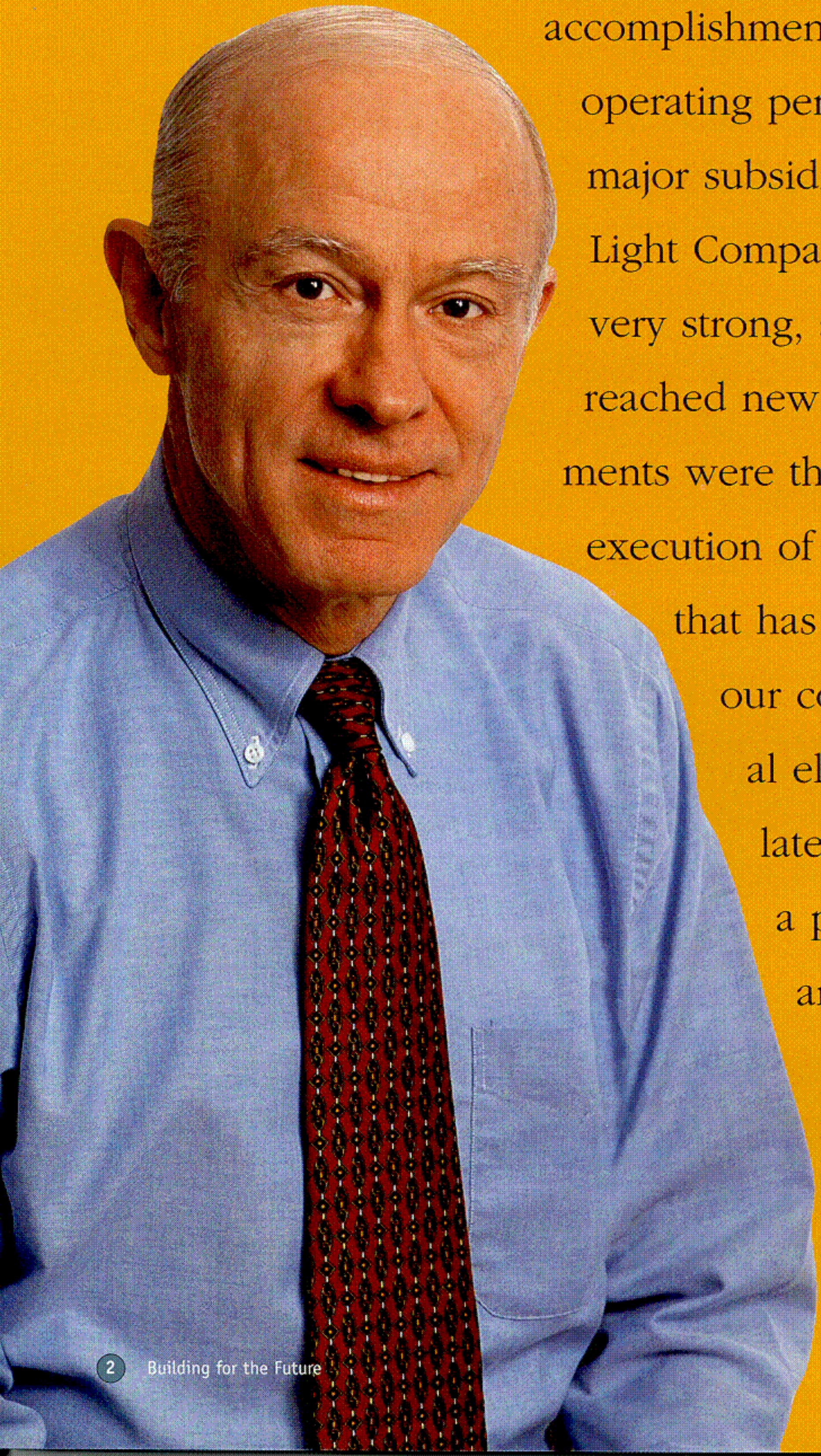
*(1) Includes effects of impairment loss on Maine assets and settlement of litigation between FPL and FMPA.*

*(2) Excludes effects of gain on sale of Adelphia Communications Corporation stock, impairment loss on Maine assets, settlement of litigation between FPL and FMPA and the gain on the redemption of a one-third ownership interest in a cable limited partnership. Including these items, net income and earnings per share were $697 million and $4.07, respectively.*

# Building Value

## FPL Group achieved record net income in 1999.

# Looking



1999 was a year of substantial accomplishment for FPL Group. The operating performance of our two major subsidiaries, Florida Power & Light Company and FPL Energy, was very strong, and financial results reached new records. These achievements were the consequence of the execution of a decade-long strategy that has successfully transformed our company from a traditional electric utility with unrelated business holdings to a productive, high quality, and customer-focused power company with a growing presence in 15 states.



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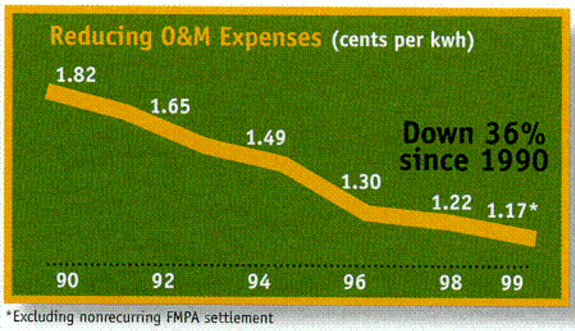
# Ahead

We were disappointed, however, that this strong performance did not immediately translate into enhanced shareholder returns. The stock market in 1999 was not kind to electric power companies. The Standard & Poor's Electric Utilities Index returned a negative 19%, under-performing the Standard & Poor's 500 Index by more than 40%, the largest margin in history. Further, FPL Group under-performed the electric utilities index by 8 percentage points. This was due largely to a $350 million per year reduction in the rates charged by Florida Power & Light and a write-down taken on FPL Energy's power generating assets in Maine as a result of unexpected changes in federal regulations.



*Excluding nonrecurring FMPA settlement

## Record Financial Results

- Net income, excluding nonrecurring items, in 1999 rose to an all-time high of $681 million, an increase of 2.6% from the previous year. Including nonrecurring items, net income was even higher, reaching $697 million, an increase of 5% over 1999.
- Earnings per share, excluding nonrecurring items, increased to a record $3.98, up 3.4% from the year before. Including nonrecurring gains and charges, earnings per share rose to $4.07, an increase of 5.7%.
- Nonrecurring gains during 1999 included the sale of shares in Adelphia Communications Corporation and the redemption of our ownership interest in a cable television limited partnership. In addition to the Maine write-down, charges were taken in connection with the settlement by Florida Power & Light of a dispute with the Florida Municipal Power Agency.

## Achievements of Florida Power & Light

Florida Power & Light continued to improve both productivity and reliability, enabling customers to benefit from better service at lower prices.

- In 1999 operating and maintenance costs per kilowatt-hour declined for the ninth consecutive year, from 1.82 cents per kilowatt-hour in 1990 to 1.17 cents per kwh — a 36% reduction.

## Building greater Efficiency

**Operating and maintenance expenses per kilowatt-hour have been reduced by 36% since 1990.**



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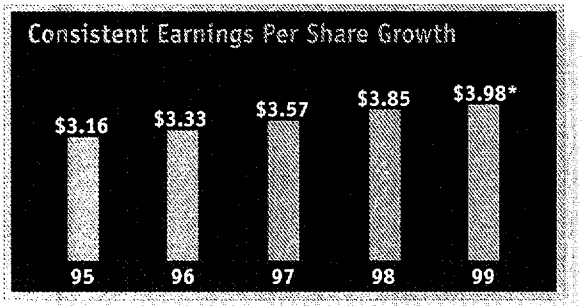
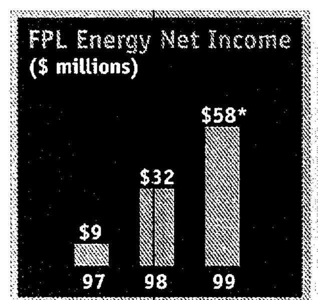


*Excludes nonrecurring item

- Plant performance remained at exceptionally high levels. Our fossil plant availability of 93% was among the best in the nation.
- Nuclear plant availability climbed to an all-time high of 94%. Both our Turkey Point and St. Lucie plants were among the country's top-rated nuclear sites.
- Our electric service reliability, which was already well above the national average, continued to improve in 1999. The average number of interruptions per FPL customer was down 19%, while the length of interruptions declined 7%.
- In customer satisfaction, FPL rated among the nation's top performing utilities in a nationwide survey undertaken in part by J.D. Powers and Associates. FPL scored especially high in such key areas as response time and follow-through on customer inquiries.
- In addition, once again our employees displayed their skills and resolve during times of crisis, quickly restoring electric service to millions of customers affected by Hurricanes Irene and Floyd. The Edison Electric Institute, in presenting FPL with its Emergency Response Reward, described our emergency performance as "a model for electric utilities everywhere."

Our continuous improvements in productivity reduced costs to the point that the Florida Public Service Commission reduced our rates in 1999. While we would have preferred to keep more of these savings for shareholders, the reduction has at least benefited individuals and businesses throughout our service territory by significantly lowering the prices they pay for electricity. In addition, the rate agreement we reached with the Commission and Public Counsel offers some important incentive features, including the ability to keep the benefits of future gains in productivity for our shareholders, as well as an allowance for special depreciation of up to $100 million annually.

## Growth at FPL Energy



*Excludes nonrecurring item

FPL Energy, our independent power subsidiary that operates outside of Florida, continued to show rapid growth in both revenue and earnings, and its contributions to FPL Group's net income, excluding nonrecurring items, rose from $32 million in 1998 to $58 million in 1999 — an increase of 81%.

- In 1999 FPL Energy expanded its generating operations and construction projects to 13 states. Its generating capacity grew by nearly 60% to more than 3,000 megawatts.
- In Maine, FPL Energy acquired nearly 400 megawatts of hydro-powered generation, and more than 700 megawatts of fossil-fueled generation.

## Building on a Successful Strategy

1. **Enhance FPL operations.**
2. **Grow FPL Energy portfolio.**

# 75th anniversary of FPL

Florida Power & Light was born in the final days of 1925, with roots tracing back to Thomas Edison and the General Electric Co.

As FPL celebrates its 75th anniversary in this millennium year, it has grown significantly from the original patchwork of enterprises that included ice plants, water, gas, fish, telephone and streetcar companies, and even 35 mules and wagons.

The company, which began its first year with 76,000 customer accounts and total generating capacity of 70 megawatts, today provides electric service to nearly four million customer accounts. It is among the largest energy providers in the United States and continues to grow at a rapid pace.

In 1926, FPL embarked upon one of the most ambitious construction programs in the history of the electric industry, spending at that time the staggering sum of $50 million on power plants and a transmission network.

Seventy-five years later, FPL is still expanding its system with a $3 billion investment that will add by 2003 nearly 2,500 additional megawatts. This is in addition to its current capacity of more than 16,000 megawatts, and will ensure that Floridians continue to enjoy the benefits of safe, reliable, and reasonably priced electricity.

**Then:**

*Original construction of the Sanford plant — a 10-megawatt "superpower" station — coincided with the first year in FPL's history.*

**Now:**

*Construction began this year on repowering the Sanford plant site with state-of-the-art combined-cycle technology for future generations.*

- Wind-powered plants totaling 117 megawatts were constructed in Iowa and Texas, and construction began on a 1,000-megawatt natural gas-fired power plant near Paris, Texas.
- FPL Energy continues to focus on the generation of electricity using "clean" technologies and fuels such as natural gas and renewable resources, including wind, solar, and hydro energy. It is one of the nation's largest producers of electricity from wind power, and approximately 75% of its generation in operation is derived from clean fuels.

## FPL FiberNet Launched

On January 1, 2000, we established a new subsidiary, FPL FiberNet, to sell fiber-optic capacity.

This subsidiary acquired 1,600 miles of inter-city fiber network from Florida Power & Light and is selling network capacity to telephone, cable television, Internet, and other telecommunications companies.

The company plans to expand the network to major cities throughout Florida and expects to complete construction of 15 metropolitan networks by 2002. First year revenues of the company are expected to be between $30 million and $40 million, and we anticipate the business will enhance earnings near-term.

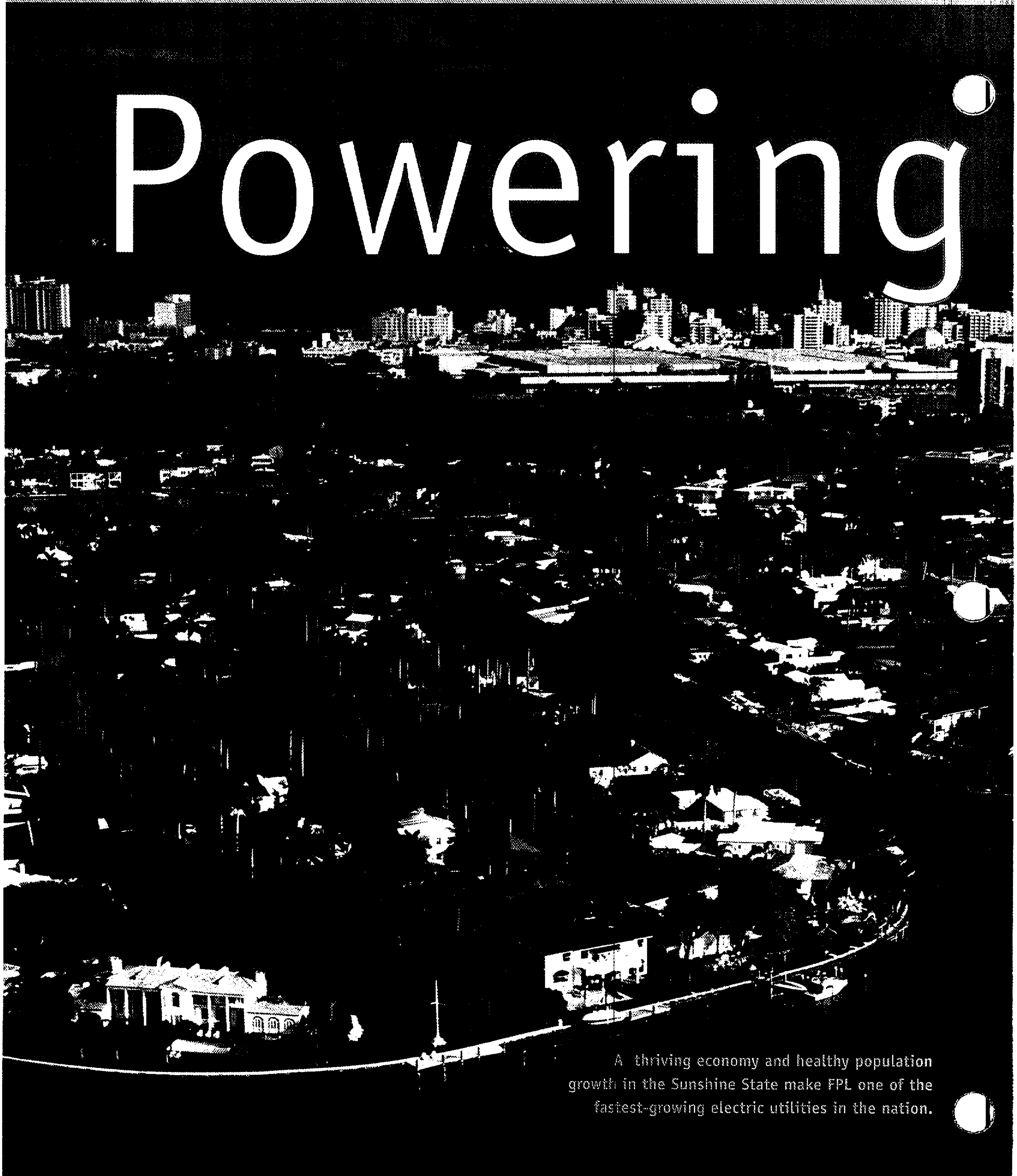
## Summary and Outlook

In recent years we have added to the value of our company by reducing Florida Power & Light's costs, improving quality and customer service, and expanding the operations of FPL Energy for profitable growth. As a result, we are better prepared than ever to succeed in today's rapidly changing business environment and to provide attractive returns to our shareholders.

James L. Broadhead

*James L. Broadhead*
*Chairman and Chief Executive Officer*
*February 28, 2000*

# Powering

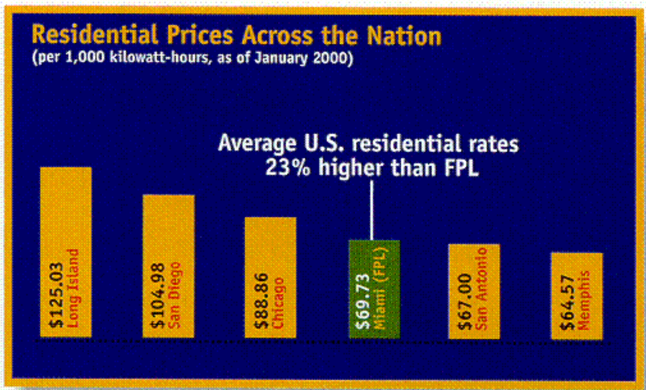


A thriving economy and healthy population growth in the Sunshine State make FPL one of the fastest-growing electric utilities in the nation.

# Florida

Florida Power & Light Company is among the largest and fastest growing electric utilities in the United States. Building on its solid reputation for quality operations and with a goal to meet and exceed its customers' expectations, the company over the past decade has succeeded in:

- improving reliability and system performance;
- reducing costs and becoming a more efficient organization;
- adding generation capacity to meet future growth; and
- increasing revenues and earnings.




FPL continues to build on these and other areas that are critical to its future success. In addition, the company recognizes the importance of safety and environmental stewardship as core values transcending all its operations.

## Delivering Value to Customers

Customers expect more from their electricity provider today than ever before, and FPL is working to exceed their expectations. This is essential to good business practice generally, but will be especially important should the day arrive when customers have a choice of electricity providers in Florida.

Market research indicates that in a competitive market, one of the most important factors in maintaining customer loyalty is keeping prices low. FPL has been doing this for some time as a result of its ability to reduce costs and be more productive.

In April of last year, a revenue-sharing agreement reached by FPL with the Florida Public Counsel and

## Exceeding Expectations

**Customers rated FPL among the nation's top performing utilities in a nationwide survey of electric consumer satisfaction.**



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the Public Service Commission reduced base rates by more than $1 billion over a three-year period. Residential customers received a 6% rate cut, and large industrial customers' rates were reduced as much as 12%.

Despite reducing customers' rates, and, thus, FPL's revenues, the agreement provides FPL and its shareholders some crucial benefits. In addition to stabilizing rates for a three-year period, the agreement provides incentives for growing earnings, generally permitting further reductions in costs to benefit earnings.

An additional 2% reduction in rates was approved by the Florida Public Service Commission in late 1999 and became effective January 1 of this year.

The decrease was due in large part to FPL's ability to generate more electricity at its power plants, thereby enabling the company to take advantage of the trading skills of its Energy Marketing and Trading Division (EMT) to sell excess electricity to other utilities. Gains from these energy sales flow directly back to FPL customers through cost recovery clauses. This reduction has no impact on earnings.

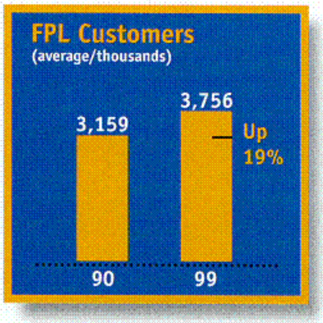
FPL's rates are now at their lowest levels in 16 years and the lowest among Florida's major investor-owned utilities. Nationally, average residential rates are 23% higher than those of FPL. Rates in California, where deregulation is in effect and customers have a choice of energy providers, are 45% higher than FPL's.

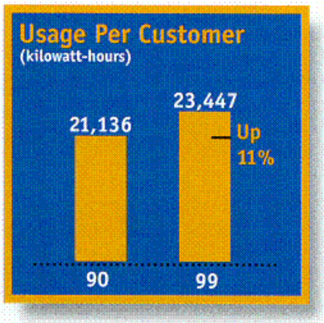
Since 1985, when the last increase in base rates went into effect, FPL's rates have declined more than 16%. Adjusted for inflation, FPL's rates are the lowest in the 75-year history of the company.

## Reducing Costs; Increasing Productivity

Throughout the 1990s FPL has worked to reduce costs and restructure its organization to increase the efficiency of its operations. By "working smarter" and focusing its attention on what is most important to customers, the company has achieved enormous improvements in productivity and how it does business.

FPL today serves nearly 600,000 more customers than in 1990 with far fewer employees. Since 1990 FPL's operations and maintenance expenses per kilowatt-hour have been reduced by 36%. This has helped FPL to lower the price of electricity.

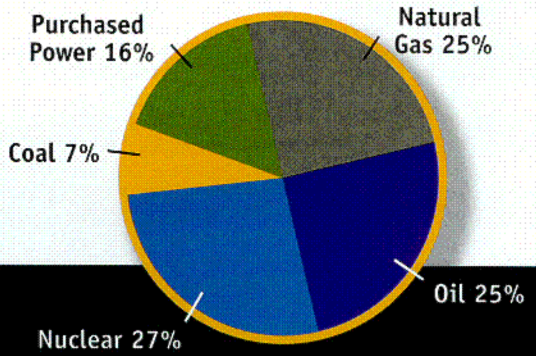



## Accommodating Growth

Florida enjoys a thriving economy, and FPL's annual customer growth rate, of more than 2% is 36% higher than that of most other electric utilities. In 1999 more new customer accounts were added than at any time since 1990, bringing the total number of customer accounts to approximately 3.8 million.

Projections call for continued population growth of approximately 600,000 within FPL's service area over the next five years. Energy usage also is expected to increase, although usage per customer declined slightly in 1999 due primarily to milder weather than the prior year.




1999 Energy Sources
Florida Power & Light Company



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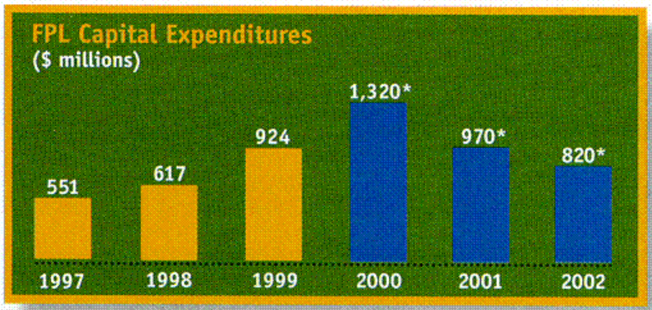


*Forecast

To accommodate this growth, FPL announced expansion plans to increase its current generating capacity of about 16,500 megawatts by approximately 25% during the next decade. By 2003, FPL will add nearly 2,500 megawatts to its system through repowering two existing plants at Fort Myers and Sanford, and by adding additional gas-fired peaking units at its Martin County plant site.

By utilizing natural gas as a fuel, FPL will not only significantly expand its capacity, but will reduce plant emissions as well. This will add to FPL's record as one of the cleanest power producers in the United States.

## Building a Culture of Service

Reducing costs while maintaining or improving the quality of service and reliability is a major challenge for any utility and one that FPL has met with remarkable success.

Since launching an aggressive three-year, $450 million program in 1997 called Reliability 2000, FPL has dramatically improved the levels of its service.

# Building for the Future

**FPL is expanding its generation capacity by approximately 25% during the next decade to power the booming Florida market.**



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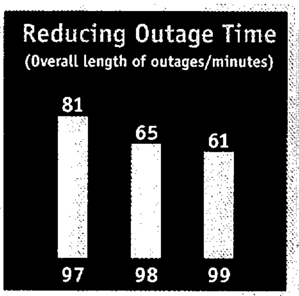
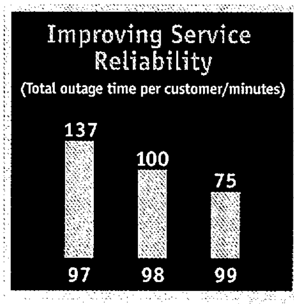
After impressive results in 1998, even greater improvements were achieved in 1999, including:

- a 25% reduction in the average amount of time customers were without power during the year, from 100 minutes to 75 minutes. This is well below the national average.
- a 7% decline in the average length of interruptions, from 65 minutes to 61 minutes, and
- a 19% reduction in the frequency of service interruptions for all customers, from 1.5 to 1.2 annually.

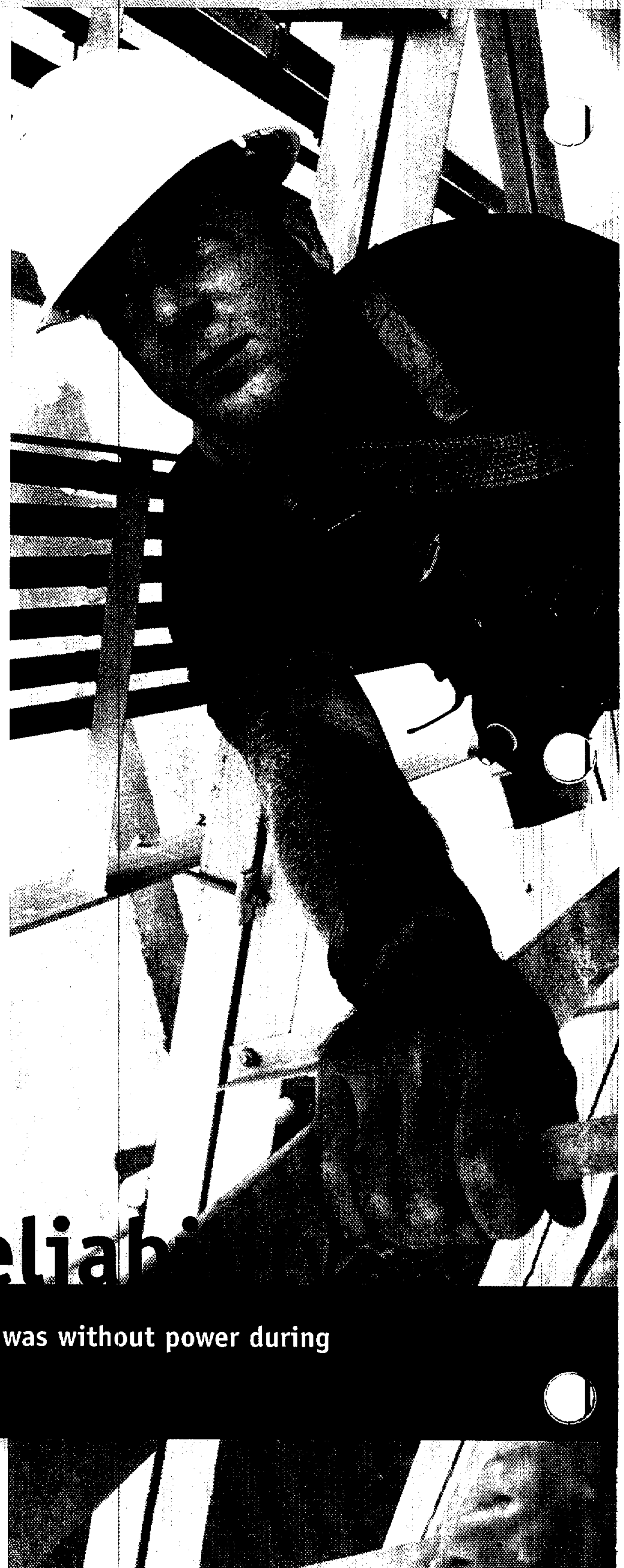



In addition to providing greater reliability, FPL is utilizing the latest technologies to develop innovative new programs that enhance customer service.

As an example, consumers may now log onto FPL's Web site to have electric service connected or disconnected and to obtain useful information about how to better manage their electricity usage. A system called E-bill allows them to pay their bills electronically via the Internet. An automated phone line gives cus-

**Right:** *A new radio dispatch system now being installed enables us to provide better response time to customers and improve our overall service restoration capability.*



# Building increased Reliab

**The amount of time the average customer was without power during the year declined by 25%.**

tomers specific information about why an outage occurred and when power will be restored.

In acknowledgment of its efforts in this area, FPL was presented the 1999 Ultra Award by the industry publication *Public Utilities Fortnightly* and IBM. The award recognized FPL for developing "the most innovative application for information technology" among energy companies. In addition, FPL was recognized for having one of the top 10 most useful and effective Web sites in a worldwide evaluation of 144 utility Web sites conducted by Andersen Consulting.

In 1999 J.D. Power and Associates and Metzler & Associates initiated the first annual nationwide survey of electric consumer satisfaction. The survey measures how customers feel about the service of the nation's top 78 electric utilities in several key areas, including response to customers, care and concern, the ability to quickly and accurately answer questions, and follow-through to customers.

In each of these areas, customers judged FPL to be among the premier performers nationwide, at or near the top 25%. In Florida, FPL was rated best overall among the major utilities and received the highest ratings in virtually every category of customer concern.

These included:

- the willingness to help reduce the price of electricity;
- help in understanding monthly bills and available pricing options;
- convenient service hours;
- courteous, caring, knowledgeable, and helpful service representatives; and
- the ability to effectively communicate any changes that may affect electric service.

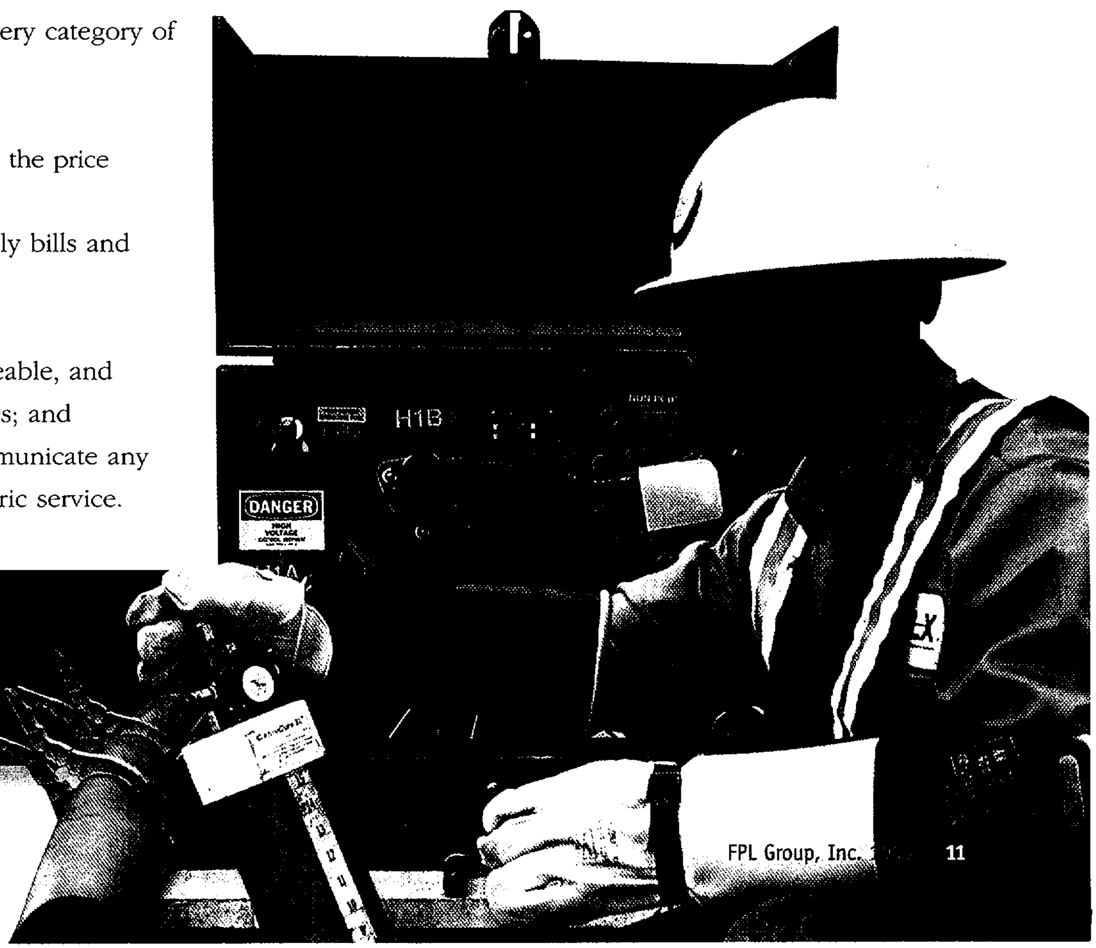
Of particular importance to today's consumers are customer call centers because this is where customers most often communicate with companies. FPL's call center representatives received particularly high marks from customers for their ability to solve problems or answer questions over the phone quickly and courteously.

## World-Class Performance: Reliability

FPL's power plants continued their outstanding performance in 1999.

One key measure of plant performance is "availability" — the percentage of time a plant is available to produce electricity. FPL's fossil-fueled plants — those that use coal, oil or natural gas as fuel to generate electricity — achieved 93% availability during 1999. This performance compares to an industry average of 87%. FPL's fossil fleet ranks in the top 10% of similar plants nationwide.

**Below:** *Enhancements, such as replacing or upgrading underground electric facilities, improved our already high levels of electric service reliability in 1999.*



FPL's nuclear plants also are setting records for excellence. The 1999 availability factor of 94% is the highest ever achieved at FPL and well above the industry norm. Both of FPL's nuclear facilities — Turkey Point south of Miami and St. Lucie on Hutchinson Island — are recognized as being among the nation's best.

The two nuclear units at Turkey Point have been providing FPL customers with clean, economical energy since the early 1970s. The units at St. Lucie were completed in 1976 and 1983. Both plants were originally licensed to operate for 40 years.

FPL intends to submit applications to the Nuclear Regulatory Commission to renew the license and extend the operations for both Turkey Point and St. Lucie. The application for Turkey Point — where the units' operating licenses expire in 2012 and 2013 — is expected to be filed later this year. The application for St. Lucie is scheduled for 2002. It is anticipated that the review process will take approximately two years.

**Left:** *The Turkey Point nuclear plant received Power magazine's annual Power Plant Award for its world-class operations in 1999.*

**Below:** *FPL's fossil plants generated excellent performance in 1999, reaching 93% availability compared to an industry average of 87%.*

# Proven plant Performance

**Our nuclear and fossil power plants achieved top decile performance.**



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In 1999 Turkey Point was selected by *Power* magazine to receive its annual Power Plant Award. The nuclear plant was praised for its "creative management practices" and its leadership in the application of advanced equipment designs, as well as operating and maintenance techniques.

Turkey Point and St. Lucie both continue to receive exceptional ratings from the World Association of Nuclear Operators.

Superior plant performance is significant in that it helps utilities to avoid the cost of building additional electric plants. In addition, the plants' ability to produce maximum power provides excess generation that can be sold to other utilities.

The gains from these energy sales, handled through the utility's Energy Marketing and Trading Division (EMT), flow back directly to customers through cost recovery clauses and help lower the price of electricity.

EMT is a leading wholesale marketer and trader that utilizes state-of-the-art systems to trade gas, oil and power 24 hours a day, 7 days a week. Its transactions exceeded $1 billion during 1999, benefiting FPL customers with an estimated $62 million in savings.

## Rising to the Occasion

During 1999 the resources of FPL and the resolve of its employees were once again tested by major storms that swept through the utility's service area.

- In September, Hurricane Floyd left more than half a million customers without power. Service was restored within 72 hours.
- In October, Hurricane Irene followed with even greater devastation. A combination of high winds and heavy flooding affected more than 1.7 million customers, and service was virtually restored within 48 hours.

**Left:** *In recognition of the company's rapid response in the wake of Hurricane Irene, FPL received the Edison Electric Institute's (EEI) Emergency Response Award. FPL's performance was described by the EEI as "a model for electric utilities everywhere."*

# President's Cup

The commitment to finding a better way is showcased each year at FPL's Quality and Safety Expo. Teams of employees from virtually every area of the company gather to display their skills in the use of quality tools and techniques to achieve positive results.

The quality teams judged to be the best in the company compete for the President's Cup. In 1999 a team of employees from the nuclear division captured the award for their innovation in adapting a medical technology called computed radiography. With this technology, plant personnel are better able to determine whether pipes are thinning due to external corrosion or internal erosion. [illegible] conducted during normal plant operations rather than waiting for the plant to shut down for scheduled maintenance. Also, compared with previous inspection methods, computed radiography reduces the risk of injury. Using this process has already generated significant savings.

FPL monitors its quality progress by periodically measuring the performance of major business units against criteria used in competition for the Malcolm Baldrige National Quality Award. The business units are examined and compared with the most successful companies in such important areas as strategic planning, customer and market focus, business results, and leadership.

## Team Winners:

*This team of employees from the nuclear division captured the 1999 President's Cup, FPL's top quality award. Holding the cup are (from left) Carlos Melchor Jr., Rajiv Kundalkar and Rob Earl. Back row (from left) are Bill Klein, Don Councill, President Paul Evanson, Sharon Bilger and Toby Newsome.*

In response to each storm, thousands of FPL employees, contractors and crews from other utilities worked around the clock to restore power as quickly as possible.

## Quality: a Cornerstone

As part of its long-standing quality culture, Florida Power & Light utilizes a variety of quality processes to enhance its position as a high performance organization capable of continuous improvement.

Part of the company's quality efforts focus on establishing "best practices" — that is, to find superior ways of doing business and to spread those practices throughout the organization.

## Y2K

FPL was one of the first utilities to begin preparing for the new millennium, and its comprehensive Y2K preparations were essentially completed by June of last year.

Replacing or repairing computerized equipment and systems that might have been affected by the rollover to the year 2000 was a massive project involving the work of hundreds of employees. Thanks to their extraordinary efforts, the new century entered with no disruptions in electric service to customers.

## Focus on Safety

Nothing is more important in the operations of FPL Group than safety. Accordingly, the company insists that its employees treat safety and all the practices associated with it as core values never to be compromised. In 1999 the number of serious employee injuries for every 200,000 hours worked at FPL was 3.18.

## Building on our Environmental Commitment

FPL is committed to operating all of its facilities in harmony with Florida's sensitive eco-system to make the state a better place to live and work. In line with this commitment, FPL takes every opportunity to minimize the effects of its operations on the environment.

As a result, FPL's power plants are among the "cleanest" in the nation with fewer emissions per megawatt-hour of electricity generated than all other major electric utilities in Florida.

Over the last five years, FPL has reduced sulfur dioxide by 20%, carbon dioxide by 35% and nitrogen dioxide by 32%.

FPL also is reducing significantly the amount of hazardous waste materials such as paint and solvents. These wastes have been reduced 89% since 1986.

In addition, FPL is taking steps to protect Florida's valuable water resources through recycling. Equipment is being installed at several power plants to reduce by 30% the amount of water taken from cities or wells for use in plant processes.

Recycling of materials such as scrap wood, cable, porcelain, and metals also is increasing. FPL recycled

# Building Clean En

**FPL ranks as one of the cleanest electric utilities in Florida and the nation.**

almost 20,000 tons of these and other materials in 1999, up from 11,000 tons in 1995.

By recovering ash and selling it to be recycled for commercial purposes such as concrete production, FPL has virtually eliminated landfill burial of ash from its fuel plants.

FPL's recycling and waste reduction efforts were recognized for the second year in a row in 1999 when the company was named one of 20 "program champions" nationwide by the U.S. Environmental Protection Agency in conjunction with its "WasteWise" program.

## Conservation: Encouraging the Wise Use of Electricity

While adding new facilities to meet the growing energy needs of its customers, FPL continues to emphasize energy conservation programs to encourage the "wise use of electricity." This helps reduce energy demand during peak periods and allows the utility to defer building additional new power plants that might otherwise have to be built, saving money and natural resources.

**Below:** *For the second consecutive year, FPL's recycling and waste reduction program was recognized by the U.S. Environmental Protection Agency as one of the top WasteWise program champions nationwide.*

One example is the "On Call" program in which residential customers can allow FPL to automatically turn off certain home appliances for short periods of time during peak energy usage. This enables FPL to meet exceptionally high demands for electricity, while allowing customers to receive credits on their bills.

FPL also works with business customers to help them save money by using energy more efficiently. The Commercial Industrial Building Envelope program offers rebates for such items as window film, awnings, shutters, high-efficiency windows, and roof and ceiling insulation.

## Building Strong Communities

FPL's involvement in the communities it serves extends beyond meeting its customers' energy requirements to caring about other important needs such as education, health and human services.

In 1999 FPL invested $200,000 in scholarship funds at Florida A&M University, one of the nation's top institutions for African-American students. FAMU has been a source of outstanding talent for FPL's work force for many years and, with even closer ties to the school, the number of successful FAMU alumni employed at FPL is expected to grow in the future.

At the middle school level, FPL sponsors the South Florida Future Cities competition. The program allows students, with coaching from teachers and engineers, to design next-generation cities. In this way students can experience the excitement and promise of engineering as a career, as well as better understanding the complexities of developing and managing a community.


To spark interest in science education, a special program called "FPL's Electrifying Experience" is being made available to public schools throughout the FPL service area. Robert Krampf, also known as "Mr. Electricity," expects to visit more than 200 schools during the current school year, educating students from kindergarten through sixth grade on the basics of electricity and electrical safety.

In 1999 FPL employees pledged a record $1.8 million to 26 United Way organizations located within the company's service area. This was a 12% increase over the previous year and, combined with the company's contribution, resulted in a total of $2.4 million to help fund a wide variety of local community programs for individuals and families in need.

**Left:** *FPL President Paul Evanson signals the start of the annual Race for the Cure in West Palm Beach, an event that benefits the Susan G. Komen Breast Cancer Foundation.*

**Below:** *"FPL's Electrifying Experience" will visit more than 200 elementary schools this year to educate students on the basics of electricity and electrical safety.*

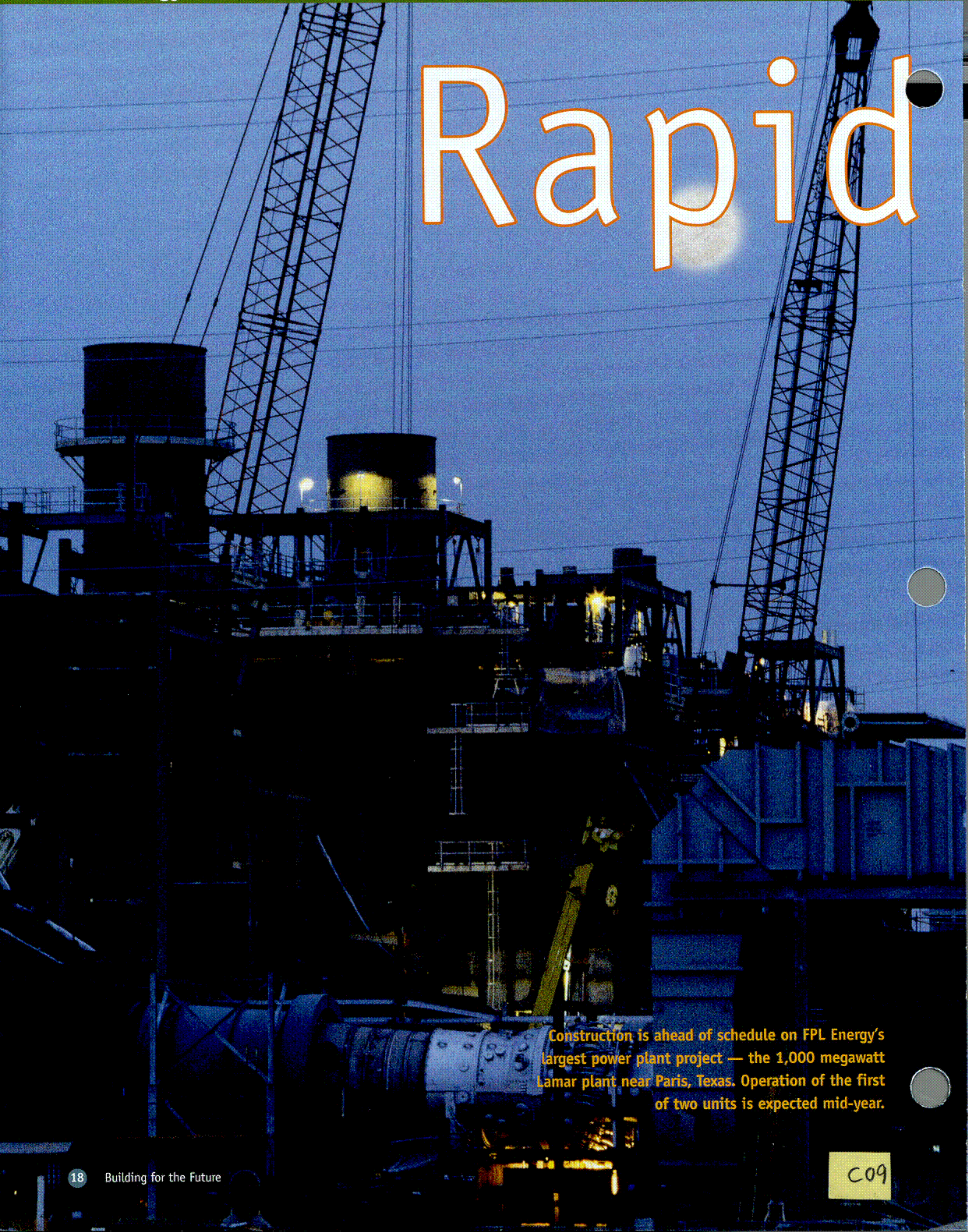
# Caring for our Communities

**FPL and its employees pledged $2.4 million to help fund community programs within our service area.**



C08

# Rapid



Construction is ahead of schedule on FPL Energy's largest power plant project — the 1,000 megawatt Lamar plant near Paris, Texas. Operation of the first of two units is expected mid-year.



C09

# Growth

FPL Energy is the independent power generation subsidiary of FPL Group and the company's fastest growing business. The subsidiary grew its portfolio by nearly 60% in 1999, while significantly improving the operating performance of its existing plants. Net income, excluding nonrecurring items, rose 81% from $32 million in 1998 to $58 million.

At the end of 1999, FPL Energy had in operation more than 3,000 megawatts of net generating capacity. It had plants operating in or under construction or development in 13 states, as well as South America.

FPL Energy emphasizes the use of clean fuels and generation technologies throughout its operations. Of its power plants in operation or under construction, more than half use or will use clean-burning natural gas as fuel. Nearly one-third of its capacity comes from renewable resources including wind, solar, and hydro. The company's use of natural gas and renewable resources makes it one of the cleanest power producers in the United States.

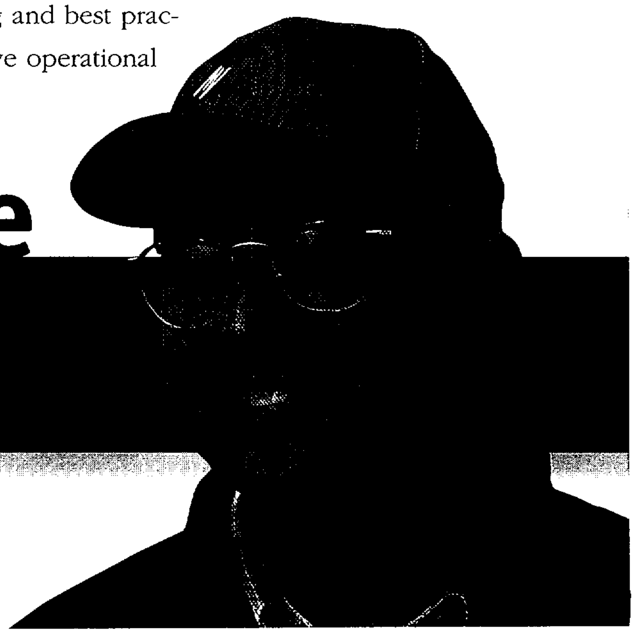
FPL Energy's strategy for income growth takes into account both diversity of fuel and geography. The strategy includes:

- optimizing profitability of current assets through operating improvements, energy marketing and trading, and site expansions;
- acquiring independent power projects, portfolios and/or companies, as well as assets being divested by electric utility companies;
- developing, building, and operating new power plants; and
- financial and ownership restructuring.

In pursuing its strategy for growth, FPL Energy combines its skills with those of the energy marketing and trading division and the power generation division of FPL.

Energy marketing and trading, or EMT, was formed in 1997 to enhance FPL Group's generating assets. It supports the growth of FPL Energy through fuel procurement, excess power sales, and asset-backed trading of both fuel and electricity.

The power generation division provides expertise in all generation technologies and successfully utilizes benchmarking and best practices to achieve operational



## Building Performance

**Recurring net income at FPL Energy increased by 81%.**

excellence. It has developed an operational model by which it can rapidly deploy a high-performance culture and share best practices with the workforce at newly acquired or constructed assets.

At the 665-megawatt Doswell natural gas-fueled plant near Richmond, Virginia, staffing has been reduced 38% since 1997, and non-fuel operations and maintenance costs are down 45%. At the same time, plant availability has increased from 86% to 97%. Output from the Doswell plant is sold under a long-term contract that was renegotiated in late 1998, resulting in more favorable terms for FPL Energy.

Since acquiring 50% ownership in two 300-megawatt plants in Bellingham, Massachusetts, and Sayreville, New Jersey, FPL Energy has increased plant profitability through a variety of actions, including reducing plant personnel and lowering non-fuel costs. Almost all of the output from the plants is sold under long-term contracts to local utilities.

Operating improvements also were achieved at the Wyman plant, one of FPL Energy's newly acquired plants in Maine, including an increase in plant availability and lowering of the forced outage rate. This 610-megawatt plant was among the more than 1,100 megawatts of generating assets acquired from Central Maine Power in April of 1999. The acquisition also included 373 megawatts of hydro-powered units that provide the lowest-cost power in New England. The output is sold either through wholesale contracts or to the New England Power Pool, or NEPOOL.

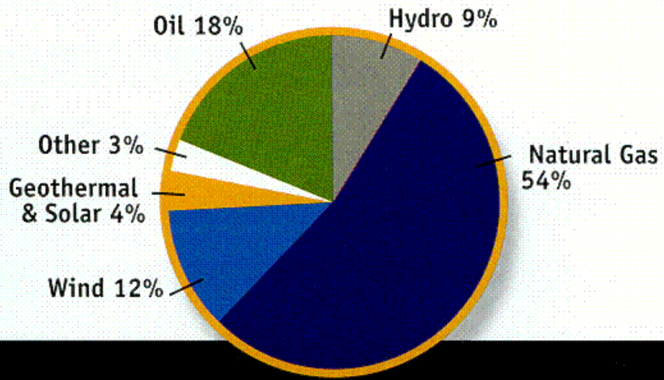
As part of its acquisition strategy, FPL Energy looks to buy generating assets from independent power producers, as well as those put up for auction by utilities.

FPL Energy's development strategy concentrates on base load and peaking generation within particular regions. By establishing and enhancing its regional offices, FPL Energy is able to benefit from local knowledge and achieve a more in-depth understanding of local regulatory and market issues. FPL Energy's operational and construction expertise, knowledge of energy marketing and trading, and FPL Group's strong balance sheet provide substantial advantages in its development activities.

For example, in Texas, the construction of a 1,000-megawatt natural gas-fired power plant near the city of Paris continues ahead of schedule with the plant scheduled to begin operation by mid-2000. Approximately 70% of the plant's output is to be sold under one- to five-year contracts.

FPL Energy completed construction during 1999 on two wind energy sites in Texas and Iowa totaling almost 120 megawatts. With net wind generation of more than 450 megawatts, FPL Energy is one of the nation's largest generators of electricity from wind.

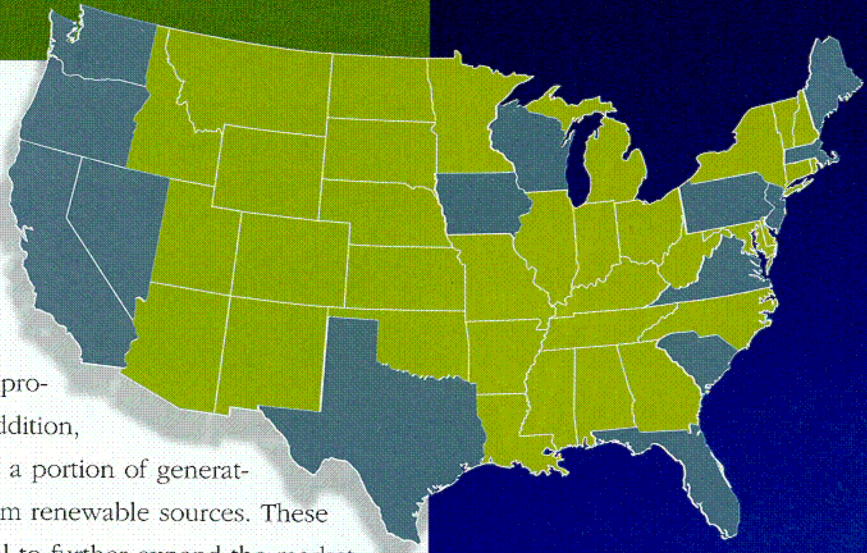
**Below:** *Hydro capacity was added to FPL Energy's clean energy portfolio when the company acquired the non-nuclear assets of Central Maine Power Company last year.*




**FPL Energy Generation by Energy Source**
**(net mw in operation or under construction)**



C10



**Right:** *Areas in blue denote sites of FPL Energy projects and offices.*

Effective July 1999, Congress extended for 30 months wind energy production tax credits. In addition, some states now require a portion of generating capacity to come from renewable sources. These factors have the potential to further expand the market for wind-generated power.

After acquiring a 50-megawatt power plant at Sunoco's Marcus Hook refinery near Philadelphia in 1999, FPL Energy announced plans to build and operate a 725-megawatt natural gas-fired facility at the same refinery. The company expects the plant to be operational by 2003.

In recent years, FPL Energy has undergone a transformation from a passive investor in small, geographically and technically disparate projects to a company focused on developing and acquiring larger generating projects. FPL Energy is currently in the process of opening offices in regions where its interest and development opportunities are greatest. Two offices — in Texas and Pennsylvania — were opened in 1999. Additional offices are expected to open by the end of 2000.

In addition to its strong existing portfolio and its ability to improve the performance and profitability of its current assets, FPL Energy has a pipeline of potential projects sufficient for continued growth. If the portfolio grows at the same rate as the past two years, it would exceed 10,000 megawatts by 2003.

**Inset:** *Foundations are prepared for one of FPL Energy's 87-foot-tall wind towers near Clear Lake, Iowa.*

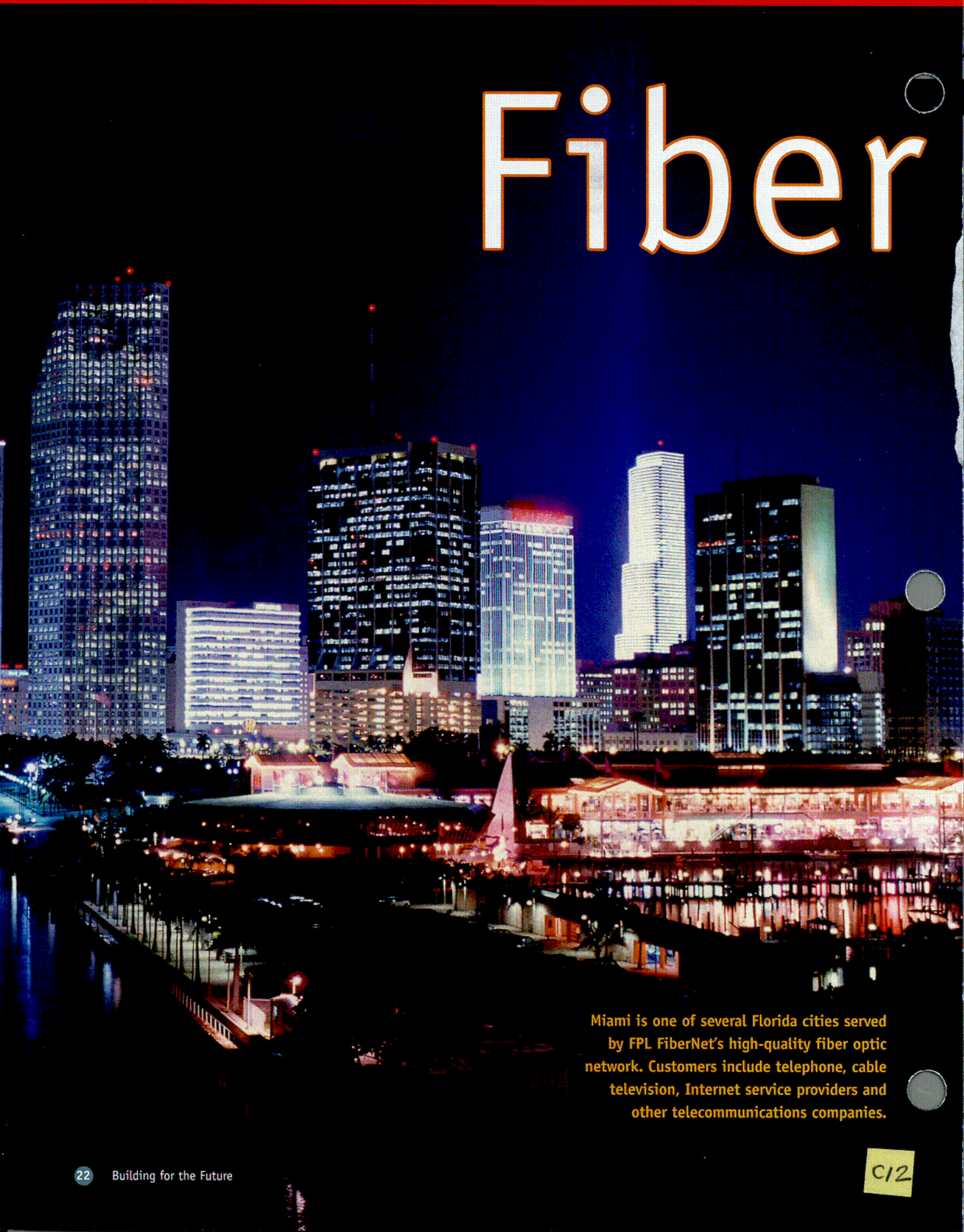
# Building Capacity

**FPL Energy's portfolio would exceed 10,000 megawatts by 2003 if growth continues at the same rate as the past two years.**



C11

# Fiber



Miami is one of several Florida cities served by FPL FiberNet's high-quality fiber optic network. Customers include telephone, cable television, Internet service providers and other telecommunications companies.

C12

# Network

At the beginning of 2000, FPL Group launched a new subsidiary, FPL FiberNet LLC, to sell fiber-optic network capacity on a wholesale basis to telephone, cable television, Internet service providers and other telecommunications companies in Florida.

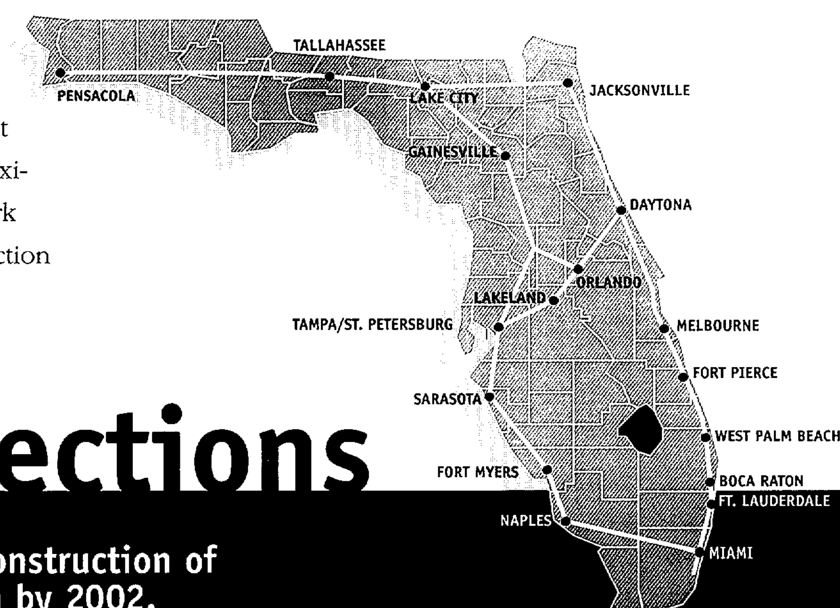
The subsidiary acquired its existing 1,600-mile, long-haul, inter-city fiber network from FPL and has begun to augment the network by building and operating intra-city networks in major metropolitan areas in Florida. FPL is also a customer of the subsidiary, enjoying the same reliable, low-cost telecommunications services as in the past.

FPL FiberNet's inter-city network, which has been in operation for 12 years, travels from Miami to Jacksonville on the east coast of Florida; Lake City in north Florida; and Tampa south on the west coast.

Construction of an intra-city network in Miami has been completed and similar projects are underway in Fort Lauderdale, Tampa and West Palm Beach. FPL FiberNet expects to invest approximately $75 million toward its metropolitan network expansion in 2000 and plans to complete construction of 15 metropolitan networks in Florida by 2002.

FPL FiberNet expects sales to be between $30 and $40 million in its first year of operation. The business, which is already profitable, is expected to be an earnings enhancer near-term, but is not expected to provide significant contributions to earnings growth for several years.

The fiber-optic network was originally developed in the late 1980s to provide internal telecommunications services to support company operations. In 1996 FPL began selling excess fiber-optic capacity along its network to the major telecommunications companies operating in Florida. Since its launch, FPL FiberNet has expanded its customer base to include Internet service providers and other telecommunications companies, who will take advantage of the expanded network.




## Profitable Connections

**FPL FiberNet expects to complete construction of 15 metropolitan networks in Florida by 2002.**

# financial and operating statistics

| For the Years Ended December 31, | 1999 | 1998 | 1997 | 1996 | 1995 | 1994 | 1989 |
|---|---|---|---|---|---|---|---|
| FPL GROUP, INC. (millions) | | | | | | | |
| Operating Revenues | $6,438 | $6,661 | $6,369 | $6,037 | $5,592 | $5,423 | $5,033 |
| Operating Expenses | $5,518 | $5,409 | $5,141 | $4,866 | $4,395 | $4,274 | $4,124 |
| Operating Income | $920 | $1,252 | $1,228 | $1,171 | $1,197 | $1,148 | $909 |
| Net Income | $697[1] | $664 | $618 | $579 | $553 | $519 | $410 |
| Total Assets | $13,441 | $12,029 | $12,449 | $12,219 | $12,459 | $12,618 | $10,527 |
| Long-Term Debt (excluding current maturities) | $3,478 | $2,347 | $2,949 | $3,144 | $3,377 | $3,864 | $3,449 |
| Preferred Stock of FPL with sinking fund requirements (excluding current maturities) | $ — | $ — | $ — | $42 | $50 | $94 | $164 |
| Energy Sales (kwh) | 92,483 | 91,041 | 84,642 | 80,889 | 79,756 | 77,096 | 66,018 |
| FLORIDA POWER & LIGHT COMPANY | | | | | | | |
| Operating Revenues (millions) | $6,057 | $6,366 | $6,132 | $5,986 | $5,530 | $5,343 | $4,946 |
| Energy Sales (millions of kwh) | 88,067 | 89,362 | 82,734 | 80,889 | 79,756 | 77,096 | 66,018 |
| Customer Accounts — Average (thousands) | 3,756 | 3,680 | 3,616 | 3,551 | 3,489 | 3,422 | 3,064 |
| Peak Load, Winter (mw 60-minute)[2] | 17,057 | 16,802 | 13,047 | 16,490 | 18,096 | 16,563 | 13,988 |
| Peak Load, Summer (mw 60-minute) | 17,615 | 17,897 | 16,613 | 16,064 | 15,813 | 15,179 | 13,425 |
| Total Capability (summer peak, mw)[3] | 18,649 | 18,509 | 18,715 | 18,538 | 18,153 | 18,146 | 16,063 |
| Reserve Margin (summer peak, %)[3] | 14 | 10 | 20 | 23 | 21 | 26 | 21 |
| Net Energy for Load (%): | | | | | | | |
| Oil | 25 | 27 | 18 | 18 | 19 | 31 | 23 |
| Natural Gas | 25 | 26 | 29 | 29 | 31 | 20 | 18 |
| Nuclear | 27 | 26 | 25 | 26 | 25 | 26 | 25 |
| Net Purchased Power and Interchange | 16 | 14 | 20 | 20 | 18 | 17 | 32 |
| Coal | 7 | 7 | 8 | 7 | 7 | 6 | 2 |
| Capital Expenditures (including nuclear fuel and AFUDC) | $924 | $617 | $551 | $474 | $669 | $772 | $783 |
| COMMON STOCK DATA | | | | | | | |
| Average Shares Outstanding (millions)[4] | 171 | 173 | 173 | 174 | 175 | 178 | 132 |
| Earnings Per Share of Common Stock [4] [5] | $4.07[1] | $3.85 | $3.57 | $3.33 | $3.16 | $2.91 | $3.12 |
| Dividends Paid Per Share | $2.08 | $2.00 | $1.92 | $1.84 | $1.76 | $1.88 | $2.26 |
| Book Value Per Share (year end) | $31.47 | $29.76 | $28.03 | $26.46 | $25.12 | $23.82 | $25.89 |
| Market Price Per Share (year end) | $42 13/16 | $61 5/8 | $59 3/16 | $46 | $46 3/8 | $35 1/8 | $36 3/8 |
| Market Price Per Share (high-low) | $61 15/16-41 1/8 | $72 9/16-56 1/16 | $60-42 5/8 | $48 1/8-41 1/2 | $46 1/2-34 | $39 1/8-26 7/8 | $36 3/4-29 |
| Number of Shareholders (year end) | 50,215 | 55,149 | 60,493 | 67,580 | 74,169 | 82,021 | 68,204 |

*(1) Includes effects of gain on sale of Adelphia Communications Corporation stock, impairment loss on Maine assets, settlement of litigation between FPL and FMPA and the gain on the redemption of a one-third ownership interest in a cable limited partnership. Excluding these nonrecurring items, net income and earnings per share would have been $681 million and $3.98, respectively.*

*(2) Winter season includes November-December of current year and January-March of following year.*

*(3) Represents installed capability plus purchased power. Reserve margin is based on peak load net of load management.*

*(4) Reflects a reduction of 8 million in 1999, 9 million in 1998, 1997 and 1996, 10 million in 1995 and 11 million in 1994 of unallocated shares held by the ESOP due to an accounting standard adopted effective January 1, 1994.*

*(5) Basic and assuming dilution.*

# management's discussion and analysis of financial condition and results of operations

## RESULTS OF OPERATIONS

The operations of Florida Power & Light (FPL) continue to be the predominant contributor to FPL Group, Inc.'s (FPL Group) earnings. Earnings growth, however, over the past two years has mostly come from improved results at FPL Energy, LLC (FPL Energy).

FPL Group's 1999 net income and earnings per share grew 5.0% and 5.7%, respectively. The 1999 amounts include the net effect of several nonrecurring transactions that resulted in additional net income of $16 million, or $0.09 per share for the year. Excluding the nonrecurring items, FPL Group's net income was $681 million and earnings per share were $3.98, resulting in growth of 2.6% and 3.4%, respectively. The comparable growth rates for 1998 were 7.4% and 7.8%, respectively. The nonrecurring transactions are discussed in more detail below within the segment to which they relate.

**FPL** — FPL's results for 1999 include the settlement of litigation between FPL and Florida Municipal Power Agency (FMPA), which resulted in a fourth quarter after-tax charge of $42 million. The charge, included in other operations and maintenance (O&M) expenses, reflects a settlement agreement pursuant to which FPL agreed to pay FMPA a cash settlement; FPL agreed to reduce the demand charge on an existing power purchase agreement; and FPL and FMPA agreed to enter into a new power purchase agreement giving FMPA the right to purchase limited amounts of power in the future at a specified price. This agreement settled a dispute with FMPA that had been pending for nearly ten years.

FPL's net income for 1999, excluding the FMPA charge, was up slightly from 1998. Lower depreciation, customer growth and lower O&M expenses offset the effect of the rate reduction, implemented in April 1999, and a decline in electricity used by retail customers. FPL's net income growth in 1998 compared to 1997 was primarily associated with an increase in total kilowatt-hour (kwh) sales and lower interest charges, partly offset by higher depreciation and O&M expenses.

FPL's operating revenues consist primarily of revenues from retail base operations, cost recovery clauses and franchise fees. Revenues from retail base operations were $3.2 billion, $3.6 billion and $3.4 billion in 1999, 1998 and 1997, respectively. Revenues from cost recovery clauses and franchise fees represent a pass-through of costs and do not significantly affect net income. Fluctuations in these revenues are primarily driven by changes in energy sales, fuel prices and capacity charges.

In 1999, the Florida Public Service Commission (FPSC) approved a three-year agreement among FPL, the State of Florida Office of Public Counsel (Public Counsel), The Florida Industrial Power Users Group (FIPUG) and The Coalition for Equitable Rates (Coalition) regarding FPL's retail base rates, authorized regulatory return on common equity (ROE), capital structure and other matters. The agreement, which became effective April 15, 1999, provides for a $350 million reduction in annual revenues from retail base operations allocated to all customers on a cents-per-kilowatt-hour basis. Additionally, the agreement sets forth a revenue sharing mechanism for each of the twelve-month periods covered by the agreement, whereby revenues from retail base operations in excess of a stated threshold will be shared on the basis of two-thirds refunded to retail customers and one-third retained by FPL. Revenues from retail base operations in excess of a second threshold will be refunded 100% to retail customers.

The thresholds are as follows:

*(millions)*

| Twelve Months Ended April 14, | 2000 | 2001 | 2002 |
|---|---|---|---|
| Threshold to refund $66\frac{2}{3}\%$ to customers | $3,400 | $3,450 | $3,500 |
| Threshold to refund 100% to customers | $3,556 | $3,606 | $3,656 |

Offsetting the annual revenue reduction will be lower special depreciation. The agreement allows for special depreciation of up to $100 million, at FPL's discretion, in each year of the three-year agreement period to be applied to nuclear and/or fossil generating assets. Under this new depreciation program, FPL recorded approximately $70 million of special depreciation in 1999. The new depreciation program replaced a revenue-based special amortization program whereby special amortization in the amount of $63 million, $378 million

continued from page 25

and $199 million was recorded in 1999, 1998 and 1997, respectively.

In addition, the agreement lowered FPL's authorized regulatory ROE range to 10% – 12%. During the term of the agreement, the achieved ROE may from time to time be outside the authorized range, and the revenue sharing mechanism described above is specified to be the appropriate and exclusive mechanism to address that circumstance. FPL reported an ROE of 12.1%, 12.6% and 12.3% in 1999, 1998 and 1997, respectively. See Note 1 — Revenues and Rates.

The decline in revenues from retail base operations during 1999 was to a large extent due to the negative impact of the agreement that reduced retail base revenues by approximately $300 million. A 2.8% decline in usage per retail customer mainly due to milder weather conditions than the prior year was almost entirely offset by an increase in the number of customer accounts. The number of customer accounts grew 2% to approximately 3.8 million in 1999.

The increase in retail base revenues in 1998 from 1997 reflects a 4.8% increase in usage per retail customer from warmer weather combined with a 1.8% increase in the number of customer accounts.

FPL's O&M expenses in 1999 benefited from continued cost control efforts. This was partially offset by higher overhaul costs at fossil plants. O&M expenses increased in 1998 as a result of additional costs associated with improving the service reliability of FPL's distribution system, partially offset by lower nuclear maintenance costs and energy conservation cost recovery clause (conservation clause) expenses. Conservation clause expenses are essentially a pass-through and do not affect net income.

Lower interest charges in 1999 and 1998 reflect lower average debt balances and the full amortization in 1998 of deferred costs associated with reacquired debt.

The electric utility industry is facing increasing competitive pressure. FPL currently faces competition from other suppliers of electrical energy to wholesale customers and from alternative energy sources and self-generation for other customer groups, primarily industrial customers. In 1999, operating revenues from wholesale and industrial customers combined represented approximately 4% of FPL's total operating revenues. A number of potential merchant plants have been announced to date in Florida. However, only two submissions to seek a determination of need totaling approximately 1,000 megawatts (mw) have been presented to the FPSC. In March 1999, the FPSC approved one of the petitions for a power plant to be constructed within FPL's service territory. FPL, along with other Florida utilities, has appealed the decision to the Florida Supreme Court. Since there is no deregulation proposal currently under consideration in Florida, FPL is unable to predict the impact of a change to a more competitive environment or when such a change might occur. See Note 1 — Regulation.

**FPL Energy** — FPL Energy's 1999 and 1998 operating results benefited from a 60% and 51% increase, respectively, in the generating capacity of FPL Energy's power plant portfolio. Operating results also benefited from improved results of a gas-fired power plant in the Mid-Atlantic region, mainly due to the financial restructuring of the project, renegotiation of fuel and power sales contracts, lower non-fuel O&M expenses and improved plant availability. The improvement in FPL Energy's 1999 operating results were partly offset by higher administrative expenses to accommodate future growth. The generating capacity growth since 1997 is primarily the result of the acquisition of the Maine assets (1,117 mw), natural gas projects (300 mw) in the Northeast region and several wind projects (291 mw) in the Central and West regions.

In 1999, FPL Energy's operating results include the effect of a $176 million ($104 million after-tax) impairment loss. See Note 9. FPL Energy's 1998 operating results reflect the cost of terminating an interest rate swap agreement, partly offset by the receipt of a settlement relating to a contract dispute.

Deregulation of the electric utility market presents both opportunities and risks for FPL Energy. Opportunities exist for the selective acquisition of generation assets that are being divested under deregulation plans and for the construction and operation of efficient plants that can sell power in competitive markets. Substantially all of the energy produced in 1999 by FPL Energy's independent power projects was sold through power sales agreements with utilities that expire in 2000-24. As competitive wholesale markets become more accessible to other generators, obtaining power sales agreements will become a progressively more competitive process. FPL Energy expects that as its existing power sales agreements expire, more of the energy produced will be sold through shorter-term contracts and into competitive wholesale markets.

Competitive wholesale markets in the United States continue to evolve and vary by geographic region. Revenues from electricity sales in these markets will vary based on the prices obtainable for energy, capacity and other ancillary services. Some of the factors affecting success in these markets include the ability to operate generating assets efficiently, the price and supply of fuel, transmission constraints, competition from new sources of generation, demand growth and exposure to legal and regulatory changes.

**Corporate and Other** — In 1999, net income for the corporate and other segment reflects a $149 million ($96 million after-tax) gain on the sale of an investment in Adelphia Communications Corporation common stock, a $108 million ($66 million after-tax) gain recorded by FPL Group Capital Inc (FPL Group Capital) on the redemption of its one-third equity interest in a cable limited partnership, costs associated with closing a retail marketing business and the favorable resolution of a prior year state tax matter. In 1998, net income for the corporate and other segment reflects a loss from the sale of Turner Foods Corporation's assets, the cost of terminating an agreement designed to fix interest rates and adjustments relating to prior years' tax matters, including the resolution of an audit issue with the Internal Revenue Service.

**Year 2000** — FPL Group did not experience any significant year 2000-related problems. The total cost of addressing year 2000 issues was approximately $37 million.

## LIQUIDITY AND CAPITAL RESOURCES

FPL Group's capital requirements consist of expenditures to meet increased electricity usage and customer growth of FPL and investment opportunities at FPL Energy. In 1999, FPL Group's capital expenditures reflect FPL Energy's investment in generating assets in Maine and the cost of constructing a natural gas power plant in Texas, as well as FPL's power plant expansion activities. As of December 31, 1999, FPL Energy has made commitments totaling approximately $72 million, primarily in connection with the development of an independent power project. Capital expenditures of FPL for the 2000-02 period are expected to be approximately $3.1 billion, including $1.3 billion in 2000. FPL Group Capital and its subsidiaries have guaranteed approximately $680 million of purchased power agreement obligations, debt service payments and other payments subject to certain contingencies. See Note 12 — Commitments.

Debt maturities of FPL Group's subsidiaries will require cash outflows of approximately $595 million through 2004, including $125 million in 2000. It is anticipated that cash requirements for capital expenditures, energy-related investments and debt maturities in 2000 will be satisfied with internally generated funds and debt issuances. Any internally generated funds not required for capital expenditures and current maturities may be used to reduce outstanding debt or repurchase common stock, or for investment. Any temporary cash needs will be met by short-term bank borrowings. In 1999, FPL Group Capital redeemed $125 million in debentures, which resulted in a loss on reacquired debt of approximately $8 million and issued $1.4 billion in debentures, primarily to finance FPL Energy's generating capacity growth. In 1999, FPL had $230 million in first mortgage bonds mature and issued $225 million in first mortgage bonds, primarily to redeem $216 million first mortgage bonds with a 2% higher interest rate. Bank lines of credit currently available to FPL Group and its subsidiaries aggregate $2.4 billion.

During 1999, FPL Group repurchased 2.2 million shares of common stock under the 10 million share repurchase program. As of December 31, 1999, FPL Group is authorized to repurchase an additional 6.2 million shares under this program.

FPL self-insures for damage to certain transmission and distribution properties and maintains a funded storm reserve to reduce the financial impact of storm losses. The balance of the storm fund reserve at December 31, 1999 and 1998 was $216 million and $259 million, respectively. During 1999, storm fund reserves were reduced to recover the costs associated with three storms. Bank lines of credit of $300 million, included in the $2.4 billion above, are also available if needed to provide cash for storm restoration costs. The FPSC has indicated that it would consider future storm losses in excess of the funded reserve for possible recovery from customers.

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FPL's charter and mortgage contain provisions which, under certain conditions, restrict the payment of dividends and the issuance of additional unsecured debt, first mortgage bonds and preferred stock. Given FPL's current financial condition and level of earnings, expected financing activities and dividends are not affected by these limitations.

## NEW ACCOUNTING RULE

In June 1998, the Financial Accounting Standards Board issued Financial Accounting Standards No. (FAS) 133, "Accounting for Derivative Instruments and Hedging Activities." The statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. FPL Group is currently assessing the effect, if any, on its financial statements of implementing FAS 133. FPL Group will be required to adopt FAS 133 beginning in 2001.

## MARKET RISK SENSITIVITY

Substantially all financial instruments and positions held by FPL Group described below are held for purposes other than trading.

**Interest rate risk** — The special use funds of FPL include restricted funds set aside to cover the cost of storm damage and for the decommissioning of FPL's nuclear power plants. A portion of these funds is invested in fixed income debt securities carried at their market value of approximately $847 million and $650 million at December 31, 1999 and 1998, respectively. Adjustments to market value result in a corresponding adjustment to the related liability accounts based on current regulatory treatment. Because the funds set aside for storm damage could be needed at any time, the related investments are generally more liquid and, therefore, are less sensitive to changes in interest rates. The nuclear decommissioning funds, in contrast, are generally invested in longer-term securities, as decommissioning activities are not expected to begin until at least 2012. At December 31, 1999 and 1998, other investments include $291 million and $72 million, respectively, of investments that are carried at estimated fair value or cost, which approximates fair value.

The following are estimates of the fair value of FPL Group's long-term debt:

| *(millions)* | 1999 | | 1998 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Long-term debt[(a)] | $3,603 | $3,518[(b)] | $2,706 | $2,797[(b)] |

*(a) Includes current maturities.*
*(b) Based on quoted market prices for these or similar issues.*

Market risk associated with all of these securities is estimated as the potential gain in fair value of net liabilities resulting from a hypothetical 10% increase in interest rates and amounts to $97 million and $68 million at December 31, 1999 and 1998, respectively.

**Equity price risk** — Included in the special use funds of FPL are marketable equity securities carried at their market value of approximately $573 million and $556 million at December 31, 1999 and 1998, respectively. A hypothetical 10% decrease in the prices quoted by stock exchanges would result in a $56 million reduction in fair value and corresponding adjustment to the related liability accounts based on current regulatory treatment at both December 31, 1999 and 1998.

**Other risks** — Under current cost-based regulation, FPL's cost of fuel is recovered through the fuel and purchased power cost recovery clause (fuel clause), with no effect on earnings. FPL's Energy Marketing & Trading Division buys and sells wholesale energy commodities, such as natural gas, oil and electric power. The division procures natural gas and oil for FPL's and FPL Energy's use in power generation and sells excess electric power. Substantially all of the result of the FPL activities are passed through to customers in the fuel or capacity clauses. FPL Energy's results of these activities are recognized in income by FPL Energy. The level of activity is expected to grow as FPL and FPL Energy seek to manage the risk associated with fluctuating commodity prices and increase the value of their power generation assets. At December 31, 1999, there were no material open positions in these activities.

## MANAGEMENT'S REPORT

The management of FPL Group is responsible for the integrity and objectivity of the financial information and representations contained in the consolidated financial statements and other sections of this Annual Report. The consolidated financial statements, which in part are based on informed judgments and estimates made by management, have been prepared in conformity with generally accepted accounting principles applied on a consistent basis.

To aid in carrying out this responsibility, management maintains a system of internal accounting control, which is established after weighing the cost of such controls against the benefits derived. The overall system of internal accounting control, in the opinion of management, provides reasonable assurance that the assets of FPL Group and its subsidiaries are safeguarded and transactions are executed in accordance with management's authorization and are properly recorded for the preparation of financial statements. In addition, management believes the overall system of internal accounting control provides reasonable assurance that material errors or irregularities would be prevented or detected on a timely basis by employees in the normal course of their duties. Due to the inherent limitations of the effectiveness of any system of internal accounting control, management cannot provide absolute assurance that the objectives of internal accounting control will be met. The system of internal accounting control is supported by written policies and guidelines, the selection and training of qualified employees, an organizational structure that provides an appropriate division of responsibility and a program of internal auditing. To further enhance the internal accounting control environment, management has prepared and distributed to all employees a Code of Conduct which states management's policy on conflict of interest and ethical conduct.

FPL Group's independent auditors, Deloitte & Touche LLP, are engaged to express an opinion on FPL Group's financial statements. Their report is based on procedures believed by them to provide a reasonable basis to support such an opinion. The Board of Directors pursues its oversight responsibility for financial reporting and accounting through its Audit Committee. This Committee, which is comprised entirely of outside directors, meets periodically with management, the internal auditors and the independent auditors to make inquiries as to the manner in which the responsibilities of each are being discharged. The independent auditors and the internal audit staff have free access to the Committee without management's presence to discuss auditing, internal accounting control and financial reporting matters.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders, FPL Group, Inc.:

We have audited the accompanying consolidated balance sheets of FPL Group, Inc. and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of FPL Group, Inc. and subsidiaries at December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Certified Public Accountants
Miami, Florida
February 11, 2000

# consolidated balance sheets *(millions)*

## FPL Group, Inc.

| December 31, | 1999 | 1998 |
|---|---|---|
| PROPERTY, PLANT AND EQUIPMENT | | |
| Electric utility plant in service and other property | $18,474 | $17,592 |
| Nuclear fuel under capital lease — net | 157 | 146 |
| Construction work in progress | 923 | 214 |
| Less accumulated depreciation and amortization | (10,290) | (9,397) |
| Total property, plant and equipment — net | 9,264 | 8,555 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 361 | 187 |
| Customer receivables, net of allowances of $7 and $8 | 482 | 559 |
| Materials, supplies and fossil fuel inventory — at average cost | 343 | 282 |
| Deferred clause expenses | 54 | 82 |
| Other | 133 | 156 |
| Total current assets | 1,373 | 1,266 |
| OTHER ASSETS | | |
| Special use funds of FPL | 1,352 | 1,206 |
| Other investments | 611 | 391 |
| Other | 841 | 611 |
| Total other assets | 2,804 | 2,208 |
| TOTAL ASSETS | $13,441 | $12,029 |

# consolidated balance sheets *(millions)*

## FPL Group, Inc.

| December 31, | 1999 | 1998 |
|---|---|---|
| CAPITALIZATION | | |
| Common shareholders' equity | $ 5,370 | $ 5,126 |
| Preferred stock of FPL without sinking fund requirements | 226 | 226 |
| Long-term debt | 3,478 | 2,347 |
| Total capitalization | 9,074 | 7,699 |
| CURRENT LIABILITIES | | |
| Short-term debt | 339 | 110 |
| Current maturities of long-term debt | 125 | 359 |
| Accounts payable | 407 | 338 |
| Customers' deposits | 284 | 282 |
| Accrued interest and taxes | 182 | 191 |
| Deferred clause revenues | 116 | 89 |
| Other | 417 | 272 |
| Total current liabilities | 1,870 | 1,641 |
| OTHER LIABILITIES AND DEFERRED CREDITS | | |
| Accumulated deferred income taxes | 1,079 | 1,255 |
| Deferred regulatory credit — income taxes | 126 | 148 |
| Unamortized investment tax credits | 184 | 205 |
| Storm and property insurance reserve | 216 | 259 |
| Other | 892 | 822 |
| Total other liabilities and deferred credits | 2,497 | 2,689 |
| Commitments and Contingencies | | |
| TOTAL CAPITALIZATION AND LIABILITIES | $13,441 | $12,029 |

*The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.*

## consolidated statements of income *(millions, except per share amounts)* FPL Group, Inc.

| Years Ended December 31, | 1999 | 1998 | 1997 |
|---|---|---|---|
| OPERATING REVENUES | $6,438 | $6,661 | $6,369 |
| OPERATING EXPENSES | | | |
| Fuel, purchased power and interchange | 2,365 | 2,244 | 2,255 |
| Other operations and maintenance | 1,322 | 1,284 | 1,231 |
| Depreciation and amortization | 1,040 | 1,284 | 1,061 |
| Impairment loss on Maine assets | 176 | — | — |
| Taxes other than income taxes | 615 | 597 | 594 |
| Total operating expenses | 5,518 | 5,409 | 5,141 |
| OPERATING INCOME | 920 | 1,252 | 1,228 |
| OTHER INCOME (DEDUCTIONS) | | | |
| Interest charges | (222) | (322) | (291) |
| Preferred stock dividends — FPL | (15) | (15) | (19) |
| Divestiture of cable investments | 257 | — | — |
| Other — net | 80 | 28 | 4 |
| Total other income (deductions) — net | 100 | (309) | (306) |
| INCOME BEFORE INCOME TAXES | 1,020 | 943 | 922 |
| INCOME TAXES | 323 | 279 | 304 |
| NET INCOME | $ 697 | $ 664 | $ 618 |
| Earnings per share of common stock (basic and assuming dilution) | $4.07 | $3.85 | $3.57 |
| Dividends per share of common stock | $2.08 | $2.00 | $1.92 |
| Average number of common shares outstanding | 171 | 173 | 173 |

*The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.*

## consolidated statements of cash flows *(millions)*

## FPL Group, Inc.

| Years Ended December 31, | 1999 | 1998 | 1997 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net income | $ 697 | $ 664 | $ 618 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 1,040 | 1,284 | 1,061 |
| Decrease in deferred income taxes and related regulatory credit | (198) | (237) | (30) |
| Other — net | 24 | 32 | (52) |
| Net cash provided by operating activities | 1,563 | 1,743 | 1,597 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capital expenditures of FPL | (861) | (617) | (551) |
| Independent power investments | (1,540) | (521) | (291) |
| Distributions and loan repayments from partnerships and joint ventures | 132 | 304 | 53 |
| Proceeds from the sale of assets | 198 | 135 | 43 |
| Other — net | (101) | (96) | (51) |
| Net cash used in investing activities | (2,172) | (795) | (797) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Issuance of long-term debt | 1,609 | 343 | 42 |
| Retirement of long-term debt | (584) | (727) | (717) |
| Increase (decrease) in short-term debt | 229 | (24) | 113 |
| Repurchase of common stock | (116) | (62) | (48) |
| Dividends on common stock | (355) | (345) | (332) |
| Net cash provided by (used in) financing activities | 783 | (815) | (942) |
| Net increase (decrease) in cash and cash equivalents | 174 | 133 | (142) |
| Cash and cash equivalents at beginning of year | 187 | 54 | 196 |
| Cash and cash equivalents at end of year | $ 361 | $ 187 | $ 54 |
| **Supplemental Disclosures of Cash Flow Information** | | | |
| Cash paid for interest | $ 221 | $ 308 | $ 287 |
| Cash paid for income taxes | $ 573 | $ 463 | $ 434 |
| **Supplemental Schedule of Noncash Investing and Financing Activities** | | | |
| Additions to capital lease obligations | $ 86 | $ 34 | $ 81 |
| Debt assumed for property additions | $ — | $ — | $ 420 |

*The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.*

## consolidated statements of shareholders' equity *(millions)* FPL Group, Inc.

| | Common Stock(a) Shares | Common Stock(a) Aggregate Par Value | Additional Paid-In Capital | Unearned Compensation | Accumulated Other Comprehensive Income (Loss) | Retained Earnings | Common Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| Balances, December 31, 1996 | 183 | $ 2 | $3,345 | $(272) | $— | $1,518 | |
| Net income | — | — | — | — | — | 618 | |
| Repurchase of common stock | (1) | — | (48) | — | — | — | |
| Dividends on common stock | — | — | — | — | — | (332) | |
| Earned compensation under ESOP | — | — | 6 | 8 | — | — | |
| Other comprehensive income | — | — | — | — | 1 | — | |
| Other | — | — | (1) | — | — | — | |
| Balances, December 31, 1997 | 182(b) | 2 | 3,302 | (264) | 1 | 1,804 | |
| Net income | — | — | — | — | — | 664 | |
| Repurchase of common stock | (1) | — | (62) | — | — | — | |
| Dividends on common stock | — | — | — | — | — | (345) | |
| Earned compensation under ESOP | — | — | 13 | 12 | — | — | |
| Other comprehensive income | — | — | — | — | — | — | |
| Other | — | — | (1) | — | — | — | |
| Balances, December 31, 1998 | 181(b) | 2 | 3,252 | (252) | 1 | 2,123 | $5,126 |
| Net income | — | — | — | — | — | 697 | |
| Repurchase of common stock | (2) | — | (116) | — | — | — | |
| Dividends on common stock | — | — | — | — | — | (355) | |
| Earned compensation under ESOP | — | — | 12 | 14 | — | — | |
| Other comprehensive loss | — | — | — | — | (2) | — | |
| Other | — | — | — | (6) | — | — | |
| Balances, December 31, 1999 | 179(b) | $ 2 | $3,148 | $(244) | $ (1) | $2,465 | $5,370 |

*(a) $0.01 par value, authorized — 300,000,000 shares; outstanding 178,554,735 and 180,712,435 at December 31, 1999 and 1998, respectively.*
*(b) Outstanding and unallocated shares held by the Employee Stock Ownership Plan Trust totaled 8 million, 9 million and 9 million at December 31, 1999, 1998 and 1997, respectively.*

*The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.*

# notes to consolidated financial statements

*Years Ended December 31, 1999, 1998 and 1997*

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

**Basis of Presentation** — FPL Group, Inc.'s (FPL Group) operations are conducted primarily through Florida Power & Light Company (FPL) and FPL Energy, LLC (FPL Energy), formerly FPL Energy, Inc. FPL, a rate-regulated public utility, supplies electric service to approximately 3.8 million customers throughout most of the east and lower west coasts of Florida. FPL Energy invests in independent power projects through both controlled and consolidated entities and non-controlling ownership interests in joint ventures accounted for under the equity method.

The consolidated financial statements of FPL Group include the accounts of their respective majority-owned and controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts included in prior years' consolidated financial statements have been reclassified to conform to the current year's presentation. The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Regulation** — FPL is subject to regulation by the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission (FERC). Its rates are designed to recover the cost of providing electric service to its customers including a reasonable rate of return on invested capital. As a result of this cost-based regulation, FPL follows the accounting practices set forth in Statement of Financial Accounting Standards No. (FAS) 71, "Accounting for the Effects of Certain Types of Regulation." FAS 71 indicates that regulators can create assets and impose liabilities that would not be recorded by unregulated entities. Regulatory assets and liabilities represent probable future revenues that will be recovered from or refunded to customers through the ratemaking process. The continued applicability of FAS 71 is assessed at each reporting period.

In the event that FPL's generating operations are no longer subject to the provisions of FAS 71, portions of the existing regulatory assets and liabilities that relate to generation would be written off unless regulators specify an alternative means of recovery or refund. The principal regulatory assets and liabilities are as follows:

*(millions)*

| December 31, | 1999 | 1998 |
|---|---|---|
| Assets (included in other assets): | | |
| Unamortized debt reacquisition costs | $ 12 | $ — |
| Deferred Department of Energy assessment | $ 39 | $ 44 |
| Liabilities: | | |
| Deferred regulatory credit — income taxes | $126 | $148 |
| Unamortized investment tax credits | $184 | $205 |
| Storm and property insurance reserve (see Note 12 — Insurance) | $216 | $259 |

The amounts presented above exclude clause-related regulatory assets and liabilities that are recovered or refunded over twelve-month periods. These amounts are included in current assets and liabilities in the consolidated balance sheets. Further, other aspects of the business, such as generation assets and long-term power purchase commitments, would need to be reviewed to assess their recoverability in a changed regulatory environment. Since there is no deregulation proposal currently under consideration in Florida, FPL is unable to predict the impact of a change to a more competitive environment or when such a change might occur.

Almost half of the states, other than Florida, have enacted legislation or have state commissions that issued orders designed to deregulate the production and sale of electricity. By allowing customers to choose their electricity supplier, deregulation is expected to result in a shift from cost-based rates to market-based rates for energy production and other services provided to retail customers. Similar initiatives are also being pursued on the federal level. Although the legislation and initiatives vary substantially, common areas of focus include when market-based pricing will be available for wholesale and retail customers, what existing prudently incurred costs in excess of the market-based price will be recoverable and whether generation assets should be separated from transmission, distribution and other assets. It is generally believed transmission and distribution activities would remain regulated.

In December 1999, the FERC issued its final order on regional transmission organizations or RTOs. RTOs, under a variety of structures, provide for the independent operation of transmission systems for a given geographic area. The final order establishes guidelines for public utilities to use in considering and/or developing plans to initiate operations of RTOs. The order requires all public utilities to file with the FERC by October 15, 2000, a proposal for an RTO with certain minimum characteristics and functions to be operational by December 15, 2001, or alternatively, a description of efforts to participate in an RTO, any existing obstacles to RTO participation and any plans to work toward RTO participation. FPL is evaluating various alternatives for compliance with the order.

**Revenues and Rates** — FPL's retail and wholesale utility rate schedules are approved by the FPSC and the FERC, respectively. FPL records unbilled base revenues for the estimated amount of energy delivered to customers but not yet billed. Unbilled base revenues are included in customer receivables and amounted to $130 million and $152 million at December 31, 1999 and 1998, respectively. Substantially all of the energy produced by FPL Energy's independent power projects is sold through long-term power sales agreements with utilities and revenue is recorded on an as-billed basis.

In 1999, the FPSC approved a three-year agreement among FPL, the State of Florida Office of Public Counsel (Public Counsel), The Florida Industrial Power Users Group (FIPUG) and The Coalition for Equitable Rates (Coalition) regarding FPL's retail base rates, authorized regulatory return on common equity (ROE), capital structure and other matters. The agreement, which became effective April 15, 1999, provides for a $350 million reduction in annual revenues from retail base operations allocated to all customers on a cents-per-kilowatt-hour basis. Additionally, the agreement sets forth a revenue sharing mechanism for each of the twelve-month periods covered by the agreement, whereby revenues from retail base operations in excess of a stated threshold will be shared on the basis of two-thirds refunded to retail customers and one-third retained by FPL. Revenues from retail base operations in excess of a second threshold will be refunded 100% to retail customers.

The thresholds are as follows:

*(millions)*

| Twelve Months Ended April 14, | 2000 | 2001 | 2002 |
|---|---|---|---|
| Threshold to refund 66 ⅔% to customers | $3,400 | $3,450 | $3,500 |
| Threshold to refund 100% to customers | $3,556 | $3,606 | $3,656 |

In addition, the agreement lowered FPL's authorized regulatory ROE range to 10% - 12%. During the term of the agreement, the achieved ROE may from time to time be outside the authorized range, and the revenue sharing mechanism described above is specified to be the appropriate and exclusive mechanism to address that circumstance. For purposes of calculating ROE, the agreement establishes a cap on FPL's adjusted equity ratio of 55.83%. The adjusted equity ratio reflects a discounted amount for off-balance sheet obligations under certain long-term purchased power contracts. Finally, the agreement established a new special depreciation program (see Electric Plant, Depreciation and Amortization) and includes provisions which limit depreciation rates, and accruals for nuclear decommissioning and fossil dismantlement costs, to currently approved levels and limit amounts recoverable under the environmental compliance cost recovery clause during the term of the agreement.

The agreement states that Public Counsel, FIPUG and Coalition will neither seek nor support any additional base rate reductions during the three-year term of the agreement unless such reduction is initiated by FPL. Further, FPL agreed to not petition for any base rate increases that would take effect during the term of the agreement.

FPL's revenues include amounts resulting from cost recovery clauses, certain revenue taxes and franchise fees. Cost recovery clauses, which are designed to permit full recovery of certain costs and provide a return on certain assets utilized by these programs, include substantially all fuel, purchased power and interchange expenses, conservation- and environmental-related expenses and certain revenue taxes. Revenues from cost recovery clauses are recorded when billed; FPL achieves matching of costs and related revenues by deferring the net under or over recovery. Any under recovered costs or over recovered revenues are collected from or returned to customers in subsequent periods.

**Electric Plant, Depreciation and Amortization** — The cost of additions to units of utility property of FPL and FPL Energy is added to electric utility plant. In accordance with regulatory accounting, the cost of FPL's units of utility property retired, less net salvage, is charged to accumulated depreciation. Maintenance and repairs of property as well as replacements and renewals of items determined to be less than units of utility property are charged to other operations and maintenance (O&M) expenses. At December 31, 1999, the generating, transmission, distribution and general facilities of FPL represented approximately 45%, 13%, 35% and 7%, respectively, of FPL's gross investment in electric utility plant in service. Substantially all electric utility plant of FPL is subject to the lien of a mortgage securing FPL's first mortgage bonds.

Depreciation of electric property is primarily provided on a straight-line average remaining life basis. FPL includes in depreciation expense a provision for fossil plant dismantlement and nuclear plant decommissioning. For substantially all of FPL's property, depreciation and fossil fuel plant dismantlement studies are performed and filed with the FPSC at least every four years. In April 1999, the FPSC granted final approval of FPL's most recent depreciation studies, which were effective January 1, 1998. Fossil fuel plant dismantlement studies were filed in September 1998 and were effective January 1, 1999. The weighted annual composite depreciation rate for FPL's electric plant in service was approximately 4.3%

for 1999, 4.4% for 1998 and 4.3% for 1997, excluding the effects of decommissioning and dismantlement. Further, these rates exclude the special and plant-related deferred cost amortization discussed below.

The agreement that reduced FPL's base rates (see Revenues and Rates) also allows for special depreciation of up to $100 million, at FPL's discretion, in each year of the three-year agreement period to be applied to nuclear and/or fossil generating assets. Under this new depreciation program, FPL recorded approximately $70 million of special depreciation in 1999. The new depreciation program replaced a revenue-based special amortization program whereby FPL recorded as depreciation and amortization expense a fixed amount of $9 million in 1999 and $30 million in 1998 and 1997 for nuclear assets. FPL also recorded under this program variable amortization based on the actual level of retail base revenues compared to a fixed amount. The variable amounts recorded in 1999, 1998 and 1997 were $54 million, $348 million and $169 million, respectively. The 1998 and 1997 variable amounts include, as depreciation and amortization expense, $161 million and $169 million, respectively, for amortization of regulatory assets. The remaining variable amounts were applied against nuclear and fossil production assets. Additionally, FPL completed amortization of certain plant-related deferred costs by recording $24 million and $22 million, in 1998 and 1997, respectively. These costs are considered recoverable costs and are monitored through the monthly reporting process with the FPSC.

**Nuclear Fuel** — FPL leases nuclear fuel for all four of its nuclear units. Nuclear fuel lease expense was $83 million, $83 million and $85 million in 1999, 1998 and 1997, respectively. Included in this expense was an interest component of $8 million, $9 million and $9 million in 1999, 1998 and 1997, respectively. Nuclear fuel lease payments and a charge for spent nuclear fuel disposal are charged to fuel expense on a unit of production method. These costs are recovered through the fuel and purchased power cost recovery clause (fuel clause). Under certain circumstances of lease termination, FPL is required to purchase all nuclear fuel in whatever form at a purchase price designed to allow the lessor to recover its net investment cost in the fuel, which totaled $157 million at December 31, 1999. For ratemaking, these leases are classified as operating leases. For financial reporting, the capital lease obligation is recorded at the amount due in the event of lease termination.

**Decommissioning and Dismantlement of Generating Plant** — FPL accrues nuclear decommissioning costs over the expected service life of each unit. Nuclear decommissioning studies are performed at least every five years and are submitted to the FPSC for approval. In October 1998, FPL filed updated nuclear decommissioning studies with the FPSC. These studies assume prompt dismantlement for the Turkey Point Units Nos. 3 and 4 with decommissioning activities commencing in 2012 and 2013, respectively. Current plans call for St. Lucie Unit No. 1 to be mothballed beginning in 2016 with decommissioning activities to be integrated with the prompt dismantlement of St. Lucie Unit No. 2 beginning in 2023. These studies also assume that FPL will be storing spent fuel on site pending removal to a U.S. Government facility. The studies, which are pending FPSC approval, indicate FPL's portion of the ultimate costs of decommissioning its four nuclear units, including costs associated with spent fuel storage, to be $7.3 billion. Decommissioning expense accruals included in depreciation and amortization expense, were $85 million in each of the years 1999, 1998 and 1997. FPL's portion of the ultimate cost of decommissioning its four units, expressed in 1999 dollars, is currently estimated to aggregate $1.7 billion. At December 31, 1999 and 1998, the accumulated provision for nuclear decommissioning totaled approximately $1.4 billion and $1.2 billion, respectively, and is included in accumulated depreciation. See Electric Plant, Depreciation and Amortization.

Similarly, FPL accrues the cost of dismantling its fossil fuel plants over the expected service life of each unit. Fossil dismantlement expense was $17 million in each of the years 1999, 1998 and 1997, and is included in depreciation and amortization expense. FPL's portion of the ultimate cost to dismantle its fossil units is $482 million. At December 31, 1999 and 1998, the accumulated provision for fossil dismantlement totaled $232 million and $185 million, respectively, and is included in accumulated depreciation. The dismantlement studies filed in 1998 indicated an estimated reserve deficiency of $38 million, which was recovered through the special amortization program. See Electric Plant, Depreciation and Amortization.

Restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units are included in special use funds. Securities held in the decommissioning fund are carried at market value with market adjustments resulting in a corresponding adjustment to the accumulated provision for nuclear decommissioning. See Note 3 — Special Use Funds. Contributions to the funds are based on current period decommissioning expense. Additionally, fund earnings, net of taxes are reinvested in the funds. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes.

**Accrual for Major Maintenance Costs** — Consistent with regulatory treatment, FPL's estimated nuclear maintenance costs for each nuclear unit's next planned outage are accrued over the period from the end of the last outage to the end of the next planned outage. The accrual for nuclear maintenance costs at December 31, 1999 and 1998 totaled $42 million and $31 million, respectively. Any difference between the estimated and actual costs are included in O&M expenses when known.

FPL Energy's estimated major maintenance costs for each unit's next planned outage are accrued over the period from the end of the last outage to the end of the next planned outage. The accrual for FPL Energy's major maintenance costs at December 31, 1999 and 1998 totaled $33 million and $2 million, respectively. Any difference between the estimated and actual costs are included in O&M expenses when known.

**Construction Activity** — In accordance with an FPSC rule, FPL is not permitted to capitalize interest or a return on common equity during construction, except for projects that cost in excess of 1/2% of the plant in service balance and will require more than one year to complete. The FPSC allows construction projects below that threshold as an element of rate base. FPL Group's unregulated operations capitalize interest on construction projects.

**Storm and Property Insurance Reserve Fund (storm fund)** — The storm fund provides coverage toward storm damage costs and possible retrospective premium assessments stemming from a nuclear incident under the various insurance programs covering FPL's nuclear generating plants. Securities held in the fund are carried at market value with market adjustments resulting in a corresponding adjustment to the storm and property insurance reserve. See Note 3 — Special Use Funds and Note 12 — Insurance. Fund earnings, net of taxes, are reinvested in the fund. The tax effects of amounts not yet recognized for tax purposes are included in accumulated deferred income taxes.

**Other Investments** — Included in other investments in the consolidated balance sheets is FPL Group's participation in leveraged leases of $154 million at both December 31, 1999 and 1998. Additionally, other investments include notes receivable and non-controlling non-majority owned interests in partnerships and joint ventures, essentially all of which are accounted for under the equity method. See Note 3.

**Cash Equivalents** — Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

**Retirement of Long-Term Debt** — The excess of FPL's reacquisition cost over the book value of long-term debt is deferred and amortized to expense ratably over the remaining life of the original issue, which is consistent with its treatment in the ratemaking process. Through this amortization and amounts recorded under the special amortization program, the remaining balance of this regulatory asset was fully amortized in 1998. Retirements of debt, after the special amortization program terminated on April 14, 1999, resulted in additional reacquisition costs. See Regulation. FPL Group Capital Inc (FPL Group Capital) expenses this cost in the period incurred.

**Income Taxes** — Deferred income taxes are provided on all significant temporary differences between the financial statement and tax bases of assets and liabilities. The deferred regulatory credit - income taxes of FPL represents the revenue equivalent of the difference in accumulated deferred income taxes computed under FAS 109, "Accounting for Income Taxes," as compared to regulatory accounting rules. This amount is being amortized in accordance with the regulatory treatment over the estimated lives of the assets or liabilities which resulted in the initial recognition of the deferred tax amount. Investment tax credits (ITC) for FPL are deferred and amortized to income over the approximate lives of the related property in accordance with the regulatory treatment. The special amortization program included amortization of regulatory assets related to income taxes of $59 million in 1997.

**Accounting for Derivative Instruments and Hedging Activities** — In June 1998, the Financial Accounting Standards Board issued FAS 133, "Accounting for Derivative Instruments and Hedging Activities." The statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. FPL Group is currently assessing the effect, if any, on its financial statements of implementing FAS 133. FPL Group will be required to adopt FAS 133 beginning in 2001.

## 2. EMPLOYEE RETIREMENT BENEFITS

FPL Group and its subsidiaries sponsor a noncontributory defined benefit pension plan and defined benefit postretirement plans for health care and life insurance benefits (other benefits) for substantially all employees. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending September 30, 1999 and a statement of the funded status of both years:

*(millions)*

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | **1999** | 1998 | **1999** | 1998 |
| Change in benefit obligation: | | | | |
| Obligation at October 1 of prior year | $1,173 | $1,146 | $ 345 | $ 324 |
| Service cost | 46 | 45 | 6 | 5 |
| Interest cost | 71 | 75 | 21 | 21 |
| Participant contributions | — | — | 2 | 1 |
| Plan amendments | — | 8 | — | — |
| Actuarial (gains) losses — net | (38) | 34 | (24) | 10 |
| Acquisitions | 4 | — | 2 | — |
| Benefit payments | (78) | (135) | (17) | (16) |
| Obligation at September 30 | 1,178 | 1,173 | 335 | 345 |
| Change in plan assets: | | | | |
| Fair value of plan assets at October 1 of prior year | 2,329 | 2,287 | 115 | 125 |
| Actual return on plan assets | 310 | 184 | 12 | 7 |
| Participant contributions | — | — | 2 | 1 |
| Benefit payments and expenses | (84) | (142) | (18) | (18) |
| Fair value of plan assets at September 30 | 2,555 | 2,329 | 111 | 115 |
| Funded Status: | | | | |
| Funded status at September 30 | 1,377 | 1,156 | (224) | (230) |
| Unrecognized prior service cost | (89) | (100) | — | — |
| Unrecognized transition (asset) obligation | (117) | (140) | 45 | 49 |
| Unrecognized (gain) loss | (900) | (736) | 7 | 34 |
| Prepaid (accrued) benefit cost | $ 271 | $ 180 | $(172) | $(147) |

The following table provides the components of net periodic benefit cost for the plans for the years ended December 31, 1999, 1998 and 1997:

*(millions)*

| | Pension Benefits | | | Other Benefits | | |
|---|---|---|---|---|---|---|
| | **1999** | 1998 | 1997 | **1999** | 1998 | 1997 |
| Service cost | $ 46 | $ 45 | $ 38 | $ 6 | $ 6 | $ 6 |
| Interest cost | 71 | 75 | 76 | 21 | 21 | 21 |
| Expected return on plan assets | (156) | (149) | (135) | (7) | (8) | (7) |
| Amortization of transition (asset) obligation | (23) | (23) | (23) | 3 | 3 | 3 |
| Amortization of prior service cost | (8) | (8) | 1 | — | — | — |
| Amortization of losses (gains) | (22) | (21) | (26) | 1 | 1 | — |
| Net periodic (benefit) cost | (92) | (81) | (69) | 24 | 23 | 23 |
| Effect of Maine acquisition | — | — | — | 2 | — | — |
| Effect of special retirement program | — | — | 18 | — | — | — |
| Net periodic (benefit) cost | $ (92) | $ (81) | $ (51) | $26 | $23 | $23 |

The weighted-average discount rate used in determining the benefit obligations was 6.5% and 6.0% for 1999 and 1998, respectively. The assumed level of increase in future compensation levels was 5.5% for all years. The expected long-term rate of return on plan assets was 7.75% for all years.

Based on the current discount rates and current health care costs, the projected 2000 trend assumptions used to measure the expected cost of benefits covered by the plans are 6.2% and 5.6%, for persons prior to age 65 and over age 65, respectively. The rate is assumed to decrease over the next 3 years to the ultimate trend rate of 5% for all age groups and remain at that level thereafter.

Assumed health care cost trend rates can have a significant effect on the amounts reported for the health care plans. A 1% increase or decrease in assumed health care cost trend rates would have a corresponding effect on the service and interest cost components and the accumulated obligation of other benefits of approximately $1 million and $13 million, respectively.

## 3. FINANCIAL INSTRUMENTS

The carrying amounts of cash equivalents and short-term debt approximate their fair values. At December 31, 1999 and 1998, other investments include $291 million and $72 million, respectively, of investments that are carried at estimated fair value or cost, which approximates fair value. The following estimates of the fair value of financial instruments have been made using available market information and other valuation methodologies. However, the use of different market assumptions or methods of valuation could result in different estimated fair values.

| *(millions)* December 31, | 1999 | | 1998 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Estimated Fair Value** | **Carrying Amount** | **Estimated Fair Value** |
| Long-term debt[a] | $3,603 | $3,518[b] | $2,706 | $2,797[b] |

*(a) Includes current maturities.*
*(b) Based on quoted market prices for these or similar issues.*

**Special Use Funds** — The special use funds consist of storm fund assets totaling $131 million and $160 million, and decommissioning fund assets totaling $1.220 billion and $1.046 billion at December 31, 1999 and 1998, respectively. Securities held in the special use funds are carried at estimated fair value. The nuclear decommissioning fund consists of approximately 40% equity securities and 60% municipal, government, corporate and mortgage- and other asset-backed debt securities with a weighted-average maturity of approximately ten years. The storm fund primarily consists of municipal debt securities with a weighted-average maturity of approximately four years. The cost of securities sold is determined on the specific identification method. The funds had approximate realized gains of $32 million and approximate realized losses of $22 million in 1999, $24 million and $4 million in 1998 and $3 million and $2 million in 1997, respectively. The funds had unrealized gains of approximately $286 million and $210 million at December 31, 1999 and 1998, respectively; the unrealized losses at those dates were approximately $17 million and $2 million. The proceeds from the sale of securities in 1999, 1998 and 1997 were approximately $2.7 billion, $1.2 billion and $800 million, respectively.

## 4. COMMON STOCK

**Common Stock Dividend Restrictions** — FPL Group's charter does not limit the dividends that may be paid on its common stock. As a practical matter, the ability of FPL Group to pay dividends on its common stock is dependent upon dividends paid to it by its subsidiaries, primarily FPL. FPL's charter and a mortgage securing FPL's first mortgage bonds contain provisions that, under certain conditions, restrict the payment of dividends and other distributions to FPL Group. These restrictions do not currently limit FPL's ability to pay dividends to FPL Group. In 1999, 1998 and 1997, FPL paid, as dividends to FPL Group, its net income available to FPL Group on a one-month lag basis.

**Employee Stock Ownership Plan (ESOP)** — The employee thrift plans of FPL Group include a leveraged ESOP feature. Shares of common stock held by the Trust for the thrift plans (Trust) are used to provide all or a portion of the employers' matching contributions. Dividends received on all shares, along with cash contributions from the employers, are used to pay principal and interest on an ESOP loan held by FPL Group Capital. Dividends on shares allocated to employee accounts and used by the Trust for debt service are replaced with an equivalent amount of shares of common stock at prevailing market prices.

ESOP-related compensation expense of approximately $21 million in 1999 and $19 million in each of the years 1998 and 1997 was recognized based on the fair value of shares allocated to employee accounts during the period. Interest income on the ESOP loan is eliminated in consolidation. ESOP-related unearned compensation included as a reduction of shareholders' equity at December 31, 1999 was approximately $233 million, representing 8 million unallocated shares at the original issue price of $29 per share. The fair value of the ESOP-related unearned compensation account using the closing price of FPL Group stock as of December 31, 1999 was approximately $344 million.

**Long-Term Incentive Plan** — As of December 31, 1999, 9 million shares of common stock are reserved and available for awards to officers and employees of FPL Group and its subsidiaries under FPL Group's long-term incentive plan. Restricted stock is issued at market value at the date of grant, typically vests within four years and is subject to, among other things, restrictions on transferability. Performance share awards are typically payable at the end of a three- or four-year performance period and are subject to risk of forfeiture if the specified performance criteria is not met within the restriction period. The changes in share awards under the incentive plan are as follows:

| | Restricted Stock | Performance Shares[(a)] | Options[(a)] |
|---|---|---|---|
| Balances, December 31, 1996 | 166,300 | 311,527 | — |
| Granted | 71,000[(b)] | 212,011[(c)] | — |
| Paid/released | — | (70,008) | — |
| Forfeited | (17,750) | (10,942) | — |
| Balances, December 31, 1997 | 219,550 | 442,588 | — |
| Granted | 19,500[(b)] | 178,518[(c)] | — |
| Paid/released | — | (80,920) | — |
| Forfeited | (22,250) | (29,566) | — |
| Balances, December 31, 1998 | 216,800 | 510,620 | — |
| Granted | 210,100[(b)] | 294,662[(c)] | 1,300,000[(d)] |
| Paid/released | — | (78,640) | — |
| Forfeited | (13,500) | (80,027) | (200,000) |
| Balances, December 31, 1999 | 413,400 | 646,615 | 1,100,000[(e)] |

*(a) Performance shares and options resulted in approximately 253,000, 128,000 and 132,000 assumed incremental shares of common stock outstanding for purposes of computing diluted earnings per share in 1999, 1998 and 1997, respectively. These incremental shares did not change basic earnings per share.*

*(b) The weighted-average grant date fair value of restricted stock granted in 1999, 1998 and 1997 was $53.21, $61.89 and $55.25, respectively.*

*(c) The weighted-average grant date fair value of performance shares granted in 1999, 1998 and 1997 was $61.19, $59.19 and $45.63, respectively.*

*(d) The weighted-average grant date fair value of options granted in 1999 was $51.59. The exercise price of each option granted in 1999 equaled the market price of FPL Group stock on the date of grant.*

*(e) Exercise prices for options outstanding as of December 31, 1999, ranged from $51.16 to $54.38 with a weighted-average exercise price of $51.59 and a weighted-average remaining contractual life of 8.6 years. As of December 31, 1999, there were no exercisable options. Of the options outstanding as of December 31, 1999, 225,000 vest in 2000, 475,000 in 2001, 200,000 in 2002 and 200,000 in 2003.*

FAS 123, "Accounting for Stock-Based Compensation," encourages a fair value based method of accounting for stock-based compensation. FPL Group, however, uses the intrinsic value based method of accounting as permitted by the statement. Stock-based compensation expense was approximately $13 million, $10 million and $8 million in 1999, 1998 and 1997, respectively. Compensation expense for restricted stock and performance shares is the same under the fair value and the intrinsic value based methods. Had compensation expense for the options been determined as prescribed by the fair value based method, FPL Group's net income and earnings per share would have been $696 million and $4.06, respectively.

The fair value of the options granted in 1999 were estimated on the date of the grant using the Black-Scholes option-pricing model with a 3.81% weighted-average expected dividend yield, 17.88% weighted-average expected volatility, 5.46% weighted-average risk-free interest rate and a weighted-average expected term of 9.3 years.

**Other** — Each share of common stock has been granted a Preferred Share Purchase Right (Right), at a price of $120, subject to adjustment, in the event of certain attempted business combinations. The Rights will cause substantial dilution to a person or group attempting to acquire FPL Group on terms not approved by FPL Group's board of directors.

## 5. PREFERRED STOCK

FPL Group's charter authorizes the issuance of 100 million shares of serial preferred stock, $0.01 par value. None of these shares is outstanding. FPL Group has reserved 3 million shares for issuance upon exercise of preferred share purchase rights which expire in June 2006. Preferred stock of FPL consists of the following:[a]

| | December 31, 1999 | | (millions) December 31, | |
|---|---|---|---|---|
| | Shares Outstanding | Redemption Price | 1999 | 1998 |
| Cumulative, $100 Par Value, without sinking fund requirements, authorized 15,822,500 shares: | | | | |
| 4½% Series | 100,000 | $101.00 | $ 10 | $ 10 |
| 4½% Series A | 50,000 | $101.00 | 5 | 5 |
| 4½% Series B | 50,000 | $101.00 | 5 | 5 |
| 4½% Series C | 62,500 | $103.00 | 6 | 6 |
| 4.32% Series D | 50,000 | $103.50 | 5 | 5 |
| 4.35% Series E | 50,000 | $102.00 | 5 | 5 |
| 6.98% Series S | 750,000 | $103.49[b] | 75 | 75 |
| 7.05% Series T | 500,000 | $103.52[b] | 50 | 50 |
| 6.75% Series U | 650,000 | $103.37[b] | 65 | 65 |
| Total preferred stock of FPL | 2,262,500 | | $226 | $226 |

*(a) FPL's charter authorizes the issuance of 5 million shares of subordinated preferred stock, no par value. None of these shares is outstanding. There were no issuances or redemptions of preferred stock in 1999, 1998 and 1997.*

*(b) Not callable prior to 2003.*

## 6. DEBT

Long-term debt consists of the following:

| (millions) | December 31, 1999 | 1998 |
|---|---|---|
| FPL: | | |
| First mortgage bonds: | | |
| Maturing through 2004 — 5⅜% to 6⅞% | $ 350 | $ 580 |
| Maturing 2008 through 2016 — 5⅞% to 7⅞% | 650 | 641 |
| Maturing 2023 through 2026 — 7% to 7¾% | 516 | 516 |
| Medium-term notes — maturing 2003 — 5.79% | 70 | 70 |
| Pollution control and industrial development series — maturing 2020 through 2027 — 6.7% to 7.5% | 150 | 150 |
| Pollution control, solid waste disposal and industrial development revenue bonds — maturing 2020 through 2029 — variable, 3.4% and 3.6% average annual interest rate, respectively | 483 | 483 |
| Unamortized discount — net | (15) | (19) |
| Total long-term debt of FPL | 2,204 | 2,421 |
| Less current maturities | 125 | 230 |
| Long-term debt of FPL, excluding current maturities | 2,079 | 2,191 |
| FPL Group Capital: | | |
| Debentures: | | |
| Maturing through 2004 — 6⅞% | 175 | — |
| Maturing 2006 through 2013 — 7⅜% to 7⅝%[a] | 1,225 | 125 |
| Other long-term debt — 3.4% to 7.645% due various dates to 2018 | 5 | 162 |
| Unamortized discount | (6) | (2) |
| Total long-term debt of FPL Group Capital | 1,399 | 285 |
| Less current maturities | — | 129 |
| Long-term debt of FPL Group Capital, excluding current maturities | 1,399 | 156 |
| Total long-term debt | $3,478 | $2,347 |

*(a) In December 1999, FPL Group Capital issued $400 million principal amount of 7⅜% debentures, maturing in 2009.*

Minimum annual maturities of long-term debt are approximately $125 million, $170 million and $300 million for 2000, 2003 and 2004, respectively. No amounts are due in 2001 and 2002.

Short-term debt at December 31, 1999 consists of commercial paper borrowings with a year end weighted-average interest rate of 5.60%. Available lines of credit aggregated approximately $2.4 billion at December 31, 1999, all of which were based on firm commitments.

### 7. INCOME TAXES

The components of income taxes are as follows:

| *(millions)* Years Ended December 31, | **1999** | 1998 | 1997 |
|---|---|---|---|
| Federal: | | | |
| Current | $ 511 | $ 467 | $308 |
| Deferred | (196) | (215) | (34) |
| ITC and other — net | (29) | (27) | (22) |
| Total federal | 286 | 225 | 252 |
| State: | | | |
| Current | 55 | 72 | 52 |
| Deferred | (18) | (18) | — |
| Total state | 37 | 54 | 52 |
| Total income taxes | $ 323 | $ 279 | $304 |

A reconciliation between the effective income tax rates and the applicable statutory rates is as follows:

| Years Ended December 31, | **1999** | 1998 | 1997 |
|---|---|---|---|
| Statutory federal income tax rate | 35.0% | 35.0% | 35.0% |
| Increases (reductions) resulting from: | | | |
| State income taxes — net of federal income tax benefit | 2.4 | 3.7 | 3.7 |
| Amortization of ITC | (2.1) | (2.5) | (2.4) |
| Amortization of deferred regulatory credit — income taxes | (1.3) | (1.8) | (1.8) |
| Adjustments of prior years' tax matters | (2.7) | (6.3)[a] | (2.7) |
| Preferred stock dividends — FPL | 0.5 | 0.5 | 0.7 |
| Other — net | (0.2) | 1.0 | 0.5 |
| Effective income tax rate | 31.6% | 29.6% | 33.0% |

*(a) Includes the resolution of an audit issue with the Internal Revenue Service (IRS).*

The income tax effects of temporary differences giving rise to consolidated deferred income tax liabilities and assets are as follows:

| *(millions)* December 31, | **1999** | 1998 |
|---|---|---|
| Deferred tax liabilities: | | |
| Property-related | $1,377 | $1,493 |
| Investment-related | 373 | 460 |
| Other | 312 | 255 |
| Total deferred tax liabilities | 2,062 | 2,208 |
| Deferred tax assets and valuation allowance: | | |
| Asset writedowns and capital loss carryforward | 170 | 102 |
| Unamortized ITC and deferred regulatory credit — income taxes | 119 | 136 |
| Storm and decommissioning reserves | 245 | 258 |
| Other | 472 | 473 |
| Valuation allowance | (23) | (16) |
| Net deferred tax assets | 983 | 953 |
| Accumulated deferred income taxes | $1,079 | $1,255 |

The carryforward period for a capital loss from the disposition in a prior year of an FPL Group Capital subsidiary expired at the end of 1996. The amount of the deductible loss from this disposition was limited by IRS rules. FPL Group is challenging the IRS loss limitation and the IRS is disputing certain other positions taken by FPL Group. Tax benefits, if any, associated with these matters will be reported in future periods when resolved.

### 8. JOINTLY-OWNED ELECTRIC UTILITY PLANT

FPL owns approximately 85% of St. Lucie Unit No. 2, 20% of the St. Johns River Power Park units and coal terminal and approximately 76% of Scherer Unit No. 4. At December 31, 1999, FPL's gross investment in these units was $1.174 billion, $328 million and $571 million, respectively; accumulated depreciation was $710 million, $155 million and $266 million, respectively.

FPL is responsible for its share of the operating costs, as well as providing its own financing. At December 31, 1999, there was no significant balance of construction work in progress on these facilities. See Note 12 — Litigation.

### 9. ACQUISITION OF MAINE ASSETS

During the second quarter of 1999, FPL Energy completed the purchase of Central Maine Power Company's (CMP) non-nuclear generating assets, primarily fossil and hydro power plants, for $866 million. The purchase price was based on an agreement, subject to regulatory approvals, reached with CMP in January 1998. In October 1998, the FERC struck down transmission rules that had been in effect in New England since the 1970s. FPL Energy filed a lawsuit in November 1998 requesting a declaratory judgment that CMP could not meet the essential terms of the purchase agreement and, as a result, FPL Energy should not be required to complete the transaction. FPL Energy believed these FERC rulings regarding transmission constituted a material adverse effect under the purchase agreement because of the significant decline in the value of the assets caused by the rulings. The request for declaratory judgment was denied in March 1999 and the acquisition was completed on April 7, 1999. The acquisition was accounted for under the purchase method of accounting and the results of operating the Maine plants have been included in the consolidated financial statements since the acquisition date.

The FERC rulings regarding transmission, as well as the announcement of new entrants into the market and changes in fuel prices since January 1998, resulted in FPL Energy recording a $176 million pre-tax impairment loss to write-down the fossil assets to their fair value, which was determined based on a discounted cash flow analysis. The impairment loss reduced FPL Group's 1999 results of operations and earnings per share by $104 million and $0.61 per share, respectively.

Most of the remainder of the purchase price was allocated to the hydro operations. The hydro plants and related goodwill are being amortized on a straight-line basis over the 40-year term of the hydro plant operating licenses.

## 10. DIVESTITURE OF CABLE INVESTMENTS

In January 1999, an FPL Group Capital subsidiary sold 3.5 million common shares of Adelphia Communications Corporation (Adelphia) stock and in October 1999 had its one-third ownership interest in a cable limited partnership redeemed, resulting in after-tax gains of approximately $96 million and $66 million, respectively. Both investments had been accounted for on the equity method.

## 11. SETTLEMENT OF LITIGATION

In October 1999, FPL and the Florida Municipal Power Agency (FMPA) entered into a settlement agreement pursuant to which FPL agreed to pay FMPA a cash settlement; FPL agreed to reduce the demand charge on an existing power purchase agreement; and FPL and FMPA agreed to enter into a new power purchase agreement giving FMPA the right to purchase limited amounts of power in the future at a specified price. FMPA agreed to dismiss the lawsuit with prejudice, and both parties agreed to exchange mutual releases. The settlement reduced FPL's 1999 net income by $42 million.

## 12. COMMITMENTS AND CONTINGENCIES

**Commitments** — FPL has made commitments in connection with a portion of its projected capital expenditures. Capital expenditures for the construction or acquisition of additional facilities and equipment to meet customer demand are estimated to be approximately $3.1 billion for 2000 through 2002. Included in this three-year forecast are capital expenditures for 2000 of approximately $1.3 billion. As of December 31, 1999, FPL Energy has made commitments totaling approximately $72 million, primarily in connection with the development of an independent power project. FPL Group and its subsidiaries, other than FPL, have guaranteed approximately $680 million of purchased power agreement obligations, debt service payments and other payments subject to certain contingencies.

**Insurance** — Liability for accidents at nuclear power plants is governed by the Price-Anderson Act, which limits the liability of nuclear reactor owners to the amount of the insurance available from private sources and under an industry retrospective payment plan. In accordance with this Act, FPL maintains $200 million of private liability insurance, which is the maximum obtainable, and participates in a secondary financial protection system under which it is subject to retrospective assessments of up to $363 million per incident at any nuclear utility reactor in the United States, payable at a rate not to exceed $43 million per incident per year.

FPL participates in nuclear insurance mutual companies that provide $2.75 billion of limited insurance coverage for property damage, decontamination and premature decommissioning risks at its nuclear plants. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. FPL also participates in an insurance program that provides limited coverage for replacement power costs if a nuclear plant is out of service because of an accident. In the event of an accident at one of FPL's or another participating insured's nuclear plants, FPL could be assessed up to $50 million in retrospective premiums.

In the event of a catastrophic loss at one of FPL's nuclear plants, the amount of insurance available may not be adequate to cover property damage and other expenses incurred. Uninsured losses, to the extent not recovered through rates, would be borne by FPL and could have a material adverse effect on FPL Group's financial condition.

FPL self-insures the majority of its transmission and distribution (T&D) property due to the high cost and limited coverage available from third-party insurers. As approved by the FPSC, FPL maintains a funded storm and property insurance reserve, which totaled approximately $216 million at December 31, 1999, for T&D property storm damage or assessments under the nuclear insurance program. During 1999, storm fund reserves were reduced to recover the costs associated with three storms. Recovery from customers of any losses in excess of the storm and property insurance reserve will require the approval of the FPSC. FPL's available lines of credit include $300 million to provide additional liquidity in the event of a T&D property loss.

**Contracts** — FPL has entered into long-term purchased power and fuel contracts. Take-or-pay purchased power contracts with the Jacksonville Electric Authority (JEA) and with subsidiaries of The Southern Company (Southern Companies) provide approximately 1,300 megawatts (mw) of power through mid-2010 and 383 mw thereafter through 2021. FPL also has various firm pay-for-performance contracts to purchase approximately 900 mw from certain cogenerators and small power producers (qualifying facilities) with expiration dates ranging from 2002 through 2026. The purchased power contracts provide for capacity and energy payments. Energy payments are based on the actual power taken under these contracts. Capacity payments for the pay-for-performance contracts are subject to the qualifying facilities meeting certain contract conditions. FPL has long-term contracts for the transportation and supply of natural gas, coal and oil with various expiration dates through 2021. FPL Energy has long-term contracts for the transportation and storage of natural gas with expiration dates ranging from 2005 through 2017, and a 24-month contract commencing in mid-2000 for the supply of natural gas.

The required capacity and minimum payments through 2004 under these contracts are estimated to be as follows:

| *(millions)* | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|
| FPL: | | | | | |
| Capacity payments: | | | | | |
| JEA and Southern Companies | $210 | $210 | $210 | $200 | $200 |
| Qualifying facilities[(a)] | $370 | $380 | $400 | $410 | $425 |
| Minimum payments, at projected prices: | | | | | |
| Natural gas, including transportation | $205 | $235 | $255 | $255 | $260 |
| Coal | $ 50 | $ 45 | $ 45 | $ 20 | $ 10 |
| Oil | $165 | $165 | $ 10 | $ — | $ — |
| FPL Energy: | | | | | |
| Natural gas, including transportation and storage | $ 20 | $ 20 | $ 20 | $ 15 | $ 15 |

*(a) Includes approximately $42 million, $44 million, $47 million, $49 million and $50 million, respectively, for capacity payments associated with two contracts that are currently in dispute. These capacity payments are subject to the outcome of the related litigation. See Litigation.*

Charges under these contracts were as follows:

| *(millions)* | **1999 Charges** | | 1998 Charges | | 1997 Charges | |
|---|---|---|---|---|---|---|
| | Capacity | Energy/ Fuel | Capacity | Energy/ Fuel | Capacity | Energy/ Fuel |
| FPL: | | | | | | |
| JEA and Southern Companies | $186[(a)] | $132[(b)] | $192[(a)] | $138[(b)] | $201[(a)] | $153[(b)] |
| Qualifying facilities | $319[(c)] | $121[(b)] | $299[(c)] | $108[(b)] | $296[(c)] | $128[(b)] |
| Natural gas, including transportation | $ — | $373[(b)] | $ — | $280[(b)] | $ — | $413[(b)] |
| Coal | $ — | $ 43[(b)] | $ — | $ 50[(b)] | $ — | $ 52[(b)] |
| Oil | $ — | $115[(b)] | $ — | $ — | $ — | $ — |
| FPL Energy: | | | | | | |
| Natural gas transportation and storage | $ — | $ 16 | $ — | $ 18 | $ — | $ 16 |

*(a) Recovered through base rates and the capacity cost recovery clause (capacity clause).*
*(b) Recovered through the fuel and purchased power cost recovery clause.*
*(c) Recovered through the capacity clause.*

**Litigation** — In 1997, FPL filed a complaint against the owners of two qualifying facilities (plant owners) seeking an order declaring that FPL's obligations under the power purchase agreements with the qualifying facilities were rendered of no force and effect because the power plants failed to accomplish commercial operation before January 1, 1997, as required by the agreements. In 1997, the plant owners filed for bankruptcy under Chapter XI of the U.S. Bankruptcy Code and entered into an agreement with the holders of more than 70% of the bonds that partially financed the construction of the plants. This agreement gives the holders of a majority of the principal amount of the bonds (the majority bondholders) the right to control, fund and manage any litigation against FPL and the right to settle with FPL on any terms such majority bondholders approve, provided that certain agreements are not affected and certain conditions are met. In 1998, the plant owners (through the attorneys for the majority bondholders) filed an answer denying the allegations in FPL's complaint and asserting counterclaims for approximately $2 billion, consisting of all capacity payments that could have been made over the 30-year term of the power purchase agreements and three times their actual damages for alleged violations of Florida antitrust laws by FPL, FPL Group and FPL Group Capital, plus attorneys' fees. The trial court dismissed all of the partnerships' antitrust claims. In 1999, the partnerships' motion for summary judgment was denied; they have appealed.

A contract with Cedar Bay Generating Company, L.P. (Cedar Bay), a qualifying facility, provides FPL with the right to dispatch the Cedar Bay facility "in any manner it deems appropriate." Despite this contractual right, Cedar Bay initiated an action in 1997 in the circuit court challenging, among other things, the manner in which the facility had been dispatched by FPL. Although the court granted summary judgment to FPL with regard to Cedar Bay's claim that FPL's dispatch decisions violated the express terms of the contract, it permitted a jury to hear Cedar Bay's claim that such dispatch decisions violated an implied duty of good faith and fair dealing. The jury awarded Cedar Bay approximately $13 million on this claim. Thereafter, the court entered a declaration that FPL was, in the future, to dispatch the Cedar Bay facility in accordance with certain specified parameters. FPL expects to recover the amount of this judgment through the capacity clause.

FPL has appealed both the jury award and the court's declaration. In 1999, after FPL filed its notice of appeal in the Cedar Bay action, a lender, on behalf of itself and a group of other Cedar Bay lenders, filed an action against FPL in the circuit court alleging breach of contract, breach of an implied duty of good faith and fair dealing, fraud, tortious interference with contract and several other claims regarding the manner in which FPL has dispatched the Cedar Bay facility. It seeks unspecified damages and other relief. FPL has moved to dismiss all counts of this complaint.

In 1999, the Attorney General of the United States, on behalf of the U.S. Environmental Protection Agency (EPA) brought an action against Georgia Power Company and other subsidiaries of The Southern Company for injunctive relief and the assessment of civil penalties for certain violations of the Clean Air Act. Among other things, the EPA alleges Georgia Power Company constructed and is continuing to operate Scherer Unit No. 4, in which FPL owns a 76% interest, without obtaining proper permitting, and without complying with performance and technology standards as required by the Clean Air Act. The suit seeks injunctive relief requiring the installation of such technology and civil penalties of up to $25,000 per day for each violation from August 7, 1977 through January 30, 1997, and $27,000 per day for each violation thereafter. Georgia Power has filed an answer to the complaint asserting that it has complied with all requirements of the Clean Air Act, denying the plaintiff's allegations of liability, denying that the plaintiff is entitled to any of the relief that it seeks and raising various other defenses.

FPL Group believes that it has meritorious defenses to the litigation and is vigorously defending the suits. Accordingly, the liabilities, if any, arising from the proceedings are not anticipated to have a material adverse effect on its financial statements.

## 13. SUBSEQUENT EVENT

FPL FiberNet, LLC (FPL FiberNet) was formed in January 2000 to enhance the value of FPL Group's fiber-optic network assets that were originally built to support FPL operations. FPL's existing fiber-optic net assets with a net book value of approximately $100 million were transferred to FPL FiberNet in January 2000. FPL FiberNet will sell wholesale fiber-optic network capacity to FPL and other new and existing customers, primarily telephone, cable television, internet and other telecommunications companies.

## 14. SEGMENT INFORMATION

FPL Group's reportable segments include FPL, a regulated utility, and FPL Energy, an unregulated energy generating subsidiary. Corporate and other represents other business activities, other segments that are not separately reportable and eliminating entries. For all years presented approximately 98% of FPL Group's operating revenues were derived from the sale of electricity in the United States. As of December 31, 1999 and 1998, less than 1% of long-lived assets were located in foreign countries.

FPL Group's segment information is as follows:

| *(millions)* | 1999 | | | | 1998 | | | | 1997 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FPL | FPL Energy[a] | Corp. and Other | Total | FPL | FPL Energy[a] | Corp. and Other | Total | FPL | FPL Energy[a] | Corp. and Other | Total |
| Operating revenues | $ 6,057 | $ 323 | $ 58 | $ 6,438 | $ 6,366 | $ 234 | $ 61 | $ 6,661 | $ 6,132 | $189 | $ 48 | $ 6,369 |
| Interest expense | $ 164 | $ 44 | $ 14 | $ 222 | $ 196 | $ 84 | $ 42 | $ 322 | $ 227 | $ 49 | $ 15 | $ 291 |
| Depreciation and amortization | $ 989 | $ 34 | $ 17 | $ 1,040 | $ 1,249 | $ 31 | $ 4 | $ 1,284 | $ 1,034 | $ 22 | $ 5 | $ 1,061 |
| Equity in earnings of equity method investees | $ — | $ 50 | $ — | $ 50 | $ — | $ 39 | $ — | $ 39 | $ — | $ 12 | $ 2 | $ 14 |
| Income tax expense (benefit)[b] | $ 324 | $ (42) | $ 41 | $ 323 | $ 349 | $ 24 | $(94) | $ 279 | $ 321 | $ 5 | $(22) | $ 304 |
| Net income (loss)[c] | $ 576 | $ (46) | $167 | $ 697 | $ 616 | $ 32 | $ 16 | $ 664 | $ 608 | $ 9 | $ 1 | $ 618 |
| Significant noncash items | $ 86 | $ — | $ — | $ 86 | $ 34 | $ — | $ — | $ 34 | $ 81 | $420 | $ — | $ 501 |
| Capital expenditures and investments | $ 924 | $1,540 | $ 15 | $ 2,479 | $ 617 | $ 521 | $ 16 | $ 946 | $ 551 | $291 | $ — | $ 842 |
| Total assets | $11,231 | $2,212 | $ (2) | $13,441 | $10,748 | $1,092 | $189 | $12,029 | $11,172 | $912 | $365 | $12,449 |
| Investment in equity method investees | $ — | $ 166 | $ — | $ 166 | $ — | $ 165 | $ — | $ 165 | $ — | $ 74 | $ 2 | $ 76 |

*(a) In 1999 and 1998, FPL Energy's interest expense was based on an assumed capital structure of 50% debt for operating projects and 100% debt for projects under construction. FPL Energy's 1998 interest expense also includes the cost of terminating an interest rate swap agreement. FPL Energy's 1997 interest expense was related to its outstanding debt, which exceeded the assumed capital structure.*

*(b) FPL Group allocates income taxes to FPL Energy on a "separate return method" as if it were a tax paying entity.*

*(c) The following nonrecurring items affected 1999 net income: FPL settled litigation (see Note 11); FPL Energy recorded an impairment loss (see Note 9); and Corporate and Other divested its cable investments (see Note 10).*

## 15. SUMMARIZED FINANCIAL INFORMATION OF FPL GROUP CAPITAL

FPL Group Capital's debentures, when outstanding, are guaranteed by FPL Group and included in FPL Group's consolidated balance sheets. Summarized financial information of FPL Group Capital is as follows:

| *(millions)* | **1999** | 1998 | 1997 |
|---|---|---|---|
| Operating revenues | $380 | $295 | $237 |
| Operating expenses | $533 | $225 | $186 |
| Gain on divestiture of cable investments | $257 | $ — | $ — |
| Net income | $138 | $ 68 | $ 27 |

| *(millions)* | **1999** | 1998 |
|---|---|---|
| Current assets | $ 640 | $ 317 |
| Noncurrent assets | $2,627 | $1,445 |
| Current liabilities | $ 414 | $ 310 |
| Noncurrent liabilities | $1,840 | $ 703 |

## 16. QUARTERLY DATA (UNAUDITED)

Condensed consolidated quarterly financial information for 1999 and 1998 is as follows:

| *(millions, except per share amounts)* | 1999 | | | | 1998 | | | |
|---|---|---|---|---|---|---|---|---|
| | March 31[a] | June 30[a] | Sept. 30[a] | Dec. 31[a] | March 31[a] | June 30[a] | Sept. 30[a] | Dec. 31[a] |
| Operating revenues | $1,412 | $1,614 | $1,892 | $1,520 | $1,338 | $1,692 | $1,999 | $1,632 |
| Operating income | $ 208 | $ 135[b] | $ 470 | $ 107[c] | $ 218 | $ 317 | $ 528 | $ 189 |
| Net income | $ 209[d] | $ 77[b] | $ 291 | $ 120[c][e] | $ 108 | $ 176 | $ 287 | $ 93[g] |
| Earnings per share[f] | $ 1.22[d] | $ 0.45[b] | $ 1.70 | $ 0.71[c][e] | $ 0.63 | $ 1.02 | $ 1.66 | $ 0.54[g] |
| Dividends per share | $ 0.52 | $ 0.52 | $ 0.52 | $ 0.52 | $ 0.50 | $ 0.50 | $ 0.50 | $ 0.50 |
| High-low common stock sales prices | $61 15/16–50 1/8 | $60 1/2–52 7/8 | $56 11/16–49 1/8 | $52 1/2–41 1/8 | $65 3/16–56 1/16 | $65 5/8–58 11/16 | $70–59 11/16 | $72 9/16–60 1/2 |

*(a) In the opinion of FPL Group, all adjustments, which consist of normal recurring accruals necessary to present a fair statement of the amounts shown for such periods, have been made. Results of operations for an interim period may not give a true indication of results for the year.*

*(b) Includes impairment loss on Maine assets.*

*(c) Includes the settlement of litigation between FPL and FMPA.*

*(d) Includes gain on the sale of an investment in Adelphia common stock.*

*(e) Includes gain on the redemption of a one-third ownership interest in a cable limited partnership.*

*(f) Basic and assuming dilution. The sum of the quarterly amounts may not equal the total for the year due to rounding.*

*(g) Includes a loss on the sale of Turner Foods Corporation and the cost of terminating an agreement designed to fix interest rates, partly offset by the favorable resolution of an audit issue with the IRS.*

## Company Officers

### FPL Group, Inc.

James L. Broadhead
*Chairman and Chief Executive Officer*

Dennis P. Coyle
*General Counsel and Secretary*

K. Michael Davis
*Controller*

Lewis Hay, III
*Vice President Finance and Chief Financial Officer*

James P. Higgins
*Vice President Tax*

Lawrence J. Kelleher
*Vice President Human Resources*

Mary Lou Kromer
*Vice President Corporate Communications*

Robert L. McGrath
*Treasurer*

### Florida Power & Light Company Senior Officers

James L. Broadhead
*Chairman and Chief Executive Officer*

Paul J. Evanson
*President*

Dennis P. Coyle
*General Counsel and Secretary*

Lewis Hay, III
*Senior Vice President Finance and Chief Financial Officer*

Lawrence J. Kelleher
*Senior Vice President Human Resources and Corporate Services*

Armando J. Olivera
*Senior Vice President Power Systems*

Thomas F. Plunkett
*President Nuclear Division*

Antonio Rodriguez
*Senior Vice President Power Generation Division*

### FPL Energy, LLC Senior Officers

James L. Broadhead
*Chairman*

Michael W. Yackira
*President*

Roberto Denis
*Vice President Market Services*

William A. Fries
*Vice President Power Generation Projects*

Kenneth P. Hoffman
*Vice President Business Management*

James A. Keener
*Vice President Operations West*

Dilek L. Samil
*Vice President Finance*

Glenn E. Smith
*Senior Vice President Development*

John W. Stanton
*Vice President Operations East*

## Directors

H. Jesse Arnelle
Of Counsel, Womble, Carlyle, Sandridge & Rice (law firm) *Director since 1990. Member audit committee, compensation committee.*

Sherry S. Barrat
President and Chief Executive Officer of Northern Trust Bank of California, N.A. (commercial bank) *Director since 1998. Member audit committee, finance committee.*

Robert M. Beall, II
Chairman and Chief Executive Officer Beall's, Inc. (department stores) *Director since 1989. Member acquisitions committee, benefits committee, compensation committee.*

James L. Broadhead
Chairman and Chief Executive Officer FPL Group, Inc. *Director since 1989. Chairman executive committee.*

J. Hyatt Brown
Chairman, President and Chief Executive Officer Poe & Brown, Inc. (insurance broker) *Director since 1989. Chairman compensation committee. Member benefits committee, executive committee.*

Armando M. Codina
Chairman and Chief Executive Officer Codina Group, Inc. (real estate firm) *Director since 1994. Member benefits committee, compensation committee.*

Marshall M. Criser
Of Counsel, McGuire, Woods, Battle & Boothe, L.L.P. (law firm) *Director since 1989. Chairman audit committee. Member executive committee, finance committee.*

B. F. Dolan
Retired Chairman and Chief Executive Officer, Textron, Inc. (diversified company) *Director since 1992. Chairman acquisitions committee. Member audit committee, compensation committee, executive committee.*

Willard D. Dover
Principal Niles, Dobbins, Meeks, Raleigh & Dover (law firm) *Director since 1989. Member audit committee, acquisitions committee, benefits committee.*

Alexander W. Dreyfoos, Jr.
Owner and Chief Executive Officer, The Dreyfoos Group/Photo Electronics (investment management company) *Director since 1997. Member audit committee, finance committee.*

Paul J. Evanson
President, Florida Power & Light Company *Director since 1995.*

Drew Lewis
Retired Chairman and Chief Executive Officer, Union Pacific Corporation (diversified company) *Director since 1992. Member acquisitions committee, compensation committee, finance committee.*

Frederic V. Malek
Chairman, Thayer Capital Partners (merchant bank) *Director since 1987. Chairman benefits committee. Member acquisitions committee, executive committee, finance committee.*

Paul R. Tregurtha
Chairman and Chief Executive Officer, Mormac Marine Group, Inc. (maritime shipping company) *Director since 1989. Chairman finance committee. Member compensation committee, executive committee.*

## Corporate Offices
FPL Group, Inc.
700 Universe Blvd.
P.O. Box 14000
Juno Beach, FL 33408-0420
(561) 694-4000

## Exchange Listings
*Common Stock*
New York Stock Exchange
Ticker Symbol: FPL

*Options*
Philadelphia Stock Exchange

## Newspaper Listing
Common Stock: FPL Gp

## Registrar, Transfer, and Paying Agents
*FPL Group Common Stock and FPL Preferred Stock*
**EquiServe**
P.O. Box 8040
Boston, MA 02266-8040
(888) 218-4392

*Florida Power & Light Co. First Mortgage Bonds*
Bankers Trust Company
Security Holder Relations
P.O. Box 305050
Nashville, TN 37230-5050
(800) 735-7777

## Shareholder Inquiries
Communications concerning transfer requirements, lost certificates, dividend checks, address changes, stock accounts and the dividend reinvestment plan should be directed to **EquiServe: (888) 218-4392**

Other shareholder communications to:
Shareholder Services
(800) 222-4511
(561) 694-4694
(561) 694-4620 (Fax)

## Duplicate Mailings
Financial reports must be mailed to each account unless you instruct us otherwise. If you wish to discontinue multiple mailings to your address, please call EquiServe.

## Direct Deposit of Dividends
Cash dividends may be deposited directly to personal accounts at financial institutions. Call EquiServe for authorization forms.

## Dividend Reinvestment Plan
FPL Group offers a low-cost plan for holders of common stock and FPL preferred stock to reinvest their dividends or make optional cash payments for the purchase of additional common stock. Enrollment materials may be obtained by calling EquiServe.

## News and Financial Information
For the latest news and financial information about FPL Group, call our Shareholder Direct toll-free line: (888) 375-1329. Callers may listen to recorded announcements and request information via fax or mail. Company information is also available on the Internet: **http://www.fplgroup.com**

## Analyst Inquiries
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## News Media Inquiries
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Corporate Communications
P.O. Box 029100
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(305) 552-3888
(305) 552-2144 (Fax)

## Certified Public Accountants
Deloitte & Touche LLP
200 S. Biscayne Boulevard, Suite 400
Miami, FL 33131-2310

## Form 10-K
The Form 10-K annual report for 1999 as filed with the Securities and Exchange Commission is available without charge by writing to FPL Group, Shareholder Services.

## Annual Meeting
May 15, 2000, 10 a.m.
PGA National Resort
400 Avenue of the Champions
Palm Beach Gardens, FL

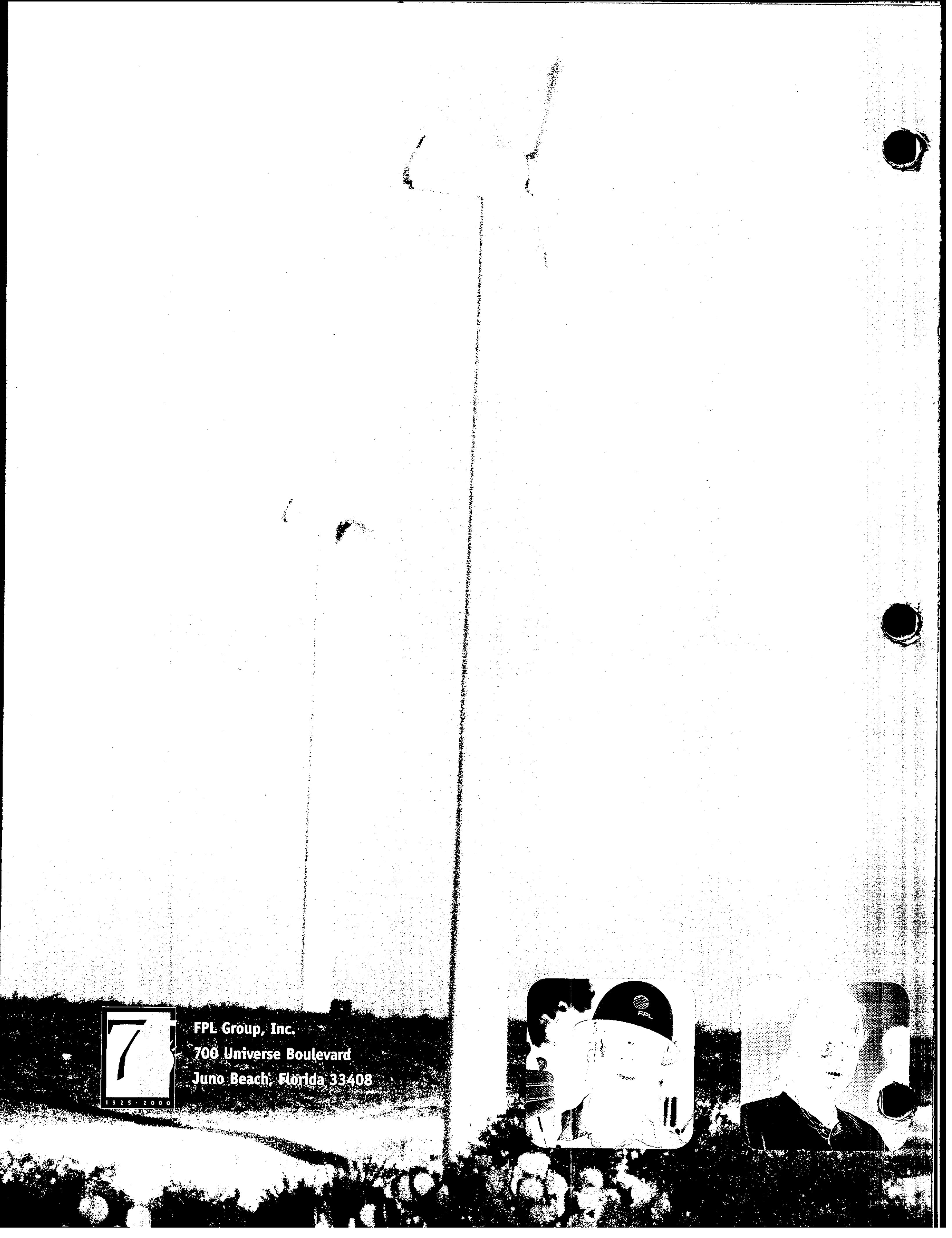
## Proposed 2000 Common Stock Dividend Dates*

| Declaration | Ex-Dividend | Record | Payment |
|---|---|---|---|
| February 14 | February 23 | February 25 | March 15 |
| May 15 | May 24 | May 26 | June 15 |
| August 14 | August 23 | August 25 | September 15 |
| November 13 | November 21 | November 24 | December 15 |

## Optional Cash Payment Dates

| Qtr./Yr. | Acceptance begins | Must be received by |
|---|---|---|
| 2nd/00 | May 15 | June 9 |
| 3rd/00 | August 15 | September 8 |
| 4th/00 | November 15 | December 8 |
| 1st/01 | February 15 | March 8 |

**Declaration of dividends and dates shown are subject to the discretion of the board of directors of FPL Group. Dates shown are based on the assumption that past patterns will prevail.*

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