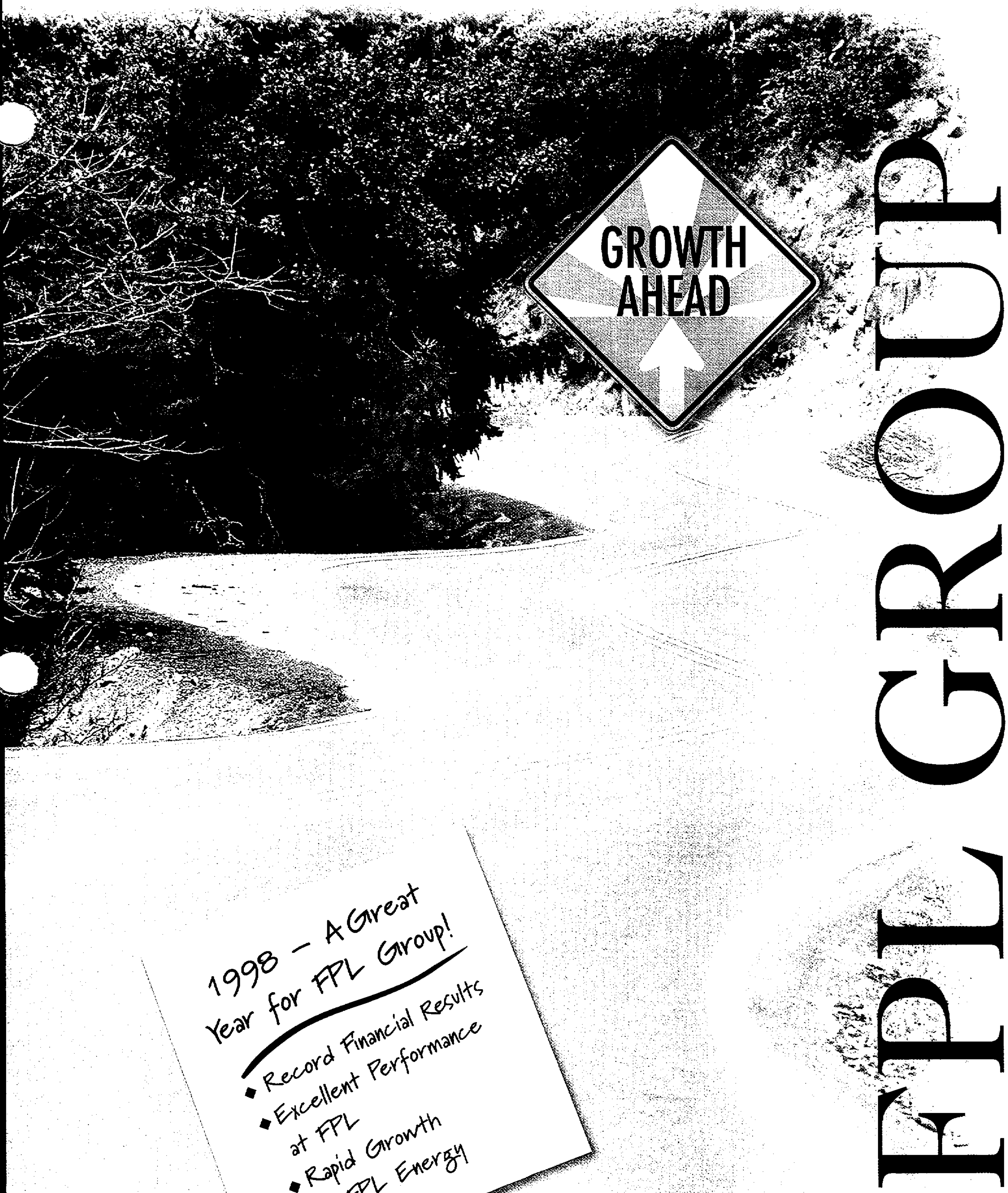
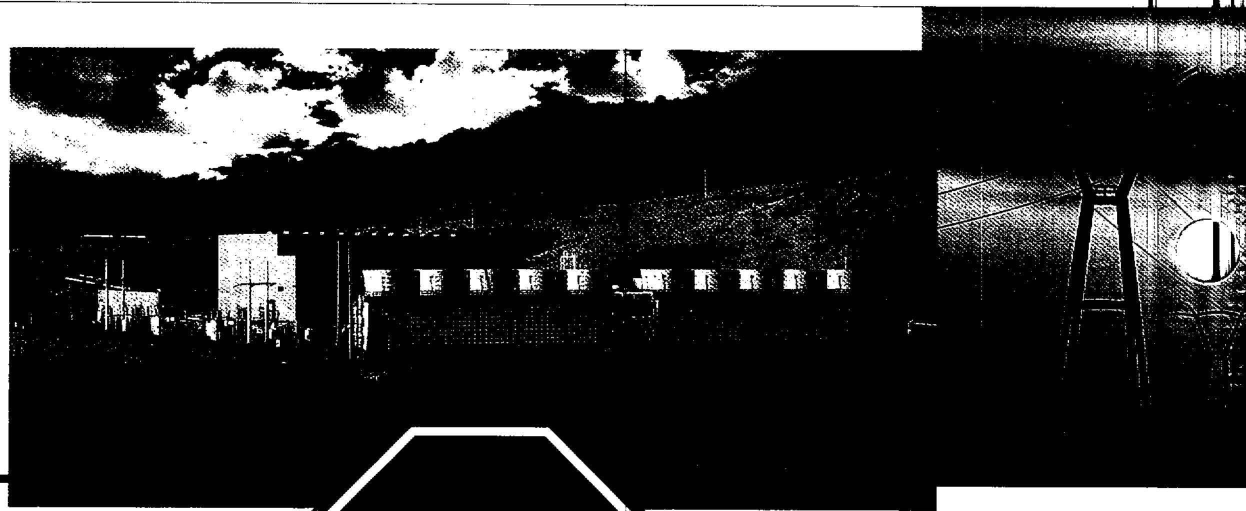
FPL GROUP



1998

FPL Group, Inc.

1998 Annual Report



HIGHLIGHTS

FPL Group is

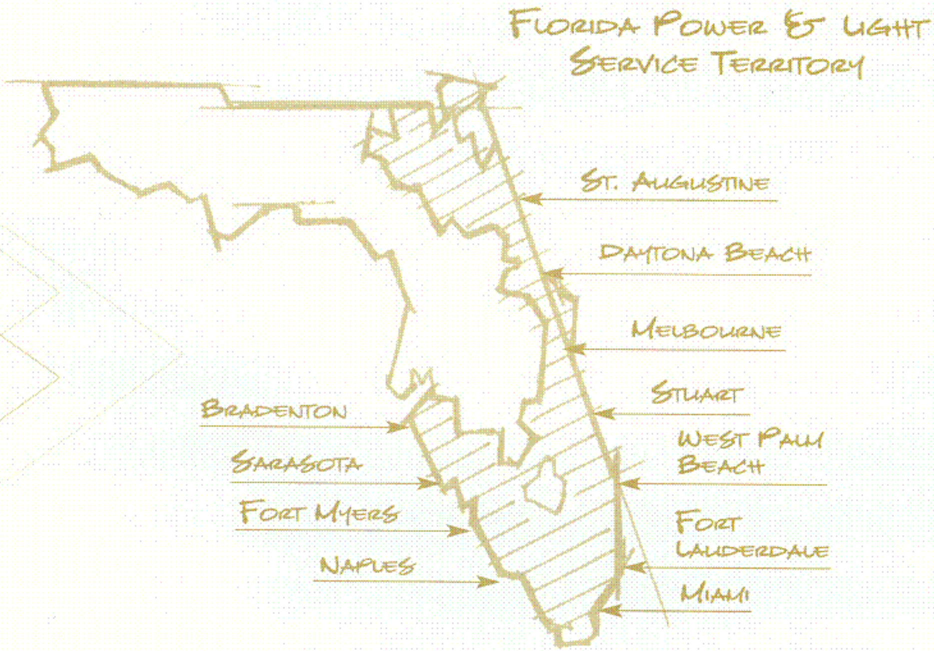
(Dollars in millions, except per share amounts)

For the Years Ended December 31,	1998	1997	% Change
FINANCIAL RESULTS			
Operating Revenues	$6,661	$6,369	4.6
Operating Income	$1,252	$1,228	2.0
Net Income	$664	$618	7.4
Earnings Per Share (basic and assuming dilution)	$3.85	$3.57	7.8
Cash Flows From Operating Activities	$1,743	$1,597	9.1
Total Assets	$12,029	$12,449	(3.4)
COMMON STOCK DATA			
Average Shares Outstanding (millions)	172.5	173.1	(0.3)
Dividends Per Share	$2.00	$1.92	4.2
Book Value Per Share	$29.76	$28.03	6.2
Market Price Per Share (high-low)	$72 9/16 - $56 1/16	$60 - $42 5/8	
OPERATING DATA			
FPL Energy Sales (millions kwh)	89,362	82,734	8.0
FPL Customer Accounts (average; thousands)	3,680	3,616	1.8
Employees (year end)	10,375	10,039	3.3

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, Inc., 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 nearly 1,900 megawatts.



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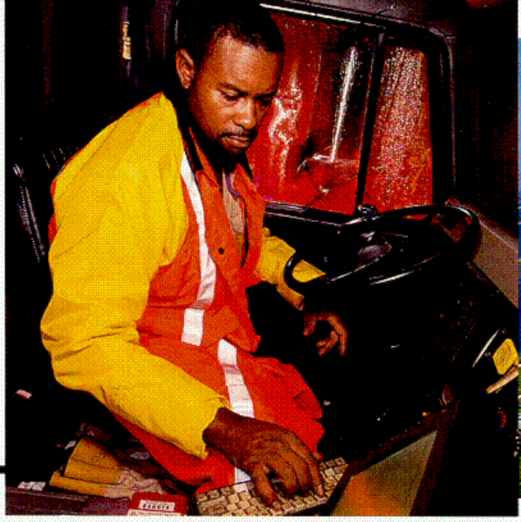
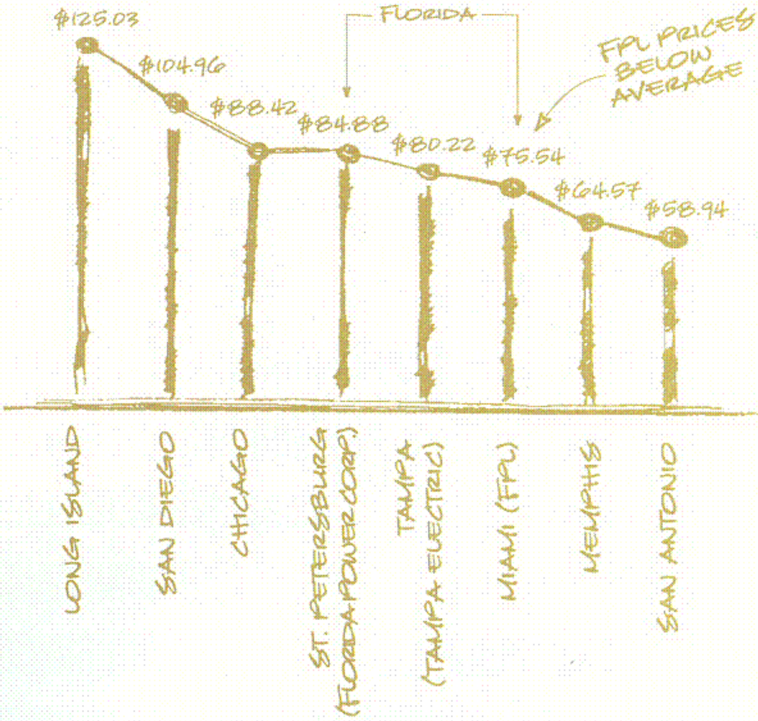
C01

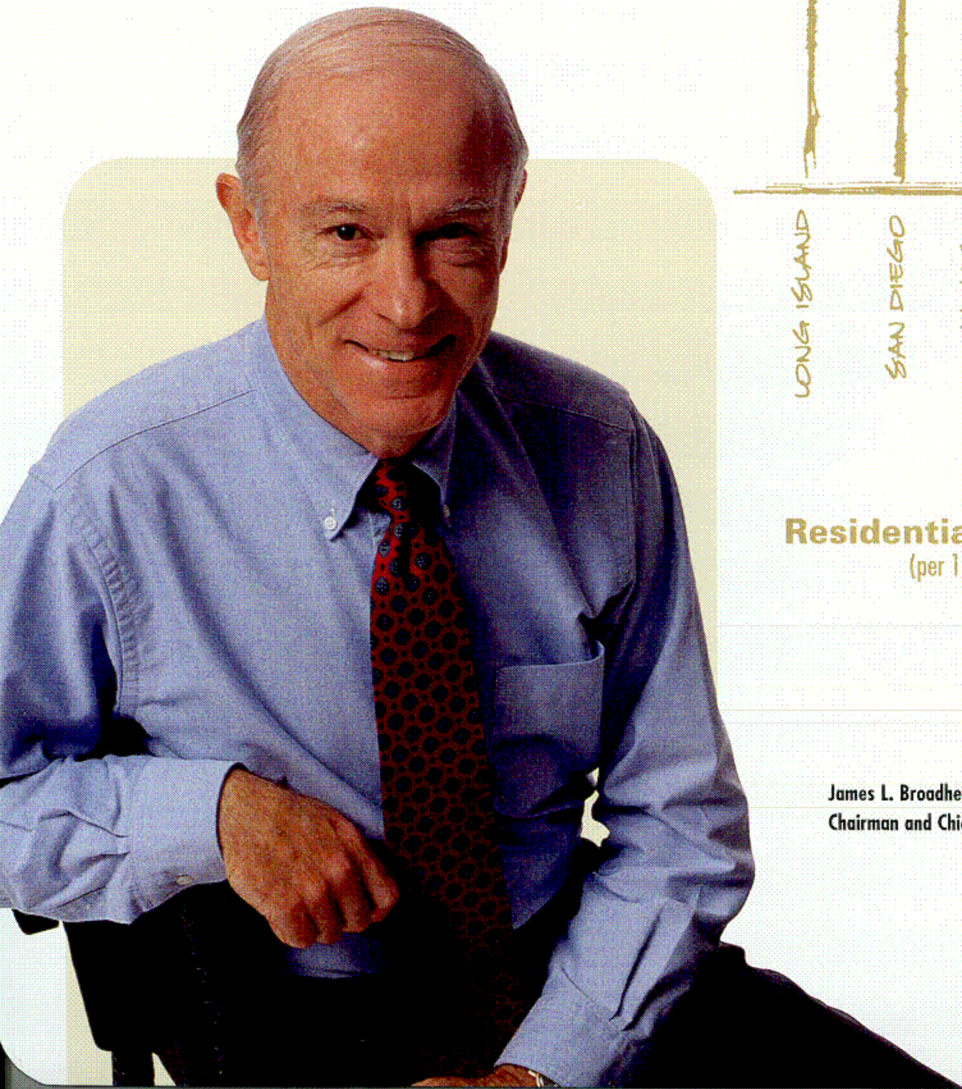
TO OUR SHAREHOLDERS

Nineteen ninety-eight



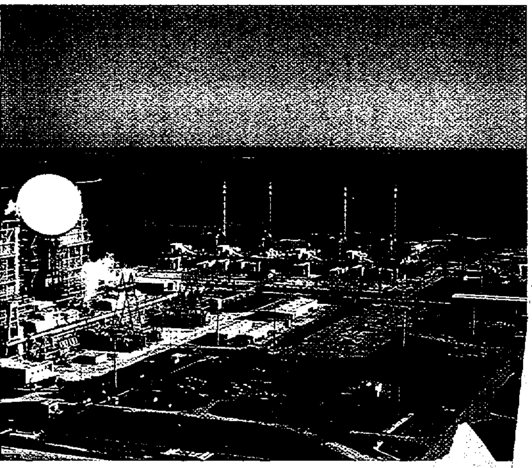


Residential Prices Across the Nation
(per 1,000 kilowatt-hours, as of January 1999)



James L. Broadhead
Chairman and Chief Executive Officer

C02



was a year of outstanding
accomplishments for FPL Group in which we achieved record operating and financial results.

We also continued to strengthen our principal subsidiary, Florida Power & Light Company; significantly expanded our energy operations outside of Florida through our subsidiary, FPL Energy; and divested unrelated businesses. These accomplishments and our continued focus on enhancing our capabilities as a high performance organization position us well for profitable growth in the years ahead.

RECORD FINANCIAL RESULTS

Our financial results were exceptional in 1998.

◇ Net income reached an all-time high of $664 million, an increase of 7.4% from the previous year.

◇ Earnings per share increased nearly 8% to a record $3.85.

◇ Reductions of debt and preferred stock further strengthened our balance sheet.

EXCELLENT PERFORMANCE AT FLORIDA POWER & LIGHT

Florida Power & Light continued to increase its productivity, improve reliability, and provide better service to its customers.

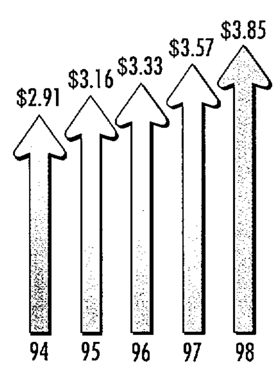
◇ The percentage of time our plants were available to produce power reached the highest levels in the history of our company, and unplanned outages dropped to an all-time low.

◇ Our fossil fuel plant availability of 94% is among the best of any large fossil fleet in America.

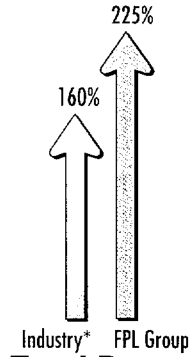
◇ Nuclear plant availability of 93% also was an all-time high and well above the industry average.

◇ The Turkey Point plant south of Miami became the first nuclear facility in the country to receive three consecutive "superior" ratings from the Nuclear Regulatory Commission. The St. Lucie nuclear units on Hutchinson Island established a company record for continuous operation and improved their NRC ratings as well.

◇ The overall strength of our nuclear operations in 1998 was



Earnings per Share
(basic and assuming dilution)



Total Return
1990-98
* Dow Jones Electric Utilities Index

reflected by the 'World Association of Nuclear Operators' "performance index," which ranked Turkey Point number one and St. Lucie number three out of 36 multiple-unit nuclear sites in the United States.

One of our top priorities in 1998 was to improve service reliability, and we did so dramatically, reducing by 27% the amount of time our customers were without power. FPL's reliability now exceeds the national average by 41%.

Our safety record improved 20% compared to 1997, and the number of incidents is well below the industry average.

We continued to improve our productivity as operating and maintenance costs per kilowatt-hour declined for the eighth consecutive year. We have reduced these costs 33% since 1990.

Our success in controlling costs has helped keep down the price FPL customers pay for electricity. The price of FPL's residential electricity is 9% lower today than in the mid-1980s. During the same period, the Consumer Price Index has risen 56%.

GROWTH AT FPL ENERGY

Early last year we formed FPL Energy to consolidate our electric operations outside of Florida. FPL Energy is an independent power producer with plants in operation, under construction, or being developed in 11 states and two foreign countries.

FPL Energy's improved operating results significantly contributed to the growth in FPL Group's earnings per share.

Earnings grew from enhanced project performance and the addition of more than 600 net megawatts of natural gas, wind, and geothermal generation projects. The company now owns about 1,900 net megawatts of generating capacity, almost all being sold under long-term contracts.

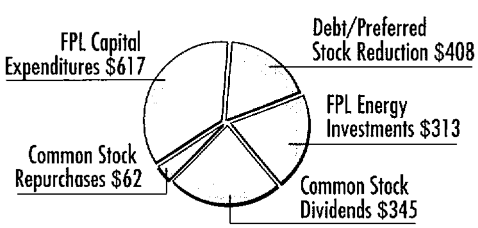
These additions added to FPL Energy's position as a leading clean electricity provider. Nearly 95% of its generation is derived from natural gas, wind, solar, or geothermal plants. It is the largest developer of wind generation in the U.S.

Also, FPL Energy has already added significantly to its generation fleet in 1999. In January and February, plans were announced for the development of 1,250 megawatts of natural gas-fired power plants – a 1,000-megawatt plant in Texas to begin operation in mid-2000 and a 248-megawatt plant in Washington to be producing power by mid-2001.

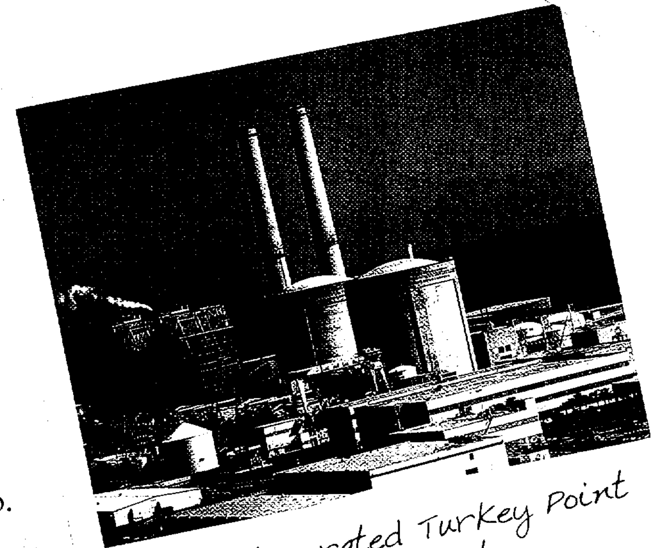
FPL Energy is positioned to be a significant clean-energy provider in emerging non-regulated power generation markets.

OTHER DEVELOPMENTS

In 1998 we completed the sale of our citrus subsidiary, Turner Foods, and, in January 1999 we reached an agreement



Uses of Cash in 1998
($ millions)



FPL's top-rated Turkey Point nuclear plant

LOOKING AHEAD

to sell our cable TV interests. These transactions essentially complete our program of divesting unrelated businesses that were acquired in the 1980s.

One disappointment in 1998 was the decline in our stock price during the last quarter of the year. This was due primarily to uncertainty created by the staff of the Florida Public Service Commission (and later by the Office of Public Counsel) regarding FPL's electricity rates. We are confident this matter of rates will be resolved expeditiously.

OUTLOOK FOR THE FUTURE

Nothing is more important to long-term success than capable management. Earlier this year, we added a new member to our already strong senior management team. Roger Young, who previously served as CEO of Scottish Hydro-Electric plc, became president and a director of FPL Group. During his very successful tenure at the UK-based company Roger demonstrated excellent strategic and operational skills as well as a management style highly compatible with FPL Group. We welcome him to our organization.

During the 1990s we have consistently focused on reducing costs, improving quality and customer focus, increasing speed and flexibility, and investing outside of Florida in environmentally favored generation technologies. We have made enormous strides in all of these areas and, as a consequence, FPL Group is one of the largest, cleanest, most efficient, and financially sound providers of electricity in the country.

At the same time we have provided returns to our shareholders that are well above the industry average. Since 1990 our stock has produced an annualized return of nearly 16%, exceeding the 12.7% annualized return of the Dow Jones Electric Utilities Index.

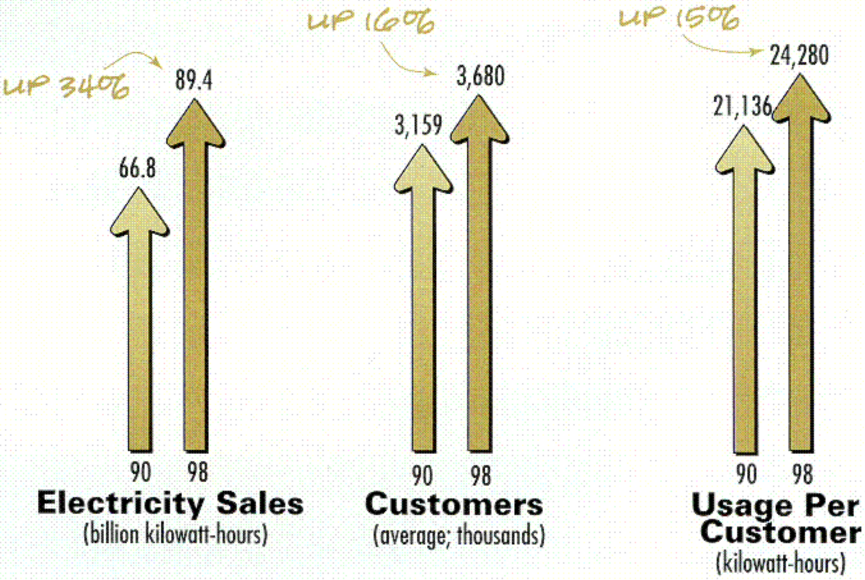
During that period we saw the power industry undergo continuous change as federal and state governments introduced new forms of regulation governing the generation, transmission, and sale of electricity. While the precise final shape of the industry is unclear, the comprehensive strategic plan we adopted to meet these competitive challenges has served us well and will continue to do so in the future.

James L. Broadhead

James L. Broadhead
Chairman and Chief Executive Officer
March 3, 1999

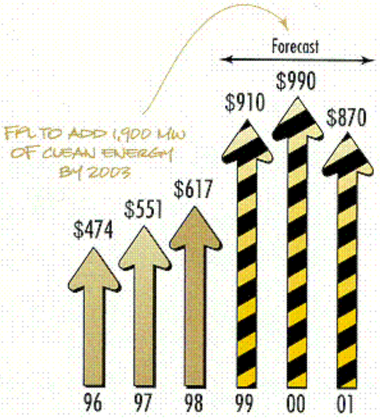
Left to right: Energy Marketing and Trading; new home construction in FPL's service territory. Below: A future look at the repowered Ft. Myers Plant.

Florida Power



Throughout the 1990s, FPL has had strong sales growth driven by a steady increase in customers and average usage.

C03



Capital Expenditures
Florida Power & Light Company
($ millions)

& Light Company

achieved record levels of performance while reducing costs, improving quality, and enhancing customer service and satisfaction.

CUSTOMER GROWTH ◆ FPL added almost 65,000 customer accounts in 1998, representing an increase of 1.8%, a rate faster than most other electric utilities in the country. Over the next five years the population in the area served by FPL is projected to grow by almost 600,000 people.

INCREASED USAGE ◆ Average energy usage among customers has increased throughout the 1990s, reflecting a 20% increase in the average home size in FPL's service area and greater use of personal computers and other devices that run on electricity.

ADDING CAPACITY ◆ FPL will meet future growth through expanding its system capacity by about 3,100 MW, or about 17%, over the next ten years. FPL will repower older oil-fired power plants with high-efficiency gas-fired combined-cycle generators. Plans call for adding 926 MW by repowering the Ft. Myers plant in 2001, followed by the Sanford plant in 2002. Three new gas combined-cycle units are planned for the second half of the decade, two at the Martin site and the third at a site to be selected.

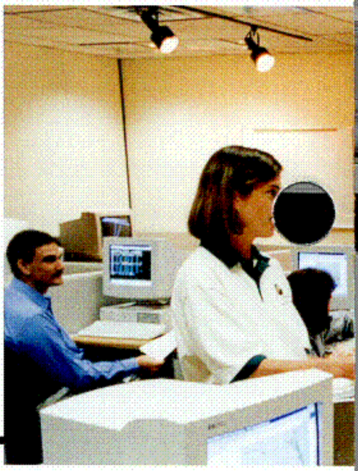
ENERGY TRADING ◆ The Energy Marketing and Trading (EMT) division completed its first full year of operation in 1998, supporting FPL's power generation facilities by procuring gas, as well as marketing and trading electricity. EMT's expanded presence in energy markets produced approximately $65 million in fuel and power savings for FPL customers in 1998, up from less than $5 million in 1996. EMT has grown to rank among the top 10 physical power marketers and gas buyers in the U.S.

NEW EMPLOYEES ◆ FPL added more than 250 employees in 1998 to support increased activity, service enhancements and growth opportunities in several areas, including EMT, sales and marketing, information management and customer service. Half of these new hires were recruited from colleges, bringing with them diversity and new ideas to help the company succeed in a competitive environment.

C04

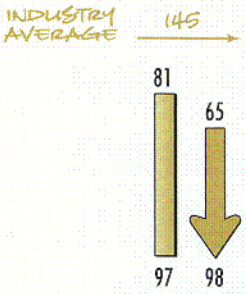
RELIABILITY ENHANCEMENTS HAVE REDUCED AVERAGE OUTAGE LENGTH BY 20% WHILE CUTTING TOTAL OUTAGE TIME BY 27%

LEFT TO RIGHT: FPL STORM COMMAND CENTER; THERMOVISION™

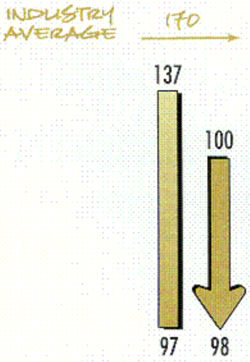


RELIABLE SERVICE

FPL enhan



Reducing Outage Time
(average length of outages; minutes)



Improving Service Reliability
(total outage time per customer; minutes)

ced its system reliability

while successfully responding to several significant events that tested the company's resources and preparedness.

INCREASED RELIABILITY ◇ Power is available to customers 99.98% of the time, but FPL wants to make its service even better. Reliability 2000 is an aggressive three-year, $400 million program launched in mid-1997 to enhance service quality and reliability.

Improvements in 1998 included a 27% reduction in the average time per year that a customer is without power, and a 20% improvement in the average time to restore service. Since the program started, FPL has cleared trees and vegetation from more than 7,500 miles of overhead power lines, replaced or upgraded 145 miles of underground cable and installed more than 500 radio-controlled devices that improve the maintenance of power line voltage. Other efforts include increased lightning arrestor installations to reduce momentary power outages and improved allocation of work crews during storms.

MORE TO COME ◇ Plans for 1999 include the replacement or repair of 450 miles of underground power lines and the trimming of vegetation from more than 8,000 miles of overhead lines, a 15% increase from 1998.

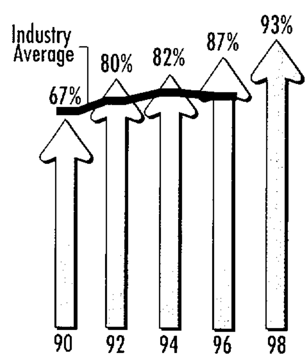
WORKING SMARTER ◇ Applying the latest technology has also helped improve service quality. FPL began using a technology called Thermovision™ to improve preventive maintenance and system reliability. Vans equipped with infrared devices measure the temperature of power lines and distribution equipment, looking for "hot spots" that signal a potential problem. Data telemetry is another technology application that provides FPL's power dispatchers with "real-time" information about electricity loads, allowing power to be shifted as needed to prevent service interruptions.

RESPONDING FASTER On six occasions in 1998, President Clinton declared parts of Florida as federal disaster areas due to tornadoes, a hurricane and tropical storm, and wildfires. These and other events caused more than one-third of FPL's 3.7 million customers to suffer outages. Repair crews worked tirelessly to restore power to most customers, generally within one day, despite the size and difficult working conditions. FPL's newly renovated command center features a sophisticated storm monitoring and tracking system that enables the company to better model a storm's impact, and plan and execute quicker service restoration.

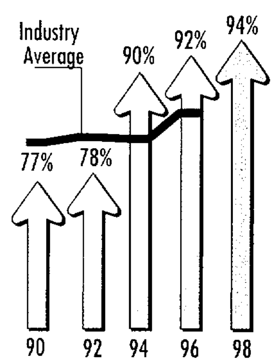
HIGH AVAILABILITY FPL's fleet of power plants again achieved excellent performance in 1998. Fossil plant availability reached 93.7% and nuclear plant availability was 93.1% -- record levels for FPL and among the best in the industry. This high level of performance is a result of a consistent emphasis on operational excellence through a standardized model that utilizes process management and reliability techniques. High plant availability allowed FPL to reliably meet peak energy demands in 1998 that surpassed 1997's summer peak on 43 days.

WORLD-CLASS PERFORMANCE The Turkey Point nuclear plant became the first U.S. nuclear plant to receive three consecutive "superior" performance ratings from the Nuclear Regulatory Commission (NRC). The St. Lucie facility was recognized by the NRC for improved performance. Also, both plants earned excellent rankings based on the World Association of Nuclear Operators performance index, with Turkey Point achieving the top ranking in the nation. The nuclear division beat its goal of reducing operations and maintenance costs per kilowatt-hour to a penny, achieving a level of .98 cents per kwh in 1998.

CUSTOMER CARE FPL improved several key functions that provide service to customers. For example, voice response units that route calls to FPL's customer care centers have been simplified, and the supporting telephone network has been upgraded to increase call-handling capability ten-fold. The new system provides customers who call to report an outage with an "initial time of restoration," or an "estimated time of restoration" in cases requiring more extensive repairs. In addition, customer service representatives have completed intensive training to enhance their knowledge of power distribution equipment and their overall effectiveness in handling customer calls.



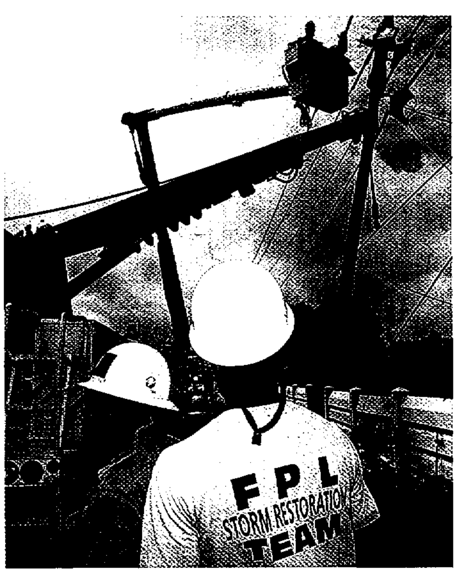
Nuclear Plant Availability



Fossil Plant Availability

Responding to a Challenging Year

FPL employees met special challenges created by storms, fires and other major events that plagued Florida in 1998. First, tornadoes in February and March left more than 750,000 customers without power. During the summer, some 2,200 wildfires scorched a half-million acres in north and central Florida, destroying or damaging several hundred homes and businesses and causing extensive damage to FPL facilities. Work crews replaced 800 poles, 200 transformers, 3,000 insulators and 19 miles of wire and cable. Two major storms during the summer – Hurricane Georges and Tropical Storm Mitch – put more than 500,000 customers in the dark. A lightning strike in August caused a natural gas pipeline explosion in north Florida, disrupting gas supplies to many of FPL's power plants during record heat-induced power demand. In the same month, two 500-kilovolt power lines, the backbone of FPL's transmission grid, were knocked out of service by the crash of a Navy training plane.



In response to these challenges, FPL invested $39 million rebuilding facilities as repair crews worked diligently to restore power to most customers within 12 – 24 hours, despite difficult working conditions.

Left to right: FPL Energy Services team; introducing EVs in Miami; dependable and caring service

Innovation drives success.

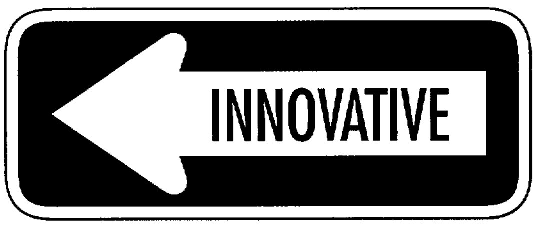
Employees are encouraged to be creative in using the latest technology to further enhance customer service, quality and overall performance.

RETAIL ENERGY MARKETING FPL Energy Services is a retail energy marketer providing customized solutions to commercial, industrial, chain and government organizations. FPL Energy Services introduced its Energy Data Management (EDM) program in 1998, providing multi-site businesses with the expertise and information they need to reduce energy costs nationwide. The Internet-based service ensures the accuracy of utility-related bills through audits, improves the cost-effectiveness of bill processing, provides rate analysis and identifies energy efficiency measures. FPL Energy Services also began supplying natural gas to businesses in Florida and several northeastern states, tapping FPL's experience as one of the largest natural gas buyers in the nation.

POWER EXPERTS Due to the proliferation of high-tech electronic and computer systems that are sensitive to power fluctuations, businesses increasingly require reliable, high-quality electricity. FPL's power quality experts offer a variety of services, including the diagnosis of power problems, as well as the installation of surge protectors and uninterruptible power supplies.

BUSINESS CARE FPL introduced a dedicated sales and service field organization and opened a Business Care Center in 1998 to better meet the unique requirements of the small- to medium-sized business customer. FPL's customer service telephone system identifies business callers and routes their calls to highly trained FPL business specialists who are equipped to provide prompt solutions to their energy-related needs.

ELECTRONIC PAYMENT CheckFree is another program offered by FPL that allows customers to log onto FPL's web site to get information about their bill and pay it electronically. FPL received the 1998 Award for Excellence in Electronic



Commerce for its use of CheckFree. A new On-line Pay Agent Locations system (OPAL) utilizes the latest technology to allow customers to conveniently pay bills on line at more than 100 locations in Florida. The system automatically posts payments via the Internet to FPL's computer system. OPAL is expected to reduce costs by $1 million annually and reduce customer calls to confirm bill payment by 300,000 each year. The OPAL system earned FPL the Ultra Award, presented annually by Public Utilities Fortnightly magazine and IBM, for "the most innovative application of information technology" among energy companies.

LARGEST EV FLEET FPL began operating the largest electric vehicle fleet in Florida – 41 cars and trucks – and opened the state's largest charging station. FPL is committed to both preserving the environment and expanding the commercial viability of new electric technology applications.

COOLING THE MIAMI HEAT

FPL Energy Services is constructing its first district cooling facility located in downtown Miami. This facility, scheduled to be operational in May 1999, will serve the north downtown Miami business community. The first customer will be the new state-of-the-art American Airlines Arena, home to the Miami Heat professional basketball team. The cooling facility, which will be owned and operated by FPL Energy Services, produces chilled water at night when energy costs are lower, and stores it for use in air conditioning during the day. The chilled water is then pumped through a distribution system to serve local businesses.

LEFT TO RIGHT: PRESIDENT'S CUP WINNERS; POWER DELIVERY TEAMWORK; 1998 QUALITY EXPO

FOCUSED ON QUALITY

Quality is a central co

of FPL Group's corporate culture as a high-performance organization.

SHOWCASING QUALITY A strong commitment to quality is reflected in the level of participation in the company's annual quality competition – the President's Cup – and the accompanying Quality Expo. A record 45 employee teams entered the President's Cup competition in 1998, and the Quality Expo featured more than 130 booths displaying achievements in quality and safety.

A WINNING TEAM A team of meter readers won the President's Cup competition with an impressive demonstration of continuous improvement and customer focus. These dedicated employees, who already had a remarkable record of performance, further improved to only .92 errors for every 10,000 meters read. That's the equivalent of just one mistake per meter reader per month, making them the most accurate in the nation. Since 1995 FPL's meter readers have cut their error rate in half, while costs have been held at 1991 levels.

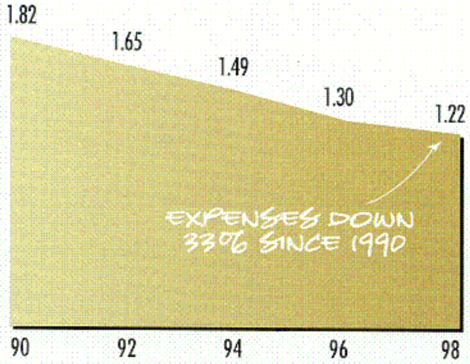
PROBLEM SOLVERS Other President's Cup finalists had impressive stories as well. A team developed a predictive model for substation voltage regulators that resulted in a 59% reduction in power interruptions caused by regulator failure. Employees from the Martin power plant achieved a 60% reduction in visible emissions from the plant's stacks through rebuilding certain components. This technique is being applied to other FPL plants sites as well.

LOWER COSTS FPL has succeeded in maintaining low electricity prices through a constant focus on reducing costs and improving quality. FPL reduced its operations and maintenance costs per kilowatt-hour for the eighth consecutive year in 1998 to a level one-third lower than they were in 1990. FPL's residential rates are lower than the U. S. average and are the lowest among the major investor-owned electric utilities in Florida. What's more, FPL is the only major utility in the state that has not asked for a base rate increase in the 1990s.

HIGH PERFORMANCE FPL's quality efforts are currently focused on strengthening its position as a high performance organization that is recognized as world class in all business aspects. Departmental assessments based on the criteria established for the Malcolm Baldrige National Quality Award are being used to measure the

A record 45 employee teams entered the President's Cup competition in 1998, and the Quality Expo featured more than 130 booths displaying achievements in quality and safety.

mponent



Operations and Maintenance Expenses
Florida Power & Light Company
(cents per kilowatt-hour)

company's progress. The criteria include leadership, strategic planning, customer and market focus, information and analysis, human resource focus, process management, and business results.

BEST PRACTICES ◆ The power delivery business unit implemented a comprehensive high performance organization plan identified as a "best practice" to be emulated by other appropriate business units. Under the plan, new employee engineers work in a variety of positions during their first 16-20 months on the job to learn all aspects of the organization before being named to a permanent position.

BALDRIGE FOUNDATION ◆ FPL Group Chairman and Chief Executive Officer James L. Broadhead was named president of the Foundation for the Malcolm Baldrige National Quality Award in early 1999. The foundation raises contributions to fund the Baldrige Award program, created by Congress in 1987 in memory of the late Secretary of Commerce Malcolm Baldrige. The program seeks to enhance the competitiveness of U.S. businesses by promoting quality awareness. In 1998 Congress approved extending the benefits of the Baldrige program into the education and healthcare sectors. ◆ FPL employees with expertise in quality tools and techniques work with Florida schools and school systems to help improve the quality of education.

C06

LEFT TO RIGHT: CROCODILE HATCHLING; OIL SPILL RESPONSE DRILL; RACE FOR THE CURE

FPL Group understands

of corporate responsibility and environmental stewardship.

ENVIRONMENTAL HONORS FPL's environmental performance received special recognition in 1998 as the company became the first electric utility to earn the U.S. Coast Guard's highest honor for excellence in marine environmental protection – the William M. Benkert Award. Activities honored by the Coast Guard include completion of a $1.5 million study to mitigate fuel spill impacts, programs to protect and preserve endangered species, and an oil spill prevention and response program.

CLEANEST UTILITY FPL is the largest electric utility in Florida, and its kilowatt-hour sales have increased by about one-third since 1990, reflecting customer growth and higher usage. FPL has successfully met this growth, while building on its sterling environmental record. Among the nine largest utilities in Florida, FPL was recently ranked the cleanest by the Legal Environmental Assistance Foundation based on emissions that cause smog, acid rain and global warming. Nationally, FPL's emission rate per kilowatt-hour for carbon dioxide is among the lowest and has declined since 1990. FPL's success reflects an increase in the use of gas combined-cycle technology, greater fuel efficiency and higher output from nuclear units.

PROTECTING NATURE FPL supports many programs to protect endangered species and to promote the preservation of their natural habitats. For example, the cooling canals at the Turkey Point plant are one of only three nesting areas in the country for the endangered North American saltwater crocodile, where each year several hundred hatchlings emerge. FPL facilities provide refuge for the endangered West Indian manatee. Every winter hundreds of these gentle creatures seek warm waters discharged from FPL's power plants.

KEEPING FIT FPL Group received the Gold Well Workforce Award from the Wellness Council of America for offering quality on-site fitness centers and health awareness programs for its employees.

SAFETY FIRST Safety is a critical area of focus, and the company's Safety 2000 initiative works to more aggressively and regularly promote safety awareness among employees and customers. These efforts are paying off. For example, distribution system workers reduced the number of serious

the importance

injuries by 28%. Customer programs include a safety calendar contest in which children are invited to submit drawings depicting safe practices with electricity. Another FPL-sponsored program focuses on helping the public avoid contacting power lines. The "Safety Six-Pack" series of posters, brochures and stickers is distributed mostly to businesses that operate equipment that could contact power lines, such as cranes and backhoes.

COMMUNITY SUPPORT FPL and its employees are involved in a number of activities that help improve the quality of life in the communities it serves. For example, during the 1998 United Way campaign, employees pledged more than $1.6 million, an 11% increase over 1997 while the company contributed another $630,000. Two dozen employees of the Martin plant are involved in a program to mentor students in the local Indiantown community. The program targets a reduction in the drop-out rate among a diverse minority student population. In Volusia County, FPL's award-winning efforts include helping establish an educational foundation that provides direct support to schools, and Career Connection that helps students relate school experience more directly to the work environment. A team of 550 employees participated in the annual Race for the Cure in West Palm Beach, an event that benefits the Susan G. Komen Breast Cancer Foundation. FPL had the largest corporate team in the race, showing its commitment to this important cause to win the battle against breast cancer.

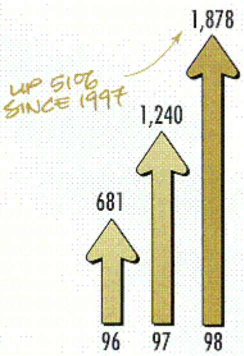
FPL's Care To Share program provides emergency assistance funds to customers in crisis who are unable to pay their electric bills.

FPL ENERGY FACILITIES – LEFT TO RIGHT: WIND TURBINES IN CALIFORNIA; SOLAR POWER IN THE MOJAVE DESERT; THE DOSWELL PLANT IN VIRGINIA

GROWTH AHEAD

FPL Energy is a leading producer focused on clean energy generation. It significantly increased earnings contributions through new projects and improved operations.

◆ FPL Energy's ownership interest in power generation projects has more than doubled during the last two years from less than 700 MW in 1996 to nearly 1,900 MW in operation at the end of 1998. Most of the output from the projects is under long-term contract. Approximately 95% of this capacity is located in the United States and is focused in three main regions: the mid-Atlantic, West and Northeast. During 1998, FPL Energy added more than 600 MW of capacity to its portfolio.



FPL Energy's Growing Portfolio
(net megawatts in operation; year end)

HANDS-ON APPROACH

◆ FPL Energy actively manages more than 90% of its projects. This hands-on approach enables FPL Energy to maximize the operating and financial performance of its projects. ◆ In fact, performance enhancements at existing projects accounted for 60% of the earnings growth contribution made by FPL Energy in 1998 with the remainder coming from the addition of new projects. For example, FPL Energy enhanced the operating and financial performance of its Doswell plant in 1998 through re-negotiation of its power purchase agreement with Virginia Electric Power and restructuring of its debt. FPL Energy has also significantly improved the financial performance of its two solar facilities, totalling 160 MW, that comprise the world's largest solar generating station.

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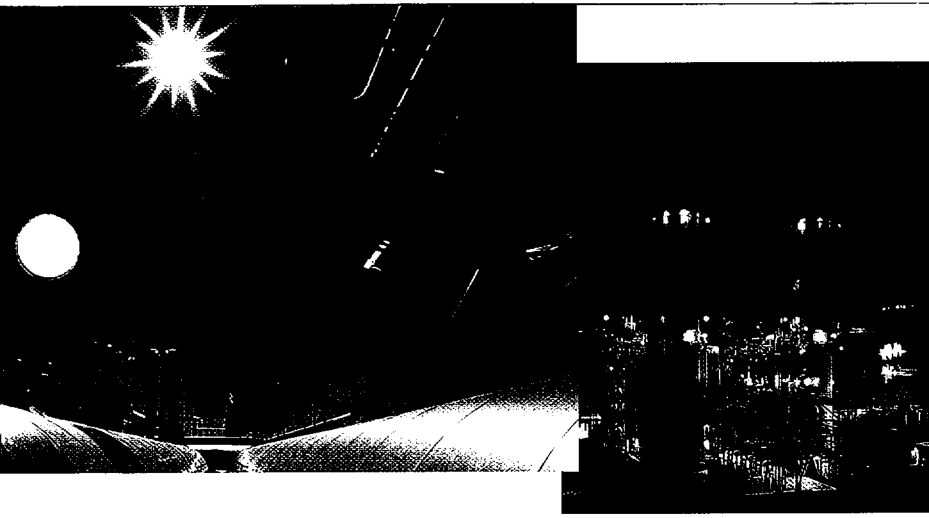
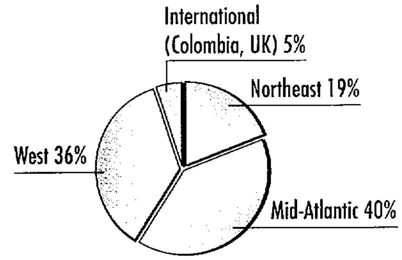




FPL Energy's Regional Focus

independent power

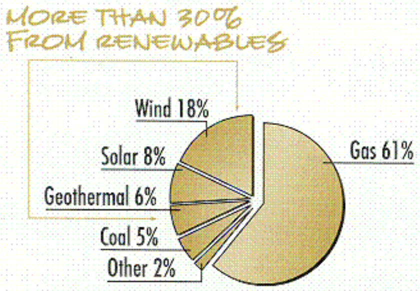
EARNINGS GROWTH ◇ FPL Energy has substantially increased its earnings contributions to FPL Group, and in 1998 was a significant contributor to earnings growth. This trend is expected to continue into 1999 and 2000 with the addition of new projects to FPL Energy's portfolio and continued operational and other profitability enhancements.

GAS EXPANSION ◇ Gas-fired projects account for a significant portion of the growth in FPL Energy's earnings contributions – about 60% in 1998 and 80% expected for 1999. This reflects FPL Energy's ownership of the 665 MW Doswell plant in Virginia and the addition of gas-fired capacity throughout 1998.

SYNERGY ◇ FPL Group expanded the scope of its Power Generation Division in early 1998 to include construction and operation of FPL Energy's plants in addition to those of Florida Power & Light Company. This organizational structure allows FPL Energy to capitalize on FPL's world-class expertise in operating gas-fired combined-cycle power plants.

ACQUISITIONS ◇ In early 1998, FPL Energy announced two major acquisitions in the Northeast. In the first transaction, FPL Energy acquired 50% ownership of two 300 MW gas-fired combined-cycle power plants in New Jersey and Massachusetts. These clean energy plants have long-term contracts to supply power to local utilities. FPL Energy assumed the full management of these facilities effective in January 1998, assumed operating responsibility in early 1999, and expects to further enhance plant performance. ◇ FPL Energy expects to complete the acquisition of the non-nuclear generating assets of Central Maine Power Company (CMP) in early spring. The facilities consist of hydro, fossil and biomass plants with a combined capacity of 1,185 MW. Between the time of closing and the start of retail competition in Maine on March 1, 2000, CMP will buy from FPL Energy all of the hydro output and a specified minimum amount of the fossil output. The acquisition of these assets will add hydro capacity to the company's clean energy portfolio.

GOING OPERATIONAL ◇ The gas-fired Cherokee plant began operations in mid-1998, providing power to Duke Energy under a long-term contract. FPL Energy constructed this 100 MW plant in South Carolina, drawing upon the world-class expertise of the Power Generation Division. FPL's



FPL Energy's Clean Energy Focus
Net Capacity by Source
(megawatts in operation at year end)

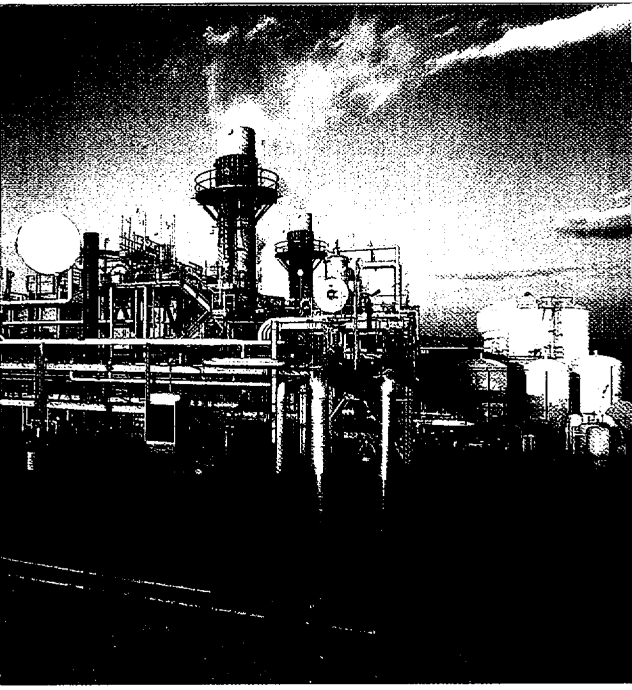
Energy Marketing and Trading division supports Cherokee and other FPL Energy facilities by selling available energy in wholesale markets and by procuring gas for its operations. ◆ The gas-fired Termovalle project in Colombia went into operation in March 1998, adding 68 MW to FPL Energy's portfolio of operating projects. ◆ Other portfolio additions in 1998 include a 25 MW wind generation project in Oregon that entered service in November, which FPL Energy constructed, and acquisitions of geothermal projects in California that added approximately 50 MW.

NEW TALENT ◆ Expansion of FPL Energy's team of employees has strengthened the company's ability to identify, structure, construct, close, finance, and profitably manage and operate projects. The FPL Energy team today numbers about 600, more than double what it was in 1996.

MERCHANT PLANTS ◆ Going forward FPL Energy plans to expand its development of merchant plants (those that don't sell their output under long-term contracts to utilities), particularly those fueled by gas. FPL Energy plans to expand its merchant activity through internal development of projects and by buying late-stage development projects. ◆ In January 1999, FPL Energy announced plans to construct its first gas-fired merchant plant, a 248 MW facility near Seattle to be completed in 2001. In this transaction, FPL Energy acquired the development rights as a means to accelerate portfolio expansion. ◆ In February, FPL Energy acquired the rights to build, own, and operate a 1,000 MW gas-fired plant in Texas that is scheduled to begin operations in mid-2000. The plant's output will be sold primarily in the wholesale market.

INCREASING WIND PROJECTS ◆ FPL Energy will complete the construction of wind energy projects in mid-1999 in Texas and Iowa, adding more than 100 MW to the portfolio. These state-of-the art facilities feature the latest wind turbine technology and are not only more efficient than older designs, but operate at lower wind speeds that are safer for birds. Today's wind turbines are capable of generating power for approximately 5 cents per kilowatt-hour, about half the cost of earlier turbines.

c08



LEFT TO RIGHT: CALISTOGA GEOTHERMAL PROJECT; HIGH SIERRA NATURAL GAS FACILITY; MERCHANT PLANT DEVELOPMENT

DISCUSSING A MODEL OF THE LATEST WIND TURBINE TECHNOLOGY

Financial and Operating Statistics

For the Years Ended December 31,	1998	1997	1996	1995	1994	1993	1988
SELECTED FINANCIAL DATA (MILLIONS)							
Operating Revenues	$6,661	$6,369	$6,037	$5,592	$5,423	$5,312	$4,729
Operating Expenses[1]	$5,409	$5,141	$4,866	$4,395	$4,274	$4,342	$3,845
Operating Income[1]	$1,252	$1,228	$1,171	$1,197	$1,148	$969	$884
Net Income[1]	$664	$618	$579	$553	$519	$429	$448
Total Assets	$12,029	$12,449	$12,219	$12,459	$12,618	$13,078	$10,185
Long-Term Debt (excluding current maturities)	$2,347	$2,949	$3,144	$3,377	$3,864	$3,749	$3,254
Preferred Stock of FPL (excluding current maturities)	$226	$226	$331	$340	$545	$548	$526
FLORIDA POWER & LIGHT COMPANY							
Operating Revenues (millions)	$6,366	$6,132	$5,986	$5,530	$5,343	$5,224	$4,627
Energy Sales (millions of kwh)	89,362	82,734	80,889	79,756	77,096	72,455	61,578
Customer Accounts – Average (thousands)	3,680	3,616	3,551	3,489	3,422	3,350	2,954
Peak Load, Winter (mw 60-minute)[2]	16,802	13,047	16,490	18,096	16,563	12,594	12,372
Peak Load, Summer (mw 60-minute)	17,897	16,613	16,064	15,813	15,179	15,266	12,382
Total Capability (summer peak, mw)[3]	18,509	18,715	18,538	18,153	18,146	16,698	16,008
Reserve Margin (summer peak, %)[3]	10	20	23	21	26	13	30
Net Energy for Load (%)							
Oil	27	18	18	19	31	32	26
Natural Gas	26	29	29	31	20	17	17
Nuclear	26	25	26	25	26	25	30
Net Purchased Power and Interchange	14	20	20	18	17	21	25
Coal	7	8	7	7	6	5	2
Capital Expenditures (including nuclear fuel and AFUDC)	$617	$551	$474	$669	$772	$1,109	$668
COMMON STOCK DATA							
Average Shares Outstanding (millions)[4]	173	173	174	175	178	187	131
Earnings Per Share of Common Stock[1][4][5]	$3.85	$3.57	$3.33	$3.16	$2.91	$2.30	$3.42
Dividends Paid Per Share	$2.00	$1.92	$1.84	$1.76	$1.88	$2.47	$2.18
Book Value Per Share (year end)	$29.76	$28.03	$26.46	$25.12	$23.82	$21.57	$24.90
Market Price Per Share (year end)	$61 5/8	$59 3/16	$46	$46 3/8	$35 1/8	$39 1/8	$31 1/8
Market Price Per Share (high-low)	$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	$41-35 1/2	$32 1/2-27 3/4
Number of Shareholders (year end)	55,149	60,493	67,580	74,169	82,021	85,787	70,296

(1) *Includes charges in 1993 for cost reduction program ($85 million after tax).*
(2) *Winter peaks include 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 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.*

RESULTS OF OPERATIONS

During 1998, FPL Group, Inc. (FPL Group) achieved net income and earnings per share growth of 7.4% and 7.8%, respectively, compared to 1997 growth rates of 6.7% and 7.2%. The growth reflects better operating results from FPL Energy, Inc.'s (FPL Energy) independent power projects, primarily from its natural gas-fired projects.

Florida Power & Light Company's (FPL) operating revenues and net income represent approximately 96% and 93% of the corresponding amounts of FPL Group. Approximately 20% of the 1998 growth in earnings per share was provided by FPL. FPL's growth was primarily associated with an increase in total kilowatt-hour (kwh) sales and lower interest charges and preferred stock dividends. Offsetting these items were higher depreciation and other operations and maintenance (O&M) expenses.

FPL's operating revenues consist primarily of revenues from base rates, cost recovery clauses and franchise fees. Revenues from FPL's base rates were $3.7 billion, $3.5 billion and $3.4 billion in 1998, 1997 and 1996, respectively. There were no changes in base rates during those years. 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.

FPL's retail customer accounts increased 1.8% for the third consecutive year. In 1998 and 1997, warmer weather contributed to an increase in retail customer usage of 4.8% and 1.2%, respectively. Together these factors and changes in sales to other utilities contributed to an increase in FPL's total energy sales of 8.0%, 2.3% and 1.4% in 1998, 1997 and 1996, respectively.

The Florida Public Service Commission (FPSC) regulates FPL's retail sales, which represent approximately 95% of FPL Group's total operating revenues. FPL reported a retail regulatory return on common equity (ROE) of 12.6%, 12.3% and 12.1% in 1998, 1997 and 1996, respectively. FPL's allowed ROE range for 1996 through 1998 was 11% to 13% with a midpoint of 12%. In December 1998, after negotiations between FPL and the FPSC staff, the FPSC issued a proposed order approving a settlement regarding FPL's allowed ROE, equity ratio and the special amortization program. Under the proposed settlement, beginning in 1999 FPL's allowed ROE range would be 10.2% to 12.2% with a midpoint of 11.2%. FPL agreed to a maximum adjusted equity ratio of 55.83% through 2000. The adjusted equity ratio reflected a discounted amount for off-balance sheet obligations under certain long-term purchase power contracts. See Note 9 - Contracts. The proposed settlement also extended the special amortization program through 2000 and modified the program to include an additional fixed amount of $140 million per year in addition to the variable amount. FPL continues to record a $30 million fixed nuclear amount under a previous FPSC order. In January 1999, several parties challenged the FPSC's proposed order. In mid-February 1999, FPL withdrew from the settlement agreement; the FPSC subsequently approved this withdrawal and concluded the proceeding. FPL is authorized to continue to record special amortization through 1999 in accordance with the extension of the special amortization program approved by the FPSC in 1997.

In January 1999, the State of Florida Office of Public Counsel (Public Counsel) petitioned the FPSC to conduct a full rate proceeding for FPL and requested that certain revenues be held subject to refund. Other parties have requested participation with Public Counsel. The FPSC is scheduled to address Public Counsel's request in March 1999. FPL is unable to predict the outcome of this matter or any potential effect on its financial statements. See Note 1 - Regulation.

FPL Group's 1998 operating revenues reflect the receipt by an independent power project of a settlement relating to a contract dispute. Beginning in 1997, FPL Group's operating revenues, energy sales and fuel, purchased power and interchange expense include the effects of consolidating some independent power projects.

O&M expenses increased in 1998, primarily as a result of additional costs associated with improving the service reliability of FPL's distribution system. Partly offsetting the higher distribution expenses were lower nuclear maintenance costs and conservation clause expenses. Conservation clause expenses are essentially a pass-through and do not affect net income. In 1997, additional costs associated with the conservation clause and higher distribution system maintenance costs were partially offset by a slight decline in nuclear refueling and lower payroll-related costs.

The increases in depreciation and amortization expense are primarily the result of the FPSC-approved special amortization program. Pursuant to the FPSC-approved special amortization program, FPL records as depreciation and amortization expense a fixed amount of $30 million per year for nuclear assets. FPL also records under this program variable amortization based on the actual level of retail base revenues compared to a fixed amount. The variable amounts recorded in 1998, 1997 and 1996 were $348 million, $169 million and $130 million, respectively. These variable amounts include, as depreciation and amortization expense, $161 million, $169 million and $20 million, respectively, for amortization of regulatory assets. The remaining variable amounts were applied against nuclear and fossil production assets. Amortization of debt reacquisition costs, a regulatory asset, was completed in 1998. In addition to amounts recorded under the special amortization program in 1998, 1997 and 1996, FPL amortized $24 million, $22 million and $28 million, respectively, of plant-related regulatory assets deferred since FPL's last rate case in 1984. Amortization of plant-related regulatory assets was completed in 1998. In 1998 and 1997, the FPSC approved higher depreciation rates for certain assets which resulted in additional depreciation of $26 million and $31 million, respectively.

The 1998 increase in interest charges reflects the cost of terminating agreements designed to fix interest rates. This was partially offset by lower interest charges and preferred stock dividends at FPL, which reflect the impact of reducing debt and preferred stock balances. FPL Group has reduced these balances, net of commercial paper increases, over the past three years by $1.0 billion. In 1997, additional debt was assumed as a result of FPL Energy's portfolio restructuring and expansion resulting in higher interest charges at FPL Group.

Improved results in 1998 from independent power partnerships contributed to an increase in the non-operating line other-net. Also reflected in other-net is the December 1998 loss from the sale of Turner Foods Corporation's (Turner) assets. Turner was an agricultural subsidiary of FPL Group Capital Inc (FPL Group Capital) which owned and operated citrus groves in Florida. The loss of Turner's revenues as a result of the sale will not have a significant effect on FPL Group's future operating revenues or net income.

FPL Group's 1998 lower effective income tax rate reflects adjustments relating to prior years' tax matters, including the resolution of an audit issue with the Internal Revenue Service. The effective income tax rates in 1997 and 1996 reflect increased amortization of FPL's deferred investment tax credits due to the special amortization program and adjustments relating to prior years' tax matters.

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 1998, operating revenues from wholesale and industrial customers combined represented approximately 4% of FPL's total operating revenues. Since there is no deregulation proposal currently under consideration in Florida, FPL is unable to predict what impact would result from a change to a more competitive environment or when such a change might occur. Various states, other than Florida, have either enacted legislation or are pursuing initiatives designed to deregulate the production and sale of electricity. Deregulation related activities are also being pursued on the federal level. See Note 1 - Regulation. Deregulation of the electricity 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 low-cost power in competitive markets. However, market-based pricing, competitive sources of supply and the reduced availability of long-term power sales agreements may result in fluctuations in revenues and earnings. Substantially all of the energy produced by FPL Energy's independent power projects is sold through long-term power sales agreements with utilities.

FPL Group is continuing to work to resolve the potential impact of the year 2000 on the processing of information by its computer systems. A multi-phase plan has been developed consisting of inventorying potential problems, assessing what will be required to address each potential problem, taking the necessary action to fix each problem, testing to see that the action taken did result in year 2000 readiness and implementing the required solution. The inventory and assessment of the information technology infrastructure, computer applications and computerized processes embedded in operating equipment has been completed and approximately 80% of the necessary modifications have been tested and implemented. FPL Group's efforts to assess the year 2000 readiness of third parties include surveying important suppliers. Meetings are being conducted with sole source and certain suppliers. Results of our supplier readiness assessment are being considered in the development of our contingency plans to help ensure that critical supplies are not interrupted, that large customers are able to receive power and that transactions with or processed by financial institutions will occur as intended. FPL Group is on schedule with its multi-phase plan and all phases are expected to be completed by mid-1999, except for confirmatory testing at St. Lucie Unit No. 1, which will be completed during a scheduled refueling outage beginning October 1999. The estimated cost of addressing year 2000 issues is not expected to exceed $50 million, of which approximately 40% had been spent through December 31, 1998. Approximately 80% of the total estimate is for the multi-phase plan. The remainder is an estimate for project and inventory contingencies. The majority of these costs represent the redeployment of existing resources and, therefore, are not expected to have a significant effect on O&M expenses.

At this time, FPL Group believes that the most reasonably likely worst case scenarios relating to the year 2000 could include a temporary disruption of service to customers, caused by a potential disruption in fuel supply, water supply and telecommunications, as well as transmission grid disruptions caused by other companies whose electrical systems are interconnected with FPL. FPL Group's year 2000 contingency planning is currently underway to address risk scenarios at the operating level (such as generation, transmission and distribution), as well as at the business level (such as customer service, procurement and accounting). These plans are intended to mitigate both internal risks and potential risks in FPL Group's supply chain. Contingency plans are expected to be completed by mid-1999, allowing the second half of 1999 for communication and training. In addition to preparing internal contingency plans, FPL also participated in the development of the state's electric grid contingency plans and expects to participate in national drills during 1999 that are designed to test various operating risk scenarios.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of 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 the standard in 2000.

In January 1999, an FPL Group Capital subsidiary sold 3.5 million common shares of Adelphia Communications Corporation stock resulting in an after-tax gain of approximately $96 million. An agreement was also reached to sell FPL Group Capital's one-third interest in a limited partnership. While the terms have not been finalized, the sale of the limited partnership interest is expected to have a positive effect on FPL Group's results of operations.

LIQUIDITY AND CAPITAL RESOURCES

FPL Group's primary capital requirements consist of expenditures to meet increased electricity usage and customer growth of FPL. Capital expenditures of FPL for the 1999-2001 period are expected to be approximately $2.8 billion, including $910 million in 1999. The increase in FPL Group's 1998 capital expenditures reflects the investment in two power plants in the Northeast, while the increase in FPL's 1998 capital expenditures is primarily the result of improving distribution system reliability. FPL Group Capital and its subsidiaries have guaranteed approximately $305 million of purchase power agreement obligations, debt service payments and other payments subject to certain contingencies. FPL Energy is a party to a contract to purchase all of Central Maine Power Company's non-nuclear generation assets for $846 million. The contract is subject to a civil action initiated by FPL Energy. See Note 9 - Commitments and Contingencies.

Debt maturities of FPL Group's subsidiaries will require cash outflows of approximately $671 million through 2003, including $359 million in 1999. It is anticipated that cash requirements for FPL's capital expenditures, energy-related investments and debt maturities in 1999 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 common stock, or for investment. Any temporary cash needs will be met by short-term bank borrowings. In January 1999, FPL Group Capital redeemed $125 million of its 7 5/8% debentures. Bank lines of credit currently available to FPL Group and its subsidiaries aggregate $1.9 billion.

During 1998, FPL Group repurchased 1.0 million shares of common stock under the 10 million share repurchase program. As of December 31, 1998, FPL Group may repurchase an additional 8.3 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, 1998 was $259 million. Bank lines of credit of $300 million, included in the $1.9 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.

In 1996, the FASB issued an exposure draft on accounting for obligations associated with the retirement of long-lived assets. The method proposed by the FASB in the exposure draft would require the present value of estimated future cash flows to decommission FPL's nuclear power plants and dismantle its fossil plants to be recorded as an increase to asset balances and as a liability. Under that proposal, it is anticipated that there will be no effect on cash flows and, because of the regulatory treatment, there will be no significant effect on net income. The matter has been restudied by the FASB and another exposure draft is scheduled to be issued in 1999.

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.

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 $650 million and $640 million at December 31, 1998 and 1997, 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. Market risk associated with all of these securities is estimated as the potential loss in fair value resulting from a hypothetical 10% increase in interest rates and amounts to $17 million and $19 million at December 31, 1998 and 1997, respectively.

The fair value of FPL Group's long-term debt is also affected by changes in interest rates. The following presents the sensitivity of the fair value of debt and interest rate swap agreements to a hypothetical 10% decrease in interest rates:

December 31,	(Millions of Dollars) 1998			1997		
	Carrying Value	Fair Value	Hypothetical Increase in Fair Value[a]	Carrying Value	Fair Value	Hypothetical Increase in Fair Value[a]
Long-term debt	$2,706	$2,797[b]	$ 63	$3,147	$3,236[b]	$ 103
Interest rate swap agreements	$ –	$ –	$ –	$ –	$ 31[c]	$ 6

[a] *Calculated based on the change in discounted cash flow.*
[b] *Based on quoted market prices for these or similar issues.*
[c] *Based on the estimated cost to terminate the agreements. The agreements were terminated in 1998.*

While a decrease in interest rates would increase the fair value of debt, it is unlikely that events that would result in a realized loss will occur.

Equity price risk - Included in the special use funds of FPL are marketable equity securities carried at their market value of approximately $556 million and $367 million at December 31, 1998 and 1997, respectively. A hypothetical 10% decrease in the prices quoted by stock exchanges would result in a $56 million and $37 million reduction in fair value and corresponding adjustment to the related liability accounts based on current regulatory treatment at December 31, 1998 and 1997, respectively.

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 and electric power. The division primarily procures natural gas for FPL's own use in power generation and sells excess electric power. Substantially all of the results of these activities are passed through to customers in the fuel or capacity cost recovery clauses. The level of trading activity is expected to grow as FPL seeks to manage the risk associated with fluctuating fuel prices and increase value from its own power generation. At December 31, 1998, 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 consolidated balance sheets of FPL Group, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. 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, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Certified Public Accountants
Miami, Florida
February 12, 1999

Consolidated Statements of Income

FPL Group, Inc.

Years Ended December 31,	1998	1997	1996
		(In millions, except per share amounts)	
OPERATING REVENUES	$ 6,661	$ 6,369	$ 6,037
OPERATING EXPENSES			
Fuel, purchased power and interchange	2,244	2,255	2,131
Other operations and maintenance	1,284	1,231	1,189
Depreciation and amortization	1,284	1,061	960
Taxes other than income taxes	597	594	586
Total operating expenses	5,409	5,141	4,866
OPERATING INCOME	1,252	1,228	1,171
OTHER INCOME (DEDUCTIONS)			
Interest charges	(322)	(291)	(267)
Preferred stock dividends – FPL	(15)	(19)	(24)
Other – net	28	4	(7)
Total other deductions – net	(309)	(306)	(298)
INCOME BEFORE INCOME TAXES	943	922	873
INCOME TAXES	279	304	294
NET INCOME	$ 664	$ 618	$ 579
Earnings per share of common stock (basic and assuming dilution)	$ 3.85	$ 3.57	$ 3.33
Dividends per share of common stock	$ 2.00	$ 1.92	$ 1.84
Average number of common shares outstanding	173	173	174

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

Consolidated Balance Sheets

FPL Group, Inc.

December 31,	1998	1997
	(Millions of Dollars)	
PROPERTY, PLANT AND EQUIPMENT		
Electric utility plant in service and other property	$17,592	$17,430
Nuclear fuel under capital lease – net	146	186
Construction work in progress	214	204
Less accumulated depreciation and amortization	(9,397)	(8,466)
Total property, plant and equipment – net	8,555	9,354
CURRENT ASSETS		
Cash and cash equivalents	187	54
Customer receivables, net of allowances of $8 and $9	559	501
Materials, supplies and fossil fuel inventory – at average cost	282	302
Deferred clause expenses	82	122
Other	156	122
Total current assets	1,266	1,101
OTHER ASSETS		
Special use funds of FPL	1,206	1,007
Other investments	391	282
Other	611	705
Total other assets	2,208	1,994
TOTAL ASSETS	$12,029	$12,449

Consolidated Balance Sheets
FPL Group, Inc.

December 31,	1998	1997
	(Millions of Dollars)	
CAPITALIZATION		
Common shareholders' equity	$ 5,126	$ 4,845
Preferred stock of FPL without sinking fund requirements	226	226
Long-term debt	2,347	2,949
Total capitalization	7,699	8,020
CURRENT LIABILITIES		
Short-term debt	110	134
Current maturities of long-term debt	359	198
Accounts payable	338	368
Customers' deposits	282	279
Accrued interest and taxes	191	180
Deferred clause revenues	89	61
Other	272	279
Total current liabilities	1,641	1,499
OTHER LIABILITIES AND DEFERRED CREDITS		
Accumulated deferred income taxes	1,255	1,473
Deferred regulatory credit – income taxes	148	166
Unamortized investment tax credits	205	229
Storm and property insurance reserve	259	252
Other	822	810
Total other liabilities and deferred credits	2,689	2,930
Commitments and Contingencies		
TOTAL CAPITALIZATION AND LIABILITIES	$12,029	$12,449

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

Consolidated Statements of Cash Flows

FPL Group, Inc.

Years Ended December 31,	1998	(Millions of Dollars) 1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 664	$ 618	$ 579
Adjustments to reconcile net income			
to net cash provided by operating activities:			
Depreciation and amortization	1,284	1,061	960
Decrease in deferred income taxes and			
related regulatory credit	(237)	(30)	(76)
Increase (decrease) in accrued interest and taxes	11	(79)	39
Other – net	21	27	90
Net cash provided by operating activities	1,743	1,597	1,592
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures of FPL	(617)	(551)	(474)
Independent power investments	(521)	(291)	(52)
Distributions and loan repayments			
from partnerships and joint ventures	304	53	41
Proceeds from sale of assets	135	43	69
Other – net	(96)	(51)	(110)
Net cash used in investing activities	(795)	(797)	(526)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of long-term debt	343	42	—
Retirement of long-term debt and preferred stock	(727)	(717)	(338)
Increase (decrease) in short-term debt	(24)	113	(179)
Repurchase of common stock	(62)	(48)	(82)
Dividends on common stock	(345)	(332)	(320)
Other – net	—	—	3
Net cash used in financing activities	(815)	(942)	(916)
Net increase (decrease) in cash and cash equivalents	133	(142)	150
Cash and cash equivalents at beginning of year	54	196	46
Cash and cash equivalents at end of year	$ 187	$ 54	$ 196
Supplemental Disclosures of Cash Flow Information			
Cash paid for interest	$ 308	$ 287	$ 248
Cash paid for income taxes	$ 463	$ 434	$ 381
Supplemental Schedule of Noncash Investing and Financing Activities			
Additions to capital lease obligations	$ 34	$ 81	$ 86
Debt assumed for property additions	$ —	$ 420	$ 33

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

Statements of Shareholders' Equity

FPL Group, Inc.

(In Millions)

	Common Stock[a] Shares	Aggregate Par Value	Additional Paid-In Capital	Unearned Compensation	Accumulated Other Comprehensive Income	Retained Earnings	Common Shareholders' Equity
Balances, December 31, 1995	185[b]	$ 2	$3,420	$ (287)	$ –	$ 1,259	
Net income	–	–	–	–	–	579	
Repurchase of common stock	(2)	–	(82)	–	–	–	
Dividends on common stock	–	–	–	–	–	(320)	
Earned compensation under ESOP	–	–	8	15	–	–	
Other	–	–	(1)	–	–	–	
Balances, December 31, 1996	183[b]	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	$ 4,845
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

[a] *$.01 par value, authorized - 300,000,000 shares; outstanding 180,712,435 and 181,762,385 at December 31, 1998 and 1997, respectively.*

[b] *Outstanding and unallocated shares held by the Employee Stock Ownership Plan Trust totaled 8.5 million, 8.9 million and 9.3 million at December 31, 1998, 1997 and 1996, respectively.*

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

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), a rate-regulated public utility, and FPL Energy, Inc. (FPL Energy). FPL supplies electric service to approximately 3.7 million customers throughout most of the east and lower west coasts of Florida. FPL Energy invests in independent power projects which consist of controlled and consolidated entities and non-controlling ownership interests in joint ventures.

The consolidated financial statements of FPL Group include the accounts of its 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 non-regulated 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.

Various states, other than Florida, have either enacted legislation or are pursuing initiatives 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 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 of Dollars)	
December 31,	1998	1997
Assets (included in other assets):		
Unamortized debt reacquisition costs	$ –	$ 171
Plant-related deferred costs	$ –	$ 24
Nuclear maintenance reserve cumulative effect adjustment	$ –	$ 14
Deferred Department of Energy assessment	$ 44	$ 48
Liabilities:		
Deferred regulatory credit - income taxes	$ 148	$ 166
Unamortized investment tax credits	$ 205	$ 229
Storm and property insurance reserve	$ 259	$ 252

The storm and property insurance reserve is primarily related to transmission and distribution properties. 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 what impact would result from a change to a more competitive environment or when such a change might occur.

FPL's allowed return on equity (ROE) range for 1996 through 1998 was 11% to 13% with a midpoint of 12%. In December 1998, after negotiations between FPL and the FPSC staff, the FPSC issued a proposed order approving a settlement regarding FPL's allowed ROE, equity ratio and the special amortization program. Under the proposed settlement, beginning in 1999 FPL's allowed ROE range would be 10.2% to 12.2% with a midpoint of 11.2%. FPL agreed to a maximum adjusted equity ratio of 55.83% through 2000. The adjusted equity ratio reflected a discounted amount for off-balance sheet obligations under certain long-term purchase power contracts. See Note 9 - Contracts. The proposed settlement also extended the special amortization program through 2000 and modified the program to include an additional fixed amount of $140 million per year in addition to the variable amount. FPL continues to record a $30 million fixed nuclear amount under a previous FPSC order. In January 1999, several parties challenged the FPSC's proposed order. In mid-February 1999, FPL withdrew from the settlement agreement; the FPSC subsequently approved this withdrawal and concluded the proceeding. FPL is authorized to continue to record special amortization through 1999 in accordance with the extension of the special amortization program approved by the FPSC in 1997.

In January 1999, the State of Florida Office of Public Counsel (Public Counsel) petitioned the FPSC to conduct a full rate proceeding for FPL and requested that certain revenues be held subject to refund. Other parties have requested participation with Public Counsel. The FPSC is scheduled to address Public Counsel's request in March 1999. FPL Group is unable to predict the outcome of this matter or any potential effect on its financial statements.

FPL amortized the plant-related deferred costs as approved by the FPSC and recorded $24 million, $22 million and $28 million in 1998, 1997 and 1996, respectively. Pursuant to the FPSC-approved special amortization program, FPL recorded as depreciation and amortization expense a fixed amount of $30 million per year for nuclear assets. FPL also records under this program variable amortization based on the actual level of retail base revenues compared to a fixed amount. The variable amounts recorded in 1998, 1997 and 1996 were $348 million, $169 million and $130 million, respectively. These variable amounts include, as depreciation and amortization expense, $161 million, $169 million and $20 million, respectively, for amortization of regulatory assets. The remaining variable amounts were applied against nuclear and fossil production assets.

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 $152 million and $154 million at December 31, 1998 and 1997, 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.

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 is added to electric utility plant. The cost of 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, 1998, the generating, transmission, distribution and general facilities of FPL represented approximately 46%, 13%, 34% 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. The most recent depreciation studies were approved by the FPSC effective for 1998. That approval has since been challenged and hearings have been requested. Fossil fuel plant dismantlement studies were filed in September 1998 and will be effective January 1, 1999. The weighted annual composite depreciation rate for FPL's electric plant in service was approximately 4.4% for 1998, 4.3% for 1997 and 4.1% for 1996, excluding the effects of decommissioning and dismantlement. Further, these rates exclude the special and plant-related deferred cost amortization. See Regulation.

Nuclear Fuel - FPL leases nuclear fuel for all four of its nuclear units. Nuclear fuel lease expense was $83 million, $85 million and $94 million in 1998, 1997 and 1996, respectively. Included in this expense was an interest component of $9 million, $9 million and $10 million in 1998, 1997 and 1996, 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 $146 million at December 31, 1998. 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. Decommissioning expense accruals included in depreciation and amortization expense, were $85 million in each of the years 1998, 1997 and 1996. At December 31, 1998 and 1997, the accumulated provision for nuclear decommissioning totaled $1.205 billion and $998 million, respectively, and is included in accumulated depreciation. 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. St Lucie Unit No. 1 will be mothballed beginning in 2016 with decommissioning activities 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 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. The updated studies, which are pending FPSC approval, indicate there is an estimated reserve deficiency at December 31, 1998, of approximately $535 million. FPL is proposing to maintain the current approved annual decommissioning accrual at $85 million per year and to recover the reserve deficiency through the special amortization program. See Regulation. The annual accrual will be adjusted once the amount of deficiency is approved and recovery through the amortization program has been completed.

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 1998, 1997 and 1996, and is included in depreciation and amortization expense. FPL's portion of the ultimate cost to dismantle its fossil units is $521 million. At December 31, 1998 and 1997, the accumulated provision for fossil dismantlement totaled $185 million and $162 million, respectively, and is included in accumulated depreciation. The dismantlement studies filed in 1998 indicated an estimated reserve deficiency of $38 million which FPL is proposing to recover through the special amortization program. See Regulation.

Restricted trust funds for the payment of future expenditures to decommission FPL's nuclear units are included in special use funds of FPL. At December 31, 1998 and 1997, decommissioning fund assets were $1.046 billion and $850 million, respectively. 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.

In 1996, the Financial Accounting Standards Board (FASB) issued an exposure draft on accounting for obligations associated with the retirement of long-lived assets. The method proposed by the FASB in the exposure draft would require the present value of estimated future cash flows to decommission FPL's nuclear power plants and dismantle its fossil power plants to be recorded as an increase to asset balances and as a liability. Under that proposal, it is anticipated that there will be no effect on cash flows and, because of the regulatory treatment, there will be no significant effect on net income. The matter has been restudied by the FASB and another exposure draft is scheduled to be issued in 1999.

Accrual for Nuclear Maintenance Costs - 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. 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 non-regulated 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. The storm fund, which totaled $160 million and $157 million at December 31, 1998 and 1997, respectively, is included in special use funds of FPL. 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 9 - 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, 1998 and 1997. Additionally, other investments include non-controlling non-majority owned interests in partnerships and joint ventures, essentially all of which are accounted for under the equity method.

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

Short-Term Debt - The year end weighted-average interest rate on short-term debt at December 31, 1998 was 5.2%.

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. 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 and $20 million in 1997 and 1996, respectively.

Accounting for Derivative Instruments and Hedging Activities - In June 1998, the FASB 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 the standard in 2000.

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, 1998 and a statement of the funded status of both years:

(Millions of Dollars)	Pension Benefits 1998	Pension Benefits 1997	Other Benefits 1998	Other Benefits 1997
Change in benefit obligation:				
Obligation at October 1 of prior year	$ 1,146	$ 1,262	$ 324	$ 297
Service cost	45	38	5	5
Interest cost	75	76	21	21
Plan amendments	8	(290)	–	–
Actuarial losses - net	34	87	10	11
Curtailments	–	19	–	–
Benefit payments	(135)	(46)	(15)	(10)
Obligation at September 30	1,173	1,146	345	324
Change in plan assets:				
Fair value of plan assets at October 1 of prior year	2,287	1,996	125	107
Actual return on plan assets	184	343	7	28
Participant contributions	–	–	1	2
Benefit payments and expenses	(142)	(52)	(18)	(12)
Fair value of plan assets at September 30	2,329	2,287	115	125
Funded status:				
Funded status at September 30	1,156	1,141	(230)	(199)
Unrecognized prior service cost	(100)	(117)	–	–
Unrecognized transition (asset) obligation	(140)	(163)	49	53
Unrecognized (gain) loss	(736)	(762)	34	23
Prepaid (accrued) benefit cost	$ 180	$ 99	$ (147)	$ (123)

The following table provides the components of net periodic benefit cost for the plans for fiscal years 1998, 1997 and 1996:

(Millions of Dollars)	Pension Benefits 1998	Pension Benefits 1997	Pension Benefits 1996	Other Benefits 1998	Other Benefits 1997	Other Benefits 1996
Service cost	$ 45	$ 38	$ 38	$ 6	$ 6	$ 5
Interest cost	75	76	90	21	21	18
Expected return on plan assets	(149)	(135)	(126)	(8)	(7)	(6)
Amortization of transition (asset) obligation	(23)	(23)	(23)	3	3	3
Amortization of prior service cost	(8)	1	12	–	–	–
Amortization of losses (gains)	(21)	(26)	(10)	1	–	–
Net periodic (benefit) cost	(81)	(69)	(19)	23	23	20
Effect of special retirement programs	–	18	–	–	–	–
Net periodic (benefit) cost	$ (81)	$ (51)	$ (19)	$ 23	$ 23	$ 20

The weighted-average discount rate used in determining the benefit obligations was 6.0% and 6.5% for 1998 and 1997, 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 1999 trend assumptions used to measure the expected cost of benefits covered by the plans are 6.6% and 5.8%, for persons prior to age 65 and over age 65, respectively. The rate is assumed to decrease over the next 4 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 (decrease) in assumed health care cost trend rates would increase (decrease) the service and interest cost components and the accumulated obligation of other benefits by $1 million and $13 million, respectively.

3. FINANCIAL INSTRUMENTS

The carrying amounts of cash equivalents and short-term debt approximate their fair values. Certain investments of FPL Group, included in other investments, are carried at estimated fair value which was $72 million and $51 million at December 31, 1998 and 1997, respectively. 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 of Dollars)			
December 31,	1998		1997	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Long-term debt[a]	$2,706	$2,797[b]	$3,147	$3,236[b]
Interest rate swap agreements	$ –	$ –	$ –	$ 31[c]

[a] *Includes current maturities.*
[b] *Based on quoted market prices for these or similar issues.*
[c] *Based on estimated cost to terminate the agreements. The agreements were terminated in 1998.*

Special Use Funds - Securities held in the special use funds are carried at estimated fair value. The nuclear decommissioning fund consists of approximately one-half equity securities and one-half municipal, government, corporate and mortgage-backed debt securities with a weighted-average maturity of approximately 10 years. The storm fund primarily consists of municipal debt securities with a weighted-average maturity of approximately 3 years. The cost of securities sold is determined on the specific identification method. The funds had approximate realized gains of $24 million and approximate realized losses of $4 million in 1998, $3 million and $2 million in 1997 and $8 million and $9 million in 1996, respectively. The funds had unrealized gains of approximately $210 million and $126 million at December 31, 1998 and 1997, respectively; the unrealized losses at those dates were approximately $2 million and $1 million. The proceeds from the sale of securities in 1998, 1997 and 1996 were approximately $1.2 billion, $800 million and $1.1 billion, 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 1998, 1997 and 1996, 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 $19 million in 1998, $19 million in 1997 and $23 million in 1996 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, 1998 was approximately $248 million, representing 8.5 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, 1998 was approximately $526 million.

Long-Term Incentive Plan - Under FPL Group's long-term incentive plan, 9 million shares of common stock are reserved and available for awards to officers and employees of FPL Group and its subsidiaries as of December 31, 1998. Total compensation charged against earnings under the incentive plan was not material in any year. The changes in share awards under the incentive plan are as follows:

	Performance Shares[(a)]	Restricted Stock	Non-Qualified Option Shares
Balances, December 31, 1995	320,336	194,200	11,185
Granted [(b)]	90,772	23,000	–
Exercised at $30 7/8	–	–	(10,935)
Paid/released	(60,359)	(34,250)	–
Forfeited	(39,222)	(16,650)	(250)
Balances, December 31, 1996	311,527	166,300	–
Granted [(b)]	212,011	71,000	–
Paid/released	(70,008)	–	–
Forfeited	(10,942)	(17,750)	–
Balances, December 31, 1997	442,588	219,550	–
Granted [(b)]	178,518	19,500	–
Paid/released	(80,920)	–	–
Forfeited	(29,566)	(22,250)	–
Balances, December 31, 1998	510,620	216,800[(c)]	–

(a) *Performance shares resulted in 128,000, 132,000 and 124,000 assumed incremental shares of common stock outstanding for purposes of computing diluted earnings per share in 1998, 1997 and 1996, respectively. These incremental shares did not change basic earnings per share.*
(b) *The average grant date fair value of equity instruments issued under the incentive plan was $12 million, $13 million and $5 million in 1998, 1997 and 1996, respectively.*
(c) *Shares of restricted stock were issued at market value at the date of the grant.*

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. The results of utilizing the accounting method recommended in FAS 123 would not have a material effect on FPL Group's results of operations or change earnings per share.

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, $.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, 1998		*(Millions of Dollars)* December 31,	
	Shares Outstanding	Redemption Price	1998	1997
Cumulative, $100 Par Value, authorized 15,822,500 shares at December 31, 1998 and 1997, without sinking fund requirements:				
4 1/2% Series	100,000	$ 101.00	$ 10	$ 10
4 1/2% Series A	50,000	$ 101.00	5	5
4 1/2% Series B	50,000	$ 101.00	5	5
4 1/2% 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 without sinking fund requirements	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 of preferred stock in 1998, 1997 and 1996. In 1996, FPL redeemed 600,000 shares of its 7.28% Preferred Stock, Series F, $100 Par Value and 400,000 shares of its 7.40% Preferred Stock, Series G, $100 Par Value.*

[b] *Not redeemable prior to 2003.*

6. LONG-TERM DEBT

Long-term debt consists of the following:

December 31,	1998	1997
	(Millions of Dollars)	
FPL		
First mortgage bonds:		
Maturing through 2000 - 5 3/8% to 5 1/2%	$ 355	$ 355
Maturing 2001 through 2015 - 6% to 7 7/8%	641	642
Maturing 2016 through 2026 - 7% to 7 3/4%	741	741
Medium-term notes:		
Maturing 1998 - 5.50% to 6.20%	–	180
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 2021 through 2029 - variable, 3.6% and 3.9% average annual interest rate, respectively	483	484
Unamortized discount - net	(19)	(22)
Total long-term debt of FPL	2,421	2,600
Less current maturities	230	180
Long-term debt of FPL, excluding current maturities	2,191	2,420
FPL Group Capital		
Debentures - maturing 2013 - 7 5/8% [a]	125	125
Senior term loan - maturing 2007 - variable [b]	–	333
Other long-term debt - 3.4% to 7.645% due various dates to 2018	162	91
Unamortized discount	(2)	(2)
Total long-term debt of FPL Group Capital	285	547
Less current maturities	129	18
Long-term debt of FPL Group Capital, excluding current maturities	156	529
Total long-term debt	$2,347	$2,949

[a] *Redeemed in January 1999.*

[b] *A notional principal amount of $267 million at December 31, 1997 was hedged with interest rate swap agreements to reduce the impact of changes in interest rates on variable rate long-term debt. The swap agreements effectively changed the variable interest rates to an average fixed rate of 9.7%. The agreements were dedesignated as a hedge and terminated in 1998, resulting in a loss recorded as interest expense.*

Minimum annual maturities of long-term debt for FPL Group for 1999-2003 are approximately $359 million, $129 million, $4 million, $4 million and $175 million, respectively.

Available lines of credit aggregated approximately $1.9 billion at December 31, 1998, all of which were based on firm commitments.

7. INCOME TAXES

The components of income taxes are as follows:

Years Ended December 31,	1998	1997	1996
	(Millions of Dollars)		
Federal:			
Current	$ 467	$ 308	$ 355
Deferred	(215)	(34)	(77)
ITC and other - net	(27)	(22)	(31)
Total federal	225	252	247
State:			
Current	72	52	63
Deferred	(18)	–	(16)
Total state	54	52	47
Total income taxes	$ 279	$ 304	$ 294

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

Years Ended December 31,	1998	1997	1996
Statutory federal income tax rate	35.0%	35.0%	35.0%
Increases (reductions) resulting from:			
State income taxes - net of federal income tax benefit	3.7	3.7	3.5
Amortization of ITC	(2.5)	(2.4)	(3.6)
Amortization of deferred regulatory credit - income taxes	(1.8)	(1.8)	(2.0)
Adjustments of prior years' tax matters	(6.3) [a]	(2.7)	(1.3)
Preferred stock dividends - FPL	0.5	0.7	1.0
Other - net	1.0	0.5	1.0
Effective income tax rate	29.6%	33.0%	33.6%

[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:

December 31,	1998	1997
	(Millions of Dollars)	
Deferred tax liabilities:		
Property-related	$1,493	$ 1,663
Investment-related	460	436
Other	255	362
Total deferred tax liabilities	2,208	2,461
Deferred tax assets and valuation allowance:		
Asset writedowns and capital loss carryforward	113	121
Unamortized ITC and deferred regulatory credit - income taxes	136	153
Storm and decommissioning reserves	258	246
Other	473	496
Valuation allowance	(27)	(28)
Net deferred tax assets	953	988
Accumulated deferred income taxes	$1,255	$1,473

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, 1998, FPL's gross investment in these units was $1.174 billion, $328 million and $571 million, respectively; accumulated depreciation was $663 million, $142 million and $239 million, respectively.

FPL is responsible for its share of the operating costs, as well as providing its own financing. At December 31, 1998, there was no significant balance of construction work in progress on these facilities.

9. 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 $2.8 billion for 1999 through 2001. Included in this three-year forecast are capital expenditures for 1999 of approximately $910 million. FPL Energy is a party to a contract to purchase all of Central Maine Power Company's (Central Maine) non-nuclear generation assets for $846 million. The contract is subject to a civil action initiated by FPL Energy. See Litigation. FPL Group and its subsidiaries, other than FPL, have guaranteed approximately $305 million of purchase 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 $51 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 certain 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 $259 million at December 31, 1998, for T&D property storm damage or assessments under the nuclear insurance program. 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 2022. FPL also has various firm pay-for-performance contracts to purchase approximately 1,000 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. Fuel contracts provide for the transportation and supply of natural gas and coal. FPL Energy has long-term contracts for the transportation and storage of natural gas to its Doswell plant which expire in 2007, with a five-year renewal option, and in 2017, respectively.

The required capacity and minimum payments through 2003 under these contracts are estimated to be as follows:

(Millions of Dollars)	1999	2000	2001	2002	2003
Capacity payments:					
JEA and Southern Companies	$ 210	$210	$210	$ 210	$200
Qualifying facilities [a]	$ 360	$370	$380	$ 400	$410
Minimum payments, at projected prices:					
Natural gas, including transportation for FPL	$ 210	$210	$240	$ 260	$270
Coal	$ 40	$ 40	$ 30	$ 30	$ 15
Natural gas transportation and storage for FPL Energy	$ 15	$ 15	$ 15	$ 15	$ 15

[a] *Includes approximately $40 million, $40 million, $40 million, $45 million and $45 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:

	1998 Charges		1997 Charges		1996 Charges	
(Millions of Dollars)	Capacity	Energy/ Fuel	Capacity	Energy/ Fuel	Capacity	Energy/ Fuel
JEA and Southern Companies	$192[b]	$138[a]	$201[b]	$153[a]	$192[b]	$148[a]
Qualifying facilities	$299[c]	$108[a]	$296[c]	$128[a]	$279[c]	$125[a]
Natural gas, including transportation for FPL	$ –	$280[a]	$ –	$413[a]	$ –	$422[a]
Coal	$ –	$ 50[a]	$ –	$ 52[a]	$ –	$ 49[a]
Natural gas transportation and storage for FPL Energy	$ –	$ 18	$ –	$16	$ –	$ –

[a] *Recovered through the fuel clause.*
[b] *Recovered through base rates and the capacity cost recovery clause (capacity 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, ceased all attempts to operate the power plants 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 January 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, plus attorneys' fees. In October 1998, the court dismissed all of the plant owners' antitrust claims against FPL. The plant owners have since moved for summary judgment on FPL's claims against them.

The Florida Municipal Power Agency (FMPA), an organization comprised of municipal electric utilities, has sued FPL for allegedly breaching a "contract" to provide transmission service to the FMPA and its members and for breaching antitrust laws by monopolizing or attempting to monopolize the provision, coordination and transmission of electric power in refusing to provide transmission service, or to permit the FMPA to invest in and use FPL's transmission system, on the FMPA's proposed terms. The FMPA seeks $140 million in damages, before trebling for the antitrust claim, and court orders requiring FPL to permit the FMPA to invest in and use FPL's transmission system on "reasonable terms and conditions" and on a basis equal to FPL. In 1995, a court of appeals vacated the district court's summary judgment in favor of FPL and remanded the matter to the district court for further proceedings. In 1996, the district court ordered the FMPA to seek a declaratory ruling from the FERC regarding certain issues in the case. In November 1998, the FERC declined to make the requested ruling. The district court has yet to act further.

FPL Group and FPL believe that they have meritorious defenses to the litigation to which they are parties and are vigorously defending the suits. Accordingly, the liabilities, if any, arising from the proceedings are not anticipated to have a material adverse effect on their financial statements.

In November 1998, a subsidiary of FPL Energy filed a civil action with the U.S. District Court for the Southern District of New York requesting a declaratory judgment that Central Maine cannot meet essential terms of the agreement with FPL Energy's subsidiary regarding the purchase of Central Maine's non-nuclear generating assets. FPL Group believes that recent FERC rulings regarding transmission prevent Central Maine from delivering on its contractual obligation that FPL Energy's subsidiary be able to operate the power plants in a manner that is substantially consistent with Central Maine's historical operation of the assets. FPL Group believes the FERC rulings constitute a material adverse effect under the purchase agreement and that FPL Energy's subsidiary should therefore not be bound to complete the transaction. The trial is scheduled for March 1999.

10. SEGMENT INFORMATION

Effective December 31, 1998, FPL Group adopted FAS 131, "Disclosures about Segments of an Enterprise and Related Information." FPL Group's only reportable segment is FPL, a regulated utility. For the years ended December 31, 1998, 1997 and 1996, approximately 98%, 98% and 97%, respectively, of FPL Group's operating revenues were derived from the sale of electricity in the United States. As of December 31, 1998 and 1997, less than 1% of long-lived assets were located in foreign countries.

	1998			1997			1996		
(Millions of Dollars)	FPL	Other[a]	Total	FPL	Other[a]	Total	FPL	Other[a]	Total
Operating revenues	$6,366	$ 295	$ 6,661	$ 6,132	$ 237	$ 6,369	$5,986	$ 51	$6,037
Interest expense	$ 196	$ 126	$ 322	$ 227	$ 64	$ 291	$ 246	$ 21	$ 267
Depreciation and amortization	$1,249	$ 35	$ 1,284	$ 1,034	$ 27	$ 1,061	$ 955	$ 5	$ 960
Equity in earnings of equity method investees	$ –	$ 39	$ 39	$ –	$ 14	$ 14	$ –	$ 2	$ 2
Income tax expense	$ 349	$ (70)	$ 279	$ 321	$ (17)	$ 304	$ 322	$ (28)	$ 294
Net income	$ 616	$ 48	$ 664	$ 608	$ 10	$ 618	$ 591	$ (12)	$ 579
Significant noncash items	$ –	$ –	$ –	$ –	$ 420	$ 420	$ –	$ 33	$ 33
Capital expenditures	$ 617	$ 329	$ 946	$ 551	$ 291	$ 842	$ 474	$ 52	$ 526
Total assets	$10,748	$ 1,281	$12,029	$11,172	$ 1,277	$ 12,449			
Investment in equity method investees	$ –	$ 165	$ 165	$ –	$ 76	$ 76			

[a] *Represents other business activities and other segments that are not separately reportable.*

11. SUBSEQUENT EVENT

In January 1999, an FPL Group Capital subsidiary sold 3.5 million common shares of Adelphia Communications Corporation (Adelphia) stock, which had been accounted for on the equity method, resulting in an after-tax gain of approximately $96 million. In addition, an agreement was reached with Adelphia to sell FPL Group Capital's one-third interest in a limited partnership. While the terms have not been finalized, the sale of the limited partnership interest is expected to have a positive effect on FPL Group's results of operations.

12. SUMMARIZED FINANCIAL INFORMATION OF FPL GROUP CAPITAL (UNAUDITED)

FPL Group Capital's debentures, when outstanding, are guaranteed by FPL Group and included in FPL Group's consolidated balance sheets. Operating revenues of FPL Group Capital for the three years ended December 31, 1998, 1997 and 1996 were $295 million, $237 million and $50 million, respectively. For the same periods, operating expenses were $225 million, $186 million and $65 million, respectively. Net income for 1998, 1997 and 1996 was $68 million, $27 million and $11 million, respectively.

At December 31, 1998, FPL Group Capital had $317 million of current assets, $1.445 billion of noncurrent assets, $310 million of current liabilities and $703 million of noncurrent liabilities. At December 31, 1997, FPL Group Capital had current assets of $156 million, noncurrent assets of $1.447 billion, current liabilities of $252 million and noncurrent liabilities of $999 million.

13. QUARTERLY DATA (UNAUDITED)

Condensed consolidated quarterly financial information for 1998 and 1997 is as follows:

(In millions, except per share amounts)

1998	March 31[a]	June 30[a]	September 30[a]	December 31[a]
Operating revenues	$ 1,338	$ 1,692	$ 1,999	$ 1,632
Operating income	$ 218	$ 317	$ 528	$ 189
Net income	$ 108	$ 176	$ 287	$ 93[b]
Earnings per share[c]	$ 0.63	$ 1.02	$ 1.66	$ 0.54[b]
Dividends per share	$ 0.50	$ 0.50	$ 0.50	$ 0.50
High-low common stock sales prices	$ 65 3/16 - 56 1/16	$ 65 5/8 - 58 11/16	$ 70 - 59 11/16	$ 72 9/16 - 60 1/2
1997				
Operating revenues	$ 1,445	$ 1,587	$ 1,859	$ 1,478
Operating income	$ 225	$ 321	$ 464	$ 218
Net income	$ 101	$ 164	$ 262	$ 91
Earnings per share[c]	$ 0.58	$ 0.95	$ 1.52	$ 0.52
Dividends per share	$ 0.48	$ 0.48	$ 0.48	$ 0.48
High-low common stock sales prices	$ 46 3/4 - 43 5/8	$ 48 1/8 - 42 5/8	$ 51 9/16 - 45 1/2	$ 60 - 49 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 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.*

(c) *Basic and assuming dilution.*

Officers

FPL GROUP, INC.

James L. Broadhead
Chairman and Chief Executive Officer

Roger Young
President

Dennis P. Coyle
General Counsel and Secretary

James P. Higgins
Vice President Tax

Lawrence J. Kelleher
Vice President Human Resources

Mary Lou Kromer
Vice President Corporate Communications

K. Michael Davis
Controller

Dilek L. Samil
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

Lawrence J. Kelleher
Senior Vice President Human Resources

Thomas F. Plunkett
President Nuclear Division

C.O. Woody
President Power Generation Division

FPL ENERGY, INC.

Michael W. Yackira
President

Peter D. Boylan
Vice President and Chief Financial Officer

Glenn E. Smith
Vice President Development

Kenneth P. Hoffman
Vice President Business Management

Michael L. Leighton
Vice President International Development

John W. Stanton
Vice President Operations East

James A. Keener
Vice President Operations West

William A. Fries
Vice President Engineering Construction and Project Management

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
(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.

ROGER YOUNG
President
FPL Group, Inc.
Director since February 1999.

Investor Information

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EXCHANGE LISTINGS
Common Stock
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Ticker Symbol: FPL

Options
Philadelphia Stock Exchange

NEWSPAPER LISTING
Common Stock: FPL Gp

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Bankers Trust Company
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SHAREHOLDER INQUIRIES
Communications concerning transfer requirements, lost certificates, dividend checks, address changes, stock accounts and the dividend reinvestment plan should be directed to EquiServe.

Other shareholder communications to:
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Shareholder Services
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(561) 694-4693
(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
Contact:
Investor Relations
(561) 694-4697
(561) 694-4718 (Fax)

NEWS MEDIA INQUIRIES
Contact:
Corporate Communications
P.O. Box 029100
Miami, FL 33102-9100
(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 1998 as filed with the Securities and Exchange Commission is available without charge by writing to FPL Group Shareholder Services.

ANNUAL MEETING
May 10, 1999, 10 a.m.
PGA National Resort
400 Avenue of the Champions
Palm Beach Gardens, FL

PROPOSED 1999 COMMON STOCK DIVIDEND DATES*

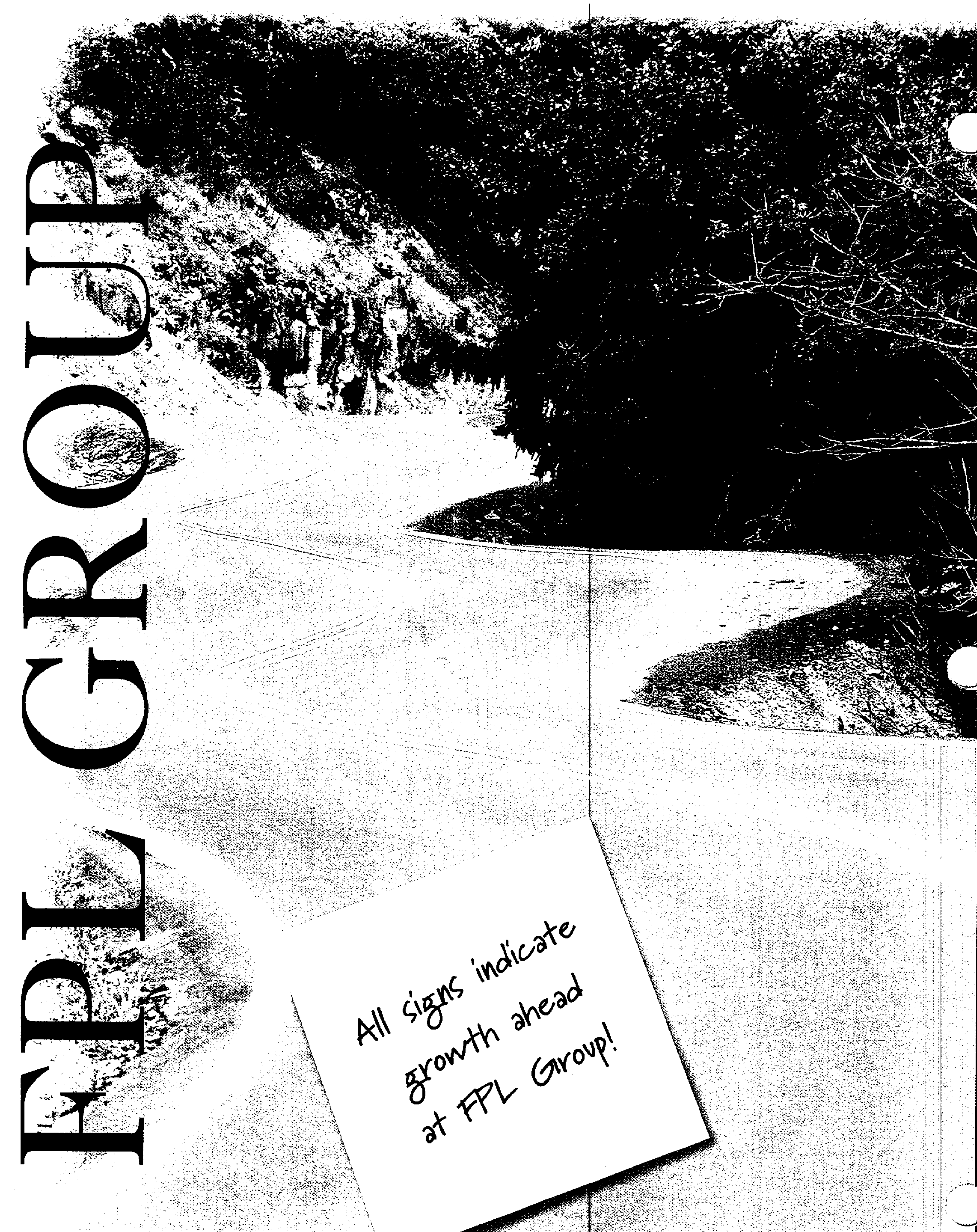
Declaration	Ex-Dividend	Record	Payment
February 15	February 24	February 26	March 15
May 10	May 26	May 28	June 15
August 16	August 25	August 27	September 15
November 15	November 23	November 26	December 15

OPTIONAL CASH PAYMENT DATES

Qtr./Yr.	Acceptance begins	Must be received by
2nd/99	May 15	June 10
3rd/99	August 15	September 10
4th/99	November 15	December 10
1st/00	February 15	March 10

**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.*

FPL GROUP



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Juno Beach, Florida 33408

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