UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

Commission File Number 1-5581

WATSCO, INC.
(Exact name of registrant as specified in its charter)

FLORIDA	59-0778222
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2665 South Bayshore Drive, Suite 901, Coconut Grove, FL 33133
(Address of principal executive offices)

Registrant's telephone number, including area code: (305) 714-4100

Securities Registered Pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $.50 par value	New York Stock Exchange
Class B Common Stock, $.50 par value	American Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of March 29, 1999 was approximately $381,621,431.

The number of shares of common stock outstanding as of March 29, 1999 was 25,414,639 shares of Common Stock and 3,210,226 shares of Class B Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE:

Certain information required by Parts I and II is incorporated by reference from the Annual Report to Shareholders for the year ended December 31, 1998, attached hereto as Exhibit 13. The information required by Part III (Items 10, 11, 12 and 13) will be incorporated by reference from the Registrant's definitive proxy statement (to be filed pursuant to Regulation 14A).

WATSCO, INC. - FORM 10K

INDEX TO ANNUAL REPORT
ON FORM 10-K
YEAR ENDED DECEMBER 31, 1998

PART II

PART I

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements regarding, among other items, (i) the Company's business and acquisition strategies, (ii) potential acquisitions by the Company, (iii) the Company's financing plans, and (iv) industry, demographic and other trends affecting the Company's financial condition or results of operations. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, certain of which are beyond the Company's control. Actual results could differ materially from these forward-looking statements as a result of several factors, including general economic conditions, prevailing interest rates, competitive factors and the ability of the Company to continue to implement its acquisition strategy. In light of these uncertainties, there can be no assurance that the forward-looking information contained herein will in fact transpire.

ITEM 1. BUSINESS

GENERAL

Watsco, Inc. (the "Registrant" or the "Company") was incorporated in 1956 and is the largest distributor of air conditioning, heating and refrigeration equipment and related parts and supplies in the United States. The Company's revenue from its distribution operations have increased from $64 million in 1989 to $1 billion in 1998.

The Company's principal executive offices are located at 2665 South Bayshore Drive, Suite 901, Coconut Grove, Florida 33133, and its telephone is (305) 714-4100.

RESIDENTIAL CENTRAL AIR CONDITIONING AND HEATING INDUSTRY

According to the Air Conditioning and Refrigeration Institute ("ARI"), the market for residential central air conditioning, heating and refrigeration equipment and related parts and supplies in the U.S. was approximately $20 billion in 1997 with unitary equipment shipments having grown at an annual rate of 6.6% since 1990. Residential central air conditioners are manufactured primarily by eight major companies that together account for approximately 90% of all units shipped in the U.S each year. These companies are: Carrier Corporation ("Carrier") (a subsidiary of United Technologies Corporation), Goodman Manufacturing Corporation ("Goodman"), Rheem Manufacturing Company ("Rheem"), International Comfort Products Corporation ("ICP"), American Standard Companies Inc. ("American Standard"), York International Corporation ("York"), Lennox Industries, Inc. and Nordyne Corporation ("Nordyne") (a subsidiary of Nortek Inc.). The major central air conditioner manufacturers distribute their products primarily through independent distributors who in turn supply the equipment and related parts and supplies to contractors and dealers nationwide that sell to and install the products for the consumer.

Residential central air conditioning and heating equipment is sold to both the replacement and the homebuilding markets. The replacement market has increased substantially in size over the past ten years, surpassing the homebuilding market in significance as a result of the aging of the installed base of residential central air conditioners, the introduction of new energy efficient models and the upgrading of existing homes to central air conditioning. According to the ARI, over 75 million central air conditioning units have been installed in the United States in the past 20 years. Many units installed from the mid-1970s to the mid-1980s are reaching the end of their useful lives, thus providing a growing replacement market. The mechanical life of central air conditioners varies by region due to usage and is estimated to range from 8 to 20 years.

The Company also sells products used in the refrigeration industry. Such products include condensing units, compressors, evaporators, valves, walk-in coolers and ice machines for industrial and commercial applications. The Company distributes products manufactured by Copeland Compressor Corporation ("Copeland"), Tecumseh Products Company, The Manitowoc Company, Inc. and Scotsman Industries, Inc.

BUSINESS STRATEGY

The Company's business strategy is based upon three primary concepts: (i) implement programs to build market share in existing markets, (ii) complete strategic acquisitions to expand in existing markets or to extend the Company's geographic reach into new markets and (iii) leverage the Company's existing infrastructure by obtaining new or expanded territories from the grant of distribution rights by manufacturers. The Company also maintains a unique operating philosophy whereby operating units execute their daily activities on a decentralized basis with the assistance and support of certain centralized functional resources.

STRATEGY IN EXISTING MARKETS. The Company's strategy for growth in existing markets focuses on satisfying the needs of the higher growth, higher margin replacement market, where customers generally demand immediate, convenient and reliable service. In response to this need, the Company's focus is to (i) offer complete product lines, including all equipment and components necessary to install or repair a central air conditioner, furnace or refrigeration system, (ii) maintain multiple warehouse locations in a single metropolitan market for increased customer convenience, (iii) maintain well-stocked inventories to ensure that customer orders are filled in a timely manner and (iv) provide a high degree of technical expertise at the point of sale. The Company believes these concepts provide a competitive advantage over smaller, lesser-capitalized competitors who are unable to commit resources to open additional locations, maintain the same inventory levels, offer the product variety as the Company or attract the wide range of expertise that is required to support a diverse product offering. The Company also believes it has a competitive advantage over factory-owned distributors who typically do not maintain inventories of all parts and supplies and whose limited number of warehouse locations make it difficult to meet the time-sensitive demands of the replacement market.

The Company also sells to the homebuilding market. The Company believes that its reputation for reliable, high quality service and its relationships with contractors, who generally serve both the replacement and new construction markets, allow it to compete effectively in this market.

ACQUISITION STRATEGY. The Company's acquisition strategy is focused on acquiring businesses that compliment the Company's presence in existing markets or establish a presence in new markets. Since 1989, the Company has acquired 35 distributors of air conditioning, heating and refrigeration products, 14 of which operate as primary operating subsidiaries of the Company. Other smaller distributors acquired have been integrated into the Company's primary operating subsidiaries.

The following is a description of the Company's acquisitions completed in 1998:

KAUFMAN SUPPLY, INC. In July 1998, the Company completed the acquisition of Kaufman Supply, Inc. ("Kaufman"), a wholesale distributor of air conditioning and other products to the manufactured housing industry which operates 12 locations and serves over 2,500 dealers and contractors throughout the southeastern United States. Kaufman's revenue was approximately $102 million in the year prior to acquisition.

OTHER. During 1998, the Company completed nine other acquisitions of wholesale distributors of air conditioning, heating and refrigeration products. The acquisitions were made either in the form of the purchase of the outstanding common stock or the purchase of the net assets and business of the respective sellers. These acquisitions added 13 locations and had combined revenue of approximately $63 million for their most recently completed fiscal year.

DISTRIBUTION RIGHTS. The Company actively seeks new or expanded territories of distribution from the major equipment manufacturers. During 1998 and early 1999, six of the leading equipment manufacturers granted the Company rights to distribute their residential and light commercial equipment in key U.S. markets. In January 1998, ICP granted the right to distribute "Tempstar" brand-name products in California, Arizona and Atlanta, Georgia and surrounding areas; American Standard granted the right to distribute "American Standard" brand-name products in North Carolina; and Carrier granted the right to distribute "Bryant" brand-name products in Kansas City and surrounding areas in Missouri and Kansas. In May 1998, York granted the Company rights to distribute their York brand-name residential and light commercial equipment in Oklahoma. Also during 1998, Nordyne granted the right to distribute "Frigidaire", "Tappan" and "Philco" brand-name products in various sunbelt markets. In January 1999, Goodman granted the Company rights to distribute "Goodman" brand-name residential equipment in additional territories in Florida.

OPERATING PHILOSOPHY. The Company's 14 primary operating subisidiares operate on a decentralized basis in recognition of the value of the long-term relationships established between the distributors and their customers. The Company preserves the identity of acquired businesses by retaining their management and sales organizations, maintaining their product brand-name offerings and selectively expanding complementary product offerings. The Company believes this strategy builds on the value of the acquired operations by creating additional sales opportunities, improving operating efficiencies and attaining greater leveraging of expenses.

The Company maintains a functional support staff at its corporate headquarters to support the individual operating subsidiaries' strategies for growth in their representative markets. Such functional support is provided in the following areas: information technology, human resources, product procurement, logistics, business improvement, treasury and working capital management, accounting, tax planning and risk management. The Company has targeted certain general and administrative expenses for cost savings initiatives that leverage the Company's overall volume.

SUMMARY. The following table summarizes the number of locations acquired, opened and closed over the last five years, the total number of operating subsidiaires, states represented at year end and the related consolidated revenue for each year during that period:

	LOCATIONS						
YEAR	ACQUIRED	OPENED	CLOSED	TOTAL	OPERATING SUBSIDIARIES	STATES REPRESENTED	REVENUE (In $ millions)
1994	-	3	-	50	3	7	$ 230
1995	18	1	-	69	4	10	276
1996	25	7	-	101	5	15	365
1997	147	23	(3)	268	12	22	635
1998	25	18	(3)	308	14	23	1,009

RECENT DEVELOPMENTS

In January 1999, the Company completed two acquisitions of wholesale distributors of air conditioning and heating products. The acquisitions were made either in the form of the purchase of the outstanding common stock or the purchase of the net assets and business of the respective sellers. These acquisitions operate from 15 locations in six northeastern states and had combined revenue of approximately $61 million for their most recently completed fiscal year.

DESCRIPTION OF BUSINESS

PRODUCTS. The Company sells a complete line of products and maintains sufficient inventory levels to meet customers' immediate needs. The Company seeks to provide every product a contractor generally would require in order to install or repair a residential or light commercial central air conditioner, furnace or refrigeration system. The products distributed by the Company in its markets consist of: (i) equipment, such as residential central air conditioners ranging from 1-1/2 to 5 tons*, light commercial air conditioners ranging up to 20 tons, gas, electric and oil furnaces ranging from 50,000 to 150,000 BTUs and other specialized equipment; (ii) parts, such as replacement compressors, evaporator coils, thermostats, motors and other component parts; (iii) supplies, such as insulation material, refrigerants, ductwork, grills, registers, sheet metal, tools, copper tubing, concrete pads, tape, adhesives and other ancillary supplies. The Company also sells commercial air conditioning and heating equipment and systems ranging from 20 to 400 tons throughout certain states in the Midwest and Northeast.

Sales of air conditioning, heating and refrigeration equipment accounted for approximately 56% of revenue for 1998. Sales of parts and supplies (currently representing over 1,500 different vendors) comprised the remaining revenue.

DISTRIBUTION AND SALES. The Company currently operates from 323 locations, most of which are located in regions which the Company believes have favorable demographic trends. The Company maintains well-stocked inventories at each warehouse location to meet the immediate needs of its customers. This is accomplished by transporting inventory between locations daily and either directly delivering products to customers with the Company's fleet of over 800 trucks or making the products available for pick-up at the location nearest to the customer. The company has over 300 commissioned salespeople with an average of more than 10 years of experience in the residential central air conditioning and heating equipment distribution industry.

MARKETS. The Company's network serves 29 states from 323 locations. The Company's primary markets include (in order of the number of locations in the state): Florida, Texas, Georgia, California, South Carolina, North Carolina, Alabama, Tennessee, Arizona, Missouri, Massachusetts, Arkansas, Virginia, Oklahoma, and Lousiana. The Company also serves Nevada, Kansas, Nebraska, Mississippi, South Dakota, Iowa, New Hampshire, Connecticut, Maine, Maryland, North Dakota, Vermont, Rhode Island and New York. The Company also distributes products on an export basis in portions of Latin America and the Caribbean Basin.

CUSTOMERS AND CUSTOMER SERVICE. The Company sells to contractors and dealers who service the new construction and replacement markets for residential and light commercial central air conditioning, heating and refrigeration systems. The Company currently serves over 35,000 customers, with no single customer in 1998 accounting for more than 2% of consolidated revenue. The Company focuses on providing products where and when the customer needs them, technical support by phone or on site as required, and quick and efficient service at the locations. Management believes that the Company successfully competes with other distributors primarily on the basis of its experienced sales organization, strong service support, high quality reputation and broad product lines.

KEY EQUIPMENT SUPPLIERS. The Company maintains significant relationships with Carrier, Goodman, Rheem, ICP, American Standard, York and Nordyne, each a leading manufacturer of residential central air conditioning and heating equipment in the United States. Each manufacturer has a well-established reputation of producing high-quality, competitively-priced products. The Company believes the manufacturers' current product offerings, quality, serviceability and brand-name recognition allow the Company to operate favorably against its competitors. To maintain brand-name recognition, the manufacturers provide national advertising and participate with the Company in cooperative advertising programs and promotional incentives that are targeted to both contractors and homeowners. The Company estimates the replacement market currently accounts for approximately two-thirds of industry sales in the United States and expects this percentage to increase as units installed in the 1970s and 1980s wear out and get replaced or updated to more energy-efficient models.

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* The cooling capacity of air conditioning units is measured in tons. One ton of cooling capacity is equivalent to 12,000 BTUs and is generally adequate to air condition approximately 500 square feet of residential space.

The Company made approximately 43% of its total 1998 purchases from these key equipment suppliers. A significant interruption in the delivery of products would impair the Company's ability to continue to maintain its current inventory levels and could adversely affect the Company's business. The Company's future results of operations are also materially dependent upon the continued market acceptance of these manufacturers' products and their ability to continue to manufacture products that comply with laws relating to environmental and efficiency standards. However, the Company believes that its sales of other complimentary equipment products and continued emphasis to expand the sale of parts and supplies are mitigating factors against such risks.

DISTRIBUTION AGREEMENTS. The Company has distribution agreements with each of its key equipment suppliers, either on an exclusive or non-exclusive basis, for terms generally ranging from one to ten years. Certain of the distribution agreements contain certain provisions that restrict or limit the sale of competitive products in the markets served. Other than the markets where such restrictions and limitations may apply, the Company may distribute other manufacturers' lines of air conditioning or heating equipment.

OTHER INFORMATION

COMPETITION

All of the Company's businesses operate in highly competitive environments. The Company's distribution business competes with a number of distributors and also with several air conditioning and heating equipment manufacturers which distribute a significant portion of their products through their own distribution organizations in certain markets. Competition within any given geographic market is based upon product availability, customer service, price and quality. Competitive pressures or other factors could cause the Company's products or services to lose market acceptance or result in significant price erosion, all of which would have a material adverse effect on the Company's profitability.

EMPLOYEES

The Company employed over 2,900 persons as of February 26, 1999. The Company believes that its relations with these employees are good.

SEASONALITY

Sales of residential central air conditioners, heating equipment and parts and supplies manufactured and distributed by the Company have historically been seasonal. Demand related to the residential central air conditioning replacement market is highest in the second and third quarters with demand for heating equipment usually highest in the fourth quarter. Demand related to the new construction sectors is fairly even during the year excepting for dependence on housing completions and related weather and economic conditions.

OTHER

Order backlog is not a material aspect of the Company's business and no material portion of the Company's business is subject to government contracts.

DISCONTINUED OPERATIONS

The Company has historically operated two other businesses distinct from its distribution operations: Watsco Components, Inc. ("Components"), a manufacturing operation and Dunhill Staffing Systems, Inc. ("Dunhill"), a personnel services business. In November 1997, the Company's Board of Directors approved a plan for the divestment of Components and Dunhill and in May 1998, the Company sold substantially all the operating assets of Components to ICP. See Notes to Consolidated Financial Statements included in the Company's 1998 Annual Report for further information.

ITEM 2. PROPERTIES

The Company operates 323 locations in the U.S. having approximately 5.9 million square feet of space, of which approximately 5.3 million square feet is leased. The Company believes that its facilities are well maintained and adequate to meet its needs.

ITEM 3. LEGAL PROCEEDINGS

The Company is from time to time involved in routine litigation. Based on the advice of legal counsel, the Company believes that such actions presently pending will not have a material adverse impact on the Company's consolidated financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the fourth quarter of the year ended December 31, 1998.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Page 31 of the Company's 1998 Annual Report contains "Information on Common Stock", which identifies the market on which the Registrant's common stocks are being traded and contains the high and low sales prices and dividend information for the years ended December 31, 1998, 1997 and 1996 and is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

Page 9 of the Company's 1998 Annual Report contains "Selected Consolidated Financial Data" and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Pages 10 through 14 of the Company's 1998 Annual Report contain "Management's Discussion and Analysis of Financial Condition and Results of Operations" and is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Pages 12 through 13 of the Company's 1998 Annual Report contain "Quantitative and Qualitative Disclosures About Market Risk" and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Pages 15 through 31 of the Company's 1998 Annual Report contain the 1998 and 1997 Consolidated Balance Sheets and other financial statements for the years ended December 31, 1998, 1997 and 1996, together with the report thereon of Arthur Andersen LLP dated February 6, 1999, and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

This part of Form 10-K, which includes Items 10 through 13, is omitted because the Registrant will file definitive proxy material pursuant to Regulation 14A not more than 120 days after the close of the Registrant's year end, which proxy material will include the information required by Items 10 through 13 and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

		PAGE NO. IN ANNUAL REPORT
(a)	Financial Statements, Financial Statement Schedules and Exhibits	
(1)	Financial Statements (incorporated by reference from the 1998 Annual Report of Watsco, Inc.):	
	Consolidated Statements of Income for the years ended December 31, 1998, 1997 and 1996	15
	Consolidated Balance Sheets as of December 31, 1998 and 1997	16
	Consolidated Statements of Shareholders' Equity for the years ended December 31, 1998, 1997 and 1996	17
	Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1997 and 1996	18
	Notes to Consolidated Financial Statements	19 - 28
	Report of Independent Certified Public Accountants	29
	Quarterly Financial Data (Unaudited)	30

		PAGE NO. IN FORM 10-K
(2)	Financial Statement Schedule: For the three years ended December 31, 1998:	
	Report of Independent Certified Public Accountants on Schedule	S-1
	Schedule II. Valuation and Qualifying Accounts	S-2

All other schedules have been omitted since the required information is not present, or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Financial Statements or notes thereto.

(3) Exhibits: The following list of exhibits includes exhibits submitted with this Form 10-K as filed with the SEC and those incorporated by reference to other filings.

3.1 Company's Amended and Restated Articles of Incorporation (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1995 and incorporated herein by reference).

3.2 Company's Amended Bylaws (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1985 and incorporated herein by reference).

4.1 Specimen form of Class B Common Stock Certificate (filed as Exhibit 4.6 to the Company's Registration Statement on Form S-1 (No. 33-56646) and incorporated herein by reference).

4.2 Specimen form of Common Stock Certificate (filed as Exhibit 4.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994 and incorporated herein by reference).

10.1 Amended and Restated Revolving Credit and Reimbursement Agreement dated August 8, 1997 by and among Watsco, Inc., NationsBank, N.A. (Agent) and Barnett Bank, N.A., First Union National Bank, SunTrust Bank (Co-Agents), and the Lenders Party Hereto from Time to Time (filed as Exhibit 10.18 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1997 and incorporated herein by reference).

10.2 1983 Executive Stock Option Plan of Watsco, Inc. (filed as Exhibit 10.3 to the Company's Registration Statement on Form S-8 (Registration No. 33-6229) and incorporated herein by reference).

10.3 Key Executive Deferred Compensation Agreement dated January 31, 1983, between Watsco, Inc. and Albert H. Nahmad (filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (No. 33-56646) and incorporated herein by reference).

10.4 Watsco, Inc. Amended and Restated 1991 Stock Option Plan (filed as Exhibit 10.23 to the Company's Quarterly Report on Form 10-Q dated June 30, 1993 and incorporated herein by reference).

10.5 Watsco, Inc. Amended and Restated Profit Sharing Retirement Plan & Trust Agreement dated October 21, 1994 (filed as Exhibit 10.25 to the Company's Annual Report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference).

10.6 Employment Agreement and Incentive Plan dated January 31, 1996 by and between Watsco, Inc. and Albert H. Nahmad (filed as Exhibit 10.20 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1996 and incorporated herein by reference).

10.7 Watsco, Inc. 1996 Qualified Employee Stock Purchase Plan (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-8 (333-10363) and incorporated herein by reference).

10.8 Amendment Agreement No. 1 to Amended and Restated Revolving Credit and Reimbursement Agreement dated February 20, 1998 by and among Watsco, Inc., the Lenders hereto and NationsBank National Association (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 and incorporated herein by reference).

10.9 Exhibit A-1 to Employment Agreement and Incentive Plan dated January 31, 1996 by and between Watsco, Inc. and Albert H. Nahmad (filed as Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1998 and incorporated herein by reference).

13. 1998 Annual Report to Shareholders (with the exception of the information incorporated by reference into Items 1, 5, 6, 7 and 8 of this Form 10-K, the 1998 Annual Report to Shareholders is provided solely for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this Form 10-K). #

21. Subsidiaries of the Registrant. #

23. Consent of Independent Certified Public Accountants. #

27. Financial Data Schedule. #

Note to exhibits:

Submitted electronically herewith.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Registrant during the fourth quarter of 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WATSCO, INC.

March 30, 1999 By: /S/ ALBERT H. NAHMAD

Albert H. Nahmad, President

March 30, 1999 By: /S/ BARRY S. LOGAN

Barry S. Logan, Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/S/ ALBERT H. NAHMAD Albert H. Nahmad	Chairman of the Board and President (principal executive officer)	March 30, 1999
/S/ BARRY S. LOGAN Barry S. Logan	Vice President and Secretary (principal accounting officer)	March 30, 1999
/S/ CESAR L. ALVAREZ Cesar L. Alvarez	Director	March 30, 1999
/S/ DAVID B. FLEEMAN David B. Fleeman	Director	March 30, 1999
/S/ J. IRA HARRIS J. Ira Harris	Director	March 30, 1999
/S/ PAUL F. MANLEY Paul F. Manley	Director	March 30, 1999
/S/ BOB L. MOSS Bob L. Moss	Director	March 30, 1999
/S/ ROBERTO MOTTA Roberto Motta	Director	March 30, 1999
/S/ ROBERT J. NOVELLO Robert J. Novello	Director	March 30, 1999
/S/ ALAN H. POTAMKIN Alan H. Potamkin	Director	March 30, 1999

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SCHEDULE

To the Board of Directors and
Shareholders of Watsco, Inc.:

We have audited in accordance with generally accepted auditing standards, the consolidated financial statements included in Watsco, Inc.'s Annual Report to Shareholders incorporated by reference in this Form 10-K, and have issued our report thereon dated February 6, 1999. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The accompanying Schedule II is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Miami, Florida,
February 6, 1999.

WATSCO, INC.
SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 1998, 1997 and 1996
(In thousands)

ALLOWANCE FOR DOUBTFUL ACCOUNTS:

BALANCE, December 31, 1995	$2,876
Allowances from acquisitions	110
Additions charged to costs and expenses	1,432
Write-offs, net	(1,559)
BALANCE, December 31, 1996	2,859
Allowances from acquisitions	3,191
Additions charged to costs and expenses	1,329
Write-offs, net	(1,827)
BALANCE, December 31, 1997	5,552
Allowances from acquisitions	377
Additions charged to costs and expenses	3,356
Write-offs, net	(2,933)
BALANCE, December 31, 1998	$6,352

EXHIBIT INDEX

EXHIBIT	DESCRIPTION
13.	1998 Annual Report to Shareholders (with the exception of the information incorporated by reference into Items 1, 5, 6, 7 and 8 of this Form 10-K, the 1998 Annual Report to Shareholders is provided solely for the information of the Securities and Exchange Commission and is not deemed "filed" as part of this Form 10-K).
21.	Subsidiaries of the Registrant.
23.	Consent of Independent Certified Public Accountants.
27.	Financial Data Schedule.

EXHIBIT 13

WATSCO, INC. AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA

YEARS ENDED DECEMBER 31, (IN THOUSANDS, EXCEPT PER SHARE DATA)	1998	1997	1996	1995	1994
OPERATIONS					
Revenue	$1,008,844	$635,218	$365,356	$276,188	$229,835
Income from continuing operations	25,704	18,308	11,019	5,627	3,695
SHARE DATA (1)					
Diluted earnings per share from continuing operations	$0.90	$0.68	$0.52	$0.36	$0.25
Cash dividends declared per share:					
Common Stock	$0.10	$0.09	$0.09	$0.09	$0.07
Class B Common Stock	0.10	0.09	0.09	0.09	0.07
Common stock outstanding	28,032	26,144	21,048	14,135	13,839
BALANCE SHEET INFORMATION					
Total assets	$532,018	$426,040	$197,197	$141,183	$115,991
Long-term obligations	172,301	137,241	50,355	5,419	5,749
Shareholders' equity	274,568	225,598	119,929	53,756	46,816

(1) SHARE DATA INCLUDES THE EFFECTS OF THREE-FOR-TWO SPLITS EFFECTED ON AUGUST 14, 1998, JUNE 14, 1996 AND MAY 15, 1995.

WATSCO, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Watsco, Inc. ("Watsco") and its subsidiaries (the "Company") is the largest distributor of air conditioning, heating and refrigeration equipment and related parts and supplies in the United States. The Company operates from 323 locations in 29 states.

The following table presents the Company's consolidated financial results from continuing operations for the three years ended December 31, 1998, 1997 and 1996, expressed as a percentage of total revenue:

	1998	1997	1996
Total revenue	100.0%	100.0%	100.0%
Cost of sales	77.3	77.5	78.3
Gross profit	22.7	22.5	21.7
Selling, general and administrative expenses	17.6	17.3	15.9
Operating income	5.1	5.2	5.8
Investment income, net	-	0.2	0.1
Interest expense	(1.1)	(0.7)	(1.0)
Income taxes	(1.5)	(1.8)	(1.9)
Income from continuing operations	2.5%	2.9%	3.0%

The following narratives include the results of operations of wholesale distributors of air conditioning and heating equipment and related parts and supplies acquired during 1998, 1997 and 1996. The acquisitions were accounted for under the purchase method of accounting and, accordingly, their results of operations have been included in the consolidated results of the Company beginning on their respective dates of acquisition. Data presented in the following narratives referring to "same store basis" excludes the effects of operations acquired or locations opened during the prior twelve months.

COMPARISON OF YEAR ENDED DECEMBER 31, 1998
WITH YEAR ENDED DECEMBER 31, 1997

Revenue in 1998 increased $373.6 million, or 59%, over 1997. On a same store basis, revenue increased $73.3 million, or 12%. Such increase was primarily due to additional sales generated from expanded product lines of HVAC equipment, parts, and supplies in existing locations, market share gains and favorable industry conditions.

Gross profit in 1998 increased $86.4 million, or 60%, over 1997 primarily as a result of the aforementioned revenue increases. On a same store basis, gross profit increased $15.4 million, or 11%. Gross profit margin increased to 22.7% in 1998 from 22.5% in 1997. On a same store basis, gross profit margin decreased to 22.4% in 1998 from 22.5%.

Selling, general and administrative expenses in 1998 increased $67.5 million, or 61%, over 1997. On a same store basis, selling, general and administrative expenses increased $10.1 million, or 9%, primarily due to the aforementioned revenue increases. Selling, general and administrative expenses as a percent of revenue increased to 17.6% in 1998 from 17.3% in 1997 primarily due to the higher cost structures of acquired companies and start-up costs related to the opening of new distribution locations. On a same store basis, selling, general and administrative expenses as a percent of revenue decreased to 16.9% in 1998 from 17.3% in 1997.

Interest expense in 1998 increased $6.4 million, or 136%, from 1997 primarily due to higher average borrowings from completed business acquisitions.

The effective tax rate decreased to 37.0% in 1998 compared to 38.5% in 1997. The decrease was primarily due to the implementation of certain tax planning strategies.

COMPARISON OF YEAR ENDED DECEMBER 31, 1997
WITH YEAR ENDED DECEMBER 31, 1996

Revenue in 1997 increased $269.9 million, or 74%, over 1996. On a same store basis, revenue increased $24.3 million, or 7%. Such increase was primarily due to additional sales generated from market share gains and increased sales generated by expanded product lines of parts and supplies.

Gross profit in 1997 increased $63.5 million, or 80%, over 1996 primarily as a result of the aforementioned revenue increases. On a same store basis, gross profit increased $7.8 million, or 10%. Gross profit margin increased to 22.5% in 1997 from 21.7% in 1996. On a same store basis, gross profit margin increased to 22.4% in 1997 from 21.7% in 1996. Such increase was primarily due to improved pricing disciplines and the contribution from new national vendor programs.

Selling, general and administrative expenses in 1997 increased $51.5 million, or 88%, over 1996. On a same store basis, selling, general and administrative expenses increased $6.9 million, or 12%, primarily due to increased revenue and the higher costs related to new branches and the expansion of existing branches. Selling, general and administrative expenses as a percent of revenue increased to 17.3% in 1997 from 15.9% in 1996, primarily due to the higher cost structures of acquired companies and start-up costs related to the opening of new distribution locations. On a same store basis, selling, general and administrative expenses as a percent of revenue increased to 16.8% in 1997 from 15.9% in 1996, primarily due to the expansion of existing locations and the comparatively higher cost structure of new distribution branches.

Interest expense in 1997 increased $1.2 million, or 34%, from 1996 primarily due to higher average borrowings. On a same store basis, interest expense decreased $3.0 million, or 86%, primarily due to a reduction in average outstanding borrowings following the sale of the Company's Common Stock in February 1997.

Minority interest expense in 1997 decreased $.1 million compared to the same period in 1996. This decrease was due to the Company's acquisition of the minority interests in three of its distribution subsidiaries in March 1996. Following the acquisition, all of the Company's subsidiaries were wholly-owned.

The effective tax rate increased to 38.5% in 1997 compared to 38.2% in 1996. The increase was primarily due to a lower benefit derived from tax exempt investments in 1997 as compared to 1996.

DISCONTINUED OPERATIONS

In November 1997, the Company's Board of Directors approved a plan to divest of its manufacturing operation, Watsco Components, Inc., and its personnel service business, Dunhill Staffing Systems, Inc. In May 1998, the Company sold the operating assets of Components at a loss of $1.0 million, net of income taxes of $.6 million. Income from discontinued operations, net of income taxes, increased $.4 million in 1998 as compared to 1997. Income from discontinued operations, net of income taxes, decreased $1.9 million or 98%, in 1997 as compared to 1996, primarily due to lower shipments in the manufacturing operation.

LIQUIDITY AND CAPITAL RESOURCES

The Company maintains a bank-syndicated revolving credit agreement that provides for borrowings of up to $260 million, expiring on August 8, 2002. Borrowings under the unsecured agreement are used to fund seasonal working capital needs and for other general corporate purposes, including acquisitions. Borrowings under the agreement, which totaled $168.0 million at December 31, 1998, bear interest at primarily London Interbank Offered Rate ("LIBOR") based rates plus a spread that is dependent upon the Company's financial performance (LIBOR plus .7% at December 31, 1998). The agreement contains financial covenants with respect to the Company's consolidated net worth, interest and debt coverage ratios and limits capital expenditures and dividends in addition to other restrictions.

At December 31, 1998, the Company had various interest rate swap agreements with an aggregate notional amount of $100 million to manage its net exposure to interest rate changes related to a portion of the borrowings under the revolving credit agreement. The interest rate swap agreements effectively convert a portion of the Company's LIBOR-based variable rate borrowings into fixed rate borrowings. The Company continuously monitors developments in the capital markets and only enters into swap transactions with established counterparties having investment grade ratings. See Note 10 in the Notes to Consolidated Financial Statements for further information.

Working capital increased to $289.7 million at December 31, 1998 from $257.8 million at December 31, 1997. This increase was funded primarily by borrowings under the Company's revolving credit agreement.

Net cash provided by operating activities was $8.0 million in 1998 compared to net cash used in operating activities of $18.1 million in 1997, an increase of $26.1 million primarily due to decreased use of cash for operating assets and liabilities and an increase in income from continuing operations in 1998. Net cash used in operating activities increased from $12.0 million in 1996 to $18.1 million in 1997 primarily resulting from an increased use of cash for operating assets and liabilities to support the expansion of locations and product lines offset by an increase in income from continuing operations.

Net cash used in investing activities decreased to $33.7 million in 1998 from $126.7 million in 1997 primarily due to the Company's acquisition of 25 locations during 1998 compared to 147 locations during 1997. Net cash used in investing activities increased to $126.7 million in 1997 from $15.8 million in 1996, primarily due to the Company's acquisition of 147 locations in 1997 as compared to 25 locations in 1996.

Net cash provided by financing activities of $27.8 million in 1998 resulted primarily from net borrowings under the revolving credit agreement. In 1997, net cash provided by financing activities of $153.1 million resulted primarily from proceeds of $87.0 million received from the sale of shares of the Company's common stock and net borrowings under the revolving credit agreement of $86.7 million. Net cash provided by financing activities of $31.0 million in 1996 resulted primarily from proceeds of the sale of shares of the Company's common stock.

In January 1999, the Company completed two acquisitions of wholesale distributors of air conditioning and heating products. The acquisitions were made either in the form of the purchase of the outstanding common stock or the purchase of the net assets and business of the respective sellers. Aggregate consideration for these acquisitions consisted of cash payments of $16.1 million, including the repayment of debt totaling $4.6 million and the issuance of 507,224 shares of Common Stock having a fair value of $6.4 million and is subject to adjustment upon the completion of audits of the assets purchased and the liabilities assumed. The acquisitions have been accounted for under the purchase method of accounting.

The Company has adequate availability of capital from operations and its revolving credit agreement to fund present operations and anticipated growth, including expansion in its current and targeted market areas. The Company continually evaluates potential acquisitions and has held discussions with a number of acquisition candidates; however, the Company currently has no binding agreement with respect to any acquisition candidates. Should suitable acquisition opportunities or working capital needs arise that would require additional financing, the Company believes that its financial position and earnings history provide a solid base for obtaining additional financing resources at competitive rates and terms.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposure consists of interest rate risk. The Company's objective in managing the exposure to interest rate changes is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Company uses interest rate swaps to manage net exposure to interest rate changes to its borrowings. These swaps are entered into with a group of financial institutions with investment grade credit ratings, thereby minimizing the risk of credit loss. All items described are non-trading. See Note 10, "Financial Instruments," in the Notes to Consolidated Financial Statements for further information.

The table below provides information about the Company's market sensitive financial instruments and constitutes a "forward-looking statement." The average interest rates on the variable rate debt and the average receive rate on the interest rate swaps were derived from implied forward three month-LIBOR curves.

	EXPECTED MATURITY DATE			
	1999	2000	2001	2002
Variable Rate Debt	-	-	-	$168.0 million
Average Interest Rates	5.78%	6.03%	6.18%	6.24%
Interest Rate Swaps	-	-	-	$100.0 million*
Average pay rate	6.33%	6.33%	6.33%	6.33%
Average receive rate	5.18%	5.43%	5.58%	5.64%

* Interest rate swap maturities range from 2002-2007.

NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is effective for fiscal years beginning after June 15, 1999. SFAS No. 133 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. SFAS No. 133 also requires that changes in derivatives' fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The impact of SFAS No. 133 on the Company's consolidated financial statements will depend on a variety of factors, including future interpretive guidance from the FASB, the extent of the Company's hedging activities, the type of hedging instruments used and the effectiveness of such instruments. The Company has not quantified the impact of adopting SFAS No. 133.

YEAR 2000

Many computer systems in use in the world today may be unable to correctly process data or may not operate at all after December 31, 1999 because those systems recognize the year within a date only by the last two digits. Some computer programs may interpret the year "00" as 1900, instead of as 2000, causing errors in calculations, or the value "00" may be considered invalid by the computer program causing the system to fail. The Year 2000 issue affects: (1) information technology utilized by the Company, (2) other systems utilized by the Company, such as communications, facilities management and service equipment containing embedded computer chips and (3) systems of key business partners (primarily the Company's customers and suppliers).

Watsco and its subsidiaries could be adversely affected if Year 2000 issues are not resolved by Watsco or its significant business partners before the Year 2000. Possible adverse consequences include, but are not limited to: (1) the inability to obtain products or services used in the business operations, (2) the inability to transact business with key customers or suppliers, or (3) the inability to deliver goods or services sold to customers.

The Company's activities to manage the Year 2000 issue at each of its operating subsidiaries have included (a) identification of systems that are non-compliant, (b) formulation of strategies to remedy the problems, (c) execution of changes necessary through purchasing new or modifying existing systems and (d) tests of the changes. The identification and formulation stages have been substantially completed by the Company and its subsidiaries.

Computer systems are being purchased, upgraded or corrected to make them Year 2000 compliant. Management expects that by the end of 1999, all critical systems that are not currently Year 2000 will be corrected or replaced.

The Company has begun the testing of several systems that are believed to be Year 2000 compliant. Significant levels of testing will continue throughout 1999. In addition, the Company has contacted a large number of its business partners to obtain information regarding their progress on Year 2000 issues. While such entities have not fully completed their own Year 2000 projects, the Company is not aware of any significant business partners whose Year 2000 issues will not be resolved in a timely manner. However, there can be no assurance that significant Year 2000 related problems will not ultimately arise with such business partners.

Based on the Company's assessment to date, management estimates the implementation costs related to the identification, remediation and testing of the Year 2000 issue to be approximately $1.3 million, of which $.5 million has been expended through December 31, 1998. However, this estimate could change as the Company's activities to address the Year 2000 issue progresses.

The Company believes that effective contingency plans can be developed given that the Company is not reliant on a single enterprise-wide computer system. The Company presently operates through a diverse group of 14 operating subsidiaries that maintain independently managed computer systems, substantially all of which have been purchased from and are supported by third parties. The Company's contingency planning includes the identification of back-up systems among the Company's operating subsidiaries in the event one or more operating systems fail to operate following the Year 2000. The Company will continue to evaluate contingency plans during 1999 to mitigate business risks in the event remediation efforts are unsuccessful. Such plans will become more fully developed in 1999 to address specific risks should they arise.

While management believes that it has undertaken reasonable steps to address the Year 2000 issue, there can be no assurance that a failure to convert the Company's systems or the inability of its key business partners to adequately address the Year 2000 issue would not have a material adverse impact on the Company.

SAFE HARBOR STATEMENT

This annual report contains statements which, to the extent they are not historical fact, constitute "forward-looking statements" under the securities laws. All forward looking statements involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from those contemplated or projected, forecasted, estimated, budgeted, expressed or implied by or in such forward looking statements. The forward looking statements in this document are intended to be subject to the safe harbor protection provided under the securities laws.

For additional information identifying some other important factors which may affect the Company's operations and markets and could cause actual results to vary materially from those anticipated in the forward looking statements, see the Company's Securities and Exchange Commission filings, including but not limited to, the discussion included in the Business section of the Company's Form 10-K under the heading "Other Information".

WATSCO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, (IN THOUSANDS, EXCEPT PER SHARE DATA)	1998	1997	1996
Revenue	$1,008,844	$635,218	$365,356
Cost of sales	779,525	492,252	285,939
Gross profit	229,319	142,966	79,417
Selling, general and administrative expenses	177,473	109,932	58,396
Operating income	51,846	33,034	21,021
Other income (expense):			
Investment income, net	62	1,432	517
Interest expense	(11,107)	(4,698)	(3,513)
Total other income (expense)	(11,045)	(3,266)	(2,996)
Income from continuing operations before income taxes and minority interests	40,801	29,768	18,025
Income taxes	(15,097)	(11,460)	(6,890)
Minority interests	-	-	(116)
Income from continuing operations	25,704	18,308	11,019
Discontinued operations, net of income taxes:			
Income from operations	468	49	1,973
Loss on sale	(981)	-	-
Net income	$25,191	$18,357	$12,992
Basic earnings per share:			
Income from continuing operations	$0.95	$ 0.73	$0.57
Discontinued operations, net of income taxes:			
Income from operations	0.02	-	0.10
Loss on sale	(0.04)	-	-
Net income	$0.93	$ 0.73	$0.67
Diluted earnings per share:			
Income from continuing operations	$0.90	$ 0.68	$0.52
Discontinued operations, net of income taxes:			
Income from operations	0.02	-	0.09
Loss on sale	(0.03)	-	-
Net income	$0.89	$0.68	$0.61

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

WATSCO, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

DECEMBER 31, (IN THOUSANDS, EXCEPT SHARE DATA)	1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,689	$ 7,880
Accounts receivable, net	137,745	101,727
Inventories	202,592	173,319
Other current assets	11,984	9,263
Net assets of discontinued operations	11,966	25,892
Total current assets	370,976	318,081
Property, plant and equipment, net	30,496	21,870
Intangible assets, net	106,309	77,388
Other assets	24,237	8,701
	$532,018	$426,040
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	$ 1,007	$ 958
Accounts payable	60,742	43,802
Accrued liabilities	19,488	15,562
Total current liabilities	81,237	60,322
Long-term obligations:		
Borrowings under revolving credit agreement	168,000	134,700
Bank and other debt	4,301	2,541
Total long-term obligations	172,301	137,241
Deferred income taxes and credits	3,912	2,879
Commitments and contingencies (Notes 10 and 11)		
Shareholders' equity:		
Common Stock, $.50 par value, 24,839,735 and 22,894,241 shares issued and outstanding in 1998 and 1997, respectively	12,420	11,447
Class B Common Stock, $.50 par value, 3,192,579 and 3,249,681 shares issued and outstanding in 1998 and 1997, respectively	1,596	1,625
Paid-in capital	189,225	159,638
Unearned compensation related to outstanding restricted stock	(5,051)	(3,836)
Unrealized loss on investments, net of tax	(2,962)	-
Retained earnings	79,340	56,724
Total shareholders' equity	274,568	225,598
	$532,018	$426,040

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE BALANCE SHEETS.

WATSCO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(IN THOUSANDS, EXCEPT SHARE DATA)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	PAID-IN CAPITAL	OUTSTANDING RESTRICTED STOCK	UNREALIZED LOSS ON INVESTMENTS	RETAINED EARNINGS	TOTAL
BALANCE AT DECEMBER 31, 1995	14,134,988	$7,068	$17,040			$29,648	$53,756
Net income						12,992	12,992
Conversion of debentures	504,373	252	1,255				1,507
Issuance from public offering	3,532,500	1,766	30,346				32,112
Contribution to 401(k) plan	17,060	9	279				288
Issuances from exercise of stock options and employee stock purchase plan	638,775	319	2,802				3,121
Tax benefit from exercise of stock options			1,296				1,296
Issuances for acquisitions	2,220,061	1,110	15,603				16,713
Common stock dividends, $0.09 per share						(1,726)	(1,726)
Dividends on 6.5% preferred stock of subsidiary						(130)	(130)
BALANCE AT DECEMBER 31, 1996	21,047,757	10,524	68,621			40,784	119,929
Net income						18,357	18,357
Issuance from public offering	4,500,000	2,250	82,915				85,165
Contribution to 401(k) plan	25,469	13	428				441
Issuances from exercise of stock options and employee stock purchase plan	218,215	109	1,702				1,811
Tax benefit from exercise of stock options			713				713
Issuances for acquisitions	112,481	56	1,371				1,427
Issuances of restricted shares of common stock	240,000	120	3,888	(4,008)			
Amortization of unearned compensation				172			172
Common stock dividends, $0.09 per share						(2,292)	(2,292)
Dividends on 6.5% preferred stock of subsidiary						(125)	(125)
BALANCE AT DECEMBER 31, 1997	26,143,922	13,072	159,638	(3,836)		56,724	225,598
Net income						25,191	25,191
Changes in value of available-for-sale securities, net of income taxes					(2,962)		(2,962)
Comprehensive income							22,229
Contribution to 401(k) plan	42,805	21	749				770
Issuances from exercise of stock options and employee stock purchase plan	369,796	185	3,179				3,364
Tax benefit from exercise of stock options			999				999
Issuances for acquisitions	1,397,041	699	23,232				23,931
Issuances of restricted shares of common stock	127,500	63	2,188	(2,251)			
Forfeitures of restricted shares of Common Stock	(48,750)	(24)	(760)	784			
Amortization of unearned compensation				252			252
Common stock dividends, $0.10 per share						(2,575)	(2,575)
BALANCE AT DECEMBER 31, 1998	28,032,314	$14,016	$189,225	$(5,051)	$(2,962)	$79,340	$274,568

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

WATSCO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, (IN THOUSANDS)	1998	1997	1996
Cash flows from operating activities:			
Income from continuing operations	$ 25,704	$ 18,308	$ 11,019
Adjustments to reconcile income from continuing operations to net cash provided by (used in) operating activities of continuing operations:			
Depreciation and amortization	8,441	4,799	2,544
Provision for doubtful accounts	3,356	1,329	1,432
Net investment losses (gains)	330	(1,294)	(35)
Deferred income tax provision	(262)	(740)	(371)
Noncash stock contribution to 401(k) plan	770	441	288
Minority interests, net of dividends paid	-	-	116
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(21,228)	(9,523)	(8,471)
Inventories	(12,285)	(30,402)	(15,323)
Accounts payable and accrued liabilities	4,417	1,820	(2,520)
Other, net	(1,271)	(2,813)	(669)
Net cash provided by (used in) operating activities of continuing operations	7,972	(18,075)	(11,990)
Cash flows from investing activities:			
Business acquisitions, net of cash acquired	(22,615)	(119,450)	(14,886)
Capital expenditures, net	(9,664)	(6,644)	(964)
Net proceeds from sales of marketable securities	-	2,135	58
Net purchases of marketable securities	(1,007)	-	-
Other investment	(403)	(2,750)	-
Net cash used in investing activities of continuing operations	(33,689)	(126,709)	(15,792)
Cash flows from financing activities:			
Net borrowings under revolving credit agreements	33,300	86,700	7,815
Repayments of bank and other debt	(6,327)	(13,733)	(5,686)
Repayments of short-term promissory notes	-	-	(4,471)
Net proceeds from issuances of common stock	3,364	86,976	35,233
Payments to redeem preferred stock of subsidiaries	-	(4,413)	-
Common stock dividends	(2,575)	(2,292)	(1,726)
Subsidiary preferred stock dividends	-	(125)	(130)
Net cash provided by financing activities of continuing operations	27,762	153,113	31,035
Net cash used in discontinued operations	(3,236)	(3,331)	(1,767)
Net increase (decrease) in cash and cash equivalents	(1,191)	4,998	1,486
Cash and cash equivalents at beginning of year	7,880	2,882	1,396
Cash and cash equivalents at end of year	$ 6,689	$ 7,880	$ 2,882

THE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Watsco, Inc. ("Watsco") and its subsidiaries (the "Company") is the largest distributor of air conditioning, heating and refrigeration equipment and related parts and supplies in the United States. The Company operates from 323 locations in 29 states.

Basis of Consolidation

The consolidated financial statements include the accounts of Watsco and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition

The Company recognizes revenue upon shipment of products.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventories

The Company's inventories are stated at the lower of cost (first-in, first-out method) or market.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation of property, plant and equipment is provided on the straight-line method. Buildings and improvements are being depreciated over estimated useful lives ranging from 2-40 years. Estimated useful lives for other depreciable assets range from 3-12 years.

Intangible Assets

Intangible assets, net of accumulated amortization of $5,948 and $3,463 at December 31, 1998 and 1997, respectively, consists of goodwill arising from the excess of the cost of acquired businesses over the fair value of their net assets. Goodwill is amortized on a straight-line basis over 40 years. The Company periodically reviews goodwill based on expectations of undiscounted cash flows and operating income to assess whether recorded amounts are fully recoverable. Amortization expense related to goodwill amounted to $2,530, $1,247 and $564 in 1998, 1997 and 1996, respectively.

Investment Securities

Investments in marketable equity securities of $13,165 and $1,012 at December 31, 1998 and 1997, respectively, are included in other assets and are classified as available-for-sale and are recorded at fair value with unrealized gains and losses included as a separate component of shareholders' equity, net of applicable income taxes. At December 31, 1998, the difference between cost and market was $4,702, net of income taxes of $1,740.

Income Taxes

Deferred tax assets and liabilities reflect the temporary differences between the financial statement and income tax bases of assets and liabilities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stock-Based Compensation

As described in Note 7, the Company has elected to follow the accounting provisions of Accounting Principles Board ("APB") Opinion No. 25 for stock-based compensation and to furnish the pro forma disclosures required under Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation".

Earnings Per Share

In February 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 128, "Earnings Per Share". SFAS No. 128 replaces the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Basic earnings per share is computed by dividing net income, less subsidiary preferred stock dividends, by the total of the weighted average number of shares outstanding. Subsidiary preferred stock dividends were $125 and $130 for 1997 and 1996, respectively. Diluted earnings per share additionally assumes, if dilutive, conversion of the Company's convertible subordinated debentures which matured in September 1996, and any added dilution from common stock equivalents. Interest expense attributable to assumed conversion of convertible debentures was $70 in 1996. Accordingly, all earnings per share data presented have been restated to conform with SFAS No. 128.

Shares used to calculate earnings per share (restated in 1997 and 1996 to reflect a three-for-two stock split effected on August 14, 1998, see Note 9) are as follows:

YEARS ENDED DECEMBER 31,	1998	1997	1996
Weighted average shares outstanding	27,147,622	25,198,043	19,292,184
Dilutive stock options and warrants	1,542,842	1,582,147	1,645,109
Assumed conversion of debentures	-	-	350,227
Shares for diluted earnings per share	28,690,464	26,780,190	21,287,520
Options outstanding which are not included in the calcuation of diluted earnings per share because their impact is antidilutive	284,625	144,000	102,000

Comprehensive Income

In 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes rules for the reporting and display of comprehensive income and its components in the financial statements. Comprehensive income consists of net income and changes in the value of available-for-sale securities at December 31, 1998 and is presented in the consolidated statements of shareholders' equity. Comprehensive income equals net income at December 31, 1997 and 1996.

New Accounting Pronouncements

In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants ("AcSEC") issued Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 establishes criteria for determining which costs of developing or obtaining internal-use computer software should be charged to expense and which should be capitalized. The Company will adopt SOP 98-1 prospectively effective January 1, 1999. In April 1998, the AcSEC issued SOP 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 establishes standards for the reporting and disclosure of start-up costs, including organization costs. The Company will adopt SOP 98-5 on January 1, 1999. The Company believes that the adoption of these statements will not have a material effect on the Company's consolidated financial position or results of operations.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is effective for fiscal years beginning after June 15, 1999. SFAS No. 133 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. SFAS No. 133 also requires that changes in derivatives' fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The impact of SFAS No. 133 on the Company's consolidated financial statements will depend on a variety of factors, including future interpretive guidance from the FASB, the extent of the Company's hedging activities, the type of hedging instruments used and the effectiveness of such instruments. The Company has not quantified the impact of adopting SFAS No. 133.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes standards for reporting information about a company's operating segments and related disclosures about its products, services, geographic areas of operations and major customers. The Company adopted SFAS No. 131 effective December 31, 1998. Management operates the business of the Company as a single segment. As a result, no additional disclosure was required.

2. INVENTORIES

Inventories primarily consist of air conditioning and heating equipment and related parts and supplies. Purchases from one of the Company's suppliers comprised 17% of all purchases in 1998, while purchases from the Company's top three suppliers comprised 33% of all purchases in 1998.

3. DISCONTINUED OPERATIONS

In November 1997, the Company's Board of Directors approved a plan to dispose of its manufacturing operation, Watsco Components, Inc. ("Components"), and its personnel services business, Dunhill Staffing Systems, Inc. ("Dunhill"). In May 1998, the Company sold substantially all the operating assets of Components to International Comfort Products Corporation ("ICP") in exchange for approximately $16,649 of ICP's common stock. The results of Components and Dunhill have been accounted for as discontinued operations and the accompanying consolidated financial statements presented herein have been restated to report separately the net assets, net cash flows and operating results of these discontinued operations.

Unaudited summarized results for the discontinued operations are as follows:

YEARS ENDED DECEMBER 31,	1998	1997	1996
Revenue	$62,282	$67,231	$60,033
Income before income taxes	$ 742	$ 80	$ 3,193
Income taxes	(274)	(31)	(1,220)
Net income	$ 468	$ 49	$ 1,973

Income before income taxes includes allocated interest expense of $472, $429 and $140 in 1998, 1997 and 1996, respectively. Interest expense was allocated to discontinued operations based on a ratio of net assets of discontinued operations to the total Company's consolidated net assets.

Net assets for the discontinued operations are presented below:

DECEMBER 31,	1998	1997
Accounts receivable, net	$ 7,106	$ 8,952
Inventories	-	8,761
Other current assets	1,438	2,411
Property, plant and equipment, net	1,237	7,197
Other assets	4,094	3,667
Current liabilities	(1,909)	(4,491)
Bank and other debt	-	(605)
Net assets of discontinued operations	$11,966	$25,892

4. PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment, net, consists of:

DECEMBER 31,	1998	1997
Land, buildings and improvements	$17,690	$10,569
Machinery and equipment	22,393	13,615
Furniture and fixtures	15,408	11,905
	55,491	36,089
Less: accumulated depreciation and amortization	(24,995)	(14,219)
	$30,496	$21,870

5. LONG-TERM OBLIGATIONS

Revolving Credit Agreement

The Company has a revolving credit agreement with a syndicate of banks that provides for borrowings of up to $260 million, expiring on August 8, 2002. Borrowings under the revolving credit agreement are unsecured and bear interest at primarily London Interbank Offered Rate ("LIBOR") based rates plus a spread that is dependent upon the Company's financial performance (LIBOR plus .7% at December 31, 1998). Borrowings are used to fund seasonal working capital needs and for other general corporate purposes, including acquisitions. The Company's borrowings under its revolving credit agreement at December 31, 1998 and 1997, including interest rate swaps designated as hedges, are summarized below.

	BALANCE	(A) STATED AVERAGE INTEREST RATE	INTEREST RATE SWAPS (B) PAY FIXED	(C) EFFECTIVE INTEREST RATE	SWAP MATURITIES
1998	$168,000	6.4%	$100,000	7.2%	2002-2007
1997	$134,700	6.5%	$100,000	6.9%	2002-2007

(a) The stated average interest rate represents the weighted average rate for the borrowings under revolving credit agreement based on year-end balances.
(b) Amounts represent notional values of interest rate swaps.
(c) The effective interest rate reflects the effect of interest rate swaps entered into with respect to borrowings as indicated in the "Pay Fixed" column.

The revolving credit agreement contains financial covenants with respect to the Company's consolidated net worth, interest and debt coverage ratios, and limits capital expenditures and dividends in addition to other restrictions.

Bank and Other Debt

Bank and other debt (net of current portion) of $4,301 and $2,541 at December 31, 1998 and 1997, respectively, primarily consists of promissory notes issued for acquisitions. Interest rates on bank and other debt range from 6.5% to 8.5% and mature at varying dates through 2008. Annual maturities of long-term obligations for the years subsequent to December 31, 1998 are as follows: $1,007 in 1999; $787 in 2000; $713 in 2001; $1,139 in 2002 and $139 in 2003 and $1,523 thereafter.

Total interest paid was approximately $11,424, $4,787, and $4,204, for the years ended December 31, 1998, 1997 and 1996, respectively.

6. INCOME TAXES

The income tax provision consists of :

YEARS ENDED DECEMBER 31,	1998	1997	1996
Federal	$14,571	$9,697	$5,864
State	526	1,763	1,026
	$15,097	$11,460	$6,890
Current	$15,359	$12,200	$7,261
Deferred	(262)	(740)	(371)
	$15,097	$11,460	$6,890

A reconciliation of the provision for federal income taxes from the federal statutory income tax rate to the effective income tax rate as reported is as follows:

YEARS ENDED DECEMBER 31,	1998	1997	1996
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes,			
net of federal benefit	2.0	3.8	3.5
Other, net	-	(.3)	(.3)
	37.0%	38.5%	38.2%

The following is a summary of the significant components of the Company's deferred tax assets and liabilities:

DECEMBER 31,	1998	1997
Deferred tax assets:		
Included in other current assets -		
Accounts receivable reserves	$1,419	$1,238
Capitalized inventory costs		
and inventory reserves	5,446	4,334
Other	439	203
	7,304	5,775
Deferred tax liabilities:		
Included in other noncurrent assets -		
Net operating loss carryforwards of subsidiary	601	569
Other	1,795	231
	2,396	800
Included in noncurrent liabilities -		
Depreciation and amortization	(606)	(461)
Deductible goodwill	(1,423)	(555)
Other	(1,363)	(1,336)
	(3,392)	(2,352)
Total net deferred tax assets	$6,308	$4,223

A subsidiary of the Company has available net operating loss carryforwards ("NOLs") of approximately $1,624, which are available to offset future taxable income in equal annual amounts of approximately $232 through 2005. SFAS No. 109, "Accounting for Income Taxes", requires that the tax benefit of such NOLs be recorded as an asset to the extent that management assesses the utilization of such NOLs to be more likely than not. Management has determined, based on the subsidiary's recent taxable income and expectations for the future, that taxable income of the subsidiary will be sufficient to fully utilize the available NOLs.

Total income taxes paid were approximately $16,420, $12,325, and $6,023, for the years ended December 31, 1998, 1997 and 1996, respectively.

7. STOCK OPTION AND BENEFIT PLANS

Stock Option Plans

At December 31, 1998, the Company has two stock option plans. Under the 1991 Stock Option Plan (the "1991 Plan"), options for an aggregate of 5,250,000 shares of Common Stock and Class B Common Stock may be granted. In October 1998, the Company's Board of Directors expanded the 1991 Plan to increase the number of shares available for grant from 5,250,000 shares to 6,750,000 shares, subject to approval at the 1999 meeting of shareholders. Options as to 3,460,419 shares of Common Stock and 1,773,872 shares of Class B Common Stock have been granted through December 31, 1998. The terms of the 1991 Plan require the option price per share be equivalent to the fair market value of the underlying common stock on the date of grant. Options under the 1991 Plan are for a term of ten years and are exercisable as determined by the Option Committee of the Board of Directors. The 1983 Executive Stock Option Plan (the "1983 Plan") expired in February 1993; therefore, no additional options may be granted. Options as to 77,152 shares of Common Stock are outstanding under the 1983 Plan at December 31, 1998. Options under the 1983 Plan are for a term of ten years and, generally, may be exercised in annual 20% installments beginning one year after grant. Under either plan, the Option Committee may waive the vesting period and permit options to be exercised immediately. Under the stock option plans, there were 1,515,709 shares of common stock reserved for future grants as of December 31, 1998.

A summary of option transactions is shown below:

	1998		1997		1996	
	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding on January 1,	2,954,255	$8.47	2,247,797	$5.07	2,375,991	$3.92
Granted	1,075,999	16.70	857,250	16.45	440,250	12.52
Exercised	(205,874)	5.73	(143,080)	5.43	(550,341)	3.74
Forfeited	(76,550)	19.82	(7,712)	9.79	(18,103)	7.38
Outstanding on December 31,	3,747,830	$10.75	2,954,255	$8.47	2,247,797	$5.07
Options exercisable at end of year	2,200,986	$6.97	1,822,109	$6.73	1,607,408	$4.01

The following sets forth certain information with respect to those stock options at December 31, 1998:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING AT DECEMBER 31, 1998	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	NUMBER OUTSTANDING AT DECEMBER 31, 1998	WEIGHTED-AVERAGE EXERCISE OPTIONS
$2.32 - $5.00	1,451,420	$3.85	4.2 years	1,417,453	$3.83
$5.01 - $10.00	294,659	7.15	7.0 years	273,509	7.20
$10.01-$15.00	278,250	13.82	8.1 years	59,100	13.06
$15.01-$20.00	1,642,688	16.43	8.9 years	445,112	15.86
$20.01-$23.17	80,813	22.07	9.2 years	5,812	20.11
	3,747,830	$10.75	6.9 years	2,200,986	$6.97

Employee Stock Purchase Plan

Effective July 1, 1996, the Company adopted the Watsco, Inc. Qualified Employee Stock Purchase Plan under which full-time employees with at least 90 days of service may purchase up to an aggregate of 600,000 shares of the Company's Common Stock. The plan allows participating employees to purchase, through payroll deductions or lump-sum contribution, shares of the Company's Common Stock at 85% of the fair market value at specified times subject to certain restrictions. During 1998, 1997 and 1996, respectively, employees purchased 163,123, 79,887, and 134,051 shares, respectively, of Common Stock at an average price of $14.13, $14.31, and $11.64 per share, respectively. At December 31, 1998, 222,940 shares remained available for purchase under the plan.

The Company accounts for its stock option plans and employee stock purchase plan in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations. Accordingly, no compensation cost has been recognized in the consolidated statements of income. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair market value at the grant dates for awards under the stock option plans and purchases under the employee stock purchase plan consistent with the method of SFAS No. 123, the Company's pro forma net earnings and earnings per share would be as follows:

YEARS ENDED DECEMBER 31,		1998	1997	1996
Net income	As reported	$25,191	$18,357	$12,992
	Pro forma	$22,088	$16,422	$12,564
Basic earnings per share	As reported	$0.93	$0.73	$0.67
	Pro forma	$0.81	$0.65	$0.65
Diluted earnings per share	As reported	$0.89	$0.68	$0.61
	Pro forma	$0.78	$0.61	$0.59

The Company's pro forma information above is not representative of the pro forma effect of the fair value provisions of SFAS No. 123 on the Company's net income in future years because pro forma compensation expense related to grants made prior to 1995 may not be taken into consideration.

The weighted-average fair value at date of grant for stock options granted during 1998, 1997 and 1996 was $8.19, $7.67 and $3.81, respectively, and was estimated using the Black-Scholes option valuation model with the following weighted-average assumptions:

YEARS ENDED DECEMBER 31,	1998	1997	1996
Expected life in years	6.0	6.0	6.0
Risk-free interest rate	4.8%	5.5%	6.3%
Expected volatility	43.3%	42.0%	30.0%
Dividend yield	.5%	.5%	.7%

The weighted-average fair value of shares purchased under the employee stock purchase plan was determined using the per share quoted market value of the Common Stock used in determining the purchase price to plan participants, excluding any discount.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected stock price volatility. The Company's stock-based compensation arrangements have characteristics significantly different from those of traded options, and changes in the subjective input assumptions used in valuation models can materially affect the fair value estimate. As a result, the existing models may not necessarily provide a reliable single measure of the fair value of its stock-based compensation.

Restricted Stock

During 1998 and 1997, certain employees were granted an aggregate of 127,500 and 240,000 shares, respectively, of the Company's common stock, subject to certain significant restrictions. The restrictions lapse upon attainment of retirement age or under other circumstances. During 1998, 48,750 shares were forfeited upon termination of an employee. The unearned compensation resulting from the grant of restricted shares is reported as a reduction to shareholders' equity in the consolidated balance sheets and is being amortized to earnings over the period from date of issuance to the respective retirement age of each employee. Total amortization expense related to the restricted shares amounted to $252 and $172 for the years ended December 31,1998 and 1997.

401(k) Plan

The Company has a profit sharing retirement plan for its employees which is qualified under Section 401(k) of the Internal Revenue Code. The Company makes an annual matching contribution based on a percentage of eligible employee compensation deferrals. The contribution is made in cash or by the issuance of the Company's Common Stock to the plan on behalf of its employees. For the years ended December 31, 1998, 1997 and 1996, the aggregate contribution to the plan was $790, $457 and $295 respectively.

8. ACQUISITIONS

The Company has completed various acquisitions of wholesale distributors of air conditioning, heating and refrigeration products. All acquisitions have been accounted for under the purchase method of accounting and, accordingly, their results of operations have been included in the consolidated statements of income beginning on their respective dates of acquisition.

In July 1998, the Company completed the purchase of the common stock of Kaufman Supply, Inc. ("Kaufman") for cash consideration of approximately $16.1 million (net of cash acquired) and the issuance of 894,167 shares of Common Stock having a fair value of $16.1 million.

Also during 1998, the Company completed nine other acquisitions of wholesale distributors of air conditioning and heating products for aggregate consideration of $14.3 million. The acquisitions were made either in the form of the purchase of all of the outstanding common stock or the purchase of the net assets and business of the respective sellers. Consideration for these acquisitions consisted of cash payments aggregating approximately $6.5 million and the issuance of 502,874 shares of Common Stock having a fair value of $7.8 million.

In January 1997, the Company completed the acquisition of the common stock of Coastline Distribution, Inc. and the purchase of substantially all of the operating assets of four additional operations from Inter-City Products Corporation (USA) for cash consideration of approximately $21.7 million.

In March 1997, the Company completed the purchase of substantially all of the operating assets and assumption of certain liabilities of two distribution operations from Carrier Corporation, Comfort Products Distributing and Central Plains Distributing, for cash consideration of approximately $26.3 million.

In September 1997, the Company completed the purchase of all the issued and outstanding capital stock of Baker Distributing Company for cash consideration (net of cash acquired) of approximately $59.1 million.

Also during 1997, the Company completed nine other acquisitions for aggregate consideration of approximately $13.8 million. The acquisitions were made either in the form of the purchase of the outstanding common stock or the purchase of the net assets and business of the respective sellers. Consideration consisted of cash payments of approximately $12.4 million and the issuance 112,481 shares of Common Stock having a fair value of $1.4 million.

The unaudited pro forma information of the Company as if the above acquisitions had occurred on January 1, 1997 is as follows:

YEARS ENDED DECEMBER 31,	1998	1997
Revenue	$1,070,492	$969,093
Income from continuing operations	$25,546	$22,658
Diluted earnings per share from continuing operations	$0.87	$0.78

The unaudited pro forma information is not necessarily indicative of either the results of operations that would have occurred had the above companies been acquired on January 1, 1997 for the years presented or of future results of operations.

Cash payments for the acquisitions were funded from existing cash or from borrowings under revolving credit agreements. The excess of the aggregate purchase price over the net assets acquired is being amortized on a straight-line basis over 40 years.

The preliminary purchase price allocations for business combinations for the years ended December 31 were as follows:

	1998	1997	1996
Accounts receivable, net	$ 18,146	$42,509	$ 7,882
Inventories	16,988	62,608	11,887
Property, plant and equipment, net	4,620	9,959	2,908
Intangible assets	31,522	56,457	6,643
Other assets	848	2,082	306
Minority interests	-	-	10,701
Accounts payable and accrued expenses	(17,442)	(36,641)	(5,503)
Long-term debt assumed	(8,136)	(13,684)	(3,225)
Preferred stock	-	(2,413)	-
Fair value of common stock issued	(23,931)	(1,427)	(16,713)
Cash used in acquisitions, net of cash acquired	$22,615	$119,450	$14,886

9. SHAREHOLDERS' EQUITY

The authorized capital stock of the Company is 40,000,000 shares of Common Stock and 4,000,000 shares of Class B Common Stock. Common Stock and Class B Common Stock share equally in the earnings of the Company and are identical in most other respects except (i) Common Stock has limited voting rights, each share of Common Stock being entitled to one vote on most matters and each share of Class B Common Stock being entitled to ten votes; (ii) shareholders of Common Stock are entitled to elect 25% of the Board of Directors (rounded up to the nearest whole number) and Class B shareholders are entitled to elect the balance of the Board of Directors; (iii) cash dividends may be paid on Common

Stock without paying a cash dividend on Class B Common Stock and no cash dividend may be paid on Class B Common Stock unless at least an equal cash dividend is paid on Common Stock and (iv) Class B Common Stock is convertible at any time into Common Stock on a one for one basis at the option of the shareholder.

On July 13, 1998, the Company's Board of Directors authorized a three-for-two stock split for both classes of the Company's common stock effected in the form of a 50% stock dividend payable on August 14, 1998 to shareholders of record as of July 31, 1998. Shareholders' equity has been restated to give retroactive effect to the stock split for all periods presented by reclassifying from retained earnings or paid-in capital to the common stock accounts the par value of the additional shares arising from the split. In addition, all references in the consolidated financial statements and notes thereto to number of shares, per share amounts, stock option data and market prices of both classes of the Company's common stock have been restated.

In February 1997, the Company completed the sale of 4,500,000 shares of Common Stock resulting in net proceeds of approximately $85.2 million.

10. FINANCIAL INSTRUMENTS

Recorded Financial Instruments

The Company's recorded financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, the current portion of long-term obligations, borrowings under a revolving credit agreement and debt instruments included in other long-term obligations.

At December 31, 1998 and 1997, the fair values of cash and cash equivalents, accounts receivable, accounts payable and the current portion of long-term obligations approximated their carrying values due to the short term nature of these instruments.

The fair values of borrowings under the revolving credit agreement and debt instruments included in long-term obligations also approximate their carrying value based upon interest rates available to the Company for similar instruments with consistent terms and remaining maturities.

Off-Balance Sheet Financial Instruments

The Company uses interest rate swaps to alter the interest rate risk profile related to outstanding borrowings under its revolving credit agreement, thereby altering the Company's exposure to changes in interest rates. The Company does not hold or issue such financial instruments for trading purposes. Under the swap agreements, the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to a notional principal amount. Any differences paid or received on interest rate swap agreements are recognized as adjustments to interest expense over the life of each swap, thereby adjusting the effective interest rate on the underlying obligation. The Company continuously monitors developments in the capital markets and only enters into swap transactions with established counterparties having investment grade ratings.

At December 31, 1998, the Company had interest rate swap agreements with an aggregate notional amount of $100 million effectively converting a portion of the Company's LIBOR-based variable rate borrowings into fixed rate borrowings at rates ranging from 6.3% to 6.5% and maturities ranging from four to nine years. At December 31, 1998, the Company's interest rate swap portfolio had a negative fair value of $6.0 million.

At December 31, 1998, the Company is contingently liable under standby letters of credit aggregating approximately $1.4 million that were primarily used as collateral for promissory notes issued in connection with certain acquisitions made during 1996. The Company does not expect any material losses to result from the issuance of the standby letters of credit because performance is not expected to be required. Accordingly, the estimated fair value of these instruments is zero.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash investments and accounts receivable. The Company places its temporary cash investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution or investment. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Company's customer base and their dispersion across many different geographical regions. The Company establishes and monitors an allowance for doubtful accounts based on the credit risk of specific customers, historical trends and other information. At December 31, 1998 and 1997, the allowance for doubtful accounts for continuing operations was approximately $6.4 million and $5.6 million, respectively. Although the Company believes its allowance is sufficient, the amount the Company ultimately realizes could differ materially in the near-term from the amount reported above.

11. COMMITMENTS AND CONTINGENCIES

At December 31, 1998, the Company is obligated under non-cancelable operating leases of real property and equipment used in its continuing operations for minimum annual rentals as follows: $20,092 in 1999; $17,181 in 2000; $13,768 in 2001; $11,219 in 2002; $7,778 in 2003 and $17,699 thereafter. Rental expense for continuing operations for the years ended December 31, 1998, 1997 and 1996 was $21,114, $12,102 and $6,216, respectively.

The Company is from time to time involved in routine litigation. Based on the advice of legal counsel, the Company believes that such actions presently pending will not have a material adverse impact on the Company's consolidated financial position or results of operations.

12. SUBSEQUENT EVENTS

In January 1999, the Company completed two acquisitions of wholesale distributors of air conditioning and heating products. The acquisitions were made either in the form of the purchase of the outstanding common stock or the purchase of the net assets and business of the respective sellers. Aggregate consideration for these acquisitions consisted of cash payments of $16,087, including the repayment of debt totaling $4,577 and the issuance of 507,224 shares of Common Stock having a fair value of $6,415 and is subject to adjustment upon the completion of audits of the assets purchased and the liabilities assumed. The acquisitions will be accounted for under the purchase method of accounting.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of Watsco, Inc.:

We have audited the accompanying consolidated balance sheets of Watsco, Inc. (a Florida corporation) 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, the financial statements referred to above present fairly, in all material respects, the financial position of Watsco, Inc. and subsidiaries as of 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.

ARTHUR ANDERSEN LLP

Miami, Florida,
February 6, 1999.

WATSCO, INC. AND SUBSIDIARIES
QUARTERLY FINANCIAL DATA (UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE DATA)	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL
YEAR ENDED DECEMBER 31, 1998:					
Revenue	$172,716	$270,853	$317,028	$248,247	$1,008,844
Gross profit	40,401	59,974	71,534	57,410	229,319
Income from continuing operations	1,776	8,820	10,845	4,263	25,704
Discontinued operations, net of income taxes:					
Income (loss) from operations	149	(440)	271	488	468
Loss on sale	-	(398)	-	(583)	(981)
Net income	$1,925	$7,982	$11,116	$4,168	$25,191
Diluted earnings per share from continuing operations (1)(2)	$0.06	$0.31	$0.37	$0.15	$0.90
YEAR ENDED DECEMBER 31, 1997:					
Revenue	$96,271	$164,703	$189,462	$184,782	$635,218
Gross profit	22,057	35,810	41,575	43,524	142,966
Income from continuing operations	2,061	5,988	6,845	3,414	18,308
Discontinued operations, net of income taxes:					
Income (loss) from operations	221	376	140	(688)	49
Net income	$2,282	$6,364	$6,985	$2,726	$18,357
Diluted earnings per share from continuing operations (1)(2)	$0.08	$0.22	$0.25	$0.12	$0.68

(1) EARNINGS PER SHARE INFORMATION HAS BEEN RESTATED TO GIVE EFFECT TO THE THREE-FOR-TWO STOCK SPLIT EFFECTED ON AUGUST 14, 1998.

(2) QUARTERLY EARNINGS PER SHARE ARE CALCULATED ON AN INDIVIDUAL BASIS AND, BECAUSE OF ROUNDING AND CHANGES IN THE WEIGHTED AVERAGE SHARES OUTSTANDING DURING THE YEAR, THE SUMMATION OF EACH QUARTER MAY NOT EQUAL THE AMOUNT CALCULATED FOR THE YEAR AS A WHOLE.

WATSCO, INC. AND SUBSIDIARIES
INFORMATION ON COMMON STOCK

The Company's Common Stock is traded on the New York Stock Exchange under the symbol WSO and its Class B Common Stock is traded on the American Stock Exchange under the symbol WSOB. The following table indicates the high and low prices of the Company's Common Stock and Class B Common Stock, as reported by the New York Stock Exchange and American Stock Exchange, respectively, and dividends paid per share for each quarter during the years ended December 31, 1998, 1997 and 1996. At March 18, 1999, excluding shareholders with stock in street name, the Company had approximately 640 Common Stock shareholders of record and 310 Class B shareholders of record.

	COMMON		CLASS B		CASH DIVIDENDS	
	HIGH	LOW	HIGH	LOW	COMMON	CLASS B
YEAR ENDED DECEMBER 31, 1998:						
Fourth quarter	$19 1/8	$14 3/8	$19 1/2	$14	$.025	$.025
Third quarter	23 35/64	12 1/16	23 21/64	12 1/4	.023	.023
Second quarter	23 51/64	16 43/64	23 27/64	18	.023	.023
First quarter	20	15 53/64	19 59/64	16 1/64	.023	.023
YEAR ENDED DECEMBER 31, 1997:						
Fourth quarter	$20 21/64	$15 27/64	$19 59/64	$16	$.023	$.023
Third quarter	20 53/64	16 37/64	20 43/64	16 21/64	.023	.023
Second quarter	19 21/64	15 21/64	18 53/64	15 43/64	.023	.023
First quarter	22 5/64	15 11/64	22 1/2	16 43/64	.023	.023
YEAR ENDED DECEMBER 31, 1996:						
Fourth quarter	$19 27/64	$12 27/64	$18 3/4	$12 43/64	$.023	$.023
Third quarter	14 37/64	10 53/64	14 37/64	10 3/4	.023	.023
Second quarter	14	11 7/16	13 1/2	11 57/64	.022	.022
First quarter	11 9/16	7 1/2	11 7/32	7 21/64	.022	.022

EXHIBIT 21

REGISTRANT'S SUBSIDIARIES

The following table sets forth, at March 30, 1999, the Registrant's significant subsidiaries and other associated companies and their respective incorporation jurisdictions. The Registrant owns 100% of the voting securities of each of the subsidiaries listed below. There are no subsidiaries not listed in the table, which would, in the aggregate, be considered significant.

ACTIVE SUBSIDIARIES:	STATE OF INCORPORATION
Distribution:	
A&C Distributors, Inc. (d/b/a Comfortmaker Distribution)	Florida
A/C Equipment and Parts, Inc.	North Carolina
Air Supply, Inc.	California
Air Systems Distributors, Inc.	Florida
Baker Distributing Co.	Florida
Central Air Conditioning Distributors, Inc.	North Carolina
Central Plains Distributing, Inc.	Nebraska
Coastline Distribution, Inc.	Florida
Comfort-Aire Distributors, Inc.	Florida
Comfort Products Distributing, Inc.	Missouri
Comfort Supply, Inc.	Delaware
Gemaire Distributors, Inc.	Florida
H.B. Adams Distributors, Inc.	Florida
Heat, Inc.	New Hampshire
Heating & Cooling Supply, Inc.	California
Homans Associates, Inc.	Massachussetts
Kaufman Supply, Inc.	Delaware
NSI Supply, Inc.	Nevada
Superior Supply Company, Inc.	Kansas
Superior Supply Company of Oklahoma, Inc.	Kansas
Three States Supply Company, Inc.	Tennessee
Watsco Investments I, Inc.	Florida
Watsco Investments II, Inc.	Florida
Weathertrol Supply Company	Texas
William Wurzbach Co. Inc.	California
Discontinued Operations:	
Dunhill Personnel System of New Jersey, Inc.	New Jersey
Dunhill Staffing Systems, Inc.	Delaware
Dunhill Staffing Systems of Milwaukee, Inc.	Wisconsin
Dunhill Temporary Systems, Inc.	New York
Dunhill Temporary Systems of Indianapolis, Inc.	Indiana

EXHIBIT 23

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the incorporation of our reports included or incorporated by reference in this Form 10-K, into the Company's previously filed Registration Statements on Form S-3 (Nos. 33-7758, 33-37982, 333-00371, 333-01441 and 333-19803) and in the Registration Statements on Form S-8 (Nos. 33-6229, 33-72798 and 333-10363).

ARTHUR ANDERSEN LLP

Miami, Florida,
March 30, 1999.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE WATSCO, INC. FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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12-MOS
DEC-31-1998
DEC-31-1998
6,689
0
144,097
6,352
202,592
370,976
55,491
24,995
532,018
81,237
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1,008,844
779,525
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174,117
3,356
11,107
40,801
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25,704
(513)
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25,191
0.93
0.89