QUARTERLY REPORT UNDER SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

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

# FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

or

[ ] Transition Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period From
___ to ___

Commission file number 1-5581

I.R.S. Employer Identification Number 59-0778222

WATSCO, INC.
(a Florida Corporation)
2665 South Bayshore Drive, Suite 901
Coconut Grove, Florida 33133
Telephone: (305) 858-0828

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 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date: 16,399,001 shares of the Company's Common Stock ($.50 par value) and 2,177,275 shares of the Company's Class B Common Stock ($.50 par value) were outstanding as of August 3, 1998.

## PART I. FINANCIAL INFORMATION

WATSCO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
June 30, 1998 and December 31, 1997
(In thousands, except per share data)

| | JUNE 30, 1998 (Unaudited) | DECEMBER 31, 1997 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 6,738 | $ 7,880 |
| Accounts receivable, net | 153,546 | 101,727 |
| Inventories | 201,138 | 173,319 |
| Other current assets | 10,360 | 9,263 |
| Net assets of discontinued operations | 11,102 | 25,892 |
| Total current assets | 382,884 | 318,081 |
| Property, plant and equipment, net | 25,711 | 21,870 |
| Other assets | 27,699 | 8,701 |
| Intangible assets, net | 84,667 | 77,388 |
| | $ 520,961 | $ 426,040 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|---|---|
| Current liabilities: | | |
| Current portion of long-term obligations | $ 753 | $ 958 |
| Accounts payable | 79,012 | 43,802 |
| Accrued liabilities | 20,780 | 15,562 |
| Total current liabilities | 100,545 | 60,322 |
| Long-term obligations: | | |
| Borrowings under revolving credit agreement | 170,400 | 134,700 |
| Bank and other debt | 2,877 | 2,541 |
| | 173,277 | 137,241 |
| Deferred income taxes and credits | 3,423 | 2,879 |
| Shareholders' equity: | | |
| Common Stock, $.50 par value | 7,849 | 7,631 |
| Class B Common Stock, $.50 par value | 1,093 | 1,083 |
| Paid-in capital | 174,100 | 163,996 |
| Retained earnings | 65,407 | 56,724 |
| Unrealized gain on investments | 879 | - |
| Unearned compensation related to outstanding restricted stock | (5,612) | (3,836) |
| Total shareholders' equity | 243,716 | 225,598 |
| | $ 520,961 | $ 426,040 |

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
Quarter and Six Months Ended June 30, 1998 and 1997
(In thousands, except per share data)
(Unaudited)

| | QUARTER ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| Revenue | $270,853 | $164,703 | $443,569 | $260,974 |
| Cost of sales | 210,879 | 128,893 | 343,194 | 203,107 |
| Gross profit | 59,974 | 35,810 | 100,375 | 57,867 |
| Selling, general and administrative expenses | 43,260 | 25,493 | 79,120 | 43,705 |
| Operating income | 16,714 | 10,317 | 21,255 | 14,162 |
| Interest expense, net | 2,714 | 489 | 4,436 | 982 |
| Income from continuing operations before income taxes | 14,000 | 9,828 | 16,819 | 13,180 |
| Income taxes | 5,180 | 3,841 | 6,223 | 5,132 |
| Income from continuing operations | 8,820 | 5,987 | 10,596 | 8,048 |
| Loss on sale of discontinued operation, net of income taxes | (398) | - | (398) | - |
| Income (loss) from discontinued operations, net of income taxes | (440) | 376 | (291) | 597 |
| Net income | 7,982 | 6,363 | 9,907 | 8,645 |
| Retained earnings at beginning of period | 58,040 | 42,543 | 56,724 | 40,784 |
| Common stock cash dividends | (615) | (604) | (1,224) | (1,095) |
| Dividends on preferred stock of subsidiary | - | (32) | - | (64) |
| Retained earnings at end of period | $ 65,407 | $ 48,270 | $ 65,407 | $ 48,270 |
| Basic earnings per share: | | | | |
| Income from continuing operations | $0.50 | $0.35 | $0.60 | $0.49 |
| Loss on sale of discontinued operation | (0.02) | - | (0.02) | - |
| Income (loss) from discontinued operations | (0.03) | 0.02 | (0.02) | 0.04 |
| Net income | $0.45 | $0.37 | $0.56 | $0.53 |
| Diluted earnings per share: | | | | |
| Income from continuing operations | $0.47 | $0.33 | $0.57 | $0.46 |
| Loss on sale of discontinued operation | (0.02) | - | (0.02) | - |
| Income (loss) from discontinued operations | (0.03) | 0.02 | (0.02) | 0.04 |
| Net income | $0.42 | $0.35 | $0.53 | $0.50 |
| Weighted average shares and equivalent shares used to calculate: | | | | |
| Basic earnings per share | 17,797 | 17,217 | 17,639 | 16,256 |
| Diluted earnings per share | 18,897 | 18,240 | 18,702 | 17,322 |

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 1998 and 1997
(In thousands)
(Unaudited)

| | 1998 | 1997 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 9,907 | $ 8,645 |
| Loss (income) from discontinued operations, net of income taxes | 291 | (597) |
| Loss on sale of discontinued operation, net of income taxes | 398 | - |
| Income from continuing operations | 10,596 | 8,048 |
| Adjustments to reconcile income from continuing operations to net cash used in operating activities: | | |
| Depreciation and amortization | 4,492 | 1,822 |
| Provision for doubtful accounts | 1,252 | 702 |
| Deferred income tax benefit | 515 | - |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | |
| Accounts receivable | (47,167) | (26,670) |
| Inventories | (20,099) | (22,649) |
| Accounts payable and accrued liabilities | 31,281 | 15,886 |
| Other, net | (2,414) | (4,213) |
| Net cash used in operating activities of continuing operations | (21,544) | (27,074) |
| Cash flows from investing activities: | | |
| Business acquisitions, net of cash acquired | (6,163) | (57,061) |
| Capital expenditures, net | (5,713) | (3,437) |
| Net purchases of marketable securities | - | (693) |
| Net cash used in investing activities of continuing operations | (11,876) | (61,191) |
| Cash flows from financing activities: | | |
| Net borrowings under revolving credit agreement | 35,700 | 9,900 |
| Net repayments of bank and other debt | (710) | (657) |
| Net proceeds from issuances of common stock | 1,060 | 85,749 |
| Common stock dividends | (1,224) | (1,095) |
| Other | - | (207) |
| Net cash provided by financing activities of continuing operations | 34,826 | 93,690 |
| Net cash used in discontinued operations | (2,548) | (1,785) |
| Net increase (decrease) in cash and cash equivalents | (1,142) | 3,640 |
| Cash and cash equivalents at beginning of period | 7,880 | 2,882 |
| Cash and cash equivalents at end of period | $ 6,738 | $ 6,522 |

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 1998
(In thousands, except share data)
(Unaudited)

1. The condensed consolidated balance sheet as of December 31, 1997, which has been derived from the Company's audited financial statements, and the unaudited interim condensed consolidated financial statements, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments necessary for a fair presentation have been included in the condensed consolidated financial statements herein.

2. The results of operations for the quarter and six month period ended June 30, 1998 are not necessarily indicative of the results for the year ending December 31, 1998. The sale of the Company's products is seasonal with revenue generally increasing during the months of May through August.

3. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. 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 $32 and $64 for the quarter and six months ended June 30, 1997, respectively. Diluted earnings per share additionally assumes any added dilution from common stock equivalents.

   Shares used to calculate earnings per share are as follows:

| | QUARTER ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| Weighted average shares outstanding | 17,796,676 | 17,216,799 | 17,638,710 | 16,255,645 |
| Dilutive stock options and warrants | 1,100,722 | 1,023,187 | 1,062,902 | 1,066,432 |
| Shares for diluted earnings per share | 18,897,398 | 18,239,986 | 18,701,612 | 17,322,077 |

The Company's Board of Directors declared a three-for-two stock split for both classes of common stock payable on August 14, 1998 to shareholders of record as of July 31, 1998.

5. The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," effective January 1, 1998. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in financial statements. The components of the Company's comprehensive income are as follows:

| | QUARTER ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| Net income | $7,982 | $6,363 | $ 9,907 | $8,645 |
| Unrealized gain on investments, net of tax | 879 | - | 879 | - |
| Comprehensive income | $8,861 | $6,363 | $10,786 | $8,645 |

6. Discontinued operations include a personnel staffing business, Dunhill Staffing Systems, Inc., and, until May 1998, a manufacturing operation, Watsco Components, Inc. ("Components"). In May 1998, the Company sold substantially all the operating assets of Components to International Comfort Products Corporation ("ICP") for approximately $16,649 of ICP's common stock. Summarized results for the discontinued operations are as follows:

| | QUARTER ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| Revenue | $ 16,104 | $ 17,670 | $ 32,522 | $ 32,711 |
| Income (loss) before income taxes | $ (698) | $ 611 | $ (462) | $ 970 |
| Income tax expense (benefit) | (258) | 235 | (171) | 373 |
| Income (loss) from discontinued operations | $ (440) | $ 376 | $ (291) | $ 597 |

Income before income taxes includes allocated interest expense of $108 and $70 and $248 and $167 for the quarters and six months ended June 30, 1998 and 1997, respectively. Interest expense was allocated to the discontinued operations based on a ratio of net assets of the discontinued operations to the total Company's consolidated net assets.

7. In April 1998, the Company completed the acquisitions of the common stock of two wholesale distributors of air conditioning and heating products. Aggregate consideration for these acquisitions consisted of cash payments of $2,984, debt assumption of $2,463 and the issuance of 148,692 shares of Common Stock having a fair value of $3,613 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 and, accordingly, their results of operations have been included in the unaudited condensed consolidated statements of income beginning on their respective dates of acquisition. The excess of the aggregate purchase prices over the net assets acquired is being amortized on a straight-line basis over 40 years.

The Company's unaudited pro forma consolidated results of operations, assuming all significant acquisitions occurred on January 1, 1997, are as follows:

| | QUARTER ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
| --- | --- | --- | --- | --- |
| | 1998 | 1997 | 1998 | 1997 |
| Revenue | $273,208 | $230,398 | $453,490 | $401,989 |
| Income from continuing operations | $ 8,789 | $ 7,264 | $ 10,283 | $ 8,256 |
| Diluted earnings per share from continuing operations | $0.46 | $0.39 | $0.55 | $0.44 |

The unaudited pro forma consolidated results of operations 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.

8. 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 serving over 2,500 dealers and contractors throughout the southeastern United States. Kaufman's revenue was approximately $102,000 in 1997.

9. In June 1998, the Financial Accounting Standards Board 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 fair value. The Company has not yet determined the timing of or method of adoption of SFAS No. 133 and believes that the adoption of this statement will not be material to the Company's consolidated financial position or results of operations.

10. Certain amounts for 1997 have been reclassified to conform to the 1998 presentation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### RESULTS OF OPERATIONS

The following table presents the Company's consolidated financial statements from continuing operations for the quarter and six months ended June 30, 1998 and 1997, expressed as a percentage of revenue:

| | QUARTER ENDED JUNE 30, | | SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 1998 | 1997 | 1998 | 1997 |
| Revenue | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of sales | 77.9 | 78.3 | 77.4 | 77.8 |
| Gross profit | 22.1 | 21.7 | 22.6 | 22.2 |
| Selling, general and administrative expenses | 15.9 | 15.4 | 17.8 | 16.8 |
| Operating income | 6.2 | 6.3 | 4.8 | 5.4 |
| Interest expense, net | 1.0 | .3 | 1.0 | .3 |
| Income taxes | 1.9 | 2.4 | 1.4 | 2.0 |
| Income from continuing operations | 3.3% | 3.6% | 2.4 % | 3.1% |

The above table and following narrative includes the results of operations of wholesale distributors of air conditioning, heating and refrigeration equipment and related parts and supplies acquired during 1998 and 1997. These 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.

### QUARTER ENDED JUNE 30, 1998 VS. QUARTER ENDED JUNE 30, 1997

Revenue for the three months ended June 30, 1998 increased $106.2 million, or 64%, compared to the same period in 1997. Excluding the effect of acquisitions, revenue increased $24.8 million, or 15%. 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 for the three months ended June 30, 1998 increased $24.2 million, or 67%, as compared to the same period in 1997, primarily as a result of the aforementioned revenue increases. Excluding the effect of acquisitions, gross profit increased $5.1 million, or 14%. Gross profit margin in the second quarter increased to 22.1% in 1998 from 21.7% in 1997. Excluding the effect of acquisitions, gross profit margin decreased to 21.6% in 1998 from 21.7% in 1997.

Selling, general and administrative expenses for the three months ended June 30, 1998 increased $17.8 million, or 70%, compared to the same period in 1997, primarily due to higher selling and delivery costs related to acquired companies and increased sales. Excluding the effect of acquisitions, selling, general and administrative expenses increased $3.1 million, or 12%, primarily due to revenue increases, higher costs related to new locations and the expansion of existing locations. Selling, general and administrative expenses as a percent of revenue increased to 15.9% in 1998 from 15.4% in 1997, primarily due to the higher cost structures of acquired companies and startup costs related to the opening of new distribution locations. Excluding the effect of acquisitions, selling, general and administrative expenses as a percent of revenue decreased to 15.1% in 1998 from 15.4% in 1997, primarily due to the leveraging of these expenses on increased same store sales.

Interest expense, net for the second quarter in 1998 increased approximately $2.2 million, or 455%, compared to the same period in 1997, primarily due to higher average borrowings that were used to complete business acquisitions.

The effective tax rate for the three months ended June 30, 1998 was 37.0% compared to 39.1% for the same period in 1997. This decrease was primarily due to the implementation of certain tax planning strategies.

SIX MONTHS ENDED JUNE 30, 1998 VS. SIX MONTHS ENDED JUNE 30, 1997

Revenue for the six months ended June 30, 1998 increased $182.6 million, or 70%, compared to the same period in 1997. Excluding the effect of acquisitions, revenue increased $32.4 million, or 12%. 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 for the six months ended June 30, 1998 increased $42.5 million, or 73%, as compared to the same period in 1997, primarily as a result of the aforementioned revenue increases. Excluding the effect of acquisitions, gross profit increased $6.9 million, or 12%. Gross profit margin for the six month period increased to 22.6% in 1998 from 22.2% in 1997. Excluding the effect of acquisitions, gross profit margin decreased to 22.1% in 1998 from 22.2% in 1997.

Selling, general and administrative expenses for the six months ended June 30, 1998 increased $35.4 million, or 81%, compared to the same period in 1997, primarily due to higher selling and delivery costs related to acquired companies and increased sales. Excluding the effect of acquisitions, selling, general and administrative expenses increased $4.9 million, or 11%, primarily due to revenue increases, higher costs related to new locations and the expansion of existing locations. Selling, general and administrative expenses as a percent of revenue increased to 17.8% in 1998 from 16.8% in 1997, primarily due to the higher cost structures of acquired companies and startup costs related to the opening of new distribution locations. Excluding the effect of acquisitions, selling, general and administrative expenses as a percent of revenue decreased to 16.6% in 1998 from 16.8% in 1997, primarily due to the leveraging of these expenses on increased same store sales.

Interest expense, net for the six months ended June 30, 1998 increased approximately $3.5 million, or 352%, compared to the same period in 1997, primarily due to higher average borrowings that were used to complete business acquisitions.

The effective tax rate for the six months ended June 30, 1998 was 37.0% compared to 38.9% for the same period in 1997. This decrease was primarily due to the implementation of certain tax planning strategies.

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 $170.4 million at June 30, 1998, bear interest at primarily LIBOR-based rates plus a spread that is dependent upon the Company's financial performance (LIBOR plus .375% at June 30, 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 June 30, 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.

Working capital increased to $282.3 million at June 30, 1998 from $257.8 million at December 31, 1997. This increase was funded primarily by borrowings under the Company's revolving credit agreement.

Cash and cash equivalents decreased $1.1 million during the six month period ended June 30, 1998. Principal sources of cash were borrowings under the revolving credit agreement and profitable operations. The principal uses of cash were to fund working capital needs, including the addition of inventory to expand the product offerings of both existing and newly acquired locations, and finance acquisitions and capital expenditures.

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.

SAFE HARBOR STATEMENT

This quarterly 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".

## PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There have been no significant changes from the information reported in the Annual Report on Form 10-K for the period ended December 31, 1997, filed on March 31, 1998.

Item 2. Changes in the Rights of the Company's Security Holders

None

Item 3. Defaults by the Company on its Senior Securities

None

Item 4. Results of Votes of Securities Holders

(a) The Company's 1998 Annual Meeting of Shareholders was held on June 3, 1998.

(b) Proxies were solicited by the Company's management pursuant to Regulation 14 under the Securities Exchange Act of 1934. There was no solicitation in opposition to the management's nominees as listed in the proxy statement. The following nominees were elected as indicated in the proxy statement pursuant to the vote of the shareholders as follows:

| | FOR | WITHHELD |
|---|---|---|
| COMMON STOCK | | |
| Mr. Robert J. Novello | 12,809,829 | 34,766 |
| CLASS B COMMON STOCK | | |
| Mr. Ronald P. Newman | 1,866,988 | 2,985 |
| Mr. David B. Fleeman | 1,866,988 | 2,985 |
| Mr. Bob Moss | 1,866,988 | 2,985 |

(c) Two additional proposals were voted upon at the Annual Meeting of Shareholders as follows:

(1) To ratify the action of the Board of Directors amending the Company's Amended and Restated 1996 Qualified Employee Stock Purchase Plan and

(2) To ratify the reappointment of Arthur Andersen LLP as the Company's independent certified public accountants for the year ended December 31, 1998.

The combined vote of the Company's Common Stock and Class B Common Stock was as follows:

| | |
|---|---|
| PROPOSAL 1 | |
| For | 31,388,755 |
| Against | 108,324 |
| Abstained | 47,246 |
| PROPOSAL 2 | |
| For | 31,511,594 |
| Against | 15,269 |
| Abstained | 17,462 |

As of April 3, 1998, the record date for the Annual Meeting of Shareholders, the total number of shares of the Company's Common Stock, $.50 par value, and Class B Common Stock, $.50 par value, outstanding was 15,438,163 and 2,163,153, respectively, representing 37,069,693 combined votes.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27. Financial Data Schedule (for SEC use only).

(b) Reports on Form 8-K

SIGNATURES

Pursuant to the requirements 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.
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(Registrant)

By: /S/ BARRY S. LOGAN
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Barry S. Logan
Vice President and Secretary
(Chief Financial Officer)

August 13, 1998

EXHIBIT INDEX

| EXHIBIT | DESCRIPTION |
| --- | --- |
| 27. | Financial Data Schedule |

5
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION
EXTRACTED FROM THE WATSCO, INC. FORM 10-Q FOR THE QUARTERLY PERIOD
ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO
SUCH FINANCIAL STATEMENTS.

1,000

6-MOS
DEC-31-1998
JUN-30-1998

6,738
0
159,274
5,728
201,138
382,884
45,055
19,344
520,961
100,545
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8,942
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0
234,774
520,961
443,569
443,569
343,194
343,194
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16,819
6,223
10,596
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