







Fiscal Year 2006 Accomplishments

Beacon Roofing Supply, Inc. has grown to be one of the largest distributors of roofing materials and complementary building products in North America. With more than 38,000 customers, Beacon is the largest or second largest distributor in many of the regions we serve. (See map below.) We have a reputation for quality people, who provide our customers with "the experience they want, the service they expect, and the value they deserve." Our people are supported by a strong, values-oriented corporate culture.

Our local branches stock a comprehensive product line that caters to the local market. In addition to residential and commercial roofing, our product categories include windows, siding, decking, doors, waterproofing and other exterior products. Beacon distributes the roofing and complementary products of brand-name manufacturers. $These \, manufacturers \, understand \, that \, our \, staff's \, expertise \, and \, quality \, service \, will \, ensure \, the \, successful \, application \, of \, their \, respectively. \\$ premium products.

Our knowledgeable and experienced sales and marketing team includes outside sales and business development specialists, inside sales/customer service representatives, manufacturer/architectural representatives and product specialists. Contractors trust the product knowledge and application expertise of Beacon's staff. They rely on this expertise, on-time delivery and product availability to deliver successful, profitable, on-time projects. As a result, "partnerships" are formed between Beacon branches and our customers that go beyond the industry norm.

We have grown by expanding our existing regions and by making strategic acquisitions. Our business is well-balanced, with mostly re-roof applications along with new construction in both the residential and commercial markets. A highly scalable platform, a proven business model, results-oriented management, a strong people-focused corporate culture and a full enterprise computing function give us a solid foundation for continued growth. These strengths give us the flexibility to grow by expanding existing branches, opening new branches and making acquisitions.

Acquisitions

We acquired Shelter Distribution, Pacific Supply, Alabama Roofing Supply, Mississippi Roofing Supply, RSM Supply and Roof Depot for a total of 65 new branches.

Sales Growth

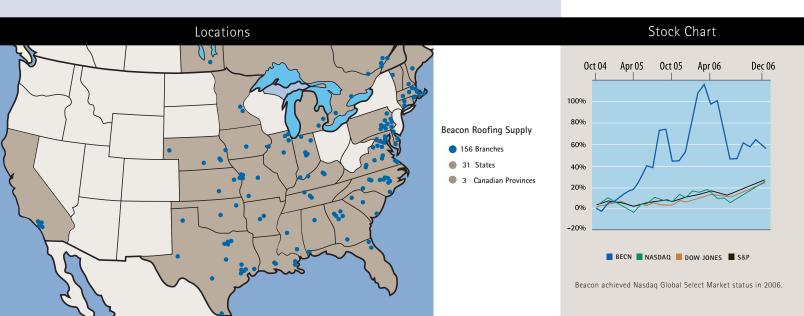
Our sales grew 76.4 % to \$1.5 billion.

Record Profits

Our net income increased 50% to \$49.3 million.

Organic Growth

We opened six new branches and increased existing branch sales by 14.7%.



Financial highlights

\$ in 000's except per share amounts

Figure 1 year anded (1):	2002	2003	Pro Forma (2) 2004 2004 2005 2006			
Fiscal year ended (1):	2002	2003	2004	2004	2005	
Net sales	\$549,873	\$559,540	\$652,909	\$652,909	\$850,928	\$1,500,637
Gross margin %	24.7%	25.2%	25.4%	25.4%	24.3%	24.3%
Operating income	\$29,428	\$31,292	\$34,672	\$42,345	\$60,719	\$100,301
Operating income %	5.4%	5.6%	5.3%	6.5%	7.1%	6.7%
Income (loss) before taxes	\$11,364	\$14,626	(\$5,226)	\$39,868	\$54,893	\$80,840
Net income (loss)	\$5,211	\$7,105	(\$15,355)	\$22,525	\$32,917	\$49,311
Diluted net income (loss) per share (3)	\$0.19	\$0.26	(\$0.57)	\$0.56	\$0.80	\$1.12
Total assets	\$257,932	\$275,708	\$301,498	\$301,498	\$386,987	\$839,890
Stockholders' equity	\$32,290	\$41,766	\$38,245	\$140,488	\$178,745	\$291,169

Beacon's sales grew 76.4% in 2006.

Beacon's compound annual sales growth for 2002 through 2006 was 28.5%.

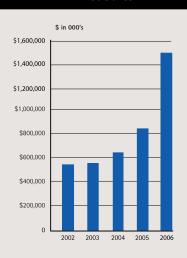
Beacon's compound annual operating income growth from 2002 to 2006 was 35.9%.

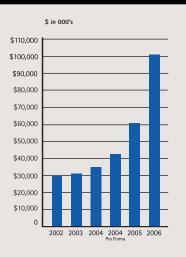
Net Sales

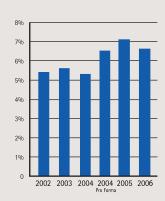
Operating Income

Operating Income Percentage

The number of Beacon branches increased from 60 at the beginning of FY 2002 to 156 at the end of calendar 2006.







⁽¹⁾ The fiscal year for the Company is a 52- or 53-week period ending the last Saturday in September. All years except 2006 contain 52 weeks.

⁽²⁾ Unaudited pro forma data assumes the IPO occurred prior to the start of fiscal year 2004. Please see the pro forma data and notes thereto in our 2004 Form 10-K.

⁽³⁾ Diluted per share amounts are adjusted for the 2006 stock split.

2006 Year in Review







David Grace
CHIEF FINANCIAL OFFICER

Dear Shareholders and Friends,

We welcome this opportunity to communicate with you and share the details of our success in 2006.

We are also pleased to share our complete company history for the first time in this 2006 annual report. Here, you'll read about our tradition of values and "the Beacon way" of linking our values, employees, services, customers and suppliers. We hope you'll agree that our proud past is the foundation for our bright future.

Results for fiscal year 2006 were very encouraging, as we continued our record of rapid growth. Our sales exceeded \$1.5 billion, which is a 76% growth rate over 2005. We are particularly proud of our organic sales growth rate of nearly 15%. Our 2006 growth exceeded our projected average long-term growth rates of 10-15 % from acquisitions and 5-10 % from organic growth. This exceptional level of growth was made possible by our geographic diversity, and our mix of commercial, residential and complementary



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products. We are especially proud of our organic growth of 21% in the residential products category in the face of declining new home construction. Our compound annual sales growth rate since 1998 is now 45%, while operating income has grown during that period at an annual rate of 44%.

We are equally proud of our ability to control costs in a high-growth environment. Operating expenses as a percentage of sales decreased from 17.7% to 16.1% in non-acquired locations. This achievement is a true indicator of our commitment to a philosophy of protecting the financial resources that are entrusted



and also completed a secondary stock offering, that raised \$51.6 million. These steps should help the company grow for many years. Also, due to an increase in our stock price, we announced a three-for-two stock split effective on May 31, 2006.

We made several major acquisitions during 2006. We finalized the addition of Shelter Distribution, with over 50 branches in 14 midwestern and southern states. We established a new, four-location region for Beacon in California with the acquisition of Pacific Supply. We also expanded existing regions with the acquisitions of Alabama Roofing Supply, Mississippi Roofing Supply, Minnesota's Roof Depot, and RSM Supply in Arkansas, Missouri and Oklahoma.

We opened six new branches in 2006: Hattiesburg, Miss.; Mobile, Ala.; Abilene, Texas; South Atlanta, Ga.; Williamsport, Md.; and in York, Pa., where a second branch will fabricate metals under our Coastal Metal Service brand.

We continued to strengthen our corporate expertise and our management team in 2006 by promoting four operations executives to senior vice president and by adding leaders in marketing, law, and information technology.





Our strategy will be the same in 2007: to open branches in our existing regions, to acquire well-run, highly-respected distributors in new geographic areas, and to continue to grow in all three product segments —residential, commercial, and complementary. We'll continue to adhere to our company values and

We'll continue to adhere to our company values and the Beacon way, adding value to our customers' businesses, employees' careers, and shareholders' equity.

the Beacon way, adding value to our customers' businesses, employees' careers, and shareholders' equity. We'll also continue to put special emphasis on coaching, training, and motivating the thousands of Beacon employees who make our success possible.

We are excited about our future and believe deeply in our long-term business strategy.

And, very importantly, we thank you for your confidence and support.

Andrew Logie Chairman Robert Buck
President and CEO

David Grace

Chief Financial Officer

Company





ow did Beacon Roofing Supply transform itself from a small regional firm with 32 employees to a \$1.5 billion company with 156 branches across North America? Believe it or

not, the answer is one word: *values*. A spirit of *integrity* based on enduring values has guided Beacon's astounding growth. These values have ensured successful partnerships with suppliers and customers, and they have enabled Beacon to build a workforce that is the best in the industry.

Beacon Sales Company was established in 1928 in Charlestown, Mass., as one of the first distributors of commercial roofing materials in New England. By 1953, the company had outgrown its building in Charlestown, and built a state-of-the-art facility in nearby Somerville. In the 1970s, the company expanded to Worcester, Mass. and Lewiston, Maine.

In 1984, Drew Logie took an equity position in this well-respected company. Drew knew the roofing business inside and out. He had begun as a roofing contractor, worked in sales for a roofing manufacturer, and was a branch manager for a leading distributor of roofing materials. When he took over, Beacon had annual sales of nearly \$17 million, virtually all in the commercial roofing segment.

In addition to his broad experience, Drew also had a deep conviction that business success depended on values. His vision was to grow a company of *honesty and integrity*, rooted in a philosophy of partnership and trust with customers and suppliers. The plan was to do business with the best, most efficient, most demanding contractors, and buy from the best manufacturers. The company would grow by becoming more important to its customers, by providing high-quality products and responsive service at a fair price. And it did. Beacon, for example, was one of the first distributors to outfit its delivery trucks with mechanical equipment such as forklifts, roof-loading conveyors and cable cranes, resulting in efficient deliveries and reducing its contractor customers' equipment expenses.



Beacon Sales Company was established in 1928 in Charlestown, Massachusetts as one of the first distributors of commercial roofing materials in New England.

Another fundamental value was *passion* for the entrepreneurial spirit. The goal was to nurture this spirit among branch managers, trusting them with a great deal of autonomy and allowing them to make decisions based on local market conditions.

Drew also focused on strengthening the quality of Beacon's inside and outside sales staff. To become more *results-oriented*, the company attracted the best people in the industry by offering them an excellent compensation program, and retained them by rewarding their performance. Drew sought employees with a *strong work ethic*: enthusiastic employees who were willing to start work every day at 6:00 a.m., serving and advising contractors, who took pride in their jobs, and who had the *perseverance* to aid contractors with their challenging projects.

Shortly after Drew became CEO, David Grace joined the company as Chief Financial Officer. He established financial discipline with state-of-theart financial controls and an enterprise resource planning system that provided a solid foundation for Beacon's growth.

Photo above:

Beacon Sales Company 25th Anniversary Dinner Hotel Somerset Boston, Massachusetts February 7, 1953





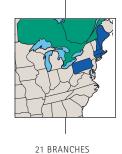












1928

1 BRANCH

3 BRANCHES 1984

1984-1997

1997

1998

Groupe Bedard and Exeltherm Supply

1999-2000

Beacon Sales Company is established in Charlestown, Mass



Beacon grows in sales and reputation opening four new

Code Hennessy & Simmons purchases a majority interest and Beacon Roofing Supply is formed.

Quality Roofing Supply in Penn. becomes Beacon's first acquisition.

















Under Drew's leadership, the company opened new branches and increased sales, diversifying into residential as well as commercial roofing. By 1997, seven branches were generating \$72 million in annual sales.

Frugality drove the expansion into residential roofing. The company used resources more efficiently as drivers made residential deliveries after returning from their early-morning commercial deliveries. Beacon's original move into residential roofing demonstrated to quality manufacturers the benefits of partnering with Beacon. Before affiliating with Beacon, a leading national shingle manufacturer had sold very few shingles in New England. Within a few years of partnering with

Beacon, the company became the leading shingle supplier in New England. This resulted from Beacon's belief in the manufacturer, as well as the credibility of Beacon's sales force among contractors and builders.

By the late 1990s, Drew realized that for Beacon to remain competitive, it would either have to grow beyond New England or merge with a larger firm. It was time to seek an investment partner to finance Beacon's continued growth. Beacon received proposals from several potential investors, and the partner of choice was Code, Hennessy & Simmons, a venture capital firm from Chicago. Although Code Hennessy & Simmons had not offered the best price or the most

equity, the firm shared Beacon's vision of acquiring and partnering with high-quality regional distributors. Code Hennessy & Simmons also supported Beacon's philosophy of rewarding key managers with the opportunity to acquire equity or stock options so they would have a stake in the growing enterprise. Time would show Beacon's values triumphed over the lure of shortterm gains.

In 1998, Beacon embarked on a major program to acquire successful distributors that enjoyed good relationships with contractors. While growing in sales and profits over the years, Beacon gained an industry-wide reputation for integrity. As a result of this reputation, Beacon was usually the sole













00 BINAINCITES

The Roof Center in Md./Va.

and West End Lumber

67 BRANCHES

2000 2001 2004 2004

Best Distributing in the Carolinas joins the Beacon family.

in Texas are acquired.

Beacon goes publ with its IPO (BECN Nasdaq) JGA Corp. in Georgia and Florida becomes part of Beacon.









preferred buyer when a regional distributorship became available for acquisition. The local founding families or managing executives recognized Beacon as a company that would respect the legacies they had established, treat their employees respectfully and compensate them generously.

Central to Beacon's acquisition philosophy was the retention of local management. Beacon recognized that the team that had built a successful local company was best equipped to lead future growth in that region. Beacon retained key managers by offering them equity in the company and/or stock options, and gave them the autonomy to make business decisions based on their knowledge of the local markets.

As Beacon acquired local companies, often one of the first questions asked was, "Are you going to change our name?" Beacon's reply was, "No, you're proud of your company's name. Your customers respect your name." For Beacon, maintaining customer relationships is a key ingredient in encouraging local entrepreneurship and keeping talented, ambitious employees.

The first major acquisition was Quality Roofing Supply Company, with sales of \$51 million. Then Beacon ventured into Canada with the acquisition of Groupe Bedard, a \$27 million, best-of-class roofing distributor in Quebec, and Exeltherm Supply, a \$49-million distributor based in Ontario.

Beacon increased its size by 67% in 2000 with the acquisition of Best Distributing, a fine company founded in the late 1800s and the dominant roofing distributor in the Carolinas, with sales of \$140 million. "Growing by adding Best's regional and national reputation, its professional employees and its quality customers was a big milestone for Beacon," recalls Drew. Beacon soon grew by another 60% with the acquisition of The Roof Center, with locations in Maryland and Virginia, and West End Lumber in Texas.

After local and regional companies became affiliated with Beacon, their sales grew and their profitability increased. In some cases, this happened by capitalizing on the new opportunities that became





For Beacon, maintaining customer relationships is a key ingredient to encouraging local entrepreneurship.



Beacon again ends its fiscal year with record sales and profits.

137 BRANCHES

144 BRANCHES

156 BRANCHES

2006 2006 2005 2006 2006

Shelter Distribution with over 50 branches in 14 midwestern and southern states is acquired.



Beacon gains a presence on the West Coast with Pacific Supply (pictured above). Mississippi Roofing Supply





Beacon has a three for two stock split on May 31

Roof Depot of Minn., and RSM Supply of Ark., Mo., and Okla.





available to them with Beacon's financial leverage. In other cases, local affiliates refocused on core competencies and shed unprofitable product lines with the aid of Beacon's branch-level financial discipline.

As Beacon converted its major acquisitions, the company developed an effective integration process. Shortly after acquiring a company, Beacon sends a team of experienced Beacon employees from existing operations to the new firm for several weeks. The team supports the conversion to Beacon management systems, including the common, company-wide information-technology system. This major investment in time and effort is vital in integrating the systems and

orienting the new employees to Beacon policies and procedures, as well as its core values, like teamwork.

While the newly acquired companies adopt Beacon systems, they retain their control over local sales and marketing practices. Branch managers know their customers and understand their distinct local markets. Their experience and expertise are fundamental to Beacon's success. They are entrepreneurs who are recognized and rewarded for their contributions and their adherence to the disciplines of Beacon's financial controls.

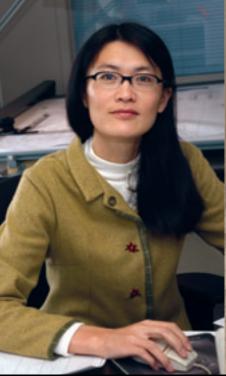
Branch managers can make quick decisions because of Beacon's flat corporate organizational structure. Generally, there is only one manager a regional vice president—between a branch manager and the CEO. A lean corporate office staff (with only 1% of company employees) assists the branches in reaching their full potential. This means providing centralized management of corporate-wide functions, such as information systems. Beacon's open-access information systems deliver comprehensive financial data to branch managers every day.

A benchmarking system enables them to see how their performance stacks up against that of their peers. And, it encourages the sharing of effective practices among the branches at regional meetings.

Our Tradition of Company Values

Has Enabled Our People to Excel





Our personal values are based upon these foundational principles:

- Honesty and Integrity in everything we do.
- . Loyalty to each other and our company.
- Caring and Compassionate regarding each other.
- Pride in a job well done.
- Morality in dealing with each other, our customers, vendors and other constituents.

HONESTY AND INTEGRITY ... LOYALTY ... CARING AND COMPASSIONATE ... PRIDE ... MORALITY ... RESULTS ORIENTED

By 2002, Beacon had surpassed \$500 million in revenues and was poised for another new beginning. Early in fiscal 2004, Robert R. Buck joined the company as President and CEO, and the company set its sights on becoming the pre-eminent roofing distributor in North America. Bob came from Cintas Corporation, where he was president of the Uniform Rental Division. Under his stewardship, the division's annual sales increased over 300% from \$600 million to \$2.5 billion. Bob spent over 20 years at Cintas. In 1983 he oversaw Cintas's initial public offering.

Upon joining Beacon, Bob traveled the U.S. and Canada, visiting branches, meeting Beacon's managers and employees, and getting a feel for the company and the business. As a result, he was able to articulate Beacon's enduring personal and business values (See boxes above), ensuring an understanding and legacy of how and why people would be the foundation for Beacon's

continued growth and success. He shared these collected values with all employees and developed "Best Environment" materials (see box above) for use in each Beacon workplace.

To reach its goal of industry leadership, Beacon needed to tap the equity market, and the company first offered stock to the public through an initial public offering (IPO) on September 23, 2004 through the NASDAQ Exchange. Without missing a step, Beacon marched into a new era of growth as a publicly traded company. In 2005, The Wall Street Journal ranked Beacon as the sixth fastest-growing new stock issue behind Google.

The company continued to acquire successful distributors across North America and drive organic growth in existing operations. Within three months of the IPO, Beacon acquired JGA Corp., which had sales of \$74 million. This was followed by Beacon's largest acquisition, Shelter Distribution, with sales of \$313 million and

50 branches. Also added were ISI, Commercial Supply, Easton Wholesale, Mississippi Roofing, Alabama Roofing, and Southern California's Pacific Supply. Minnesota's Roof Depot and RSM Supply in Arkansas, Missouri and Oklahoma were added late in fiscal 2006.

Sales climbed rapidly to surpass \$850 million in fiscal 2005 and \$1.5 billion in fiscal 2006. Operations now encompass 156 branches in 31 states and 3 Canadian provinces.

As Beacon has grown, specialized skills have been added at the corporate level including a sales and marketing department that has the following goals: build sales talent within the organization through a sales training program; aid local sales people in strategic and tactical sales skill development; implement systematic selling processes and disciplines; and aid branches in developing customer relations skills and newcustomer acquisition skills.



Our business values encompass these traits and characteristics:

- Results Oriented It's important to deliver on our promises.
- Strong Work Ethic Something to be admired.
- Perseverance Setbacks will occur, but this value will keep us focused on achieving our goals.
- Passion We love our business and our people. Passion for one's work is key to our success.
- Frugality We take care of the resources entrusted to us. Waste is not fair to those who trust us.
- Credibility We deliver on our commitments. We can be counted on!
- Teamwork We recognize that we depend on each other in all we do.
- Discipline No shortcuts. Before decisions are made, we have the discipline to research all the facts. We seek good advice before moving ahead.

The Best Environment

- No Fear
- No Politics
- No Secrets
- Lean and Clean
- Cherish People
- Honesty and Integrity
- When One Hurts, We All Help

STRONG WORK ETHIC . . . PERSEVERANCE . . . PASSION . . . FRUGALITY . . . CREDIBILITY . . . TEAMWORK . . . DISCIPLINE

These values, originated over the years by Drew Logie and formally articulated and institutionalized by Bob Buck, have become embedded in the fabric of the Beacon culture.

Beacon has achieved its growth by cultivating the best customers and forging strong partnerships with them. In founder Drew Logie's words, "We focus not on what our customers can do for us, but what we can do for our customers. We are dedicated to offering high-quality products along with responsive service to resolve contractors' problems quickly and effectively."

Beacon employees at all levels adhere to the company's enduring values in their dealings with one another, customers, vendors and other constituents. These values, originated over the years by Drew Logie and formally

articulated and institutionalized by Bob Buck, have become embedded in the fabric of the Beacon culture. Consequently, the values have provided the security and motivation that have enabled Beacon's employees to build a successful company. The strong commitment to these values by Beacon's employees has given the company a great deal of confidence in its future success and a continued, strong reputation to build on.

Or, in Bob Buck's words, "When a company gets the people part of the equation right, everything else falls into place."









Board of Directors

Andrew R. Logie
Chairman of the Board

Robert R. Buck President and Chief Executive Officer

H. Arthur Bellows, Jr.

Chairman of Braeburn Associates
and The Finance Network

James J. Gaffney Chairman of the Board of Directors Imperial Sugar Company

Peter Gotsch
Partner, Code Hennessy & Simmons LLC

Wilson B. Sexton Chairman of the Board and former Chief Executive Officer SCP Pool Corporation

Stuart A. Randle President, CEO and Director of GI Dynamics

Executive Management

Andrew R. Logie
Chairman of the Board

Robert R. Buck President and Chief Executive Officer

David R. Grace Senior Vice President and Chief Financial Officer

C. Eric Swank
Senior Vice President, Operations
Also oversees The Roof Center

Ross D. Cooper Senior Vice-President, General Counsel & Secretary

James I. MacKimm Senior Vice President Oversees Beacon Sales Company and Quality Roofing Supply

Patrick Murphy
Senior Vice President
Oversees Best Distributing Co.
and JGA Beacon

Daniel R. Tinker

Senior Vice President Oversees Shelter Midwest Region and assists with corporate acquisitions

David Wrabel
Vice President, Credit

John C. Smith, Jr.

Vice President, Purchasing

Rick C. Welker Vice President & Corporate Controller

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Thomas R. Miller
Vice President, Human Resources

Roger P. Deschenes Vice President, Finance

Christopher Nelson Vice President, Chief Information Officer

Munroe Best Regional Vice President Best Distributing Co.

Scott Wade Regional Vice President JGA Beacon

Robert K. Greer, Jr. Regional Vice President West End Lumber

Jean-Guy Plante Regional Vice President Beacon Canada

John H. Bradberry Regional Vice President Shelter Southwest Region

Timothy C. Hanks Regional Vice President Shelter Central Plains Region

Robert Keen Regional Vice President Beacon Pacific

Transfer Agent and Registrar

Computershare Trust Company, N.A. 250 Royall Street Canton, MA 02021

Annual Meeting

February 28, 2007 8:00 a.m. EST 505 Huntmar Park Drive Suite 300 Herndon, Virginia

Independent Registered Public Accounting Firm

Ernst & Young LLP 200 Clarendon St. Boston, MA 02116

Corporate Headquarters

Beacon Roofing Supply, Inc. One Lakeland Park Drive Peabody, MA 01960 Phone: 978-535-7668

Form 10-K

Additional copies of the company's Annual Report on Form 10-K are available from the company at no charge. Requests should be directed to the company's corporate head-quarters at the number above.

The shares of Beacon Roofing Supply, Inc. are traded on the Nasdaq Exchange under the symbol BECN.

On the Internet

Interested investors may visit the company's web site at www.beaconroofingsupply.com for updated information, including press releases, share trading data and SEC filings.



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www.beaconroofingsupply.com

Beacon's Growing Family of Regional Distributors

































