

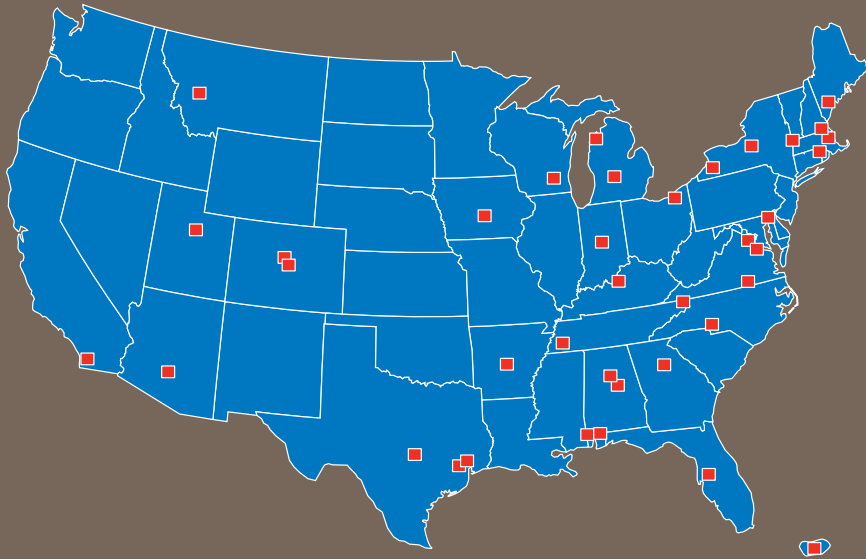


2006 Annual Report

COMFORT SYSTEMS USA

Quality People. Building Solutions.

2006



Comfort Systems USA is a leading national installation and service provider for heating, ventilation, and air conditioning systems, and related mechanical services in the commercial, industrial, and institutional markets.



Dear Fellow Shareholders

Comfort Systems USA enjoyed a year of strength and progress in 2006, highlighted by significantly increased revenues and profitability. While improving our balance sheet, we entered and invested in new markets and increased our commitment to grow our service business. We continued and increased our investment in our qualified and capable work force. These considerable accomplishments have resulted from the excellence and dedication of our field employees, service technicians, foremen, shop specialists, superintendents, and project managers, with the support and sacrifice of visionary and committed leaders, engineers, estimators, and office staff at the many Comfort Systems USA locations.



Selected Financial Information from Form 10-K

(in thousands, except per share amounts)	2006	2005
Revenues	\$ 1,056,525	\$ 892,549
Operating income	\$ 44,522	\$ 1,065
Net income (loss) from continuing operations	\$ 28,717	\$ (14,869)
Net income (loss) from continuing operations per diluted share	\$ 0.70	\$ (0.38)
Net income (loss)	\$ 28,724	\$ (6,226)
Net income (loss) per diluted share	\$ 0.70	\$ (0.16)
Debt	\$ —	\$ —
Stockholders' equity	\$ 242,714	\$ 213,523
Total assets	\$ 460,874	\$ 408,683

Non-GAAP Supplemental Information Excluding Certain Items¹

(in thousands, except per share amounts)	2006	2005
Revenues	\$ 1,056,525	\$ 892,549
Earnings before interest, taxes, depreciation, and amortization	\$ 49,607	\$ 39,272
Operating income	\$ 44,522	\$ 34,942
Net income from continuing operations	\$ 28,717	\$ 19,565
Net income from continuing operations per diluted share	\$ 0.70	\$ 0.49
Free cash flow ²	\$ 17,118	\$ 31,954

¹ This supplemental information is from continuing operations (except for free cash flow) and excludes noncash goodwill impairments and noncash net write-off of debt costs in 2005. This information is presented because we believe it reflects the core ongoing operations of the Company and because we believe it is responsive to frequent questions we receive about the Company from third parties. However, these measures are not considered primary measures of an entity's financial results under generally accepted accounting principles (GAAP), and accordingly, should not be considered as an alternative to similar measures as determined under GAAP and as reported by the Company. Reconciliations between this supplemental information and the Company's results as reported under GAAP can be found under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of the Company's Annual Report on Form 10-K included herein, and in the Company's Report on Form 8-K filed with the Securities and Exchange Commission on March 1, 2007.

² We define free cash flow (FCF) as cash flow from operating activities, excluding items related to sales of businesses, less customary capital expenditures, plus proceeds from asset sales. FCF may be defined differently by other companies. FCF is presented because it is a financial measure frequently requested by third parties. However, FCF is not considered to be a primary measure of an entity's financial results under GAAP. Accordingly, FCF should not be considered as an alternative to income from operations, net income, or cash flows as determined under GAAP and as reported by the Company. A reconciliation between FCF and the Company's cash flows as determined under GAAP can be found under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of the Company's Annual Report on Form 10-K included herein. FCF includes the results of discontinued operations through the date of sale.

2006

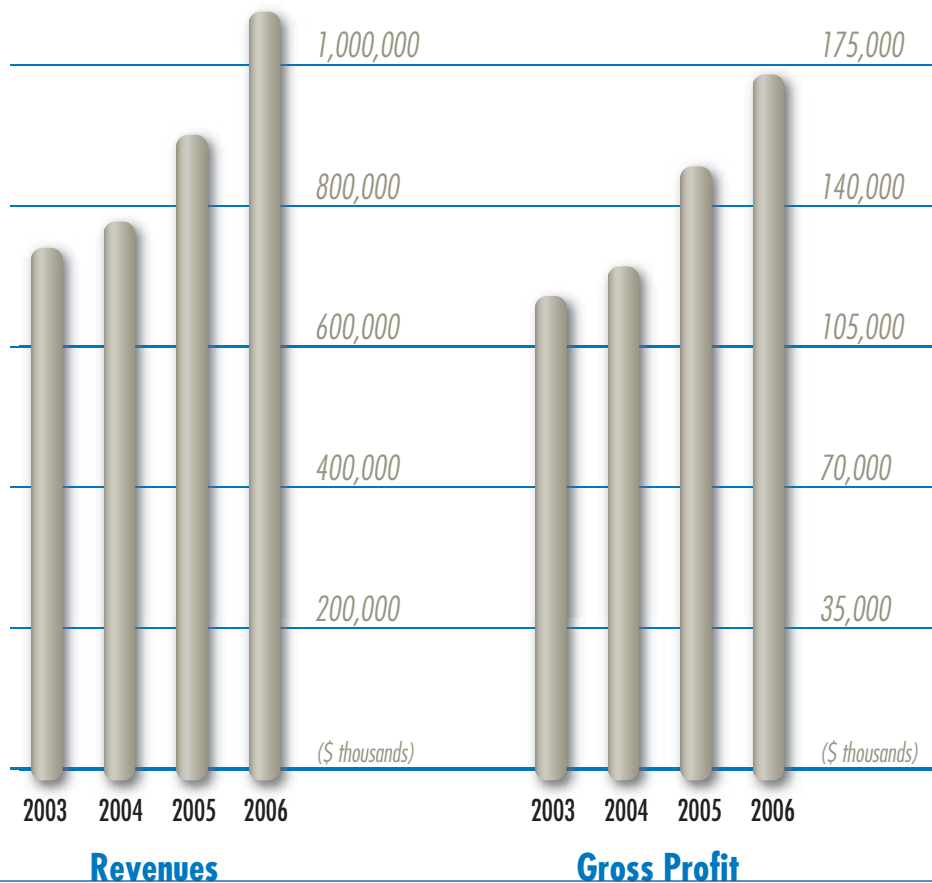


Growth

We experienced substantial growth in our profits and revenues. We earned \$28.7 million (\$0.70 per diluted share) versus \$19.6 million (\$0.49 per diluted share) in 2005, an increase of over 42%. Despite revenue growth in excess of 18%, from \$892.5 million in 2005 to \$1.057 billion in 2006, we had positive free cash flow from operations of over \$17 million in 2006, and we remain debt free. Our net cash balance was \$90.3 million at the end of 2006, compared with a cash balance of \$55.6 a year earlier.

Commitment

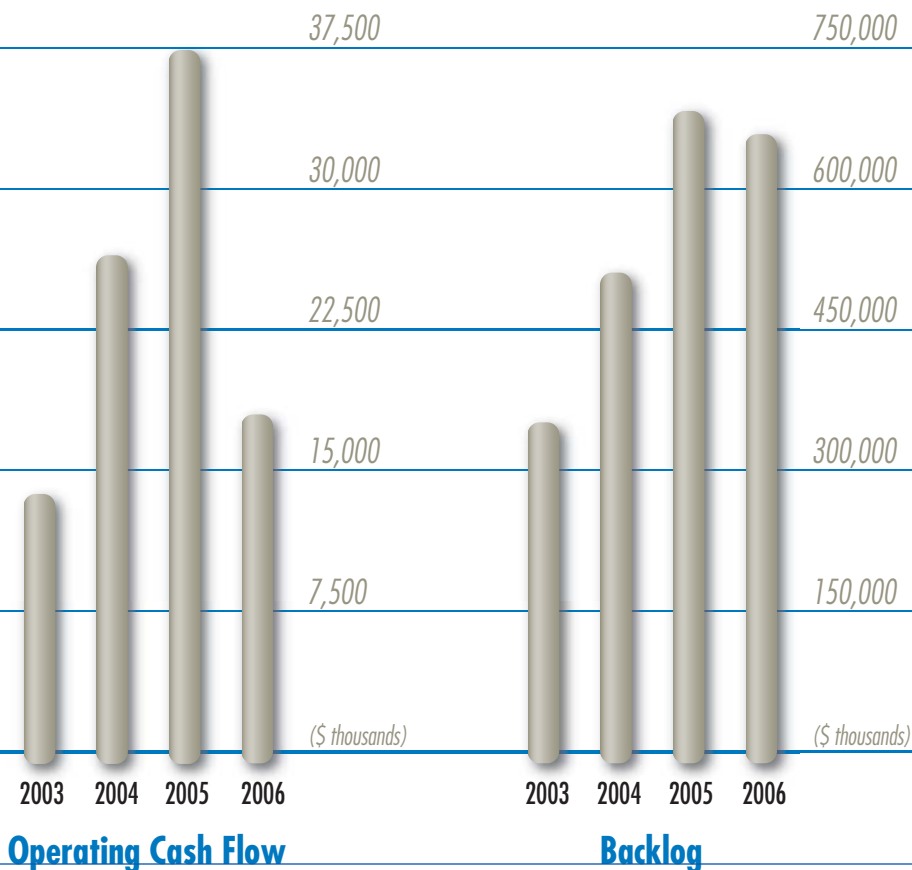
One of our chief objectives is to develop the people who are the backbone and sinew of Comfort Systems USA. Every day as we go to market, our product is the services that they perform. Their skill, dedication, and experience are crucial to successful projects and fulfilled expectations.



“One of our chief objectives is to develop the people who are Comfort Systems USA.”

In 2006 we increased the number and range of our training classes, and our commitment is to make training excellence a hallmark of Comfort Systems USA. We want to provide our team members with an orderly and fulfilling work environment, the opportunity to be challenged and succeed, and access to the best career paths in our industry.

We remain vigorously committed to safety and enjoy an OSHA recordable incident rate that is less than one-half of the most recently published OSHA rate for our industry. In addition, our Lost Time Injury Rate is 60% below the industry average. We strive to have every worker who picks up a tool or steps on a job site OSHA trained. At the end of 2006, despite having hired over 1,500 new people during the year, 96% of our frontline field and shop workforce had received OSHA training. It is not uncommon for us to hire people who have worked in our industry their whole lives but have never had the training we provide to every Comfort Systems USA field and shop employee.



“We constantly strive to ‘do the right thing’ for our customers and stakeholders.”





Credibility

Commitment to quality has allowed Comfort Systems USA to grow faster than our industry in 2006, just as we have in past years. Our excellent reputation has been earned through some very challenging years of transition. Customers and competitors know that when we take on a job, we will bring an excellent workforce, financial strength, and an organization with unmatched experience. We believe that credibility and performance, more than price or relationships, are crucial ingredients to success in our industry. That is why we constantly strive to “do the right thing” when it comes to our customers and stakeholders.

Direction

During 2006 we made investments that expanded our company in two important directions: new geographies and incremental service growth. We continued to open operations in new locations, and we expanded our product offering at a number of existing locations. Second, we expanded our service offerings through a variety of approaches. We hired top service professionals from throughout our industry in every one of our regions as well as in many of our individual locations. We have extended existing service training and added new training programs to help our employees sell, manage, and perform service work profitably. We are also working to expand and refine our service reporting systems, and we are developing new software tools and approaches to aid in expanding our service offerings. We believe the investments we are making to expand our geography and grow our service will generate significant returns in the future.

Energy

Our people and our organizations focus much of their effort on helping our customers and our economy conserve precious energy resources.

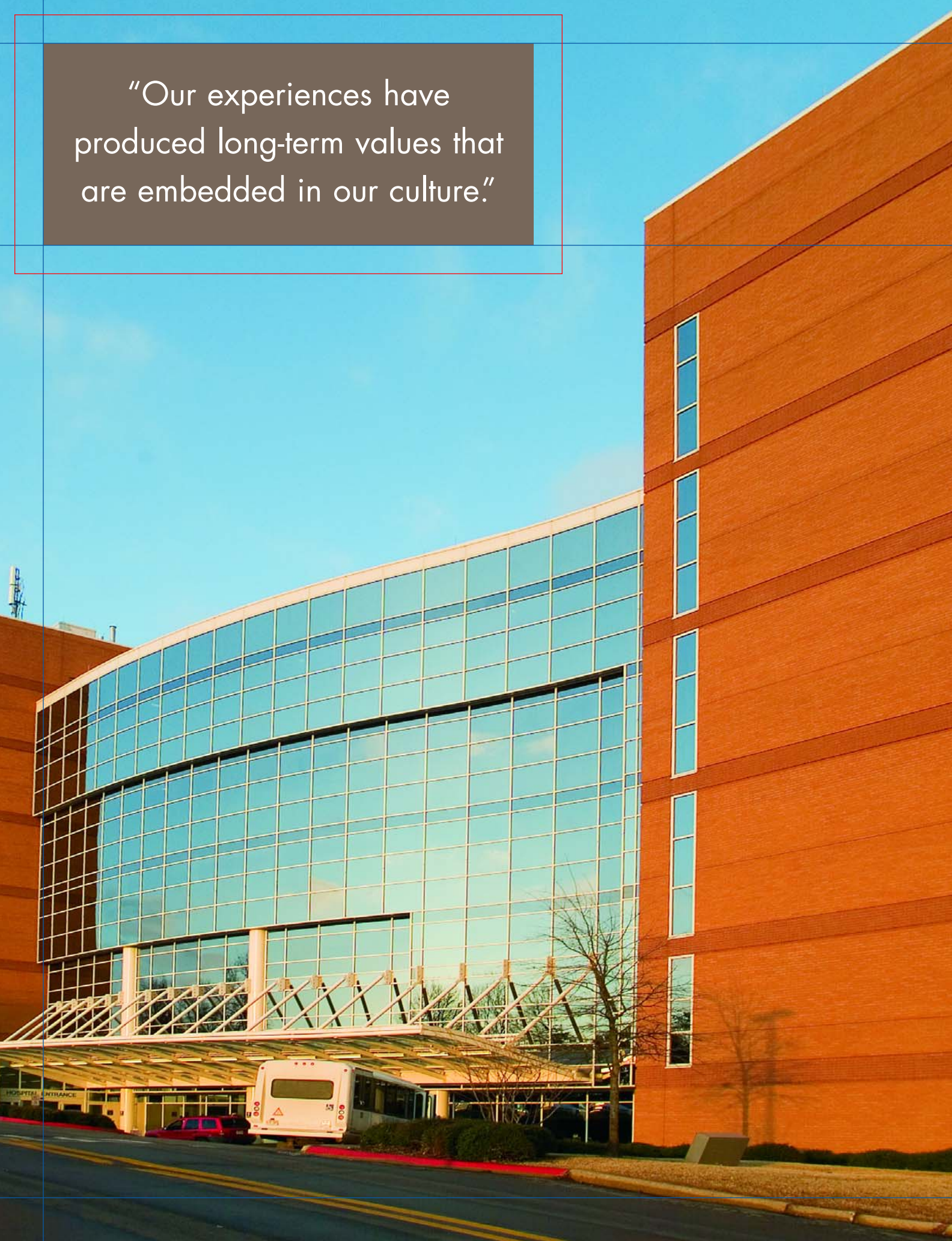
HVAC systems are the single largest consumer of energy in virtually every facility in the USA. As the price of a kilowatt hour increases, the importance of proper service and maintenance is magnified, and upgrading or replacing outdated or less-efficient systems becomes more economically justifiable. Federal and state authorities are creating regulatory and economic requirements and incentives to increase energy efficiency.

We have significant energy efficiency expertise, including both dedicated resources and know-how, that is embedded in every operation and department across our many locations. Comfort Systems USA is well positioned to help our customers get the right value for their energy expenditures.



2006

“Our experiences have produced long-term values that are embedded in our culture.”





Opportunity

We plan to invest our growing financial resources. In 2007 and beyond we are optimistic that, in addition to organic growth, we can acquire new organizations that share our values and will positively impact our bottom line. We will be prudent and patient as we seek out valuable additions. Our study of our industry and markets gives us confidence that acquisitions will be available that are constructive and rewarding for Comfort Systems USA and our new partners over the long term.

Outlook

We have the team, resources, and attributes to be an even more significant force in our industry. The factors that drive long-term and short-term demand in our industry remain positive, and we firmly believe that our investments in our people and company have positioned us to continue value growth over a long time horizon. Activity levels in our industry remain high. Our backlog is strong and is more concentrated than ever in the locations and markets where we have enjoyed past success.

Today we are presenting to you our tenth Annual Report to Shareholders. In 1997 Comfort Systems USA was formed with a vision of growth and opportunity. The ensuing years included some difficult times for our company, our industry, and our nation. Our company has progressed through times of excitement and growth, challenges and setbacks, and most recently a period of quiet resolve and internal improvement.

Our experiences have produced long-term values that are embedded in our culture and which we believe are affecting us in very positive ways. We, together with thousands of team members in dozens of locations, are personally and organizationally more committed than ever to improve every aspect of our performance.

Thank you for your belief in us. We will be here every day working to make Comfort Systems USA better and better.

Respectfully,

William F. Murdy
Chairman and CEO

Thomas N. Tanner
Executive Vice President
and COO

William George
Executive Vice President
and CFO



2006



Explanation of Our Form 10-K

Comfort Systems USA is committed to providing clear and comprehensive information about our financial performance. Our 2006 Annual Report includes the complete Form 10-K, which is the report that all U.S. publicly held companies are required to file annually with the Securities and Exchange Commission (SEC).

The information contained in the Form 10-K is separated into Parts, which are then separated into Items. Our Form 10-K has four parts:

Part I: Our Business

In-depth descriptions of our business and segments, strategy, competition, employees, company risk factors, and properties.

Part II: Our Financial Performance

Management's discussion of our results of operations and financial condition, our financial statements, notes, and supplementary data.

Part III: Our Management

A discussion of our code of ethics and directions for those who wish to obtain further information.

Part IV: Exhibits

Certain executives' and directors' signatures and a list of exhibits.



Corporate Information

Board of Directors

William F. Murdy
Chairman and Chief Executive Officer
Comfort Systems USA, Inc.

Herman E. Bulls
Managing Director and Chief Executive Officer – Public Institutions
Jones Lang LaSalle, Inc.
President and Chief Executive Officer
Bulls Advisory Group, LLC

Fred J. Giardinelli
President
Eastern Heating and Cooling, Inc.

Franklin Myers
Senior Vice President of Finance and Chief Financial Officer
Cameron International Corporation

James H. Schultz
Retired President of Trane Commercial Air Conditioning Group

Robert D. Wagner, Jr.
Principal and Advisory Director
Rivington Capital Advisors LLC

Auditors

Ernst & Young
Houston, Texas

Transfer Agent

American Stock Transfer & Trust Company
59 Maiden Lane
New York, New York 10038

Stock Exchange Listing

NYSE Symbol: FIX

Web Site

www.comfortsystemsusa.com

Corporate Officers

William F. Murdy
Chairman and Chief Executive Officer

Thomas N. Tanner
Executive Vice President and Chief Operating Officer

William George III
Executive Vice President and Chief Financial Officer

Brian E. Lane
Senior Vice President – Region 1

R. Dean Tillison
Senior Vice President – Region 2

Charles R. Diltz
Senior Vice President – Region 3

Julie S. Shaeff
Senior Vice President and Chief Accounting Officer

Andrew D. Estrada
Vice President – Risk Management and Human Resources

Melissa A. Frazier
Vice President – Audit and Controls

Trent T. McKenna
Vice President and General Counsel

Gregory D. McKown
Vice President and Chief Information Officer

Corporate Office

777 Post Oak Blvd., Suite 500
Houston, Texas 77056
(713) 830-9600 Phone
(713) 830-9696 Fax

Shareholder's Meeting

May 17, 2007, at 11:00 a.m.
Sheraton Suites
2400 West Loop South
Houston, Texas 77027

Additional copies of this Annual Report, incorporating the Company's Form 10-K filed with the Securities and Exchange Commission, are available, without charge, through the Company's Corporate Office. The most recent certifications by our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to our Form 10-K for the fiscal year ended December 31, 2006. We have also filed with the New York Stock Exchange the most recent Annual CEO Certification as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.



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2006