

Annual Report 2010

-Summary-



Serving the Housing Industry



B&O's areas of business

B&O offers a full range of services to the housing industry. We custom design plans to meet the individual needs of our customers for the future. Five areas of business are closely coordinated to allow our customers direct control over ongoing processes.

■ Analysis of existing building stock

- » Analysis of energy efficiency
- » Analysis of existing technical systems in buildings

■ Renovation

- » Energy-efficient modernization
- » Refurbishment of occupied residential buildings

■ Modernization of individual apartments

- » Custom-designed package pricing models
- » Modernization on a unit price basis

■ Maintenance

- » Repair work with package pricing
- » Repair work on a unit price basis
- » Repair of damages claimed from insurance

■ New construction / wood construction

- » High standards in energy efficiency
- » Short construction times: two working days per storey, four to six weeks for a vertical extension
- » Variable building fronts: wood, plaster, mounted cladding



With locations throughout Germany, **B&O** is in a position to look after housing stock nationwide.

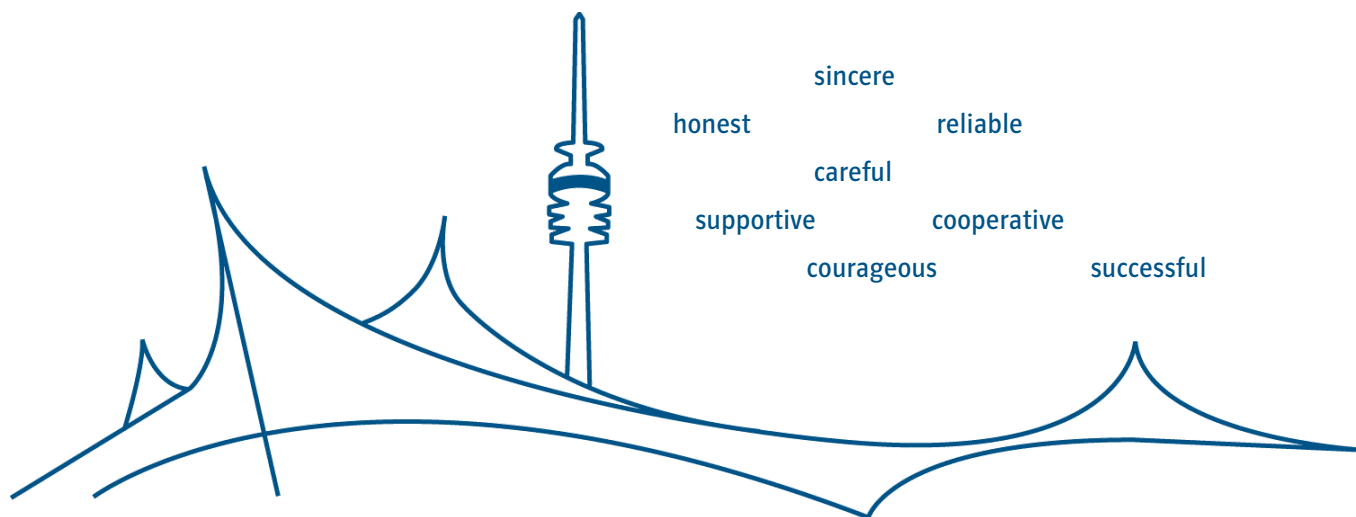
B&O's key figures

	2010*	2009	2008	2007	2006	2005
Turnover (in million €, rounded to nearest € 100,000)	222.7	218.1	186.3	171.9	124.2	83.7
Net income	7.4	8.4	6.1	6.2	4.1	1.5
Number of employees	854	715	654	478	385	281
Balance sheet total	75.9	65.7	53.5	46.7	33.3	22.4
Equity (business equity capital)	21.1	17.6	12.9	10.0	7.2	4.5
Equity ratio (in percent)	28	27	24	21	22	20
Profitability (in percent; net income/performance)	3.3	3.9	3.3	3.6	3.3	1.8

B&O Süd, B&O Mitte, B&O Nord, and B&O Service are included in the group financial statement (*subject to change). The statement does not constitute the annual consolidated financial statement in the legal sense; rather, the figures result from the consolidated reports of B&O Group companies and a business analysis of B&O Service on 31 December 2010 (B&O Service's fiscal year ends on 30 June).

We would be pleased to explain the full annual report in person.

B&O's business values



Report by the Executive Management

2010 business year

The first half of the year was still strongly affected by the global financial and economic crisis. General uncertainty and drastic restraint in investments caused B & O's project business to suffer.

In contrast, our business area of maintenance was hardly affected by fluctuations and continued to grow. Our new construction business – especially with wood – also developed well.

More specifically:

Renovation

B & O was able to consolidate its position as a leading provider of services for the housing industry. Flagship projects in Hamburg, Berlin, Cologne, Frankfurt and Erlangen highlighted B & O's presence in these cities. However, larger contracts were not concluded in the project business, especially in the Ruhr region and southern Germany. Accordingly, there was a downturn in activity and earnings in these regions.



Passive housing development in Jena

Maintenance

We are uniquely qualified to design service and logistics plans for the maintenance of buildings. Long-standing maintenance contracts for 412,000 apartments document B & O's leadership in this area. Correspondingly, 2010 saw an increase in activity and earnings in this business segment.

*Neumünster,
Max-Richter-Strasse
- new ready-for-
occupancy apart-
ment building with
28 wheelchair-
accessible units*





Interior view of a Cityliving XXL apartment

To meet the needs of our customers and create conditions for steady growth, we set up more service companies in Hamburg, Berlin and Hanover in 2010. These concentrate the service activities of all B & O Group companies.

Furthermore, in response to a European-wide call for tenders, a joint venture with which B & O Group is intrinsically involved was awarded a contract with the Gewobag Hausservicegesellschaft (house service company). This secures long-term service contracts for another 70,000 rental units.

Since cooperation with regional housing companies will continually expand in the future, ideas and business models were developed in 2010 that enable coordinated **involvement with local builders** and trade contractors as well as subcontractors.

Many innovations in processes indicate that development prospects for the housing industry **are profitable. Thus the sometimes controversial debate about 'in-house development vs. outsourcing' becomes less important.**

With its own, highly specialized central service offices located in Berlin and Bad Aibling, a nationwide network of branch offices, proven IT and logistics systems, and 400 well-trained, salaried craftspeople, B & O is able to **improve service quality and profitability for its customers** and secure their loyalty. Accordingly, the service segment is looking forward to continued growth.

New construction / wood construction

To allow for growth in the project business segment, a 'new construction' division was created in 2010. Initial successes in Berlin and Jena are grounds for optimism. Indeed, wood construction in particular, relying on a high degree of prefabrication and focusing on the housing industry, is to be intensified.



*Multi-purpose building in Berlin
(Source: BBP Bauconsulting)*

We see opportunities to use this technology to add stories to existing buildings and to densify attractive urban areas. A pilot project in wood construction completed in Bad Aibling (Holz 4) has received a great degree of attention. A flagship wood construction project (Holz 8) in 2011 will revitalize the potential of wood as a material for multi-storied residential buildings. B&O is on the right track!

An overview of 2010

- » Project business suffers from financial crisis
- » Strong growth in maintenance segment
- » Successful start of new construction division
- » Wood construction attracts high market interest
- » Group turnover increases to EUR 222 million
- » Net income of EUR 7.4 million is lower than in previous year, caused by setbacks in project business and disproportionately high investments in human resources
- » Number of staff members increases from 715 to 854 employees

Bad Aibling park grounds / Zero Energy City

By converting a 70-hectare former military base, B&O set milestones in urban development as well as:

- » created jobs
- » fostered vocational training
- » enabled people to live close to their jobs
- » promoted social integration
- » inspired new technology
- » helped to balance work and private life
- » instigated research projects
- » offered sports and leisure activities close to residential areas
- » implemented sustainable energy strategies and
- » set an example for the common good

The development of a model urban project in 2010 was neither simple nor without conflict.

*Left:
Addition of stories to
apartment building in
Darmstadt*



*Right:
View of wooden façade*





Solar Decathlon Europe 2010 competition: project house developed by the Rosenheim University of Applied Sciences

In the meantime, initial successes have taken shape:

- » charitable services run a nursery and a kindergarten
- » charitable youth services provide comprehensive care for adolescents
- » B & O creates 100 new jobs and eight new apprenticeship training positions; lws (**Lightweight Solutions**) invests in new production facilities; ift Rosenheim (**institute for window technology**) increases its presence; the Technical University of Munich is granted funding to create a fire test rig; many local SMEs liven up the technology park
- » 400 new jobs are created for Bad Aibling
- » 25 company apartments are turned over to staff
- » Raphael school accepts 60 children for schooling and daycare
- » 10-hectare sports park with gymnasium turned over to the city of Bad Aibling under very affordable conditions; start of regular sports activities on the grounds
- » many buildings are retrofitted with exemplary energy-efficient measures
- » hotel and seminar center successfully attain market acceptance
- » flagship project in innovative wood construction is completed (Holz 4)

- » Zero Energy City project is developed and implemented; **CO₂-free energy supply ensured for 2011**: solar thermal collectors, decentralized heat pumps, five hectares of photovoltaics and a woodchip-fired boiler provide CO₂-free, sustainable, self-contained and fail-proof supply of energy and
- » the **Rosenheim University** of Applied Sciences launches its three-year research program to monitor the Zero Energy City project

Our staff and our customers

All this was possible only because of the dedication of our 854 staff members and the loyalty and trust of our customers. B & O's management is warmly grateful for this and much more. We are looking forward to continued cooperation.

Satisfied and good customers

Satisfied and good personnel

Good work done on time

= good results

Prospects for 2011

- » Our high backlog of orders indicates strong growth
- » Safeguard liquidity and earnings, giving them priority over growth
- » Make advances in applied technology real and visible: Holz 8; the iconic architect-designed boiler house (Heizikone); the zero emissions district
- » Integrate new staff
- » Accelerate staff acceptance of B & O Group business values

Cityliving XXL

*Builder/owner:
KEG Konversions-
Grundstücksentwick-
lungsgesellschaft
(conversion-property
development
company)*

*Planning and
architecture:
BSMF Beratungs-
gesellschaft für Stadt-
erneuerung und
Modernisierung
(consultant for
urban renewal and
modernization)*



High degree of efficiency makes for affordable housing – Cityliving XXL in Frankfurt

Affordable housing close to an urban center is very attractive when it has been built to quality standards and features high-grade bathrooms, balconies, and flooring. As a general contractor, B & O played a leading role in this ambitious project in Frankfurt.

From the basement to the roof, B & O completely renovated these former barracks. The buildings were given a completely new design which included an entirely new roof structure and high-quality façade insulation.

Since the old buildings were to be converted into modern but affordable condominiums, planning and execution had to be achieved as efficiently as possible down to the smallest detail.

Modern apartments with basements and lofts were built in the four-storey and five-storey residential buildings, with floor space varying from 84 to 295 square meters.

The apartments have easy access to roadways to the downtown area, and they boast high-quality features such as impressively designed entrance areas, wide stairwells, elevators, and modern and well-appointed hallways.

B & O applied the standards set in Germany's current energy saving regulations to make major structural changes in the buildings.

The new residential units therefore show very low energy consumption values and have above-average sound insulation.

An energy-saving thermal insulation system has been integrated into the exterior façade.

In many cases, statutory standards were actually exceeded. Even the heat supply system is forward-looking - heat is produced using an eco-friendly **combination of solar thermal and geothermal energy**.

B & O's Cityliving XXL project in Frankfurt clearly shows once again that our very efficient approach to planning can **create affordable and high-quality living space**.

This keeps housing affordable and **preserves healthy social structures** in renovated residential areas.



*Left:
View of exterior*

*Right:
Newly renovated
bathroom in the
Cityliving XXL project*

Holz 2 – vertical extension

View of stories added to buildings in the Ford housing estate in Cologne-Niehl (wood construction by Huber & Sohn)



Addition of stories in wood construction

As an innovative partner, B&O wants to offer the housing industry forward-looking ideas for improving existing buildings. The addition of stories to buildings creates a new look in urban areas with homogeneous structures and similar types of buildings. In this way, attractive locations can be up-graded by an improvement in housing quality and a new combination of housing units. In many cases this development even increases floor space and rental income.

B&O offers the housing industry sophisticated plans from **a single source for all measures needed to vertically extend a building**; this covers all phases of work from renovating the

building's façade and improving the heating system to modernizing apartment units. **We can even refurbish units occupied by tenants.** The cost effectiveness of these measures can be calculated in advance based on the construction costs of already completed B&O projects.

An excellent example of a vertical extension project is the renovation of the Ford housing estate in Cologne-Niehl. Built in the 1950s to house employees at the local Ford plant, the estate needed to be fully modernized and brought up to standards that meet today's expectations. B&O not only improved the energy efficiency of the estate but also increased housing space by adding one or two stories to each building using prefabricated wood construction methods.

A redesign of the floor plan allowed the creation of 264 larger, family-friendly apartments from 300 old units. Adding a full storey to each building created enough space for another 81 apartments – meaning that the estate boasted a total of 345 modern units when work was completed. Open spaces in the estate were retained, and the property and its related infrastructure can now be used in a much better way.

All apartments have been thoroughly renovated and fitted with completely new bathrooms and kitchens as well as large balconies. The residential environment has been redesigned to include gardens for tenants, playgrounds and places to meet. Overall, renovation measures have expanded the supply of housing for new groups such as young families. A new energy efficiency plan was designed for the estate and used two different building standards. As a result, energy consumption in the apartments converted from old units is indeed more than 30 percent lower than the statutory standard required for new buildings. Furthermore, very good standards of either the 'KfW efficiency house 40' (meaning energy consumption of less than or equal to 40 kWh per square meter per year) or the 'three-liter-house' (meaning consump-

tion of three liters of heating oil per square meter per year) were attained in new apartments in the added stories.

This was achieved by installing a thermal insulation system on building shells, insulating the basement and roof areas, and putting in new windows. To complete insulation measures in a sensible way, all apartments were equipped with ventilation systems with heat recovery.

Highly efficient evacuated tube solar collectors mounted on all south-facing pent roofs in the Ford estate optimally capture solar thermal heat, which is stored in three underground tanks of 15,000 liters each, from where hot water is fed into the local supply network.

The solar thermal systems are expected to provide about 60 percent of needs for hot water, and boost heating as well. The rest of the heating and hot water supply is provided by three local plants using gas-fired condensing boiler technology. The renovated Ford estate in Cologne shows how an innovative vertical extension project can convert aging housing into attractive, sustainable living space quickly and cost-effectively.



Other views of added stories in Cologne-Niehl

Holz 4

B & O sets new standards for wood construction in a four-storey pilot project

Using wood to construct multi-storied buildings is hardly conventional since wood is not thought to be an ideal material for the urban environment. But B & O has proven the opposite in a four-storey pilot project. Six units with 60 to 120 square meters of space reflect the current state of new residential construction.

Individual floor plans with a highly flexible design and an elevator for wheelchair access meet the wishes of customers to the highest degree. The largely industrial prefabrication of walls, ceilings and roofs made of wood saves construction time and therefore construction costs. For this reason, buildings standardized in this way are attracting the interest of the housing industry more and more.

Wood is efficient in terms of thermal insulation, sound insulation and fire protection

The supporting structure, the elevator shaft and the building's recessed balconies are made of wood and have been reinforced to be self-supporting. This construction method has proven to be very effective for sound insulation, meeting the high standards set out in guidelines issued by the German Institute for Standardization and the Association of German Engineers. Wood and plaster have moisture-regulating effects and contribute to a comfortable, healthy indoor climate.

Elements are prepared in the factory, complete with all built-in parts and surface finishing, so that at the construction site they need only to be assembled and connected.

Advantages of using wood in multi-storied buildings

- » Less stress for nearby residents due to the rapid completion of a building project
- » Quicker re-letting
- » Positive indoor climate
- » Wood construction contributes actively to environmental protection through its carbon storage effect and embodied energy (carbon storage effect: 250 cubic meters of timber used in this project = CO₂ emissions from a modern car for about 165 years)
- » Recyclable after its life cycle or as a source of energy

Applicable to existing housing stock and new construction

Multi-storied wood construction is ideally suited for densification in urban centers because it allows buildings to be erected very rapidly. The same applies for new construction when the renovation of old buildings is no longer worthwhile.

Due to the low weight of the construction, **multi-storied buildings of wood can be easily erected on existing basement foundations.**



Floor plan of first storey.



Front view of Holz 4

Designed by
SCHANKULA
Architects/Engineers

Energy efficiency standards - from 'KfW efficiency house 40' to passive house

A final energy consumption value of 30 kWh per square meter per year is clearly lower than the standard set for new construction in Germany's energy conservation ordinance (EnEV), and meets the criteria for a 'KfW efficiency house 40'. Making small changes in design, such as putting in windows with triple-glazing, allows us to easily meet the passive house standard.

Since building authorities have so far rarely had to issue technical approval for wood construction in terms of structural analysis, fire protection and sound insulation, B & O works closely together with the Technical University of Munich, the Rosenheim University of Applied Sciences and ift Rosenheim (institute for window technology).

B & O can erect blocks of buildings quickly using wood as an alternative and innovative construction material.

Holz 8

Holz 8

Designed by
SCHANKULA
Architects/
Engineers



B & O sets new standards for wood construction in an eight-storey building

Wood as the construction material for an innovative apartment building design - this is the highly ambitious goal that B & O wants to see through in the zero emissions district planned for Bad Aibling in the next few years, building by building. The challenging project is to build an eight-storey apartment house that will come close to reaching the load capacity of wood. Its

floor plans, allowing for wheelchair access, will be adapted to the guidelines for public funding in the housing industry. These buildings will boast load-bearing wood construction, even for the central utility service shaft - a building method considered very innovative in Germany. Not only does the fabrication of wood elements consume low amounts of energy; completed buildings will also have low operational energy consumption.

Building with wood means that passive house standards can be reached at an economically acceptable cost. At suitable sites, wind turbines mounted on the central utility service shaft and operated in conjunction with heat pumps could even turn these buildings into '**plus energy**' houses.

The high level of prefabrication dramatically reduces periods of construction down to two or three days per storey. Residents of neighboring buildings are minimally affected.

Wood construction is therefore an excellent alternative for replacement construction and for urban densification.

B & O is cooperating with the Technical University of Munich and other enterprises on this unique pilot project to broaden our expertise in the following areas:

- » effective fire protection measures in multi-storey wooden buildings
 - » prototypes for technical approval procedures
 - » integration options for building services
 - » compliancy with more stringent sound insulation requirements according to the guidelines of the Association of German Engineers (VDI 4100)
 - » optimization of the construction process
- Construction is due to begin in May of 2011.

The eight-storey building will be another landmark 'experience idea' on the park grounds.

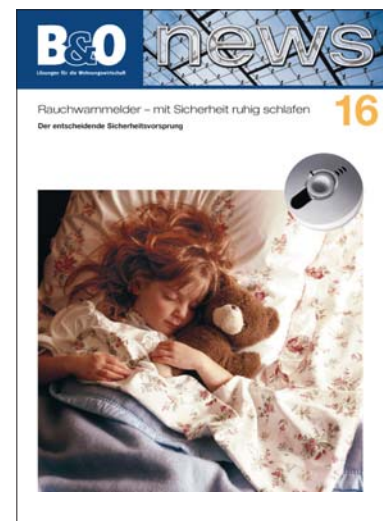
Knock on wood: B & O's 'city of wood' architectural competition

As an innovative partner for the housing industry, B & O is scouting for more opportunities for multi-storey wood construction by means of its "city of wood" architectural competition. The competition will evaluate plans for their architectural quality, cost effectiveness and sustainability. On this basis, the 'city of wood' will be built on the B & O park grounds in the next few years, boasting approximately 30 residential units and functioning as a model for all of Europe. The project will be seen through with the cooperation of the Rosenheim University of Applied Sciences, ift Rosenheim (institute for window technology), the Technical University of Munich, and the German Ministry for Economics and Technology.



Aerial view of park grounds

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 Dass Denkmalschutz und zeitgemäße Sanierung kein Widerspruch sind, zeigt die Sanierung der Bergmannsiedlung Stammesberg in Oberhausen.

Sanierung großer Wohnanlagen im bewohnten Zustand mit B & O

B&O's Management Structure

(31 December 2010)



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Area of activity
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Area of activity
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Area of activity
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» Rhineland-Palatinate

Area of activity
» Main Service Office
in South Germany

