

JOYOU
— 中宇卫浴 —

Interim Report Q3 2011

3



Group Key Data

kEUR	Nine Months 2011	Nine Months 2010*
Sales revenues	212,748	174,946
Cost of sales	-155,638	-128,059
Gross profit	57,110	46,887
Other operating income	456	1,387
Selling and distribution expenses	-12,169	-12,333
Administrative expenses	-13,820	-5,264
Other operating expenses	-274	-858
Operating profit	31,303	29,819
Finance income	2,369	2,118
Finance costs	-5,033	-8,328
Profit before income tax	28,639	23,609
Adjusted profit before income tax¹⁾	28,639	27,665
Income tax	-5,381	-5,357
Profit for the period	23,258	18,252
Selected balance sheet data		
Total assets	380,070	339,504
Total liabilities	105,223	96,435
Total equity	274,847	243,069
Selected cash flow data		
Cash flow from operating activities	13,268	17,161
Cash flow used in investing activities	-25,375	-13,626
Cash flow from financing activities	-10,745	88,108
Cash and cash equivalents at the end of the period	91,570	126,666
Other selected financial data		
Gross profit margin ²⁾	26.84%	26.80%
Adjusted EBITDA ³⁾	34,760	32,419
Adjusted EBITDA margin ⁴⁾	16.34%	18.53%
EBIT ⁵⁾	31,303	29,819
EBIT margin ⁶⁾	14.71%	17.04%
Number of employees ⁷⁾	3,325	3,022
Number of stores	3,851	3,516

* 2010 figures partly restated

¹⁾ Adjusted for one-off non-cash interest expenses resulting from the IFRS account treatment of preferred shares issued before the IPO in 2010

²⁾ Gross profit margin is calculated as gross profit divided by revenues times 100

³⁾ Adjusted EBITDA is calculated as net income less interest income plus interest expense plus tax expenses plus depreciation and amortization plus expenses from land-use rights in Mainland China

⁴⁾ Adjusted EBITDA divided by revenues times 100

⁵⁾ EBIT is calculated as net income less interest income plus interest expense plus tax expenses less tax refundable

⁶⁾ EBIT margin is EBIT divided by revenues times 100

⁷⁾ Own employees including contract workers and trainees

Content

1	Letter to the Shareholders
2	Interim Group Management Report
16	Condensed Interim Consolidated Financial Statements
30	Review Report
31	Financial Calendar, Imprint

Letter to the Shareholders



Dear Fellow Shareholders,

It is my great pleasure to report, that, Joyou developed successfully in the first nine months of 2011. Our revenues grew by 21.6% year on year (24.3% in RMB terms), to EUR 212.7 million and EBIT increased in round terms by 5% year on year to reach EUR 31.3 million. Our focus business segments, Shower Products, Ceramics and Bathtubs, and Bathroom Cabinets realized growth rates of 55.9%, 66.3% and 262.9% respectively thereby demonstrating our increased strategic success in selling bathroom solutions.

Over recent months there has been a slow down in the growth of the China housing market caused by tightening measures implemented by the Chinese central government. This has affected our industry and slightly weakened Joyou's revenue growth somewhat. However, Joyou has still continued to pursue its growth strategy through investing into future project areas through additional R&D and investments in a new state of the art ceramics production facility. In response to the challenging situation, we are in the process of implementing measures to improve efficiencies and reduce administration costs in order to enhance profitability levels.

We are on track with our plans to expand the distribution network: In the first nine months of 2011, Joyou opened 255 Joyou branded stores, bringing our total network of retail outlets to 3,851 throughout China putting us well on track to exceed our 2011 target. Most of the new stores, 79%, were opened in tier 3 and tier 4 cities. These lower tier cities house the majority of the Chinese population and have increasingly experienced some of the fastest growth in recent years, due to heavy government spending.

Also, our strategic Partner Grohe has equipped their existing 144 stores to sell Grohe's Asian Product Line, for which Joyou is the master distributor. With the support of Joyou, the integrated team have opened a further additional 152 Grohe stores, meaning that in first nine months of 2011 a total of 296 stores were opened carrying the Asian Product Line. Apart from the significant progress made with Grohe Asian Product Line distribution in China, we have deepened the cooperation with Grohe regarding production management and we established a consolidated subsidiary to manage Grohe's whole business operations in China in the future.

In the context of our partnership with Grohe, I welcome David Haines, CEO of Grohe, as Member of the Supervisory Board of Joyou AG who has been appointed with effect as the end of 30 September 2011.

Dear shareholders, I strongly believe that the market slowdown is a temporary phenomenon. The sanitary ware industry benefits from strong macro trends as mid and long-term growth drivers: Urbanisation which is causing significant growth in the Chinese housing and construction industry and increases in Middle Income Affluent Consumers (MAC) who are our predominant target market, are strong growth drivers that are relatively unaffected by short-term market turbulence.

Based on the current business development we have updated our guidance: For the full financial year 2011 we expect sales of EUR 280 million to EUR 290 million and an EBIT of EUR 44 million to EUR 46 million (based on 1 EUR = 9 RMB).

As of 1 September 2011 my colleague Zufang LI became Chief Financial Officer of Joyou AG. He has been working with me as Financial Manager and as Joyou's Chief Accounting Officer for many years. I want to express my thanks and recognition to Gang ZHENG, the former CFO, for his valuable service to the Group. I wish him all the best in his future professional and personal endeavours.

Yours faithfully,

Mr. Jianshe CAI
CEO
Joyou AG

Interim Group Management Report

for the first nine months of 2011
page 3–14



1 Group Structure

The group structure of Joyou Group is nearly unchanged to the structure disclosed in the consolidated annual financial statements as at 31 December 2010. In addition Joyou Hong Kong set-up a new wholly-owned subsidiary named Quanzhou Joyou Ceramics Ltd. seated in Nan'an, Quanzhou, Fujian Province, PRC, in January 2011. In June 2011, Grohe (Xiamen) Investment Management Co., Ltd. was incorporated in Xiamen, Fujian Province, PRC, of which 51% interest is held by Quanzhou Joyou Sanitation Technology Industrial Co., Ltd., a wholly-owned subsidiary of Joyou Hong Kong.

2 General Economic Environment

China's Gross Domestic Product (GDP) grew by 9.1% year-on-year in the third quarter of 2011, which was the slowest pace since Q3 2009. This growth rate decreased from 9.5% in Q2 2011 and 9.7% in Q1 2011, according to the National Bureau of Statistics (NBS). China's GDP reached 32.07 trillion RMB (5.01 trillion US\$) in the first nine months, up 9.4% year-on-year. Analysts expect the country's GDP growth to remain above 9% for the year of 2011.

China's Consumer Price Index (CPI) continued to show signs of slowing from a 37-months high for a second month in September 2011, according to the National Bureau of Statistics (NBS). China's CPI, a main gauge of inflation, rose 6.1% year-on-year in September 2011 from 6.2% in August 2011. On a monthly basis, consumer prices rose 0.5% last month. In the first nine months of 2011, China's CPI rose 5.7% from the same period last year, up from 5.4% year-on-year in the first half, according to the NBS. Accounting for just under one-third of the basket of goods in the nation's CPI calculation, food prices rose 13.4% in September from the previous year and 1.1% month on month, according to the NBS. The 37-months high of 6.5% in China's CPI was hit in July 2011, which extended far past the Chinese central government's full-year target of 4% for 2011. Although the CPI is higher than planned, the government's initiative to curb growth appears to be working.

According to the NBS, retail sales in China increased 17% to 13.1 trillion RMB (2.05 trillion US\$) in the first nine months of 2011 from a year earlier. In September, retail sales increased 17.7% from a year earlier, up 1.35% from August. Urban retail sales increased slightly higher than rural retail sales, reaching 17.1% year-on-year to 11.33 trillion RMB in the first nine months, while rural retail sales rose by a slightly lesser figure of 16.4% to 1.75 trillion RMB over the same period. A breakdown of specific sector growths showed that the catering sector showed a rise of 16.5% from a year earlier generating sales of 1.47 trillion RMB, while commodities retail sales increased 17% to 11.61 trillion RMB. Auto sales grew by 16% during the first nine months, down 18.9 percentage points from a year earlier. Sales of furniture jumped 31.4% during the same period, down 7 percentage points from a year earlier, while sales of home appliances and audiovisual equipment climbed 20.5%, down 7.6 percentage points from a year earlier, according to the NBS.

Fixed asset investment rose 24.9% year-on-year to 21.23 trillion RMB (3.33 trillion US\$) in the first three quarters of the year, according to the NBS. The growth rate was 0.7 percentage points lower than that during the first two quarters of 2011. Investment in the primary industries rose 25.5%, secondary industries rose 26.9% and tertiary industries rose 23.4% from last year.

Meanwhile, investments in the China's eastern regions grew by less than central and western regions. Eastern regions fixed asset investment grew 22.3% year-on-year, while the central and western regions' investments increased by 29.9% and 29.5% respectively.

China's trade surplus fell for the second straight month in September, dropping by 12.4% year-on-year to reach 14.51 billion US\$ due to sluggish global demand and rising costs in domestic markets, according to the General Administration of Customs (GAC). September exports rose 17.1% year-on-year to reach 169.67 billion US\$. Imports surged 20.9% to 155.16 billion US\$. From January to September, exports and imports amounted to 2.68 trillion US\$, representing a 24.6% year-on-year increase. The amount exceeded that of the full year of 2008, according to the GAC. The first nine months of this year saw the trade surplus shrink by 10.6% to 107.1 billion US\$.

Investment in the nation's property sector rose 32% year-on-year to reach 4.42 trillion RMB. The rise was 0.9 percentage points lower than that in the first half. About 3.18 trillion RMB went into residential housing, an increase of 35.2% from the same period last year. Floor space transactions of commercial housing climbed 12.9% year-on-year to 712.89 million sqm during the past nine months.

The government adopted a series of tightening measures earlier this year, including asking local governments to set new home price control targets, raising minimum down payments for second-home purchases, limiting purchases of new homes and introducing property taxes in the cities of Shanghai and Chongqing, in order to keep housing prices down. The central government started in July to prepare home purchase restrictions in the country's second and third-tier cities to prevent further price increases. Although but only a few of them have so far adopted the policy.

The result was that more cities reported a slowdown in year-on-year increases in property prices in September as a result of government's tightening efforts to cool the market, according to the National Bureau of Statistics. In September, 59 cities out of the statistical pool of 70 major cities saw new home prices increase more slowly from a year earlier, compared with 40 cities in August. Property prices in first-tier cities, including Beijing, Shanghai, Shenzhen and Guangzhou, which are viewed as a barometer for the property market, all stayed flat month-on-month for the third straight month, according to the report. As for resold housing units, 46 cities reported that second-hand home prices declined or stayed unchanged month-on-month in September, up from 43 in August.

In the beginning of July the State Council in the executive meeting clearly stated 'second and third tier cities will also have buying restrictions imposed' although only a handful of cities implemented the policies in August and September, this marked the overall policy direction in the third quarter. According to an real estate analyst, property transaction volumes in Beijing, Shanghai and Shenzhen tumbled 60.3%, 60.5% and 62.9%, respectively, in September, a traditional boom season for property sales. Across the country, the average sales growth rates dropped significantly in the third quarter.

3 Development of Joyou Group

In the first nine months of 2011 Joyou Group increase sales by 21.6%, or 24% in RMB terms compared to the first nine months of 2010. The development of Joyou is influenced by the economic environment described below:

- Joyou expects that this continued and sustained GDP growth will aid overall growth in sales of its products.
- Joyou believes that although detrimental to overall economic growth stability the current level of inflation will have little direct impact on its business model.
- Joyou believes that the strong retail growth patterns will have beneficial impact on its sales.
- Joyou believes that the overall fixed asset investment in China will support its strategy of developing and expanding into central and western areas.
- Joyou believes that government measures aimed at cooling down the housing market are having a negative effect on its business.
- The property market is ultimately driven by urbanization and growing needs for housing, the underlying trend of which is not to be interrupted by the introduction of temporary administrative policies and is expected to remain a mid- and long-term growth driver for Joyou's business.

Major Operational Updates

- Joyou Store Openings
- Grohe Store Openings
- Deepening Grohe Cooperation
- Production Line Expansion
- First Experience Centre
- Kapok Design Award
- Project Business
- Lead-free brass production process
- Galvanisation Plant Acquisition

Joyou Store Openings

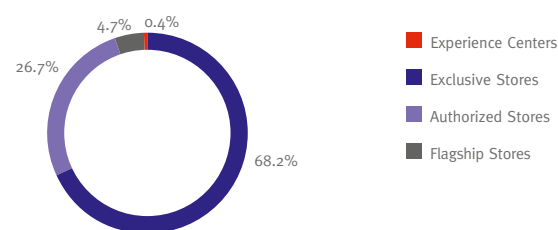
In the first nine months of 2011, Joyou opened 255 Joyou branded stores, bringing its total network retail outlets to 3,851 throughout China as at 30 September 2011. In the same period of last year, Joyou opened 989 new stores. This is in line with Joyou's strategy for 2011 to open approx. 300 Joyou branded stores with the focus on increasing sales per store in 2011. Opening new stores in small and medium-sized Chinese cities is one of Joyou's growth areas. Most of the new stores, 79%, have been opened in tier 3, and tier 4 cities. These lower tier cities have increasingly experienced some of the fastest growth in recent years, compared to higher tier cities, as a result of increasing purchasing power and consumer confidence of their residents and substantially improved public infrastructure due to heavy government spending that lead to higher GDP growth and per capita income.

Geographic spread of Joyou's newly opened points of sale in the first nine months 2011

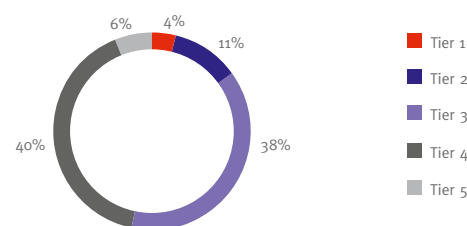
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total	%
Experience Centres	0	1	0	0	0	1	0.4
Flagship Stores	0	1	7	3	1	12	4.7
Exclusive Stores	10	18	54	83	9	174	68.2
Authorized Stores	0	8	37	17	6	68	26.7
Total	10	28	98	103	16	255	100
%	4	11	38	40	6	100	

Note: Definition of Tiered Cities:
 There is no officially recognized tier city classification to date in China. Joyou follows widely recognized methodology in classifying sales territory subject to its own adjustment, based on the strength of the local economy, GDP per capita, as well as property prices.
 Tier 1: Beijing, Shanghai, Guangzhou, Shenzhen.
 Tier 2: Provincial capitals, Government controlled Municipalities (Tianjin, Chongqing), and Xiamen.
 Tier 3: Prefecture-level cities
 Tier 4: County-level cities
 Tier 5: Towns and villages

Breakdown of Store Openings first nine months of 2011 by Store Type



Breakdown of Store Openings first nine months of 2011 by Tier of City



Grohe Store Openings

In the first nine months of 2011, after a further integrated cooperation between Grohe and Joyou, Grohe has equipped their existing 144 stores to sell Grohe's Asian Product Line, for which Joyou is the master distributor. With the support of Joyou, the integrated team have opened a further additional 152 Grohe stores, meaning that in the first nine months of 2011 a total of 296 stores were opened carrying the Asian Product Line.

Deepening Grohe Cooperation

Following the Tender offer by Grohe and signing of the shareholder agreement, Joyou AG has become a consolidated subsidiary of Grohe Holding GmbH as of 1 July 2011. Joyou expects that Grohe being a strategic anchor investor will bring sustained benefits to the company. Apart from the significant progress made with Grohe Asian Product Line distribution in China, Joyou also deepened the cooperation with Grohe regarding production management. On several occasions, Joyou's production team has been to Grohe's factories for training and Grohe's engineers

and senior production managers have been working in Joyou's Luncang facility to improve process scalability and sustainability on a regular basis. Further, the consolidated new subsidiary Grohe (Xiamen) Investment Management Company was established, and it is intended that after the signing of an operation management contract, it will take operational and strategic responsibility of Grohe's business in China.

Production Line Expansion

The establishment of the ceramics production facility has gone quite smoothly since it was initiated in Q4 2010. Joyou's ceramics R&D team have researched and designed products ready for production. The ceramics plant covers a floor space of 70,000 sqm, and contains both a flow kiln and a static kiln. The larger of the two kilns, the flow kiln, was operational in mid-September, and went through a one month run-in period before being ramped-up to mass production.

The ceramic plant has 80 bench casting lines with a maximum annual production capacity of up to 600,000 pieces. Joyou will start with the production of 9 toilet product styles. Further 50 products, including basins, are in the development stage and are expected to enter the manufacturing phase over the coming months. All new toilet styles are environmentally friendly – their consumption of water is lower than the official standard (4.8 litres or less vs. 6 litres).



After starting in-house production of both Shower Enclosures and Bathroom Cabinets in Q3 2010, Joyou now has begun in Q2 2011 the own production of acrylic bathtubs. The first phase of the new in-house production of bathtubs has come on line. 15 models are ready for production and 3 more models are in the R&D stage. The in-house production of Shower Enclosures and Bathroom Cabinets has been very successful: The own production of Shower Enclosures which was started in Q3 2010 now accounts for nearly 100% of sales. 11 models are already in production and 7 more are currently in the R&D stage. Our in-house production of Bathroom Cabinets, which was started in Q3 2010, currently manufactures 12 different models and 11 more are in the R&D stage, which allows Joyou to produce the majority of Bathroom Cabinets in-house.

Joyou intends to further expand its product offering and to shift more and more from outsourced production to own manufacturing. Joyou believes that this strategy will enhance product quality, design and profitability.

First Experience Centre

On 9 March 2011 Joyou opened its first Joyou Brand Experience Centre in Hangzhou, Zhejiang Province with a total floor space of 8,611 ft² (800 sqm). The centre was opened in cooperation with a regional distributor. This is the first of several Joyou brand experience centres to be opened in the coming years and will play a pivotal role in developing the relationship between the Joyou brand and its target customer segment, both in retail and project business.

Kapok Design Award

In Q1 2011 Joyou was awarded the China Innovative Design Award Kapok Prize for two of its products. Products of 1,120 companies from around the world took part in the competition, with prizes going to various companies. The Kapok Prize is the only annual international event of design with global synchronous promotion jointly acknowledged by three major authorised bodies of design, including the International Council of Societies of Industrial Design (ICSID), the International Council of Graphic Design Associations (ICOGRADA) and The International Federation of Interior Architects/Designers (IFI). It is also being used extensively in recent marketing campaigns to reinforce Joyou as a design-lead brand.

Project Business

With a growing brand, recognised first class quality and an expanding store network, together with being the exclusive master distributor of the Grohe Asian product range, Joyou started capitalising on these advantages by forging a strategic alliance with a number of real estate developers during Q3 2010.

Further to this, Joyou was awarded the “First-choice Building Material Brand of China’s Top 500 Property Developers 2011”. The award was sponsored by the China Real Estate Research Association, the China Real Estate Association and the China Real Estate Appraisal Centre and organised by Technical Service Limited and China Real Estate Information Corp. In the first nine months of 2011 Joyou won several prestigious projects across China with both the Joyou and Grohe brands.

Lead-free brass production process

In July 2011, Joyou introduced an environmentally friendly lead-free brass for sanitary ware products. In cooperation with Fujian University of Technology, Joyou has successfully developed a low-cost, lead-free brass production process to be used in the manufacturing of its brass based sanitary ware products. Joyou received the “Lead Free Faucet Production” certificate from the Chinese National Research Centre for Environmental Analysis and Testing.

The technology developed uses Bismuth as a replacement for lead in brass production, making the products not only environmentally friendly but also giving Joyou a significant marketing edge. The R&D in partnership with Fujian University of Technology took 24 months with strong governmental support and subsidies. The innovation is believed to be the first such break through amongst Joyou’s local competitors.

Galvanisation Plant Acquisition

Joyou still intends to acquire the 100% stake in Quanzhou Yongsheng Galvanisation Industrial Co. Ltd. (“Yongsheng Galvanisation”), a galvanization plant in the Shui Tou Galvanisation Industry Park in Nan’an, Fujian Province. Since, however, Yongsheng Galvanisation has still not received all necessary documents and approvals which would enable Joyou to close the transaction, Joyou and the vendors have agreed on a repayment of kEUR 3,970 of the prepayment being made by Joyou. The remaining outstanding amount of kEUR 232 has been reclassified to other non-current assets as the parties still intend to finalize this transaction. In the meantime, Joyou is using the galvanization capacity of Yongsheng Galvanisation as customer on regular terms and conditions.

4 Sales Revenues and Earnings

Revenues increased from kEUR 174,946 in the first nine months of 2010 by kEUR 37,802, or 21.6%, to kEUR 212,748 in the comparable period of 2011. Measured in RMB, revenues increased by 24.3% during this period. This increase resulted from a significant sales increase in shower products, ceramics and bathtubs, and bathroom cabinets, and was slightly offset by significantly decreased sales in bathroom accessories.

Cost of Sales comprises costs of purchasing copper, zinc, other metals and other parts, labour costs for personnel and contract workers employed in production, depreciation of fixed assets used for production purposes, trading goods and others. Cost of sales increased from kEUR 128,059 in the nine month period ended 30 September 2010 by kEUR 27,579, or 21.5%, to kEUR 155,638 in the nine month period ended 30 September 2011. The increase is in line with the increase in sales.

Selling and distribution expenses decreased slightly from kEUR 12,333 in the nine month period ended 30 September 2010 by kEUR 164 or 1.3%, to kEUR 12,169 in the nine month period ended 30 September 2011. The changes in comparison to the first nine months of 2010 are based on comparatively decreased selling expenses in relation to sales due to lower new opened shops, and decreases by non-recurring marketing expenses in 2010, which refer inter alia on marketing expenses on a TV Show, which were offset by increases in other general marketing expenses.

Administrative expenses increased from kEUR 5,264 in the nine month period ended 30 September 2010 by kEUR 8,556, or 162.5%, to kEUR 13,820 in the nine month period ended 30 September 2011. The changes in comparison to the first nine months of 2010 in main part are due to increasing expenditure on research and development, the start-up administrative expenses of the new ceramic plant, and also administrative expenses associated with the costs of maintaining a public company.

Group Earnings Before Interest and Tax (EBIT) amounted to kEUR 31,303 in the nine month period ended 30 September 2011, increasing by kEUR 1,484, or 5.0%, from kEUR 29,819 in the nine month period ended 30 September 2010. Hence the EBIT margin was 17.0% in the nine month period ended 30 September 2010, and 14.7% in the nine month period ended 30 September 2011. The decrease was mainly attributable to increases in administrative expenses.

	1 Jan. to 30 Sep. 2011		1 Jan. to 30 Sep. 2010		Variance	
	kEUR	%	kEUR	%	kEUR	%
EBIT	31,303		29,819		1,484	5.0
Depreciation and amortisation on fixed assets	3,007		2,407		600	24.9
EBITDA	34,310		32,226		2,084	6.5
Expenses on land-use rights	450		193		257	133.2
EBITDA adjusted	34,760		32,419		2,341	7.2
EBT	28,639	100.0	23,609	85.5	5,030	21.3
Interests on pre- ferred shares (con- verted into equity in March 2010)	-	0.0	4,018	14.5	-4,018	-100.0
Adjusted EBT	28,639	100.0	27,627	100.0	1,012	3.7

Finance income increased from kEUR 2,118 in the nine month period ended 30 September 2010 by kEUR 251, or 11.9%, to kEUR 2,369 in the nine month period ended 30 September 2011. This increase came from interest earned on bank deposits.

Finance costs decreased from kEUR 8,328 in the nine month period ended 30 September 2010 by kEUR 3,295, or 39.6%, to kEUR 5,033 in the nine month period ended 30 September 2011. Finance costs of current period comprise mainly of the current interest on bank loans and bank charges (EUR 2.2 million; comparative period: EUR 2.9 million) and exchange losses on foreign currency conversion and on an intercompany loan between Joyou AG and Joyou Hong Kong as Joyou AG granted a loan in Euro currency to its subsidiary Joyou Hong Kong (EUR 2.8 million; comparative period: EUR 1.4 million). Additionally, finance costs of prior period contain interest expenses on preferred shares of EUR 4.0 million (until conversion in March 2010).

5 Financial Position

The development of the asset and capital structure between the dates 31 December 2010 and 30 September 2011 is as follows:

Inventories increased from kEUR 65,303 as at 31 December 2010 by kEUR 2,012, or 3.1%, to kEUR 67,315 at 30 September 2011 due to the increase of the sales.

Property plant and equipment increased from kEUR 56,860 as at 31 December 2010 by kEUR 31,191, or 54.9%, to kEUR 88,051. The increase was mainly based on the new ceramics factory in Nan'an. The new ceramics factory started its operation in Q3 2011.

Intangible assets refer to software only and decreased by ordinary amortisation from kEUR 315 as at 31 December 2010 by kEUR 3, or 1.0%, to kEUR 312. **Lease prepayments for land-use rights** increased from kEUR 24,003 as at 31 December 2010 by kEUR 1,200 or 5.0%, to kEUR 25,203. The increase is based on payments in advance and the currency translation less amortization.

Cash and cash equivalents decreased from kEUR 113,181 as at 31 December 2010 by kEUR 21,611, or 19.1%, to kEUR 91,570. The decrease related especially to the repayment of short term loans as well as investments in fixed assets of the new ceramics plant.

Non current liabilities decreased from kEUR 4,285 as at 31 December 2010 by kEUR 341, or 8.0%, to kEUR 3,944 as at 30 September 2011. The major item stated under non-current liabilities refers to a bank loan granted by a Chinese bank to Joyou PRC subsidiary in the currency RMB. The decrease by kEUR 421 in other provisions mainly relates to the release of the provision for a potential claim from a financial advisor.

As our growth strategy is affecting our working capital needs, we focus on monitoring its development. The development of our net working capital is as follows in the periods under review:

	30 Sep. 2011		30 Sep. 2010		Variance	
	kEUR	%	kEUR	%	kEUR	%
Inventories	67,315	70.1	49,046	74.2	18,269	37.2
Trade receivables	73,014	76.1	50,445	76.3	22,569	44.7
Trade payables	-7,050	-7.3	-6,155	-9.3	-895	14.5
Notes payable	-37,300	-38.9	-27,249	-41.2	-10,051	36.9
Net working capital	95,979	100.0	66,087	100.0	29,892	45.2

Trade receivables increased significantly by 31.9% due to increase in sales. The presentation of trade payables contain trade payables due to Grohe Group, which are disclosed as liabilities due to related parties in the statements of financial position. Taking these adjustments into account, the total of trade payables and notes payable remain nearly unchanged in comparison to previous year.

6 Performance by Segment

The following table presents Joyou's revenues broken down by product categories for each of the nine months period ended 30 September 2010 and 30 September 2011. The table also presents each item as a percentage of total revenues.

kEUR	Bathroom Faucets	Kitchen Products	Shower Products	Ceramics and Bathtubs	Bathroom Cabinets	Bathroom Accessories	Other Faucets and Sanitary Hardware	Copper and Semi-Finished Components	Grohe Business	Total
Q3 2011										
Revenue	87,224	24,021	40,031	17,806	8,753	7,129	15,907	7,634	4,242	212,748
% of Revenues	41.0	11.3	18.8	8.4	4.1	3.4	7.5	3.6	2.0	100.0
Q3 2010										
Revenue	75,406	24,647	25,675	10,706	2,412	9,583	18,230	7,394	893	174,946
% of Revenues	43.1	14.1	14.7	6.1	1.4	5.5	10.4	4.2	0.5	100.0
Variance	11,818	-626	14,356	7,100	6,341	-2,454	-2,323	240	3,349	37,802
Variance %	15.7	-2.5	55.9	66.3	262.9	-25.6	-12.7	3.2	375.0	21.6

6.1 Bathroom Faucets

Bathroom Faucets include basin faucets, bathtub faucets, bidet faucets, and sensor faucets.

Revenues from the sale of Bathroom Faucets increased from kEUR 75,406 in first nine months of 2010 by kEUR 11,818, or 15.7%, to kEUR 87,224 in the first nine months of 2011. Measured in RMB, revenues from the sale of Bathroom Faucets increased by 18.2% during this period. There was an increase in both volumes and average sales prices (ASPs) in this product category.

The percentage of revenues from Bathroom Faucets to total revenues decreased from 43.1% in the first nine months of 2010 to 41.0% in the first nine months of 2011.

6.2 Kitchen Products

Kitchen Products include kitchen faucets and kitchen basins.

Revenues from the sale of Kitchen Products decreased from kEUR 24,647 in the first nine months of 2010 by kEUR 626, or 2.5%, to kEUR 24,021 in first nine months of 2011. Measured in RMB terms, revenues from the sale of Kitchen Products decreased by 0.4% during this period.

Although the ASPs of kitchen faucets and kitchen sinks increased over the period, however there was a decrease in volumes of kitchen faucets and kitchen sinks, which was the result of the overall focus on sales of complete bathroom solutions and shifts in consumer purchasing patterns.

The percentage of revenues from Kitchen Products to total revenues decreased from 14.1% in the first nine months of 2010 to 11.3% in the first nine months of 2011.

6.3 Shower Products

Shower Products mainly comprise shower faucets, shower heads, and shower enclosures.

Revenues from the sale of Shower Products increased from kEUR 25,675 in the first nine months of 2010 by kEUR 14,356, or 55.9%, to kEUR 40,031 in first nine months of 2011. Measured in RMB, revenues from the sale of Shower Products increased by 59.4% during this period.

This increase was primarily attributable to volume increases in the first nine months in the periods under review, with significant volume growths coming from Shower Heads and Shower Enclosures, with Shower Faucets seeing a slight volume decline.

The percentage of revenues from Shower Products to total revenues increased from 14.7% in the first nine months of 2010 to 18.8% in the first nine months of 2011.

6.4 Ceramics and Bathtubs

Ceramics and Bathtubs mainly comprise ceramic sanitary ware such as wash basins and toilets, as well as bathtubs.

Revenues from the sale of Ceramics and Bathtubs increased from kEUR 10,706 in the first nine months of 2010 by kEUR 7,100 or 66.3%, to kEUR 17,806 in the first nine months of 2011. Measured in RMB, revenues from the sale of Ceramics and Bathtubs increased by 70% during this period.

During the period under review, the major part of the revenue growth came from volume growth which was the result of increased marketing. Average Selling Prices (ASPs) of all sub-category items in this category also saw slight ASP increases.

The percentage of revenues from Ceramics and Bathtubs to total revenues increased from 6.1% in first nine months of 2010 to 8.4% in the first nine months of 2011.

6.5 Bathroom Cabinets

Bathroom Cabinets mainly comprise free standing and wall-hung cabinets.

Revenues from the sale of Bathroom Cabinets increased from kEUR 2,412 in the first nine months of 2010 by kEUR 6,341, or 262.9%, to kEUR 8,753 in the first nine months 2011. Measured in RMB, revenues from the sale of Bathroom Cabinets increased by 270.1% during this period. The increase was mainly caused by increasing volumes, as more stores were equipped to sell this product category and increased marketing promotion, along with a slight ASP increase.

The percentage of revenues from Bathroom Cabinets to total revenues increased from 1.4% in the first nine months of 2010 to 4.1% in the first nine months of 2011.

6.6 Bathroom Accessories

Bathroom Accessories mainly comprise baskets, soap trays, rook hooks, corner shelves and toilet paper holders.

Revenues from the sale of Bathroom Accessories decreased from kEUR 9,583 in the first nine months of 2010 by kEUR 2,454 or 25.6%, to kEUR 7,129 in the first nine months of 2011. Measured in RMB, revenues from the sale of Bathroom Accessories decreased by 24% during this period.

Although there was a slight increase in ASPs, which was off-set by substantial volume declines.

The percentage of revenues from Bathroom Accessories to total revenues decreased from 5.5% in the first nine months of 2010 to 3.4% in the first nine months of 2011.

6.7 Other Faucets and Sanitary Hardware

Other Faucets and Sanitary Hardware mainly comprise small faucets, drainage covers, angle valves, and crude products.

Revenues from the sale of Other Faucets and Sanitary Hardware decreased from kEUR 18,230 in the first nine months of 2010 by kEUR 2,324 or 12.7%, to kEUR 15,907 in the first nine months of 2011. Measured in RMB, revenues from the sale of Other Faucets and Sanitary Hardware decreased by 10.8% during this period.

The decrease was mainly attributable to a decline in ASP, although there was also a slight decline in volume.

The percentage of revenues from Other Faucets and Sanitary Hardware to total revenues decreased from 10.4% in the first nine months of 2010 to 7.5% in the first nine months of 2011.

6.8 Copper and Semi-Finished Components

Copper and Semi-Finished Components mainly comprises of unfinished products such as copper tubing and accessories.

Revenues from the sale of Copper and Semi-Finished Components increased from kEUR 7,394 in the first nine months of 2010 by kEUR 239 or 3.2%, to kEUR 7,634 in the first nine months of 2011. Measured in RMB, revenues from the sale of Copper and Semi-Finished Components increased by 5.5% during this period. The increase was mainly attributable to an ASP increase, which was off-set by a volume decrease.

The percentage of revenues from Copper and Semi-Finished Components to total revenues decreased from 4.2% in the first nine months of 2010 to 3.6% in the first nine months of 2011.

6.9 Grohe Business

Grohe Business comprises sales gained from Grohe's Asian Product Lines for which Joyou is the master China distributor and non-master distribution of Grohe Premium 'European' products. These products mainly comprise shower faucets, shower heads, basin faucets, and bathtub faucets. All of these products were purchased from Grohe and sold by Joyou.

Revenue from the sale from Grohe Business started achieving scale in late 2010, hence sales increased dramatically from kEUR 893 in the first nine months of 2010 by kEUR 3,349 or 375% to kEUR 4,242 in the first nine months of 2011. Measured in RMB, revenues from the sale of Grohe Business increased by 385.6% during this period.

6.10 Geographic split

The following table presents Joyou's revenues breakdown by domestic, i.e. sales to PRC customers, and export sales for each of the nine months period ended 30 September 2010 and 2011. The table also presents each item as a percentage of total revenues. "Export indirectly" means sales to customers located within the PRC where Joyou believes such customers finally export these products to overseas customers, whereas "export directly" means that such products are sold to customers located outside of the PRC. Domestic Grohe business concerns sales of merchandise products.

	Nine months ended 30 Sep. 2011		Nine months ended 30 Sep. 2010		Variance	
	kEUR	%	kEUR	%	kEUR	%
Domestic	178,450	83.9	146,097	83.5	32,353	22.1
Export (indirectly)	28,650	13.5	26,249	15.0	2,401	9.1
Export (directly)	1,406	0.7	1,707	1.0	-301	-17.6
Domestic: Grohe business	4,242	2.0	893	0.5	3,349	375.0
Sales revenues	212,748	100.0	174,946	100.0	37,802	21.6

7 Cash Flow and Capital Resources

	1 Jan. to 30 Sep. 2011 kEUR	1 Jan. to 30 Sep. 2010 kEUR	Variance kEUR
Cash flow from operating activities	13,268	17,161	-3,893
Cash flow from investing activities	-25,375	-13,626	-11,749
Cash flow from financing activities	-10,745	88,108	-98,853
Changes in cash and cash equivalents	-22,852	91,643	-114,495
Cash and cash equivalents at the start of the reporting period	113,181	34,291	78,890
Currency translation differences	1,241	732	509
Cash and cash equivalents at the end of the reporting period	91,570	126,666	-35,096

Net cash generated from operating activities reduced from kEUR 17,161 in the first nine months of 2010 by kEUR 3,893, or 22.7%, to kEUR 13,268 in the first nine months of 2011.

Cash flow used in investing activities increased from kEUR -13,626 in the nine month period ended 30 September 2010 by kEUR 11,749, or 86.2%, to kEUR -25,375 in the nine month period ended 30 September 2011. The increase is mainly associated with investments in building and machinery in a new ceramics factory in Nan'an, which started its operation in Q3 2011.

Finally, **cash flow from financing activities** decreased from kEUR 88,108 in the first nine months of 2010 by kEUR 98,853, or 112.2%, to kEUR -10,745 in the first nine months of 2011. In the comparative period cash flow from financing activities related to IPO proceeds of kEUR 91,000 offset by outflows of IPO costs of kEUR 7,808, inflows from bank loans of kEUR 10,027 less interest payments of kEUR 5,111. In the first nine months of 2011 financing activities relate to repayments of bank loans of kEUR 8,791 and interest payments of kEUR 2,216.

Joyou is required to deposit cash with certain banks to serve as collateral, mainly for letters of credit and notes payable, and therefore may not be used in the ordinary course of business of these companies; so-called "Restricted Cash". Restricted cash as at 30 September 2011, 31 December 2010 and 30 September 2010 was kEUR 11,123, kEUR 7,428 and kEUR 16,299, respectively.

8 Employees

The number of employees engaged by Joyou Group as at 30 September 2011, and 30 September 2010 are 3,325 employees, and 2,909 employees, respectively.

9 Opportunities and Risks

In the Group Management Report 2010, prepared by Joyou AG for the group's financial year ended 31 December 2010, Joyou Group reported extensively on the opportunities and risks arising from business activities and other resources.

Risks other than those disclosed in the Group Management Report 2010 are the recent developments in the global economy as well as their implications on the Chinese economy and/or Government policy. In first nine months of 2011 the global market has seen significant turbulence primarily due to the US debt position and European sovereign debt issues. Although Joyou derives only a small part of its revenues from international markets, Joyou can not predict how such turbulences – if they deepen or continue – will affect the Chinese economy and hence Joyou's ability to meet its targets.

The Chinese government's increasing measures to cool the growth in property prices in China has so far achieved apparent success with few cities under review showing a continued growth and more stable price developments.

The government adopted a series of tightening measures earlier this year, including asking local governments to set new home price control targets, raising minimum down payments for second-home purchases, limiting purchases of new homes and introducing property taxes in the cities of Shanghai and Chongqing, in order to keep housing prices down. The central government started in July to prepare home purchase restrictions in the country's second and third-tier cities to prevent further price increases.

Although but only a few of them have so far adopted the in full policy, Joyou can not predict what further measures the government may implement, nor their effects on Joyou's business. Further, with the Chinese Consumer Price Index expected to remain above the Chinese Government's 4% target rate in 2011, especially with respect to food prices, and interest rates charged by Chinese banks increasing as a result of tightened monetary policy in China, the willingness and/or ability of Chinese consumers to invest in new real estate or spend on renovation activities might also affect Joyou. As Joyou's growth is in part linked to the housing market, these potential developments will affect Joyou's ability to meet its 2011 targets.

Based on the Management Board's judgment, the overall risk resulting from the sum of all the individual risks remain in a good relationship to the opportunities identified. As such, the statements expressed in the risks and opportunities section of the Group Management Report 2010 continue to apply.

10 Significant Transactions with Related Parties

As disclosed in note 27 to the consolidated financial statements of Joyou AG for the twelve months period ended 31 December 2010, Joyou Group companies entered into some transactions with related parties. Related parties to the Company include certain members of the Management Board including their close family members and companies over which members of the Management Board or Supervisory Board of Joyou AG or their family members can exercise considerable influence or hold a substantial amount of the voting rights. For changes of the persons and entities to be considered to be related parties and transactions with related parties in the first nine months of 2011 refer to Section 11 of the notes to the condensed consolidated interim financial statements as at 30 September 2011.

11 Future Perspectives

Joyou will continue in its goal to become the leading Chinese sanitary ware manufacturer through a number of initiatives, with a stronger move towards being a bathroom solution provider.

Increase Distribution Network

Joyou will not only expand the overall number of stores across the country, but also refurbish many older stores and expand many existing stores to carry more of the whole product range.

Strategic Relationship with Grohe

Joyou plans to deepen the relationship with this anchor investor in areas including Grohe business in China, component sourcing, international sales of the Joyou brand and technology transfer. And through more investment, Joyou Group expects increasing revenue contribution.

Internalise Production

By bringing in-house many product categories that were predominantly outsourced in 2010, Joyou expects to see benefits to its overall solution offering.

New Ceramics Plant

The new ceramics plant that came on line at the end of Q3 2011, Joyou expects it to add substantially to its market dominating efforts in both retail and project business, however until this scale is reached there are expected to be related start-up costs incurred.

Increase Branding

As Joyou expands its business and brand concept, we will further invest in our brand equity, thereby reinforcing its brand's position.

Project business

Joyou will further expand direct and indirect sales to property developers and design houses thereby expanding into new markets.

Outlook 2011

There has been a slow down in the China housing market caused by tightening measures implemented by the Chinese government over recent months which has led to reduced property transaction activity. The Chinese sanitary ware market has hence been affected as well as Joyou's revenue growth. Joyou believes that the market slowdown is a temporary phenomenon. The growth of the Chinese housing and construction industry and also continuing urbanization, macro-trends on which Joyou's growth depend, are both strong mid and long-term growth drivers of the sanitary ware industry which are relatively unaffected by short-term market turbulence. In response to the current situation, Joyou management is in the process of implementing measures to improve efficiencies and reduce administration costs in order to enhance profitability levels.

On 28 October 2011 Joyou updated its guidance: For the full financial year 2011 Joyou now expects sales of EUR 280 million to EUR 290 million and an EBIT of EUR 44 million to EUR 46 million. Previously the outlook for 2011 was sales of EUR 300 million to EUR 320 million and an EBIT of EUR 53 million to EUR 56 million. These expected results are based on an exchange rate of 1 EUR = 9 RMB.

12 Events after the Reporting Period

There have been no events material to the financial position or financial performance of Joyou.

Frankfurt, 21 November 2011

Joyou AG

Management Board

Jianshe CAI Jilin CAI Zufang LI

Condensed Interim Consolidated Financial Statements

for the first nine months of 2011

page 16–29



Condensed Interim Consolidated Financial Statements

Condensed Interim Consolidated Statement of Comprehensive Income

kEUR	Nine months ended 30 Sep. 2011	Nine months ended 30 Sep. 2010	July to Sep 2011 (3rd quarter)	July to Sep 2010 (3rd quarter)
Revenue	212,748	174,946	74,831	72,345
Cost of sales	-155,638	-128,059	-56,132	-53,965
Gross profit	57,110	46,887	18,699	18,380
Other operating income	456	1,387	147	124
Selling and distribution expenses	-12,169	-12,333	-4,373	-3,947
Administrative expenses	-13,820	-5,264	-3,975	-1,318
Other operating expenses	-274	-858	-86	14
Operating profit	31,303	29,819	10,412	13,253
Finance income	2,369	2,118	343	1,983
Finance costs	-5,033	-8,328	1,323	-1,591
Profit before income tax	28,639	23,609	12,078	13,645
Income tax	-5,381	-5,357	-1,524	-2,292
Profit for the period	23,258	18,252	10,554	11,353
Exchange differences on translating foreign operations	8,364	5,091	17,541	-12,773
Other comprehensive income for the period	8,364	5,091	17,541	-12,773
Total comprehensive income for the period	31,622	23,343	28,095	-1,420
Profit attributable to:				
Owners of the parent	23,258	18,252	10,554	11,353
Non-controlling interests	-	-	-	-
Total comprehensive income attributable to:				
Owners of the parent	31,622	23,343	28,095	-1,420
Non-controlling interests	-	-	-	-
Earnings per share (in EUR)				
Basic	0.97	0.94	0.44	0.47

Condensed Interim Consolidated Statement of Financial Position

kEUR	30.09.2011	31.12.2010	30.09.2010
ASSETS			
Current assets			
Inventories	67,315	65,303	49,046
Trade receivables	73,014	55,349	50,445
Other receivables and prepayments	30,372	20,866	31,201
Amounts due from related parties	87	1,135	716
Cash and cash equivalents	91,570	113,181	126,666
	262,358	255,834	258,074
Non-current assets			
Property, plant and equipment	88,051	56,860	48,946
Investment property	2,031	2,066	2,024
Intangible assets	312	315	65
Lease prepayments for land-use rights	25,203	24,003	23,845
Other non-current assets	232	0	0
Deferred tax assets	1,883	426	3,758
	117,712	83,670	78,638
Total assets	380,070	339,504	336,712
LIABILITIES			
Current liabilities			
Short-term loans	35,441	43,752	62,831
Trade payables	2,050	8,679	6,155
Notes payable	37,300	32,720	27,249
Other payables and accruals	17,458	4,677	11,428
Amounts due to related parties	5,813	24	23
Income tax payable	3,217	2,298	1,943
	101,279	92,150	109,629
Non-current liabilities			
Long-term loans	3,480	3,400	3,288
Provisions	464	885	840
	3,944	4,285	4,128
Total liabilities	105,223	96,435	113,757
CAPITAL AND RESERVES			
Equity attributable to owners of the parent			
Share capital	23,967	23,967	23,967
Capital reserves	115,340	115,445	125,862
Statutory reserves	7,893	7,893	5,500
Currency translation reserve	19,490	11,125	5,985
Retained earnings	107,895	84,639	61,641
	274,585	243,069	222,955
Non-controlling interests	262	0	0
Total equity	274,847	243,069	222,955
Total liabilities and equity	380,070	339,504	336,712

Condensed Interim Consolidated Statement of Changes in Equity

kEUR	Share capital	Capital reserves	Statutory reserves	Currency translation reserves	Retained earnings	Equity attributable to shareholders	Non-controlling interests	Total equity
Balance as at 1 January 2010	10,000	6,070	5,500	894	43,390	65,854	0	65,854
Capital increase (IPO)	7,000	84,000	0	0	0	91,000	0	91,000
Capital increase (Contribution in kind)	6,967	42,008	0	0	0	48,975	0	48,975
Transaction costs net of tax	0	-6,275	0	0	0	-6,275	0	-6,275
Stock Options	0	59	0	0	0	59	0	59
Total comprehensive income	0	0	0	5,091	18,252	23,343	0	23,343
Balance as at 30 September 2010	23,967	125,862	5,500	5,985	61,642	222,955	0	222,955
Capital increase (Contribution in kind)	0	17	0	0	0	17	0	17
Stock options	0	30	0	0	0	30	0	30
Transfer to reserves	0	0	2,393	0	-2,393	0	0	0
Transfer from reserves	0	-10,464	0	0	10,464	0	0	0
Total comprehensive income	0	0	0	5,140	14,926	20,066	0	20,066
Balance as at 31 December 2010	23,967	115,445	7,893	11,125	84,639	243,069	0	243,069
Transfer to stock options	0	67	0	0	0	67	0	67
Reversal of stock options	0	-172	0	0	0	-172	0	-172
Proceeds from minority shareholders	0	0	0	0	0	0	262	262
Total comprehensive income	0	0	0	8,364	23,258	31,622	0	31,622
Balance as at 30 September 2011	23,967	115,340	7,893	19,490	107,895	274,585	262	274,847

Condensed Interim Consolidated Statement of Cash Flows

kEUR	Nine months ended 30 Sep. 2011	Nine months ended 30 Sep. 2010
Operating activities		
Profit before tax	28,639	23,609
Adjustments for non-cash items	6,944	5,886
Net changes in working capital	-16,383	-9,290
Income tax paid	-5,932	-3,044
Cash flow from operating activities	13,268	17,161
Cash flow from investing activities		
Purchase of intangible assets	0	-23
Purchase of land use rights	-764	-114
Purchase of property, plant and equipment	-30,950	-10,554
Deposit payment for galvanization plant	3,970	-4,281
Proceeds from disposal of property, plant and equipment	0	10
Interest received	2,369	1,336
Cash flow used in investing activities	-25,375	-13,626
Cash flow from financing activities		
Increase from capital injection	0	91,000
Transaction costs from capital injection	0	-7,808
Proceeds from non-controlling interest	262	0
Decrease/Increase in bank borrowings	-8,791	10,027
Interest paid	-2,216	-5,111
Cash flow used in/from financing activities	-10,745	88,108
Net increase in cash and cash equivalents	-22,852	91,642
Cash and cash equivalents at beginning of period	113,181	34,291
Foreign exchange movements	1,241	732
Cash and cash equivalents at end of period	91,570	126,666

Selected Notes to the Condensed Interim Consolidated Financial Statements

General Notes

1 Nature of Operations

Joyou AG and its subsidiaries (the “Group”) design, produce and sell faucets and other sanitary ware products in the People’s Republic of China (thereafter: “PRC” or “China”) under their brand name “Joyou” and are also engaged as a manufacturer for international brands and trading companies in the United States and Europe as well as certain emerging markets.

Joyou’s operating facilities are based in Nan’an near Quanzhou in the Fujian Province in China. The Group has established an extensive distribution network in China. Its retail distribution network consists of stores being operated by unaffiliated shop owners who have been engaged by unaffiliated regional distributors that Joyou has chosen for specific regions of China. Joyou also sells its own brand products to large-scale construction projects in China, such as new hotels or other public buildings. In addition, Joyou sells Original Design Manufacturer (hereafter: ODM) and Original Equipment Manufacturer (hereafter: OEM) products to international brand manufacturers and trading companies as well as components for faucets to trading companies.

After extensive negotiations with the strategic distribution partner Grohe Group, the Grohe Group announced in June 2011 that they own a majority in the shares of Joyou AG.

2 General Information and Statement of Compliance with IFRS

Joyou AG is the Group’s legal parent company. The company is a publicly traded German limited liability stock corporation which is domiciled in Germany. The address of Joyou AG’s registered office has been changed from Chilehaus A, Fischertwiete 2, 20095 Hamburg, to Westhafentower, Westhafenplatz 1, 60327 Frankfurt am Main. The office in Hamburg was closed. Joyou AG’s shares are traded on the Prime Standard, a special segment of the regulated market (Regulierter Markt) of the Frankfurt Stock Exchange.

The Group has its significant business operations including all the manufacturing operations in the PRC, held via a Hong Kong registered holding company, Hong Kong Zhongyu Sanitary

Technology Limited (“Joyou Hong Kong”). The address of the registered office is Suite 3104-6, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong, Special Administrative Region of the PRC. The principal activity of the company is the holding of investments.

These condensed 3rd quarter consolidated financial statements of Joyou Group are prepared for the nine months period ended 30 September 2011 with comparative financial statements as at 31 December 2010 and 30 September 2010.

The condensed 3rd quarter consolidated financial statements have been prepared in accordance with Section 37w German Securities Trading Act (WpHG) and the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and its interpretations of the International Financial Reporting Interpretations Committee (IFRIC) for interim financial statements effective within the European Union. Accordingly, these condensed 3rd quarter consolidated financial statements do not include all of the information required in annual consolidated financial statements by IFRS.

The condensed 3rd quarter consolidated financial statements have been reviewed. In the opinion of Joyou AG’s Management Board, the condensed 3rd quarter consolidated financial statements include all adjustments of a normal and recurring nature considered necessary for a fair presentation of results for 3rd quarter periods. Results of the period ended 30 September 2011 are not necessarily indicative for future results.

The preparation of 3rd quarter consolidated financial statements in conformity with IAS 34 “Interim Financial Reporting” requires the Management Board to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The accounting principles and practices as applied in the condensed consolidated 3rd quarter financial statements correspond – except for items stated under Note 3.1.1 – to those pertaining to the most recent annual consolidated financial statements. A detailed description of the accounting policies is published in the notes of Joyou AG’s consolidated financial statements as of 31 December 2010.

The condensed 3rd quarter consolidated financial statements of Joyou Group are presented in Euros. Amounts are stated in thousands of Euros (kEUR) except where otherwise indicated.

The 3rd quarter financial statements of the individual consolidated companies are prepared as of the closing date for the Group third quarter financial statements. The condensed 3rd quarter consolidated financial statements of Joyou AG and subsidiaries for the period from 1 January to 30 September 2011 were authorized for issue in accordance with a resolution of the Management Board on 21 November 2011.

3 Significant Accounting Policies and Changes in Estimates

3.1 Significant accounting policies and changes in accounting policies, standards, amendments and interpretations to existing standards that are not effective and have not been adopted early by the group and estimations

These condensed 3rd quarter consolidated financial statements have been prepared using accounting policies specified by those IFRSs that are in effect at the end of the reporting period (30 September 2011). The consolidated third quarter financial statements have been prepared in accordance with the accounting policies adopted in the consolidated financial statements for the year ended 31 December 2010, or which have been adopted early. With reference to the below mentioned changes in accounting policies the accounting policies have been applied consistently throughout the Group for the purpose of preparation of these consolidated financial statements.

3.1.1 Changes in accounting policies and estimates

Transaction costs relating to capital increase from the IPO in March 2010 were disclosed in the consolidated 3rd quarter financial statements as at 30 September 2010. Changes in transaction costs are recorded in the annual financial statements as at 31 December 2010 and lead to adjusted presentation of the comparative figures in the statement of financial position as at 30 September 2010. The adjustments lead to an increase in administrative expenses of kEUR 46 and a decrease of kEUR 46 in profit for the period.

Since 2009, Joyou recorded a provision of kEUR 500 for potential payments to a financial advisor claiming advisory fees for certain funds being raised by Joyou Hong Kong in 2009. The Chairman of the Management Board of Joyou AG, Mr. Jianshe CAI, had guaranteed to Joyou that he would reimburse Joyou in respect of any payments to be made to the financial advisor. Therefore, Joyou had recognized an asset in an amount corresponding to said provision. As the claims have not been raised since, the Management Board of Joyou AG has re-estimated the probability of payments to be made by Joyou. As a result both the provision as well as the corresponding asset disclosed under amounts due from related parties was released as of 30 September 2011. However, as the possibility of payments is not considered being remote, Joyou discloses a contingent liability as well as a corresponding contingent asset.

At the end of the 2nd quarter of 2011 management was able to finalize an aging analysis of its inventories. Based on this analysis, management estimated the implications of inventory obsolescence on the net realizable value of inventories for the first time as of 30 June 2011 and recognized a valuation allowance in the amount of kEUR 503 increasing costs of goods sold. Due to further purchases in merchandises the valuation allowance was increased by kEUR 1,010 up to kEUR 1,513. The estimation is based on Joyou's inventory turnover considering the sales cycle of these products in the Chinese sanitary market. Management implemented therefore a new accounting policy. As comparable prior period information was not available an adjustment of prior periods was impracticable. Management believes that its estimation based on the new measurement basis represents its best estimate of inventory valuation with respect to inventory obsolescence.

In the 3rd quarter 2011 Joyou AG has reviewed and changed the estimates of useful lives of property plant and equipment. The change in estimates was made in accordance with the respective results of the purchase price allocation by Grohe Asia AG and their advisory company PriceWaterhouseCoopers following Joyou AG becoming a subsidiary of Grohe Asia AG. On the basis of information currently available, the useful economic lives of some of the assets categories have been extended. Due to this change in estimate the profit for the reporting period is increased by kEUR 53 due to lower depreciation on fixed assets in comparison to the previously estimated useful life time.

3.1.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group and estimations

The Group had to apply the following new standards, amendments to existing standards or new interpretations for the first time:

- Improvements of IFRS 2010 (amendments), are to be applied for annual periods beginning on or after 1 July 2010 and 1 January 2011.
- IFRS 1 (amendments) – Limited exemption from comparative IFRS 7 disclosures for first-time adopters, to the extent to which they may be applicable on financial statements for annual periods beginning on or after 1 July 2010
- IAS 24 (revised) – Related Party Disclosures – to the extent to which they may be applicable for financial statements for annual periods beginning on or after 1 January 2011
- IFRIC 14 (amendments) – Prepayments of Minimum Funding Requirements, to the extent to which they may be applicable for financial statements for annual periods beginning on or after 1 January 2011
- IFRIC 19 (amendments) – Extinguishing Financial Liabilities with Equity Instruments, to the extent to which they may be applicable for financial statements for annual periods beginning on or after 1 July 2010.

At the time of preparation of the interim financial statements, the following releases of the IASB as well as their changes and revisions had either not been endorsed by the European Union or were not compulsorily applicable as at 30 September 2011, and were therefore not applied by the Joyou group:

- IFRS 1 (amendments) – “Severe hyperinflation” and “Removal of fixed dates for first-time adopters” – to the extent to which they may be applicable for financial statements for annual periods beginning on or after 1 July 2011
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosures of Interests in Other Entities
- IFRS 13 – Fair Value Measurements
- IAS 12 (amendments) – Deferred taxes: Recovery of underlying assets – This amendment is applicable for periods beginning on 1 January 2012
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures

Management does not expect the above new and amended standards and interpretations to have a material effect on the Group’s financial statements.

3.2 Currency translation

The Management Board has determined the currency of the primary economic environment in which Joyou Group operates, i.e. the functional currency, to be Renminbi (“RMB”). Sales and major costs arising from the provision of goods and services including major operating expenses are primarily influenced by fluctuations in RMB.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognized in the statement of comprehensive income except for exchange differences arising on monetary items that form part of the Group’s net investment in foreign subsidiaries, which are recognized initially in a separate component of equity as foreign currency translation reserve in the consolidated statement of financial position and recognized in the consolidated statement of comprehensive income on disposal of the subsidiary.

The presentation currency of the Group is EUR, being the presentation currency of its German domiciled legal parent and holding company, and therefore the financial information has been translated from RMB to EUR at the following rates:

EUR 1.00 =	Currency	Period end rates	Average rate
30 September 2011	RMB	8.6207	9.1567
31 December 2010	RMB	8.8231	8.9789
30 September 2010	RMB	9.1241	8.9579

By the end of 3rd quarter 2011 the period end exchange rate for converting the EUR into RMB decreased by 2.3%. This appreciation of the functional currency against the presentation currency – i.e. one RMB buys EUR 0.116 rather than EUR 0.113 as of 31 December 2010 – affects the overall presentation of the condensed 3rd quarter consolidated financial statements 2011.

4 Significant Events and Transactions

In January 2011 Joyou Hong Kong founded a wholly owned subsidiary with the name of Quanzhou Joyou Ceramics Ltd. seated Nan’an near, Quanzhou, Fujian Province, PRC (“Joyou Ceramics”). The company was incorporated on 27 January 2011 and owns and operates the new ceramics factory located in Nan’an.

On 14 February 2011 Grohe Asia AG, a subsidiary of Grohe Holding GmbH, announced the submission of a takeover bid for all shares of Joyou AG. The takeover bid was issued in March 2011 at an offering price of EUR 13.50 for each share in Joyou AG.

On 9 May Grohe Group announced that it owned more than 20% of the shares in Joyou AG. As a result Grohe Group became a related party to Joyou Group according to IFRS. On 15 June 2011 Mr. Jianshe CAI and Jilin CAI signed a shareholder agreement with Grohe Holding GmbH, which became effective at 1 July 2011. Based on this agreement, Mr. Jianshe CAI and Mr. Jilin CAI contributed 6,855,263 of their shares in Joyou AG against issuance of 49,980 new shares of Grohe Asia AG into said company. After the execution of the shareholder agreement, Grohe Asia AG holds in total 57.22% (equals to 13,713,269 shares) of Joyou AG. Accordingly, Joyou AG became an affiliated company of Grohe Holding GmbH and therefore Grohe Group. Finally, Grohe Asia AG changed its name into Joyou Grohe Holding AG. Joyou Grohe Holding AG has its legal seat in Frankfurt am Main.

On 27 June 2011, Quanzhou Joyou Sanitation Technology Industry Co., Ltd. founded a new subsidiary named Grohe (Xiamen) Investment Management Co., Ltd. The company has a subscribed capital of EUR 0.5 million of which Joyou Group holds 51.00%. Therefore, the company has been consolidated as of 27 June 2011. Grohe (Xiamen) Investment Management Co., Ltd., whose business operations have not started in the reporting period, shall enter into a management agreement with Grohe (Shanghai) Sanitary Products Co. Ltd. and will provide management services for Grohe business in the PRC. The remaining shares of 49.00% in Grohe (Xiamen) Investment Management Co., Ltd. held by related parties to Joyou Group are disclosed as non-controlling interests in Joyou's equity on 30 September 2011.

Until September 2011 Joyou continued the construction of its new ceramics factory which produces sanitary ware products such as basins, toilets, and similar ceramic products. The majority of the investments being made relate to the construction of the ceramics plant which have been partly financed by using some IPO proceeds transferred from Joyou Hong Kong to the Joyou Ceramics. The commencement of operations of the first plant was made at 13 September 2011. After a start-up phase of several weeks the plant began ramping up production in October 2011. Furthermore, Joyou has started the construction of a second plant which is located directly beside the first plant with shared functions for both plants. The commencement of operations for the second plant is expected by the middle of 2012 at the earliest.

In the 4th quarter of 2011, Joyou intends to deepen the relationship with Grohe Group in areas including Grohe's business in China, component sourcing, international sales of Joyou branded products and technology transfer from Grohe to Joyou. Revenues from the sale of the Grohe products amounted to EUR 4.2 million in the first nine months of 2011.

At 1 September 2011 Mr. Gang ZHENG resigned as Chief Financial Officer of Joyou AG and Mr. Zufang LI was appointed. In 2009 the company granted share-based payment for Mr. Gang ZHENG as part of his remuneration package. As of 1 January 2011, Mr. Gang ZHENG held 50,000 options granted to him by Mr. Jianshe CAI. For options granted to vest, the financial officer would have to remain employed by the group for the agreed vesting period of five years. For further details we refer to the 2010 annual report. In the first three quarters 2011 an amount of kEUR 67 of employee remuneration expense (all of which equity-settled share based payment transactions) has been included in profit or loss (comparative period: 59 kEUR) and credited to capital reserve. In accordance with the termination of Mr. Gang ZHENG's engagement the share-based payment agreement with Joyou AG was terminated as well. As a result the prior period entries into capital reserve were reversed as at 1 September 2011 at an amount of kEUR 172 into administrative expenses.

By ad-hoc release dated 28 October 2011 Joyou AG revised its financial guidance for the full financial year 2011. Joyou expects sales of EUR 280 million to EUR 290 million and an EBIT of EUR 44 million to EUR 46 million. Previously the outlook for 2011 was sales of EUR 300 million to EUR 320 million and an EBIT of EUR 53 million to EUR 56 million. The revised guidance is based on a slow down in the China housing market caused by tightening measures implemented by the Chinese government. As a result the Chinese sanitary ware market has hence been affected as well as Joyou's revenue growth. Joyou believes that the market slowdown is a temporary phenomenon. The growth of the Chinese housing and construction industry and also continuing urbanization, macro-trends on which Joyou's growth depend, are both strong mid and long-term growth drivers of the sanitary ware industry which are relatively unaffected by short-term market turbulence.

5 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of Joyou AG that makes strategic decisions.

In identifying its nine operating segments, the Management Board generally follows the Group's product categories. These operating segments are monitored and strategic decisions are made on the basis of segmental gross margins. These segments also represent reportable segments under IFRS 8.

The activities undertaken by the bathroom faucets segment includes the sale of basin faucets, bathtub faucets, bidet faucets, and sensor faucets which were manufactured by Joyou, except for limited sales of bathroom faucets, the production of which was outsourced to external manufacturers. The kitchen product segment includes the sale of kitchen faucets and kitchen basins. The shower products segment represents the sale of shower faucets, showerheads and shower enclosures. The segment of ceramics and bathtubs mainly comprise of bathtubs and ceramic

sanitary ware such as basins and toilets. The segment bathroom cabinets include free standing and wall-hung cabinets. The segment bathroom accessories mainly comprise baskets, soap trays, hook hooks, corner shelves and toilet paper holders. Other faucets and sanitary hardware mainly comprise small faucets, drainage covers, angle valves, and crude products. In the segment of copper and semi-finished components unfinished products such as copper tubing and accessories are combined. Finally, the segment Grohe business comprises of sales gained mainly from Asian product lines of Grohe products, for which Joyou is the master China distributor.

Revenue and costs are allocated to segments only up to gross profit. With the exception of the assets recorded in the Grohe business segment and the assets of the new ceramics factory allocated to the ceramics and bathtubs segment, which can be separately identified, segment assets are allocated based on the proportionate share in revenues.

During the period under review, there were no inter-segment transfers.

The accounting policies the Group uses for segment reporting under IFRS 8 are the same as those used in its consolidated financial statements for the year ended 31 December 2010.

2011										
kEUR	Bathroom Faucets	Kitchen Products	Shower Products	Ceramics and Bathtubs	Bathroom cabinets	Bathroom Accessories	Other Faucets and Sanitary Hardware	Copper semi- finished components	Grohe Business	Total
Nine months ended 30 September 2011										
Revenue	87,224	24,021	40,031	17,806	8,753	7,129	15,907	7,634	4,242	212,748
Cost of sales	61,628	17,096	29,366	11,419	6,320	4,503	14,312	6,171	4,823*	155,638
Gross Profit	25,596	6,925	10,665	6,387	2,433	2,626	1,595	1,463	-581	57,110
Segment assets	143,230	39,445	65,735	49,236	14,373	11,707	26,120	12,535	17,689	380,070

* Cost of sales of Grohe Business negatively affected by Changes in Accounting Policy see Note 3.1.1 Changes in accounting policies and estimates

2010										
kEUR	Bathroom Faucets	Kitchen Products	Shower Products	Ceramics and Bathtubs	Bathroom cabinets	Bathroom Accessories	Other Faucets and Sanitary Hardware	Copper semi- finished components	Grohe Business	Total
Nine months ended 30 September 2010										
Revenue	75,406	24,647	25,675	10,706	2,412	9,583	18,230	7,394	893	174,946
Cost of sales	52,852	17,997	18,240	7,286	1,671	6,920	16,466	5,865	762	128,059
Gross Profit	22,554	6,650	7,435	3,420	741	2,663	1,764	1,530	131	46,887
Segment assets	145,489	47,554	49,537	20,657	4,653	18,490	35,174	14,267	892	336,712

The gross profit disclosed in the segment reporting equals the segment operating profit. All of the Group's non-current assets are located in the PRC.

The Group's revenues from external customers are divided into the following geographical areas:

kEUR	Nine months ended 30 Sep. 2011	Nine months ended 30 Sep. 2010
Domestic	178,450	146,097
Export (indirectly)	28,650	26,249
Export (directly)	1,406	1,707
Domestic: Grohe business	4,242	893
Total	212,748	174,946

Revenues from external customers in the Group's economic domicile, PRC, have been identified on the basis of the internal reporting system, which is also used for VAT purposes.

Domestic means sales to customers located in the PRC. Export indirectly means sales to domestic customers where Joyou believes those customers are to finally export Joyou's parts or products. Export directly means sales to customers located outside the PRC, i.e. rest of the world. Finally, domestic Grohe business means sales from merchandise products acquired from Grohe.

The totals presented for the group's operating segments reconcile to its key financial figures as presented in the financial statements as follows:

kEUR	Nine months ended 30 Sep. 2011	Nine months ended 30 Sep. 2010
Gross profit	57,110	46,887
Other operating income	456	1,387
Selling and distribution expenses	-12,169	-12,333
Administrative expenses	-13,820	-5,264
Other operating expenses	-274	-858
Operating profit	31,303	29,819
Finance income	2,369	2,118
Finance costs	-5,033	-8,328
Profit before income tax	28,639	23,609
Income tax	-5,381	-5,357
Profit for the period	23,258	18,252

6 Seasonality

Joyou's business is, to a certain degree, subject to the effects of seasonality. Sales generally decrease in the first quarter of a year but increase in the second quarter, with the third quarter and the beginning of the fourth quarter being the strongest period in terms of revenues. This is mainly due to the Chinese New Year Holiday, the exact date of which is ruled by the lunar calendar, which inevitably falls in Q1. This week long festival, coupled with the winter weather leads to a slowdown in the Group's business cycle.

7 Analysis of Selected Items of the Statement of Comprehensive Income

Other operating income decreased by kEUR 931 from kEUR 1,387 in the first nine months of 2010 to kEUR 456 in the first nine months of 2011. The change mainly relates to a non-recurring refund claim of kEUR 830 due from Greenshoe shareholders in Joyou AG recorded in the 1st quarter 2010.

Selling and distribution expenses amount to kEUR 12,169 in the reporting period (previous period: kEUR 12,333). In comparison to the first nine months of 2010, expenses remain nearly unchanged while sales increased by 21.6%. These changes in comparison to the first nine months of 2010 are on the one hand based on lower number of new opened shops in 2011 and on the other hand decreases by non-recurring marketing expenses in 2010, which refer inter alia on marketing expenses for sponsoring the "Pan-China Celebrity Performance Show".

Administrative expenses amount to kEUR 13,820 in the reporting period (previous period: kEUR 5,264). In comparison to the first nine months of 2010 the expenses increase by kEUR 8,556 mainly due to the increase of research and development costs, the additional administrative expenses of the ceramic plant and the costs associated with being a publicly quoted company.

Finance costs amount to kEUR 5,033 (previous period: kEUR 8,328) and comprise of interest on bank loans and exchange losses. In 2010 finance costs also include interest on preferred shares incurred in the first quarter of 2010 which became part of the financial restructuring in March 2010 leading to a conversion of said preferred shares in Joyou Hong Kong into ordinary shares in Joyou AG. The following table shows a breakdown of finance costs for the period under review and the comparable prior period for each category:

kEUR	Nine months ended 30 Sep. 2011	Nine months ended 30 Sep. 2010
Interest on bank and other loans	1,919	2,677
Bank charges	306	213
Interest on preferred shares	0	4,056
Total interest expenses	2,225	6,946
Exchange losses	2,808	1,382
Total	5,033	8,328

The exchange losses include an amount of kEUR 1,069 (previous year: exchange gain) losses from the conversion of a EUR denominated intragroup long-term loan with an original principle amount of EUR 78.6 million granted by Joyou AG to Joyou Hong Kong resulting from changes in the Euro/RMB exchange rate fluctuation. From a legal perspective the loan is repayable in

Euro and any changes in Euro/RMB exchange rate are recorded in the statement of comprehensive income. To reduce impacts by the intragroup loan on the statements of comprehensive income, by the end of June 2011 Joyou AG converted a portion of EUR 37.0 million of an intra-group loan into equity at the level of Joyou Hong Kong. The outstanding principle of the loan is EUR 41.6 million as at 30 September 2011.

8 Analysis of Selected Items of the Statement of Financial Position

Significant movements of items in the statement of financial position between the annual financial statements as at 31 December 2010 and the 3rd quarter financial statements as at 30 September 2011 are described in the interim group management report. During the first nine months of 2011 there was a 2.3% currency depreciation of the Euro to RMB from 8.8231 as of 31 December 2010 to 8.6207 as of 30 September 2011 affecting the comparability of the statement of financial position.

In addition to these explanations we provide the following information regarding the carrying amounts of property, plant and equipment.

kEUR	Buildings	Machinery	Office equipment	Motor vehicles	Construction in progress	Total
Costs						
Balance as at 01.01.2010	18,726	21,792	504	242	4,921	46,185
Currency translation adjustment	1,366	1,550	36	17	364	3,333
Additions	0	1,709	1,149	897	5,810	9,565
Reclassifications	6,288	536	0	0	-6,824	0
Disposals	0	-752	0	0	0	-752
Balance as at 30.09.2010	26,380	24,835	1,689	1,156	4,271	58,331
Currency translation adjustment	659	807	19	9	168	1,662
Additions	35	1,158	383	297	6,574	8,447
Reclassifications	2,645	637	0	0	-3,282	0
Disposals	0	0	0	0	0	0
Balance as at 31.12.2010	29,719	27,437	2,091	1,462	7,731	68,440
Currency translation adjustment	1,588	1,334	59	101	427	3,509
Additions	78	6,231	160	1,065	23,494	31,028
Reclassifications	14,340	5,213	0	0	-19,553	0
Balance as at 30.09.2011	45,725	40,215	2,310	2,628	12,099	102,977
Accumulated depreciation						
Balance as at 01.01.2010	2,212	5,708	100	10	0	8,030
Currency translation adjustment	191	325	7	1	0	524
Charge for the period	851	510	117	31	0	1,509
Disposals	0	-678	0	0	0	-678
Balance as at 30.09.2010	3,254	5,865	224	42	0	9,386
Currency translation adjustment	53	287	4	0	0	344
Charge for the period	349	1,400	75	27	0	1,851
Disposals	0	0	0	0	0	0
Balance as at 31.12.2010	3,656	7,552	303	69	0	11,580
Currency translation adjustment	132	262	21	12	0	427
Charge for the period	831	1,694	221	173	0	2,919
Reclassifications	0	0	0	0	0	0
Balance as at 30.09.2011	4,619	9,508	545	254	0	14,926
Net carrying amount						
As at 30 September 2010	23,126	18,970	1,465	1,114	4,271	48,946
As at 31 December 2010	26,063	19,885	1,788	1,393	7,731	56,860
As at 30 September 2011	41,106	30,707	1,765	2,374	12,099	88,051

9 Earnings per Share

The basic earnings per share have been calculated using the profit attributable to owners of Joyou AG (the legal parent) as the numerator.

The weighted average number of outstanding shares used for basic earnings per share for the nine month period ended 30 September 2011 amounted to 23,967,492 shares. The weighted average number of outstanding shares used was calculated on basis of the number of ordinary shares of Joyou AG. The basic earnings per share presented in the condensed 3rd quarter consolidated financial statements for the nine month period ended 30 September 2010 are calculated by dividing the amount in EUR translated total profit for the period attributable to the owners of Joyou AG by the number of 19,363,063 ordinary shares.

There were no contingent rights to the issue of shares as at 30 September 2010 or 30 September 2011. Consequently, there were no potentially dilutive ordinary shares at either the reporting date and diluted earnings per share have therefore not been calculated or disclosed.

10 Commitments and Contingencies

As at 30 September 2011, Joyou Group has contractual commitments from the construction of the ceramic plant of EUR 5.9 million (previous period: EUR nil). Except for this, no material changes in commitments have occurred between the consolidated financial statements of the Group for the accounting period ended 31 December 2010 and the accounting period ended 30 September 2011.

Joyou gave guarantees for the benefit of third parties with residence in the PRC in a total amount of kEUR 2,320. Furthermore, Joyou might face payments to a financial advisor claiming advisory fees for certain funds being raised by Joyou Hong Kong in 2009. Although the financial advisor did not fulfill all obligations under the existing binding contract, management cannot

exclude that at least a portion of the contractually agreed fees need to be paid. However, the Chairman of the Management Board of Joyou AG, Mr. Jianshe CAI, has guaranteed to Joyou that he will reimburse Joyou in respect of any payments to be made. Consequently, the Management Board does not expect any future financial impact for Joyou AG.

Other than this no material changes in contingent liabilities have occurred between the consolidated financial statements of the Group for the accounting period ended 31 December 2010 and the accounting period on the condensed 3rd quarter consolidated financial statements as at 30 September 2011.

11 Related Party Disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: (i) it possesses the ability, directly or indirectly, to control or exercise significant influence over the operating and financial decision of the Group or vice versa; or (ii) it is subject to common control or common significant influence.

Related party information

Due to transactions with Joyou Grohe Holding AG, Düsseldorf/Germany, the number of parties being considered as related to Joyou AG has increased significantly. As persons and entities considered as related parties in the consolidated financial statements as at 31 December 2010 retain their status except for the changes in key management stated below, reference is made for these related parties to the consolidated financial statements as at 31 December 2010.

As at 1 September 2011 Mr. Zufang LI became Chief Financial Officer (CFO) of Joyou AG. He succeeds Gang ZHENG who left the company. At the annual shareholder meeting dated 15 June 2011 Mr. David HAINES, Chairman of the Management Board of Grohe AG, Düsseldorf, was appointed as member of the Supervisory Board with effect of 30 September 2011. The appointment was made as a result of the resignation of Mr. Wang WEI from his office as of the end of 30 September 2011.

On 9 May 2011, Joyou AG became an associate of Joyou Grohe Holding AG which itself is a subsidiary of Grohe Holding GmbH, Düsseldorf/Germany. Consequently, all companies forming part of Grohe Group are to be considered as related party since this day. With the closing of the shareholder's agreement through the contribution of 28.61% of Joyou AG's shares from Messrs. CAI on 1 July 2011, Joyou Grohe Holding AG became parent company of Joyou AG. Consequently, Grohe Holding GmbH is considered by Joyou's Management Board as being Joyou AG's ultimate controlling party.

Transactions with subsidiaries of Grohe Holding GmbH

As of 30 September 2011, there are no trade receivables outstanding from Grohe Group companies to Joyou Group. During the period from 9 May to 30 September 2011, Joyou purchased inventory from Grohe Group companies in a total amount of kEUR 5,020 in the period from 9 May to 30 September 2011. As of 30 September 2011, trade payables in a total amount of kEUR 5,000 are outstanding. As Grohe companies are related parties and suppliers of Joyou Group these trade payables are stated under the liabilities due to related parties. These trade payables become due within 50 days after delivery and will be settled in cash. For these trade payables no securities are granted.

Transactions with key management personnel of Joyou

The amounts due from related parties refer to Mr. Jianshe CAI only. Mr. Jianshe CAI together with other close members of his family have provided guarantees of EUR 10.4 million for certain of Joyou Building Material's bank loans and granted guarantees of EUR 4.8 million for Joyou Sanitation Technology's bank loans.

Transactions with other related parties

In April 2011, the shareholders of Nan'an Longsheng Science and Technology Industry Co., Ltd., who are related parties to Joyou Group, sold their shares in the company to a third party. Since then Nan'an Longsheng Science and Technology Industry Co., Ltd. is no longer considered being a related party to Joyou Group. In the 1st quarter 2011 the Group purchased showerheads of kEUR 930 from this company.

In the first nine months of 2011 financial year, Ms. Tingfeng CAI, a daughter of Mr. Jianshe CAI, the Chairman of Joyou AG's Management Board, granted a short-term loan totaling kEUR 494. The loan is non-interest bearing and unsecured.

On 30 August 2011, the 49% non-controlling interest of Grohe (Xiamen) Investment Management Company Ltd. has been transferred from the former shareholder to Mr. Jianshe CAI and Mr. Jilin CAI. Until 30 September 2011 none of the Joyou group companies entered into any transaction with Grohe (Xiamen) Investment Management Company Ltd.

Breakdown of amounts due from/to related parties

The amounts due from related parties refer to Mr. Jianshe CAI only.

The composition of the amounts due to related parties is as follows:

kEUR	30 Sep. 2011	31 Dec. 2010	30 Sep. 2010
Grohe Pacific Pte Ltd.	2,273	0	0
Grohe Shanghai Sanitary Products Company Ltd.	2,727	0	0
Subtotal Grohe Group	5,000	0	0
Mrs. Tingfeng CAI	494	0	0
Nan'an Pengxin Copper Co., Ltd.	244	0	0
Jianshe CAI	75	24	23
Total	5,813	24	23

12 Events after the Reporting Period

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization.

Frankfurt/Main, 21 November 2011

Joyou AG

Management Board

Jianshe CAI Jilin CAI Zufang LI

Review Report

To Joyou AG, Hamburg

We have reviewed the condensed interim consolidated financial statements –comprising the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and selected notes – and the interim group management report of Joyou AG, Hamburg, for the period from January 1, 2011 to September 30, 2011 which form part of the quarterly financial reporting in accordance with section 37x paragraph 3 in conjunction with section 37w paragraph 2 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the interim group management report in accordance with the requirements of the German Securities Trading Act applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We conducted our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU,

and that the interim group management report has not been prepared, in material aspects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to believe that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the regulations of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, 21 November 2011

Warth & Klein Grant Thornton AG
Wirtschaftsprüfungsgesellschaft

Joachim Riese
Wirtschaftsprüfer
(German Public Auditor)

Ralf Clemens
Wirtschaftsprüfer
(German Public Auditor)

Financial Calendar 2011

November 23 Interim Report January through September of 2011

Contact information

Joyou AG

Ian M. OADES
Head of Investor Relations
Westhafentower, Westhafenplatz 1
60327 Frankfurt am Main
Germany

Tel: +49 69-710 456 346
Fax: +49 69-710 456 348
e-mail: ir@joyou.net
Internet: www.joyou.de

Kirchhoff Consult AG

Financial Communications
Herrengaben 1
20459 Hamburg
Germany

Tel: +49 40-609 186 0
Fax: +49 40-609 186 60
e-mail: joyou@kirchhoff.de
Internet: www.kirchhoff.de

Download

This quarterly report is available in English and German on our websites www.joyou.de or www.joyou.com.

Imprint

Owner and publisher

Joyou AG

Design concept

Kirchhoff Consult AG, Hamburg
www.kirchhoff.de



Joyou AG
Westhafentower, Westhafenplatz 1
60327 Frankfurt on the Main
Germany

Tel: +49 69-710 456 346
Fax: +49 69-710 456 348
e-mail: ir@joyou.net
Internet: www.joyou.de