

Astellas Pharma A/S

Kajakvej 2, 2770 Kastrup

CVR no. 10 88 86 38

Annual report 2018/19

Approved at the Company's annual general meeting on 26 July 2019

Chairman:



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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Astellas Pharma A/S for the financial year 1 April 2018 - 31 March 2019.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 March 2019 and of the results of the Company's operations for the financial year 1 April 2018 - 31 March 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Kastrup, 26 July 2019
Executive Board:



Pia Teresa Lindkvist

Board of Directors:



Pedro Møllebro
Chairman



Pia Teresa Lindkvist



Niels Walther-Rasmussen

Independent auditor's report

To the shareholders of Astellas Pharma A/S

Opinion

We have audited the financial statements of Astellas Pharma A/S for the financial year 1 April 2018 - 31 March 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 March 2019 and of the results of the Company's operations for the financial year 1 April 2018 - 31 March 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent auditor's report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.


Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 26 July 2019

ERNST & YOUNG

Godkendt Revisionspartnerselskab

CVR no. 30 70 02 28



Christian Schwenn Johansen
State Authorised Public Accountant
mne33234



Simon Blendstrup
State Authorised Public Accountant
mne44060



Management's review

Company details

Name	Astellas Pharma A/S
Address, Postal code, City	Kajakvej 2, 2770 Kastrup
CVR no.	10 88 86 38
Established	1 July 1987
Registered office	Tårnby
Financial year	1 April 2018 - 31 March 2019
Telephone	+45 43 43 03 55
Board of Directors	Pedro Møllebro, Chairman Pia Terésa Lindkvist Niels Walther-Rasmussen
Executive Board	Pia Terésa Lindkvist
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark
Bankers	Danske Bank

Management's review

Financial highlights

EUR'000	2018/19	2017/18	2016/17	2015/16	2014/15
Key figures					
Revenue	182,590	157,806	144,927	139,307	121,934
Gross margin	25,019	20,491	17,894	21,651	25,848
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	6,626	4,870	3,488	5,105	8,365
Ordinary operating profit/loss	6,502	4,769	3,323	4,905	8,142
Net financials	-291	-1,340	-288	-707	-493
Profit before tax	6,217	3,429	3,035	4,198	7,649
Profit/loss for the year	4,735	2,562	12,189	6,656	5,258
Balance sheet					
Fixed assets	818	787	822	991	1,062
Non-fixed assets	128,810	102,447	81,397	84,547	78,511
Total assets	129,628	103,234	82,219	85,538	79,573
Investment in property, plant and equipment	148	46	18	134	93
Equity	56,236	54,101	51,540	45,351	38,695
Current liabilities other than provisions	73,392	49,133	30,679	40,187	40,878
Financial ratios					
Operating margin	3.6%	3.0%	2.3%	3.5 %	6.7 %
Gross margin	13.7%	13.0%	12.3%	15.5%	21.2%
EBITDA-margin	3.6%	3.1%	2.4%	3.7%	6.9%
Return on assets	5.6%	5.1%	4.0%	5.9%	12.5%
Current ratio	175.5%	208.5%	265.3%	210.4%	192.1%
Equity ratio	43.4%	52.4%	62.7%	53.0%	48.6%
Return on equity	8.6%	4.9%	25.2%	15.8%	13.6%
Other					
Average number of employees	115	114	116	115	117

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.

Management's review

Business review

The Company sells and markets pharmaceutical products in the Nordic and Baltic markets for the Astellas Group. The Company's share capital is wholly-owned by Astellas Pharma Europe Ltd., 2000 Hillswood Drive, Chertsey, the United Kingdom.

Unusual matters having affected the financial statements

The financial statement is partly affected by the termination of activities in the Baltic Market during the second half of the financial year. Turnover in the Baltic Market was less than 5 % of total turnover.

Financial review

In 2018/19, the Company's revenue amounted to EUR 182,590 thousand against EUR 157,806 thousand last year. The income statement for 2018/19 shows a profit of EUR 4,735 thousand against a profit of EUR 2,562 thousand last year, and the balance sheet at 31 March 2019 shows equity of EUR 56,236 thousand.

Special risks

According to Management, the financial statements have not been affected by any unusual risks.

Profit/loss for the year compared with previously expressed expectations

The Company's performance in 2018/19 was above the previously expressed revenue forecasts, and profit was also above expectations. This is mainly due to continued success in the latest two product launches within the oncology segment and the urology segment, which both have a continued growth in the market.

Research and development activities

The Company did not carry out any significant research and development activities on its own account in 2018/19.

Foreign branches

The Company has branches in Norway and Finland and cooperates with agent in Iceland.

Statutory CSR report

The Company is included in and follows the Astellas Group's CSR policy. The Company has implemented the Group's "Charter of Corporate Conduct", which includes the following ten guidelines:

1. Provide products that benefit consumers and society
2. Maintain high ethical standards
3. Fulfil disclosure and transparency requirements
4. Promote fair and free competition
5. Ensure sustainable benefits for our stakeholders
6. Promote job satisfaction. The company has employee satisfaction survey every other year, no survey in 2018.
7. Show respect for different cultures
8. Protect nature and the environment
9. Engage in philanthropic activities
10. Select business partners based on ethical criteria

In accordance with the Charter of Corporate Conduct, Astellas initiates proactive philanthropic activities. Inspired by the employees, Astellas has initiated CSR activities through donations and other support to charity organisations.

Management's review

This includes organisations which actively work for the promotion of organ donation in all Nordic countries, and we have committed us to donate amounts for three years.

Under our CHANGING TOMORROW programme, Astellas' employees can volunteer to take part in and contribute to local charity work.

We make active efforts to enhance job satisfaction, sponsoring sports club memberships for all employees, serving healthy food in our canteen and focusing strongly on work/life balance (all employees have homework stations and work flexible hours).

Human rights

The Company has no local human rights policy, instead Astellas is obliged to follow the Group's CSR policies which include five fields of CSR based management: the economy, employees, society, the environment, and compliance.

Embedded in the CSR policies is Astellas' Charter of Corporate Conduct, which above all respects the human rights, personalities and individuality of all of its employees.

All employees in the Company are obliged to read and confirm that they understand and observe Astellas' Charter of Corporate Conduct.

More specifically, Astellas' Charter of Corporate Conduct strictly enforces adherence with international rules and local laws in its conduct of global scale business, stipulates respect for individual culture and custom, and instills a mutual understanding among all of its group companies of the importance for the respect for human rights.

In relation to risk of violating human rights, the Company has identified the handling of personal and company data. During 2018/19 the company has entered into global record retention project to ensure compliance to GDPR regulations. As a part of this project, intensive training of all employees has been carried out on GDPR regulation.

For more information about the Parent Company's CSR policies see site <https://www.astellas.com/en/responsibility>

Impact on the external environment

The Company has no local policy regarding impact on environment. The Company is obliged to follow the global Astellas policies regarding this area. Therefore, the Company has incorporated a defined policy to minimize the impact on the external environment e.g. defined standard for offices to, preferably be located in green buildings, we are preparing for future group reporting on external environmental fingerprints. This means that the Company wants to minimize its impact on the environment through better waste management and reduce its impact on the climate by reducing emissions from transportation.

The Company has identified risk of negatively affecting the climate through extensive use of transportation to and between meetings. During 2018/19 the company has implemented CO2 policy as a part of the car policy, across EMEA. We have furthermore established video meeting facilities in all offices, to reduce the need to travel. In general, 2018/19 has been used to consolidate earlier year's initiatives and restructure the lines of responsibilities.

Due to the type of operations (sales and marketing activities), the Company's activities have no significant impact on the external environment and thereby risk of negatively affecting it. However, since the Company is covered by and follows the Group policy on environment, the Company has in 2018/19 continued its focus on reducing waste and further implemented the Group policy, which has resulted in an overall improvement of waste management procedures in 2018/19.

2019/2020 will be used to further globalize the organization and responsibilities.

In October 2011, Astellas moved to new EU GREEN BUILDING and LEED Platinum certified premises.

Anti-corruption

Management's review

Astellas Pharma A/S maintains high ethical standards by fulfilling disclosure and transparency requirements. The Company acknowledges that when working across countries and cultures, there is a risk that the employees can be exposed to situations involving corruption, bribery or questions about facilitation payment. Therefore, the company has a mandatory anti-corruption training for all, in the global company training tool (LMS); which is updated on an annually basis. In 2018/19, the Company did not identify any episodes involving corruption.

Social and employee conditions

Astellas Pharma A/S promotes job satisfaction and show respect for different cultures. The Company acknowledges that with increasing demands on employees and longer working hours, the welfare of the employee is at risk of being diminished. In 2018/19 the Company continued its focus on creating a fulfilling work environment for its employees, making sure the employees take the leave they have earned and ensure an equilibrium in work/life balance. This has resulted in an improvement of overall employee welfare and satisfaction in 2018/19.

Account of the gender composition of Management

Board of Directors

Board of Directors now include 33% females.

At present, the under represented gender accounts for 33% (2017/18: 0%) of all members of the Board of Directors having been elected by the Company. The company target for gender distributions among the board of directors is between 33% and 66% since the board consist of three members only.

While Board members continue to be appointed on the basis of qualifications and not on the basis of ethnicity, gender, religious believes etc., Astellas Pharma A/S appreciates the value and importance of diversity in the Board and, therefore, the Board has set a target of having at least one female board member.

Other executive levels

Management has drawn up a policy aiming at maintaining an equal gender distribution of genders at the other executive levels, including the Company's heads of departments and team leaders. The policy sets out structures as to each individual executive officer's career development and mentoring schemes and also includes targets for the percentage of executives among the genders.

Also, the policy sets out guidelines for recruitment and retention of executives among the genders in the Company. Specifically, the Company has taken the following initiatives to increase the percentage of the genders:

- Support for drafting of individual career plans
- Mentoring schemes
- Staff policy promoting equal career opportunities for both genders
- Employment procedures contributing to ensuring uniform recruitment opportunities for both genders.

Based on the above initiatives, the Company expects the percentage of executives among the under represented gender at the other executive levels to be on the increase in the years to come. During 2018/19, the Management Team expanded from 6 to 7 persons. The previous representation was 33/67 for the underrepresented gender. With the expansion, the representation now is 43/57.

For 2018/19, with regard to gender distribution, Astellas has a 46/54 split, if we look at all managers and directors (executives below board of directors). The manager level and director level are both within the 40/60 to 60/40 area. Among all employees the distribution is 25% Men and 75% Women, compared to 20/80 during 2017/18.

Events after the balance sheet date

No events have occurred after the financial year-end which could significantly affect the Company's financial position.

Outlook



Management's review

The Company expects limited increase in revenue and profit from continuing operations for 2019/20, based on persistently difficult market conditions, price pressure, parallel imports and generic competition. These factors will also be effected by coming changes in patent protection for some of the older products.



Financial statements 1 April 2018 - 31 March 2019

Income statement

Note	EUR'000	2018/19	2017/18
2	Revenue	182,590	157,806
	Cost of sales	-144,385	-122,539
	Other operating income	6	0
	Other external expenses	-13,192	-14,776
	Gross margin	25,019	20,491
3	Staff costs	-18,393	-15,621
4	Depreciation of property, plant and equipment	-118	-101
	Profit before net financials	6,508	4,769
	Financial income	1,533	16
	Financial expenses	-1,824	-1,356
	Profit before tax	6,217	3,429
5	Tax for the year	-1,482	-867
	Profit for the year	4,735	2,562



Financial statements 1 April 2018 - 31 March 2019

Balance sheet

Note	EUR'000	2018/19	2017/18
	ASSETS		
	Fixed assets		
6	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	170	110
	Leasehold improvements	108	138
		<u>278</u>	<u>248</u>
7	Investments		
	Other receivables	540	539
		<u>540</u>	<u>539</u>
	Total fixed assets	<u>818</u>	<u>787</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	38,931	64,540
		<u>38,931</u>	<u>64,540</u>
	Receivables		
	Trade receivables	38,924	24,726
	Receivables from group companies	42,601	7,379
	Deferred tax assets	8	34
	Income taxes receivable	1,121	2,606
	Other receivables	4,151	0
8	Prepayments	323	238
		<u>87,128</u>	<u>34,983</u>
	Cash	2,751	2,924
	Total non-fixed assets	<u>128,810</u>	<u>102,447</u>
	TOTAL ASSETS	<u>129,628</u>	<u>103,234</u>



Financial statements 1 April 2018 - 31 March 2019

Balance sheet

Note	EUR'000	<u>2018/19</u>	<u>2017/18</u>
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	81	81
	Retained earnings	<u>56,155</u>	<u>54,020</u>
	Total equity	<u>56,236</u>	<u>54,101</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	631	1,166
	Payables to group companies	29,396	30,000
	Income taxes payable	26	121
	Other payables	39,349	17,846
	Deferred income	<u>3,990</u>	<u>0</u>
		<u>73,392</u>	<u>49,133</u>
	Total liabilities other than provisions	<u>73,392</u>	<u>49,133</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>129,628</u></u>	<u><u>103,234</u></u>

- 1 Accounting policies
- 10 Contractual obligations and contingencies, etc.
- 11 Related parties
- 12 Fee to the auditors appointed by the Company in general meeting



Financial statements 1 April 2018 - 31 March 2019

Statement of changes in equity

Note	EUR'000	Share capital	Retained earnings	Total
	Equity at 1 April 2018	81	54,020	54,101
13	Transfer, see "Appropriation of profit"	0	4,735	4,735
	Extraordinary dividend distributed	0	-2,600	-2,600
	Equity at 31 March 2019	81	56,155	56,236

Financial statements 1 April 2018 - 31 March 2019

Notes to the financial statements

1 Accounting policies

The annual report of Astellas Pharma A/S for 2018/19 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities.

Changes in accounting policies

The accounting policies adopted in the preparation of the annual report are consistent with those followed in the preparation of Astellas Pharma A/S' annual report for the year ended 31 March 2018, except for the adoption of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' as interpretation for recognition and measurement of revenue and impairment for financial assets measured at amortized cost under the Danish Financial Statements Act. The effect of these changes is disclosed below.

Apart from the above, the accounting policies used in the preparation on the financial statements are consistent with those of last year.

Adoption of IFRS 15 as interpretation for revenue recognition

Consistent with the Group Accounting Policies, Astellas Pharma A/S has chosen to apply IFRS 15 'Revenue from contracts with customers' as interpretation for the recognition and measurement of revenue.

The Company will apply the five-step model to determine when, how and at what amount revenue is to be recognized depending on whether certain criteria are met. Astellas Pharma A/S has adopted IFRS 15 as interpretation at 1 April, 2018.

Under IFRS 15, the Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that Astellas Pharma A/S determines are within the scope of IFRS 15, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. Astellas Pharma A/S only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of IFRS 15, Astellas Pharma A/S assesses the goods or services promised within each contract and identify, as a performance obligation, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

There is no significant effect from the implementation of IFRS 15 as interpretation for the recognition and measurement of revenue under the Danish Financial Statements Act.

Adoption of IFRS 9 for impairment of financial assets measured at amortized cost

As allowed in the Danish Financial Statements Act, the impairment requirements in IFRS 9 for financial assets measured at amortized cost can be used under the Danish Financial Statements Act for annual periods beginning on or after January 1, 2018

Astellas Group Accounting Policies state that the credit loss allowance for trade receivables or contract assets that result from transactions that are within the scope of IFRS 15 'Revenue from contracts with customers' shall be measured at an amount equal to Lifetime Expected Credit Losses ("LECLs") according to the simplified approach in IFRS 9. LECLs are the total amount of credit losses expected in respect of the financial asset over its total life, or put simply, the difference between the invoiced amount (net of sales taxes and any discounts) and the actual amount we expect to collect. Astellas Pharma A/S has applied IFRS 9 as interpretation, with the initial application date of 1 April, 2018. There is no effect on the financial statements from the implementation of IFRS 9 as interpretation for the impairment for financial assets measured at amortized cost under the Danish Financial Statements Act.

Financial statements 1 April 2018 - 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are part of the consolidated cash flow statement for the Parent Company, Astellas Pharma Inc.

Reference is made to the Group's consolidated financial statements for Astellas Pharma Inc., Nihonbashi-Honcho, Chou-Ku, Tokyo 103-8411, Japan. Group consolidated financial statements are available at: <https://www.astellas.com/en/investors/ir-library/annual-report>

Reporting currency

As in prior years, the financial statements are presented in EUR, based on bookkeeping records (includes branches) expressed in EUR, to ensure increased comparability in relation to the Company's European competitors.

Foreign currency translation

Transactions denominated in foreign currencies are translated into EUR at the exchange rates at the date of the transaction.

Monetary items denominated in foreign currencies are translated into EUR at the exchange rates at the balance sheet date. Non-monetary items are translated at the exchange rates at the acquisition date or at the date of any subsequent revaluation or impairment of the asset.

Realised and unrealised exchange gains and losses are recognised in the income statement as financial income/expenses.

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

The Company has chosen IFRS15 as interpretation for revenue recognition.

Revenue comprises invoiced sales of goods for the year less returned goods, sales discount, and rebates. Revenue is recognised when the Company when the goods are delivered to at the destination agreed by the buyer (wholesaler) as per the agreement and when it is probable that the Company will collect the consideration to which it is entitled for transferring risks and rewards of the products. Control of the goods is transferred at a point in time, typically on delivery.

Revenue is measured at the fair value of the consideration received or receivable. When sales are recognised, Astellas Pharma A/S also records estimates for a variety of sales deductions, including product returns as well as rebates and discounts to wholesalers and retail pharmacies. Sales deductions are recognised as a reduction of gross sales to arrive to net trade sales, by assessing the expected value of the sales deductions (variable consideration). Where wholesalers agreements contain customer acceptance criteria, Astellas Pharma A/S recognises sales when the performance obligations are met.

Financial statements 1 April 2018 - 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Marketing services rendered to Astellas' group functions are remunerated through a cost-plus method. Income from the rendering of services is recognised as revenue as the services are rendered.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, lease payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation and impairment of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, financial expenses related to finance leases, realised and unrealised exchange gains and losses on foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Financial statements 1 April 2018 - 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments less the share of the tax for the year that concerns changes in equity.

Current and deferred taxes related to items recognised directly in equity are taken directly to equity.

Balance sheet

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements, plant and machinery, other fixtures, fittings, tools and equipment and IT. Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Property, plant and equipment are tested for impairment whenever there is an indication that an asset might be impaired. The impairment test is performed for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Other securities and investments

Investments comprise of other receivables, which includes deposits and are measured at cost.

Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO-method, and net realisable value.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

The Company has chosen IFRS 9 as interpretation for impairment of financial receivables.

Receivables are measured initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for doubtful trade receivables. This corresponds to the difference between the invoiced amount and the Lifetime Expected Credit Losses ("LECLs") as described under IFRS 9.

Astellas Pharma's customer base comprises wholesalers and retail pharmacies. From 1 April 2018, management makes allowance of doubtful trade receivables based on the simplified approach to provide for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. This has not resulted in a material change in loss allowance compared with previous policy. The allowance is an estimate based on shared credit risk characteristics and the days past due. Generally, invoices are due for payment within 60 days of shipment of goods.

Loss allowance is calculated using an ageing factor, geographical risk and specific customer knowledge. The allowance is based on a provision matrix on days past due and a forward looking element relating mainly to incorporation of country risk rating.

Financial statements 1 April 2018 - 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprises bank balances which are subject to an insignificant risk of changes in value.

Balances in the Group's cash pool scheme are not, due to the nature of the scheme, considered cash, but are recognised under 'Receivables from group companies'.

Income taxes

Current tax payable and receivable are recognised in the balance sheet as the estimated tax charge in respect of the taxable income for the year, adjusted for tax on prior years' taxable income and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, as well as temporary differences on non-amortisable goodwill.

Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a set-off against deferred tax liabilities.

Liabilities

Other payables is measured at amortised cost corresponding to the nominal unpaid debt.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Segment information

Compared to previous years, a change in segment information and comparative figures has been adjusted accordingly. Segment information is provided per activity and geography.

Segmentation is in accordance with the Company's internal reporting and responsibilities. The segment figures are prepared according to the same policies as the Corporate Financial Statements.

Financial statements 1 April 2018 - 31 March 2019

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
EBITDA-margin	$\frac{\text{Earnings before interest, taxes and amortisations (EBITA)} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Financial statements 1 April 2018 - 31 March 2019

Notes to the financial statements

EUR'000	2018/19	2017/18
2 Segment information		
Breakdown of revenue by business segment:		
Urology	49,403	44,731
Oncology	103,354	81,739
Immunology	28,744	29,613
Other	1,089	1,723
	<u>182,590</u>	<u>157,806</u>
Breakdown of revenue by geographical segment:		
Denmark	24,278	17,108
Sweden	43,847	28,957
Norway	36,786	35,080
Finland	37,721	31,941
Baltics	0	6,180
Iceland	2,531	2,313
Corporate services (note 11)	37,427	36,227
	<u>182,590</u>	<u>157,806</u>

External sale of goods amounts to EUR 150.578 thousand for 2018/19. In addition to external revenue, cost reimbursements incl. mark-up amounts to EUR 32.012 thousand in 2018/19.

EUR'000	2018/19	2017/18
3 Staff costs		
Wages/salaries	14,471	12,515
Pensions	1,761	1,695
Other social security costs	408	383
Other staff costs	1,753	1,028
	<u>18,393</u>	<u>15,621</u>
Average number of full-time employees	<u>115</u>	<u>114</u>

By reference to section 98b(3)(ii) of the Danish Financial Statements Act, remuneration to Management is not disclosed.

EUR'000	2018/19	2017/18
4 Depreciation of property, plant and equipment		
Depreciation of property, plant and equipment	118	101
	<u>118</u>	<u>101</u>

Financial statements 1 April 2018 - 31 March 2019

Notes to the financial statements

EUR'000		2018/19	2017/18
5	Tax for the year		
	Estimated tax charge for the year	1,430	892
	Deferred tax adjustments in the year	52	-25
		<u>1,482</u>	<u>867</u>
6	Property, plant and equipment		
		Other fixtures and fittings, tools and equipment	Leasehold improvements
	EUR'000		Total
	Cost at 1 April 2018	1,142	385
	Additions in the year	135	13
	Disposals in the year	-77	0
	Cost at 31 March 2019	<u>1,200</u>	<u>398</u>
	Impairment losses and depreciation at 1 April 2018	1,032	247
	Depreciation in the year	75	43
	Reversal of depreciation and impairment of disposals	-77	0
	Impairment losses and depreciation at 31 March 2019	<u>1,030</u>	<u>290</u>
	Carrying amount at 31 March 2019	<u>170</u>	<u>108</u>
7	Investments		
	EUR'000		Other receivables
	Cost at 1 April 2018		539
	Additions in the year		1
	Cost at 31 March 2019		<u>540</u>
	Carrying amount at 31 March 2019		<u>540</u>
8	Prepayments		
	Prepayments primarily comprise prepaid insurance, membership fees and licences.		
	DKK'000	2018/19	2017/18
9	Share capital		
	Analysis of the share capital:		
	600 A shares of DKK 135.00 nominal value each	81	81
		<u>81</u>	<u>81</u>

Financial statements 1 April 2018 - 31 March 2019

Notes to the financial statements

10 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

EUR'000	2018/19	2017/18
Rent and lease liabilities	<u>3,249</u>	<u>4,532</u>

Rent obligations total EUR 2,640 thousand (2017/18: EUR 3,438 thousand).

Payments under operating leases regarding cars and IT equipment total EUR 609 thousand (2017/18: EUR 1,095 thousand).

Rent and lease obligations due within 1 year amount to EUR 1,293 thousand.

The remaining obligations are due between 1 to 5 years.

11 Related parties

Astellas Pharma A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Astellas Pharma Europe Ltd.	2000 Hillswood Drive, Chertsey, The United Kingdom	Shareholder interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Astellas Pharma Inc.	Nihonbashi-Honcho, Chouku, Tokyo 103- 8411, Japan	www.astellas.com/en/ir/ library/annual_report. html

Related party transactions

Astellas Pharma A/S was engaged in the below related party transactions:

EUR'000	2018/19	2017/18
Purchase of goods from the Group	118,518	139,504
Income related to fees allocated to group companies	37,427	36,227
Costs related to fees allocated to group companies	5,415	5,392
Receivables from group companies	42,601	7,379
Payables to group companies	29,396	30,000



Financial statements 1 April 2018 - 31 March 2019

Notes to the financial statements

EUR'000	2018/19	2017/18
12 Fee to the auditors appointed by the Company in general meeting		
Statutory audit	93	80
Tax assistance	0	45
Other assistance	21	13
	<u>114</u>	<u>138</u>

The statutory audit includes audit of the Nordic shared service centre.

13 Appropriation of profit		
Recommended appropriation of profit		
Extraordinary dividend distributed in the year	2,600	0
Retained earnings	2,135	2,562
	<u>4,735</u>	<u>2,562</u>