

Patient needs inspire us...

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COMPANIES HOUSE

...and our vision

that all patients around the world have access to evidence-based treatment for the chronic conditions and co-occurring disorders of addiction.

Patient needs inspire us...

Our people, culture, expertise and insight, coupled with our innovative technology and stakeholder relationships, uniquely position us to help address patients' unmet needs around the world.

2018 Highlights

\$1,005m

Net revenue
(-8% vs. 2017: \$1,093m)

\$292m

Operating profit
(+51% vs. 2017: \$193m)

\$275m

Net income
(2017: \$58m)

53%

US average market share
(vs. 2017: 57%)

\$332m

Adjusted Operating Profit*
(-18% vs. 2017: \$403m)

\$272m

Adjusted Net Income*
(+1% vs. 2017: \$270m)

894,256

US unique patients
received SUBOXONE® Film
(vs. 2017: 874,481)

38c

Earnings per share
(2017: 8c)

37c

Adjusted earnings per share*
(nil vs. 2017: 37c)

* excluding exceptional items
(further details on page 25)

Key pipeline highlights

\$91m*

R&D investment
(+2% vs. 2017: \$89m)
* includes exceptional costs of \$24m

One

US FDA approval

Six

Peer-reviewed publications

28

Peer-reviewed conference abstracts

Contents

Strategic report

- 4 Chair's statement
- 6 Patient journeys
- 10 Business Model
- 12 Chief Executive Officer's statement
- 16 Research and Development
- 18 Managing our business responsibly
- 21 Non-financial information statement
- 22 Financial review
- 26 Legal proceedings
- 29 Risk management
- 35 Viability statement

Governance

- 36 Chair's governance statement
- 38 Board of Directors
- 40 Executive Committee
- 42 Corporate Governance Report
- 62 Directors' Remuneration Report
- 78 Directors' Report

Financial statements

- 83 Statement of Directors' Responsibilities
- 85 Independent Auditor's Report
- 95 Financial Statements
- 131 Information for shareholders

We have always understood that access to medication-assisted treatment and counseling is critical to ensure that patients struggling with substance use disorder get the medical care they deserve and need, just like the care provided to patients with other chronic diseases.

With this understanding, we further expand upon our Vision, Mission and Purpose by distilling some of the insights gained from our longstanding journey supporting patients along their path to recovery.

Patients are individuals, and different patients may have different needs.

Understanding these needs is critical to supporting patients along their journey to recovery.

Stigma, cravings and instability can impact a patient's chances of recovery.

Ultimately, Indivior believes that patients want, need, and deserve reprieve from the cycle of addiction, including:

- ◀ **caring and trusted relationships**
- ◀ **reprieve from constant preoccupation of illicit drug use**
- ◀ **a means to recover meaning and purpose to life**

Indivior works together with addiction thought leaders and stakeholders to expand access to evidence-based treatments, enhance scientific understanding of the disease, and pioneer innovation to drive better patient outcomes.

“Substance use disorder (SUD) is a brain disorder, a chronic disease, which hijacks the brain and can leave patients trapped and suffering. Evidence-based treatment and counseling can help patients find a path to regaining a purposeful and meaningful life.”

Dr. Walter Ling
Professor and Founding Director
Integrated Substance Abuse Programs
University of California,
Los Angeles (UCLA)

Dr. Ling is a highly recognized thought leader in the treatment of opioid addiction. He has been a continuous grantee researcher of the National Institute on Drug Abuse (NIDA) in the US since its inception, and he conducted many of the early, landmark clinical trials of buprenorphine that provided data for its approval by the U.S. Food and Drug Administration (FDA). Dr. Ling consults with Indivior worldwide.

“We are committed to helping patients by pioneering innovative and accessible treatments for addiction and its co-occurring disorders.”

Howard Pien
Chair

At Indivior, we have been on a longstanding journey devoted to transforming addiction from a global human crisis to a recognized and treated chronic disease. The Board, Executive Committee and every employee are dedicated to realizing our Vision and making it a reality. We believe that all patients around the world should have access to evidence-based treatment for the chronic conditions and co-occurring disorders of addiction.

As the global addiction crisis continues to grow, we are inspired by the needs of patients, even amid turbulent times for the Group. In 2018, while we made some advances, we also experienced several difficulties including setbacks to the Group's intellectual property related to SUBOXONE® (buprenorphine and naloxone) Sublingual Film (CIII), which created additional material uncertainty in an already competitive environment. The February 2018 launch of SUBLOCADE™ (buprenorphine extended-release) injection for subcutaneous use (CIII) was impacted, in part, by reimbursement complexity within the US payor system as the first long-acting injectable (LAI) treatment for opioid use disorder (OUD). Additional barriers to launch acceleration also included the length of the prescription journey (time to treat) and, given the entirely new treatment paradigm, slower than anticipated Health Care Provider (HCP) trial and treatment adoption. These barriers are being steadily identified and addressed, however, SUBLOCADE net revenue development was negatively

impacted. As a result, the Group's net revenue declined over the prior year and our share price also reflected this performance.

The Executive Committee, supported by the Board, moved swiftly to implement its enterprise contingency planning with the goal of ensuring the business remains viable and able to deliver for patients, and that we can continue to drive value growth.

While we experienced setbacks, we also made progress toward our Vision. In addition to launching SUBLOCADE in the US market, the Group received its first international approval for SUBLOCADE from Health Canada. We remain confident that SUBLOCADE will help address treatment gaps for OUD and we continue to target \$1 billion-plus of peak annual net revenue from SUBLOCADE.

The Group also received a U.S. Food and Drug Administration (FDA)

“As the global addiction crisis continues to grow, we are inspired by the needs of patients, even amid turbulent times.”

approval for PERSERIS™ (risperidone) for Extended-Release Injectable Suspension for the treatment of schizophrenia in adults. PERSERIS marks an important milestone in the diversification and expansion of our business and commitment to patients. Serving patients with schizophrenia is well-aligned with our Vision; a recent systematic review and meta-analysis revealed that the prevalence of any substance use disorder in treatment-seeking patients diagnosed with schizophrenia or first-episode psychosis was 42%.¹

Despite the challenges faced by the business, the Group made the strategic decision to prudently invest in the US market launch of PERSERIS. We maintain a peak annual net revenue goal for PERSERIS of \$200 to \$300 million.

You may read more about SUBLOCADE and PERSERIS in our Chief Executive Officer's statement on page 12.

Risks, challenges and uncertainties

As we look ahead, the financial impact of generic buprenorphine/naloxone film entry into the US market in early 2019 will place the Group under further substantial top- and bottom-line financial pressure until more progress is achieved with SUBLOCADE and PERSERIS.

The Group was prepared for this through contingency planning and actions initiated in 2018 and early 2019 to streamline the organization and further reduce costs. These contingency actions also included the February 2019 launch by Indivior of an authorized generic version of SUBOXONE® (buprenorphine and naloxone) Sublingual Film (CIII) in the US. These preparations will assist us in remaining compliant with our borrowing covenants and position the Group to leverage

“At Indivior, we have been on a longstanding journey devoted to transforming addiction from a global human crisis to a recognized and treated chronic disease.”

the profitable long-term growth we anticipate from SUBLOCADE and PERSERIS.

In relation to the various litigation and investigational matters, the Group carries a provision for investigative and antitrust litigation matters of \$438m. Substantially all of the provision relates to the U.S. Department of Justice (DOJ) investigation. The Group is in advanced discussions with the DOJ about a possible resolution to its investigations, although it cannot predict with any certainty whether, when, or at what cost it will reach an ultimate resolution. The Board is highly engaged in these discussions and has been throughout the process. We continue to cooperate fully with the various parties and are hopeful for resolution in a timely manner.

Share price performance and dividend

Indivior shares ended the year down 72%, compared with a 15% decline for the FTSE 250 Index of which the Company is a member; this reflects the significant business challenges the Group has faced throughout 2018.

With the need to conserve cash in the face of generic buprenorphine/naloxone film entry into the US market, and the need to fuel our future growth drivers (SUBLOCADE and PERSERIS), we did not make any direct returns to shareholders. While we continually evaluate Indivior's capital allocation priorities, given anticipated ongoing pressure to the business, it is unlikely that any cash will be directly returned to shareholders in the near- or medium-term.

Changes to the Board

Yvonne Greenstreet, Non-Executive Director and Chair of the Science & Policy Committee, has advised that she will step down from the Board and will not seek re-election at the Annual General Meeting to be held in May 2019. There are no current plans to recruit a successor to Dr. Greenstreet and the Nomination & Governance Committee will keep the composition of the Board and its Committees under close review. On behalf of the Board, I would like to thank Yvonne for her significant contribution to Indivior.

Outlook

We have aligned the Group to manage the business challenges ahead, building in part upon actions initiated in 2018 and early 2019. Looking ahead, we will continue to develop our business to create sustainable long-term value for shareholders and wider stakeholders. Addiction remains one of the greatest public health crises of our time and we are committed to helping patients by pioneering innovative and accessible treatments for addiction and its co-occurring disorders.

Finally, I would like to thank all my colleagues at Indivior for their significant contribution during a difficult year, and their steadfast commitment to our shared culture and Vision.

Howard Pien
Chair

1. Sansone, Randy, Substance Use Disorders and Borderline Personality – Common Bedfellows, 2011 (v1.0) – Page 1, Abstract, Paragraph 1 (p.1) Santucci K, Psychiatric Disease and Drug Abuse, COP 2012 (v1.0) – Page 2, Background, Paragraph 2 (p.2) Santucci K, Psychiatric Disease and Drug Abuse, COP 2012 (v1.0) – Page 2, Background, Paragraph 1 (p.2).

At Indivior, we believe patient voices are vital in helping to shed light on the opioid epidemic and destigmatize the disease of addiction and other mental health disorders. They also highlight the importance of a full treatment program and provide hope to others. Every patient journey is different, and Ashlynn's story is uniquely her own.

"I hope people will learn that we are not just a number. We can be working next to you. We can be anyone in your life."

Ashlynn
Patient, US

Ashlynn began treatment for anxiety and depression at age 12, although she recalls these feelings at an even younger age without knowing what they were. Throughout middle and high school, she was treated for these mental health disorders, but nothing seemed to help. Struggling with depression as a college freshman, Ashlynn left university and was admitted into a psychiatric ward. Leaving treatment, vulnerable and still struggling, she snorted her first prescription opioid analgesic. This led to heroin and a seven-year spiral into opioid addiction, rehabilitation, outpatient and inpatient programs, and abusive relationships.

Ashlynn found herself living in an abandoned building, which she pinpoints as the worst experience of her addiction. She recalls, 'I was so scared that I would die, and nobody would know that I did not want this life. I knew I needed to change.'

Ashlynn's journey to recovery began with small steps through various

treatment regimens. She struggled but stuck with it. Each day sober was a small victory. Working with her counselor, she learned about another buprenorphine medication option. At first, she found the treatment painful but since then she has worked with her healthcare provider to minimize the discomfort and is now in her ninth month of treatment. She also attends Narcotics Anonymous and other counseling programs to help maintain her treatment protocol and deal with her past.

Now 24, Ashlynn says she is able to focus on other aspects of her life, like her family and her full-time job. She is also currently enrolled in a community college working toward a certification in addiction counseling. Ashlynn hopes to pursue a master's degree and become a licensed Professional Counselor so that she can help others.

In September 2018, Ashlynn celebrated being sober for one year.

* Ashlynn received compensation from Indivior for sharing her story

Addiction not only impacts patients' lives, but can also devastate families and relationships, and deprive people of the everyday activities so easily taken for granted. Nathalie's patient journey to recovery is the story of reuniting with her three children after many years apart, rebuilding her relationships with loved ones and working to create a new life that brings her meaning and joy.

"I am embracing having my children back. They are proud of me, they accept me, they trust me, and we are a family again."

Nathalie
Patient, US

At 40 years old, Nathalie struggled with her addiction for over 20 years before beginning her journey to recovery.

Nathalie describes growing up in an area where 'drugs were everywhere.' She started experimenting with alcohol and marijuana at age 14 and rapidly progressed to heroin, eventually dropping out of school and leaving home. Homeless, she describes living between 'drug houses' and in cars, spending time in jail and making several unsuccessful attempts at treatment. Although she remained sober during each of her pregnancies, Nathalie lost custody of her three children when they were very young.

She recalls, "I damaged everything I touched back then. I struggled and fought with my addiction from Day One. I used drugs as a way to cope with my life; I used drugs as a way to numb my feelings. It caused me to do things that I am not proud of. I felt so alone."

Through all of this, Nathalie's relationship with her partner of more than eleven years was a constant in her life. He stood by her side, supporting her, forgiving her and trying to help her regain her life and overcome her addiction. She describes 'putting him through hell' and it was only when he ended up in hospital for health reasons, and Nathalie was facing the prospect of jail time and being away from him, that she 'hit rock-bottom.' Nathalie had tried various medication-assisted treatment options in the past, but she had not changed her 'people, places and things.' She realized that in order to truly embrace her recovery journey, she would need to make drastic changes. Already enrolled in a study for a new medication-assisted treatment option, she was able to join the Drug Court program which provided the structure and psychosocial supports she needed to be successful in the treatment program.

Now, after more than 15 years, Nathalie has all three of her children back in her life. She is in school to earn her High School diploma, has her driver's license back and is driving for the first time since she was a teenager. She is proud of her 'first real job' working as a peer counselor at a local community center helping patients with Hepatitis C who are undergoing treatment. She is also looking forward to getting married to her long-time partner.

Nathalie has been sober since December 2016.

* Nathalie received compensation from Indivior for sharing her story

Schizophrenia is a chronic and complex medical condition that can affect how a person thinks, feels and behaves. Symptoms include delusions, hallucinations, confused thoughts and speech and difficulty concentrating and remembering things.

More than half of all people with schizophrenia have anosognosia or a lack of insight – this symptom makes them unaware they have the illness and complicates treatment. Schizophrenia is typically diagnosed during late adolescence or early adulthood.

Miss T was diagnosed in her late teens and we share her story to help raise awareness and understanding of the life-changing and profound personal and family impact of this disease.

By her account, Miss T had a bright childhood. Educated at good schools, she was an accomplished ballet student and a competitive diver. She graduated with high honors and was accepted to a prestigious university where she hoped to study law. "I did very, very well until I got my illness," she says.

Just a few months into her first semester at university, she began feeling as though something was 'wrong' with her. She was hearing voices and seeing things that were not there. She withdrew from university, and helped by her family, pursued treatment which resulted in admission to a hospital.

"It was like the world was crashing around me all the time," Miss T recalls. "I wasn't really focusing. People would talk to you and it would go in one ear and out the other. I couldn't function correctly."

Her diagnosis of paranoid schizophrenia in her late teens forever changed her life. Like many patients with schizophrenia, Miss T had difficulty accepting her illness.

She wasn't convinced doctors had accurately identified her problems. As prescribed by her healthcare provider, she would maintain her treatment regimen. However, as soon as she started feeling better, she stopped her medication and would then find herself back in hospital.

The stigma attached to her illness made things even worse. She recalls many people looking down at her, not taking her seriously, and misjudging her. The illness and stigma took away all her confidence.

"If you're high functioning, it's hard to accept there's anything wrong with you," Miss T says. It was only after staying on treatment that she began to understand "there is really something wrong with me."

She was last hospitalized in 2012, after the stress of losing her parents coupled with a terrible storm that shut off the heat in her apartment triggered a nervous breakdown. After leaving hospital, she moved to a state-licensed personal care home. She is described by the home administrator as "very high functioning" and a loved member

of the group home family. Miss T describes the home and its staff, whose goal is to enable each resident to have the best quality of life, as "excellent." She is grateful they are able to help her navigate life's daily challenges including helping her remember to take her medicine.

It was through the home that Miss T met a psychiatrist and was enrolled in a study for a monthly treatment for schizophrenia. She said the monthly regimen was helpful for her as she sometimes has trouble remembering to take, or if she has taken, her daily medication.

Mostly, Miss T feels people suffering from mental illness need care and understanding from others. She said she is fortunate to have a nephew who visits her and helps her feel better about her illness. "His way of treating me is that 'you're special'," she explained. "So, you're paranoid schizophrenic. Everybody's got something'."

* Miss T received compensation from Indivior for sharing her story.

“You should never let your illness take over what you want to do because you could be the person that makes a difference in someone’s life.”

Miss T
Patient, US

Patient needs inspire us

Our people, culture, expertise and insight, coupled with our innovative technology and stakeholder relationships, uniquely position us to help address patients' unmet needs around the world.

Indivior

Our Purpose

is to pioneer life-transforming treatment.

Our Vision

that all patients around the world have access to evidence-based treatment for the chronic conditions and co-occurring disorders of addiction.

Our Mission

is to be the global leader who is a pioneer in developing innovative prescription treatments for addicted patients.

Our assets

Highly skilled and knowledgeable people

Indivior has an able workforce and management team with a deep understanding of patient needs and a strong commitment to improving patient lives.

Culture

Based on a clearly-defined set of Guiding Principles, Indivior's culture is a key competitive advantage enabling Indivior to drive strategic business growth and create social value.

Product portfolio

Indivior's product portfolio is focused on helping meet patient needs in addiction and schizophrenia.

Intellectual property

Indivior has a unique portfolio of licenses and patents which provide a platform for the creation of long-term value.

Financial capital

Indivior employs disciplined asset allocation with a focus on retaining a robust capital base to ensure flexibility in addressing legal matters, agility in managing unknown market impacts, and the ability to pursue growth opportunities.

\$91m*

Invested in R&D

* includes exceptional costs of \$24m

44

Countries where we have a global presence

28

Peer-reviewed conference abstracts

How we generate value

The global addiction crisis has provided an opportunity for the Group to significantly expand the market for buprenorphine medication-assisted treatments, which is increasingly recognized as an effective and evidence-based treatment for OUD. By leveraging our capabilities, we are also now serving patients with schizophrenia which is a well-aligned adjacency for our business.

Stakeholder engagement

For more than 20 years, Indivior has worked together with policymakers, medical societies, patient advocacy groups, healthcare providers, payers and other stakeholders. These relationships provide Indivior with critical insights to develop and enhance its patient-focused business approach.

Research and development

Our aim is to advance treatment innovation by developing new patient-focused treatments, including enabling the Group to expand the scope of treatment it provides to help address the co-occurring disorders of addiction.

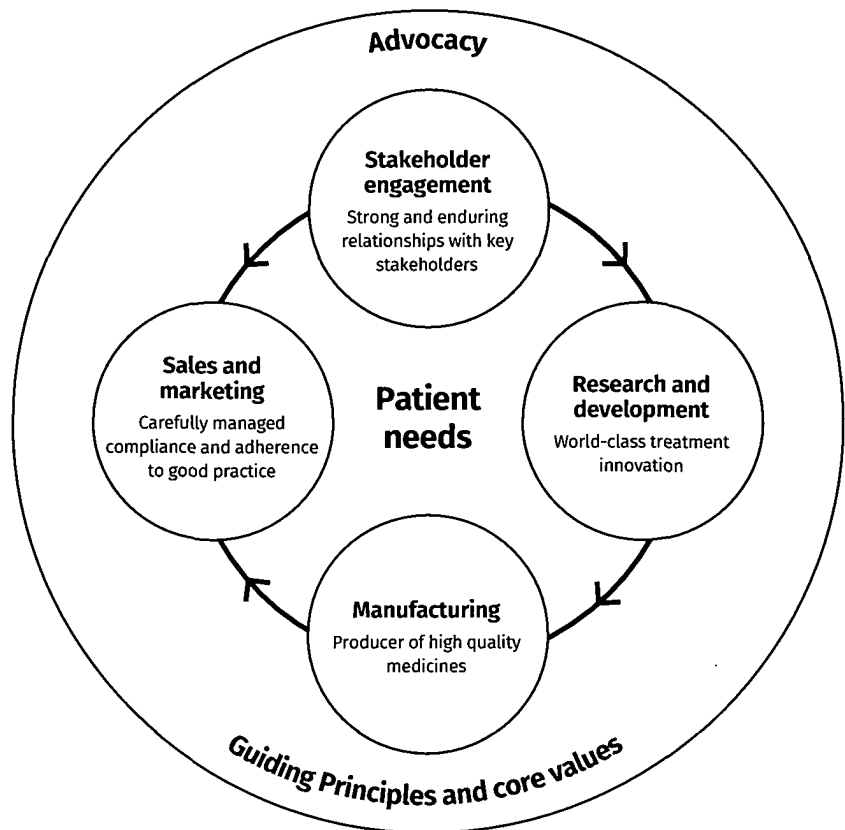
Manufacturing

Our aim is to improve the lives of patients through an uninterrupted supply of high-quality products.

Sales and marketing

Our aim is to deliver high-quality products and accurate information, and maintain strong and credible relationships with customers and key stakeholders.

Indivior advocates to increase global understanding and awareness, destigmatize the disease and expand treatment access.



Meeting patient needs

Leveraging its deep understanding of patient needs, Indivior is committed to addressing the global addiction crisis by expanding the availability of its patient-focused treatments, including treatment access, while also leveraging its scientific expertise to develop novel treatment.

"Moving forward, our primary focus is to achieve commercial success in the US growth market and leverage our established leadership position. We believe Indivior is appropriately positioned to make progress toward meeting patient needs in addiction and its co-occurring disorders."

Shaun Thaxter

Chief Executive Officer

2018 marks one of the most challenging periods for our business at Indivior. The well-understood risk of generic buprenorphine/naloxone sublingual film competition in our largest market created additional material uncertainty in an already competitive environment. This development, and the slower than expected launch trajectory of SUBLOCADE™, is reflected in our lower net revenue (-8%) and adjusted net income, which was essentially unchanged compared with 2017.

2018 net revenue by geography

■ United States 79%
■ Rest of World 21%

In the face of these immediate challenges, however, we made progress against the strategic priorities set for the Group by the Board and the Executive Committee, with the understanding that building upon them positions Indivior to generate long-term shareholder value:

- ◁ Building the resilience of our franchise: Positioned the business to deliver new net revenue from SUBLOCADE and PERSERIS™ in the US while seeking to maintain cash flow from SUBOXONE® Film's share of the US buprenorphine medication-assisted treatment market; with generic manufacturer film entry in the US, in February 2019, launched an authorized generic version of SUBOXONE® Film in the US.
- ◁ Developing our innovative pipeline: Launched SUBLOCADE in the US and established a new specialty infrastructure; achieved marketing approval of PERSERIS for the treatment of schizophrenia by US FDA and made it available in 2018; identified and licensed early stage pre-clinical pipeline assets that have the potential to address the unmet needs of patients across substance use disorders (SUD).
- ◁ Expanding global treatment: Achieved marketing approval of SUBLOCADE by Health Canada and successfully submitted regulatory filings for SUBLOCADE in Australia, New Zealand, and Europe; achieved marketing approval for SUBOXONE® Sublingual Tablets in China.

- ◁ Developing and fortifying the business: While broader mergers and acquisition activity, other than early stage asset licensing, is currently on hold, Indivior used a portion of its cash balance to voluntarily prepay \$235 million of outstanding term loan principal to significantly improve the overall financial flexibility and the resilience of the Group.

Emerging from a turbulent 2018, we believe Indivior is positioned for continued progress toward meeting patient needs in addiction and schizophrenia. Neither our Vision nor our strategy for realizing our Vision has changed. With this in mind, let us consider progress made against these strategic priorities and the intended path forward:

Our innovative growth products
SUBLOCADE™ (moderate-to-severe opioid use disorder)

Our long-term growth and profitability will largely be driven by SUBLOCADE. With this pioneering technology, our goal is to produce better patient outcomes and help drive a paradigm shift in the large and growing market for the treatment of OUD in the US. SUBLOCADE delivers consistent buprenorphine plasma levels over the treatment period resulting in an occupancy of greater than 70% of the mu opioid receptors. SUBLOCADE may also be a useful alternative for patients that have difficulty adhering to a daily medication treatment. The U.S. FDA and others have indicated that sustained-release injectable depots of buprenorphine can provide

effective treatment of OUD that may be less subject to misuse, abuse or accidental exposure compared with self-administered formulations such as transmucosal tablets and films.^{1,2}

Early in the SUBLOCADE launch, we recognized that we had underestimated the level of reimbursement complexity for this new treatment option in the addiction disease space. This complexity, coupled with the length of the prescription journey (time to treat) and slower than anticipated HCP trial and treatment adoption, resulted in net revenues coming in below our expectations for 2018. We worked tirelessly throughout the year to identify and break down obstacles for SUBLOCADE patients and HCPs and saw steady improvement in payer approval rates and treatment dispense rates. Although initially frustrating, the new specialty infrastructure we have established for SUBLOCADE is a competitive advantage that we anticipate realizing in the coming years as familiarity of the expected benefits of this new treatment paradigm grows among patients and HCPs alike.

Our primary focus moving forward is to leverage our established leadership position in OUD treatment to help drive commercial success in the US growth market. Over the medium to long-term, we expect recognition of the potential benefits offered by LAI technologies, such as

SUBLOCADE, to grow. Our confidence is supported by the positive anecdotal feedback we continue to receive from patients and HCPs.

PERSERIS™ (schizophrenia)

Following the July 2018 marketing approval by the US FDA, PERSERIS has launched in the US for the treatment of schizophrenia in adults. PERSERIS leverages our proprietary ATRIGEL® delivery system to provide sustained plasma levels of risperidone – still the most prescribed anti-psychotic medicine in the US – over the monthly dosing interval after subcutaneous administration. Clinical trials of PERSERIS were designed for the product to be initiated with no loading doses with the potential for improved compliance inherent in LAI technologies.

With PERSERIS, we offer a long-acting treatment for schizophrenia which we believe also creates an opportunity to serve patients in a well-aligned adjacency that provides Indivior diversification in its portfolio.

The US demand for LAIs is projected to continue at strong double-digit rates and this remains an underpenetrated segment in the fast-growing market for anti-psychotics. While we are a new market entrant to this disease space/category, in contrast with our initial experience with SUBLOCADE, where we had to establish much of the specialty infrastructure, LAIs are frequently used in the anti-psychotic

market. As such, our immediate goal is to educate HCPs, patients and caregivers on the characteristics of PERSERIS and ensure there are no significant barriers to access.

SUBOXONE® Film

Despite continued competition from manufacturers of generic SUBOXONE® Tablets and the market impact of Dr. Reddy's Laboratories Ltd.'s (DRL) initial generic buprenorphine/naloxone sublingual film launch, we maintained cash flow from SUBOXONE® Film's share of the US buprenorphine medication-assisted treatment market (BMAT) and a leading position in the US with an average market share of 53% (2017: 57%).

In February 2019, upon confirmation of the launch of generic buprenorphine/naloxone sublingual film products, Indivior launched an authorized generic of SUBOXONE® Film.

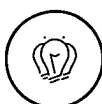
Maintaining our disciplined capital allocation

In 2018, we continued to maintain a sufficient level of cash to fortify Indivior against additional generic manufacturer competition and legal proceedings and ended the year with cash of \$924 million. We also voluntarily prepaid \$235 million of outstanding loan principal during the year to bring our outstanding debt level below \$250 million.

Our Guiding Principles



Focus on patient needs to drive decisions



Seek the wisdom of the team



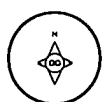
Believe that people's actions are well intended



Care enough to coach



See it, own it, make it happen



Demonstrate honesty and integrity at all times

“While it is easy to live our Guiding Principles during the good times, it is a true test to remain committed to these principles when times are difficult. I am particularly proud of our patient-focused culture which continues to inspire all that we do.”

1. Nikolaj Kunøe, Joshua D Lee, Opioid addiction: long-acting formulations for a long-term disorder – www.thelancet.com Published Online February 18, 2019 [http://dx.doi.org/10.1016/S0140-6736\(18\)32428-0](http://dx.doi.org/10.1016/S0140-6736(18)32428-0).
2. Opioid Use Disorder: Developing Depot Buprenorphine Products for Treatment Guidance for Industry prepared by the Division of Anesthesia, Analgesia, and Addiction Products in the Center for Drug Evaluation and Research at the Food and Drug Administration Published February 2019 <https://www.fda.gov/Drugs/GuidanceComplianceRegulatoryInformation/Guidances/default.htm>.

2018 Year at-a-glance

Strategic priorities

Progress in 2018

Building the resilience of our franchise

- ◀ Launched SUBLOCADE™ in Q1 and contributed net revenue of \$12 million in FY 2018
- ◀ Established new specialty infrastructure for SUBLOCADE; achieved 83% payer coverage; key performance indicators (KPIs) showed steady improvement through FY 2018
- ◀ Positioned the business to deliver new net revenue from SUBLOCADE and PERSERIS™ while maintaining leading BMAT share and cash flow from SUBOXONE® Film, despite continued competition from manufacturers of generic SUBOXONE® Tablets average market share was 53% (2017: 57%)
- ◀ Expanded treatment capacity to a record number of physicians and other qualified treatment providers in the US, ending the year at approximately 61,500 HCPs – a 27% increase

Developing our innovative pipeline

- ◀ Continued progress on Health Economics and Outcomes Research (HEOR) and Lifecycle Evidence Generation & Optimization (LEGO) studies supporting SUBLOCADE; findings expected to be shared in key publications and conferences throughout FY 2019
- ◀ Received approval of PERSERIS from the US FDA for treatment of adults with schizophrenia in the US; treatment made available late November 2018
- ◀ Realized a \$37 million gain in FY 2018 from the exclusive out-licensing of patents related to nasal naloxone
- ◀ Identified and licensed early stage pre-clinical pipeline assets that have the potential to address the unmet needs of patients across SUD

Expanding global treatment

- ◀ Achieved SUBLOCADE market approval in Canada
- ◀ Successful SUBLOCADE filings in Australia, Israel, New Zealand, and Europe
- ◀ Received approval for SUBOXONE® Sublingual tablets by the Chinese National Medical Products Administration (NMPA) for the treatment of OUD and announced an agreement to divest the rights to SUBOXONE® Tablets in China
- ◀ Maintained SUBOXONE® Tablet's leading share of BMAT market in Europe, Indivior's largest market outside the US

Developing and fortifying the business

- ◀ Broader mergers and acquisition activity, other than early stage licensing, is currently on hold
- ◀ Voluntarily prepaid \$235 million bringing the term loan principal to \$243 million
- ◀ Exited 2018 with a cash balance of \$924 million; in order to maintain a strong cash balance to fund the commercial success of SUBLOCADE and PERSERIS while remaining within our debt covenants
- ◀ Undertook initiatives to reduce operating expenses, including headcount reductions, research and development (R&D) reprioritization and other committed savings
- ◀ Prepared to launch an authorized generic version of SUBOXONE® Film in the US as part of contingency planning

These preparations will assist Indivior, even with market entry of generic film products, to fund the commercial success of SUBLOCADE and PERSERIS and remain within our debt covenants.

Streamlining the organization

We have streamlined Indivior's organization in response to anticipated near-term revenue pressures that are expected to arise with the launch of generic alternatives to SUBOXONE® Film in the US. We were very thoughtful in the choices we made to ensure that we maintained the capabilities necessary to support the commercial success of SUBLOCADE and PERSERIS. Partially with savings achieved from a substantially reduced cost base, we were able to make PERSERIS available in the US and begin to advance toward our goal of diversifying Indivior's revenue base.

The streamlining actions we undertook impacted Indivior's global workforce. While there is no good way to implement changes such as these, we were able to move through the process as sensitively and efficiently as could be expected. I am extremely proud of the professionalism and dignity demonstrated by our colleagues who were impacted by these actions and departed from the business. While it is easy to live our Guiding Principles during the good times, it is a true test to remain committed to these principles when times are difficult.

Strengthening our commitment to compliance

In 2018, we sustained our long-term commitment to compliance. We were pleased to welcome Cindy Cetani to the newly created Executive Committee leadership position of Chief Integrity and Compliance Officer. Cindy brings more than 30 years of experience in driving a culture of learning and integrity, and compliance program vision. Cindy joins us from Novartis, where she held roles of increasing responsibility over the past 15 years and was most recently Head of Compliance Operations, Group Integrity and Compliance.

Asserting Indivior's intellectual property

Indivior continues to assert its intellectual property rights protecting SUBOXONE® Film. We continue to await the outcome of the appeal of the non-infringement judgments related to US Patent Nos. 8,603,514 and 8,017,150, which will be heard in H1 2019, as well as ongoing litigation against DRL, Alvogen, and Teva in the District of New Jersey, and against Actavis in the District of Delaware, asserting the more recent Orange Book-listed patents, including US Patent No. 9,931,305. Please refer to page 26 for further information on legal proceedings.

Given our year-end cash position of \$924 million and the savings achieved as a result of our organizational realignment, Indivior is positioned to withstand the material and rapid market share loss that our SUBOXONE® Film is likely to experience now that generic film manufacturers have entered the market. We will also seek redress and damages from any "at-risk" launch, following success in any outstanding cases.

Our patient-focused culture

Delivering on patient needs continues to inspire us at Indivior. We are encouraged that around the world OUD is being increasingly recognized as a treatable medical disease, and not a moral failing. Our collective passion to help patients suffering from stigmatized and socially marginalized diseases will be a key strength as we work to bring PERSERIS to adult patients.

In 2018, we were able to support a series of regulatory and legislative developments in the US intended to improve treatment access for patients and allow HCPs to care for more patients when they decide to seek help. We expect to see ongoing expansion in the OUD treatment market as awareness, attention, and addiction disease normalization grows, and more patients are able to access treatment.

Conclusion

One of the great characteristics of Indivior is that we always make the best of circumstances, however challenging, including those precipitated by events beyond our control. Our commitment to making progress toward our Vision, together with the decisive actions we have taken, will help ensure we remain a strong and durable company.

- ◀ We have put in place the foundational elements for profitable growth. The most important driver is SUBLOCADE, but with the launch of PERSERIS for the treatment of schizophrenia we are gaining diversification and additional potential revenue growth.
- ◀ We have streamlined the organization to respond to pressures we face with generic film competition in the US market. The result is a significantly reduced cost base that we can leverage as expected net revenue growth from SUBLOCADE and PERSERIS materializes. In February 2019, we launched an authorized generic version of SUBOXONE® Film in the US to capture share of the generic segment.
- ◀ Our US market remains strong, with good growth expected, and we are maintaining our strong patient advocacy to expand OUD treatment access globally.
- ◀ Patient needs continue to inspire us at Indivior. This remains the core of everything we do, along with ensuring we drive Indivior's long-term success ethically and responsibly.

Of course, none of our progress or the treatment we offer patients would be possible without the hard work of our employees. The passion and dedication they demonstrate each day is truly inspirational. I would like to take this opportunity to thank all my colleagues for their unwavering commitment to our Vision and to our patients.

Yours sincerely,

Shaun Thaxter
Chief Executive Officer

“We believe that integrated clinical development programs actively engage patients and their communities, and will progressively break down barriers and misconceptions about substance use disorders and their treatment.”

Christian Heidbreder
Chief Scientific Officer

One of our core guiding principles, focus on patient needs to drive decisions, incentivizes our Research and Development (R&D). Our aim is to advance treatment innovation in the face of the growing global addiction crisis. We do this by focusing on continuity of care, monitoring patient progress in the short-, medium- and long-term, and understanding better the underlying causes of relapse.

Despite availability of medications to treat OUD, data derived from the 2012-2013 National Epidemiologic Survey on Alcohol and Related Conditions – III (NESARC-III) showed only 30% of those with lifetime non-medical prescription OUD have ever received treatment.¹ For those receiving treatment, comorbidities (e.g. alcohol use disorder, non-opioid drug use disorder, schizophrenia, and/or bipolar disorder and chronic pain) and high rates of non-adherence have been associated with increased odds of relapse and higher total healthcare costs.^{2,3,4}

The FDA approval of SUBLOCADE™ in November 2017 and the approval of SUBLOCADE in Canada in November 2018 were the most recent steps in a long commitment to better understand how to address the needs of patients suffering from OUD. Our pivotal Phase 3 data demonstrating the clinical efficacy, safety and tolerability of SUBLOCADE were recently published in *The Lancet*.⁵ In 2018 Indivior also initiated the planning and execution of post-marketing and lifecycle management strategies along five main pillars:

1. Post-marketing requirement

(PMR) studies: These studies aim to understand better the patient populations that may benefit from a higher maintenance dosing regimen of SUBLOCADE and to explore how SUBLOCADE can be safely initiated without a period of sublingual buprenorphine titration.

2. Post-marketing commitment

(PMC) studies: These analyses compare the safety and efficacy of SUBLOCADE given monthly vs. SUBLOCADE given at a longer inter-dose interval. They also aim to evaluate the transition of patients with long-term stability on a transmucosal buprenorphine dose to a monthly dose of SUBLOCADE.

1. Saha TD et al. Nonmedical Prescription Opioid Use and DSM-5 Nonmedical Prescription Opioid Use Disorder in the United States. *J Clin Psychiatry* 2016; 77:772-80. 28.92 (2.07).
2. Tkacz J et al. Compliance with buprenorphine medication-assisted treatment and relapse to opioid use. *Am J Addict* 2012; 21:55-62.
3. Ronquest NA et al. Relationship between buprenorphine adherence and relapse, health care utilization and costs in privately and publicly insured patients with opioid use disorder. *Subst. Abuse Rehabil.* 2018; 9:1-20.
4. Compliance with Buprenorphine Medicated-Assisted Treatment and Relapse to Opioid Use (v1.0) – Anchor 1 (p.6).
5. Haight BR, Learned SM, Laffont CM, Fudala PJ, Zhao Y, Garofalo AS, Greenwald MK, Nadipelli VR, Ling W, Heidbreder C (2019) Efficacy and safety of a monthly buprenorphine depot injection for opioid use disorder: a multicentre, randomised, double-blind, placebo-controlled trial. *The Lancet*, 393(10173):778-790. [https://doi.org/10.1016/S0140-6736\(18\)32259-1](https://doi.org/10.1016/S0140-6736(18)32259-1).

3. Lifecycle evidence generation and optimization (LEGO) studies:

These studies aim to:

- ◀ demonstrate that craving can potentially be used as an endpoint to predict illicit opioid use;
- ◀ study the effects of initiating SUBLOCADE treatment in emergency rooms to prevent repeated opioid overdoses and potentially change standards of care; and
- ◀ investigate if high plasma concentrations of buprenorphine similar to those delivered by SUBLOCADE may reduce the effects of respiratory depression produced by fentanyl, which has been increasingly and directly related to drug overdose deaths in the US.

4. Patient-reported outcomes research and health economics:

Indivior has invested a substantial amount of time and effort into the integration of patient-reported outcome measures as part of its clinical development plans. For example, we have launched Remission from Chronic Opioid Use: Studying Environmental and Socioeconomic Factors on Recovery (also known as the RECOVER Study), which is collecting up to 24-month longitudinal data encompassing demographics, drug use, drug treatment, family relationships, quality of life, mental and physical health, healthcare utilization, crime, housing, employment, and urine drug screening.⁶

5. Regulatory filings outside the US:

Filings were made in Australia (May 2018), Israel (July 2018), New Zealand (September 2018), and Europe (November 2018).

Addressing co-occurring disorders of addiction

Epidemiological and clinical studies have shown that substance use disorders are highly comorbid with psychiatric disorders. These disorders include anxiety, depression, bipolar disorder, attention-deficit hyperactivity disorder, borderline personality disorder, antisocial personality disorder, and schizophrenia.⁷ A recent systematic review and meta-analysis revealed that the prevalence of any substance use disorder in treatment-seeking patients diagnosed with schizophrenia or first-episode psychosis was 42%.⁸

In July 2018, Indivior received FDA approval for PERSERIS™, the first once-monthly subcutaneous risperidone-containing long-acting injectable for the treatment of schizophrenia in adults in the US. Following FDA approval, we initiated the planning and execution of post-marketing and lifecycle management strategies in support of PERSERIS.

A holistic approach to addiction medicine

Beyond the development of treatments for OUD and schizophrenia, Indivior is pioneering therapies to address the unmet needs of patients struggling with SUD. To that end, we are investigating innovative approaches that selectively target the γ-aminobutyric acid type B (GABA_B) receptor⁹, the orexin-1 receptor¹⁰, and the dopamine D3 receptor¹¹ in partnership with Arbor Pharmaceuticals, Addex Therapeutics (Addex), C4X Discovery, and Aptuit. Plans are being implemented to accelerate our backup program (new lead identification and optimization) in partnership with Addex.

“Focusing on the importance of continuity of care, monitoring patient progress in the short-, medium- and long-term, providing evidence-based training to health-care providers, and understanding better the underlying causes of relapse are the hallmarks of our mission and vision in addiction medicine.”

6. Ling W et al. Remission from Chronic Opioid Use – Studying Environmental and Socio-economic Factors on Recovery (RECOVER): study design and participant characteristics. *Contemporary Clinical Trials*, 2019; 76:93-103. Remission from Chronic Opioid Use: Studying Environmental and Socioeconomic Factors on Recovery (v1.0) – Table 3: Schedule of Assessments (p.23).

7. Sansone, Randy. Substance Use Disorders and Borderline Personality – Common Bedfellows, 2011 (v1.0) – Page 1, Abstract, Paragraph 1 (p.1) Santucci K, Psychiatric Disease and Drug Abuse, COP 2012 (v1.0) – Page 2, Background, Paragraph 2 (p.2) Santucci K, Psychiatric Disease and Drug Abuse, COP 2012 (v1.0) – Page 2, Background, Paragraph 1 (p.2).

8. Hunt GE et al. Prevalence of comorbid substance use in schizophrenia spectrum disorders in community and clinical settings, 1990-2017: Systematic review and meta-analysis. *Drug Alcohol Depend*. 2018; 191:234-258.

9. Padgett CL et al. Methamphetamine-evoked depression of GABA(B) receptor signaling in GABA neurons of the VTA. *Neuron* 2012; 73:978-989.

10. Perrey DA & Zhang Y. Therapeutics development for addiction: Orexin-1 receptor antagonists. *Brain Res. Epub Aug 24, 2018.*

11. Heidbreder C. Rationale in support of the use of selective dopamine D₃ receptor antagonists for the pharmacotherapeutic management of substance use disorders. *Naunyn Schmiedeberg Arch Pharmacol*. 2013; 386(2):167-176.

The Group's approach to managing the business responsibly drives the delivery of its mission, vision, strategy, risk management, governance, management systems and performance monitoring.

We seek to continuously improve our standard operating procedures, management systems and performance indicators.

This section provides an overview of Indivior's framework which addresses six key areas of its business:

1. **Environment, climate change and health and safety**
2. **Communities**
3. **Patient safety and product quality**
4. **Business conduct**
5. **People**
6. **Advocacy and stakeholder engagement**

Reporting, investor dialogue and ratings

The Group is in regular dialogue with its investors about its approach to responsible business. We also participate in several related research exercises conducted by organizations such as CDP, FTSE Russell, VigeoEIRIS and MSCI.¹

The Group has been a member of the FTSE4Good index series since it became independent and recently received a comparably high ESG rating in comparison to several of its significantly larger peers from MSCI.²

1. Environment, climate change and health and safety

The Group's main impacts are linked to our fine chemical plant in Hull. Our facilities have an excellent track record and recorded no material environmental (e.g. spills, emissions to air) or health and safety incidents during 2018.

Emissions

Type	Tonnes of CO ₂ e
Scope 1	473
Scope 2 location-based	2301
Scope 2 market-based	2599
Scope 3	157
Total emissions location-based	2932
Total emissions market-based	3230
Per tonne of production location-based	583
Per tonne of production market-based	642
Per full time employee location-based	3.2
Per full time employee market-based	3.5

2. Communities

Camp Mariposa

In September 2016, Indivior entered into an agreement with the Eluna Network (formerly the Moyer Foundation) to provide a three-year grant to support Camp Mariposa, Eluna's addiction prevention and mentoring program. Camp Mariposa serves youth impacted

by the substance use disorder of family members, with the aim of breaking the intergenerational cycle of addiction.

Our grant supports the strengthening, growth, and expansion of addiction prevention resources, sites and services.

Indivior also supports Camp Mariposa through its employee volunteering programs including collecting and donating hygiene supplies and duffle bags, contributing direct volunteer hours, and collecting funds for camp supplies for Camp Mariposa's 12 locations.

3. Patient safety and product quality

Patient safety and product quality are embedded in the Group's culture and patient-focused business model, and are fundamental to the integrity of our global brands and businesses.

Through a robust pharmacovigilance process, we monitor the safety of the Group's marketed and investigational products in a comprehensive and thorough manner. This includes a Risk Evaluation and Mitigation Strategies (REMS) program to mitigate the risks of accidental overdose, misuse and abuse for SUBOXONE® Film and to mitigate the risk of serious harm or death that could result from intravenous self-administration for SUBLOCADE™ in the US. Globally, Risk Management Plans (RMPs) are being put in place to minimize risks outside the US.

1. Information about FTSE4Good membership verified by email from FTSE Russell on July 6, 2018.

2. Information about MSCI ratings verified in ESG ratings report received from MSCI dated September 24, 2018.

The Group is committed to a culture of innovation and quality defined as maintaining patient trust, empowering our workforce and partnering with regulators to drive excellence.

Patient Help Foundation

In 2018, the Indivior Patient Help Foundation provided SUBOXONE® Film product valued at \$16.7m through its patient assistance program in the US. Since 2010, the Foundation has provided medication access to an average of 5,000 qualified patients per year.

4. Business conduct

The Group requires compliance with laws, regulations, and industry codes of conduct at all times via established policies and procedures. Its comprehensive compliance program includes a focused Integrity and Compliance department, with our Chief Integrity and Compliance Officer as a member of the Executive Committee. The Integrity and Compliance department helps assure that the Group's operations are conducted in line with all legal and regulatory requirements, guidance from the Office of Inspector General for the U.S. Department of

Health and Human Services, and the appropriate industry codes of ethics, including those published by the Pharmaceutical Research and Manufacturers of America (PhRMA); Association of the British Pharmaceutical Industry; and by Medicines Australia.

In 2018, the Group continued to enhance its Integrity and Compliance program through the implementation of the following (among other key deliverables):

- ◀ undertaking a comprehensive review of key internal processes, including implementation of appropriate enhancements;
- ◀ conducting 'distributor country' compliance training and supported multiple distributor audits;
- ◀ developing and disseminating an enterprise-wide quarterly Integrity and Compliance newsletter to drive awareness and best practice throughout the organization;
- ◀ adopting gamification as an approach to reinforce the field-based sales team's knowledge of and compliance with policies; and
- ◀ appointing the Executive Committee to serve as the Indivior Compliance Committee.

5. People

The Group has a variety of employment policies that create a framework to ensure that it is an employer of choice and that it provides a fair, equitable and conducive working environment free from discrimination and harassment. The Group views its employees as fundamental to its long-term success and strives to provide a working environment in line with this ambition. It conducts a variety of communications, training and development programs to achieve this aim and to ensure that employees conduct their activities in line with the Group's Guiding Principles. These include:

- ◀ culture champions program;
- ◀ regular performance reviews; and
- ◀ local town hall communications events.

As of December 31, 2018, Indivior employed 915 people worldwide (2017: 1,023). The distribution of these people by function and location is shown on page 20.

Compliance leadership

As Chief Integrity and Compliance Officer, Cindy Cetani will continue to leverage the Group's strong commitment to compliance and its culture of integrity. Reporting to the Chief Executive Officer, Cindy will focus on compliance program strategy, governance and sustainability, related strategic and integrated communications, workforce continuing education and development, and ongoing risk awareness and management to help assure compliance with relevant laws, regulations and industry codes of conduct.

Joining Indivior in October 2018, Cindy more than 30 years of experience in driving a culture of learning, integrity and compliance program vision. Cindy joined Indivior from Novartis, where she held roles of increasing responsibility over the past 15 years and was most recently Head of Compliance Operations, Group Integrity & Compliance.

Territories

	Number
United States of America	573
Australasia	27
China	6
Europe, Middle East, Africa and Canada	309

Our gender diversity figures for the purposes of s414C(8)(c) of the Companies Act 2006 are as follows:

At December 31, 2018	Total	Women	Men
Directors of Indivior PLC	11	4	36%
Senior managers*	59	18	30%
All employees	915	497	54%

* Includes members of the Executive Committee who are not Directors of Indivior PLC and all subsidiary company directors

Employment function

	Number
Commercial	429
Compliance	9
Corporate affairs and communications	7
Finance	76
Human Resources	23
Information Technology	41
Legal and governance	14
Medical	86
Research and development	133
Supply	97

understanding of the Group's activities, strategy, products and plans and to further develop the relationship between the Group's senior management team and its employees.

All the events were attended and led by members of the Group's Executive Committee, including the Chief Executive Officer, and were video conferenced to enable the participation of staff located at different sites.

International Women in Leadership

The Group's international women in leadership program is called IWIL and its mission is to help support diversity in leadership. The program is conducted within each territory and consists of a variety of events, activities and communications initiatives. During 2018, these activities included:

- ◀ networking events at Group sites;
- ◀ access to training videos and a business skills library;
- ◀ mentoring activities; and
- ◀ development of volunteering opportunities.

6. Advocacy and stakeholder engagement

In 2018, Indivior continued engaging with stakeholders and advocating for patients to help stimulate and accelerate changes to public policy. In the US, Indivior supported the passage of H.R.6, the SUPPORT for Patients and Communities Act. Indivior's Chief Medical Officer testified on behalf

of the Group before the US House of Representatives Energy and Commerce Subcommittee on Health hearing on 'Combating the Opioid Crisis: Helping Communities Balance Enforcement and Patient Safety'. This hearing helped establish the policies ultimately included in H.R.6. "New innovations are expanding medication-assisted treatment options," the Chief Medical Officer stated during her testimony. "Government policies impacting these treatments must adapt to ensure patients have access to all evidence-based treatment options."¹

Enacted on October 24, 2018, this law includes multiple, comprehensive initiatives to improve access to treatment for patients suffering from substance use disorders.²

The Chief Medical Officer also participated in the US State Government Affairs Council Leaders Policy Conference on Innovations in Healthcare panel entitled 'Revolutionary Treatments for Society' in 2018. At the conference, she underscored the importance of understanding the patient journey and giving patients and their healthcare providers access to the full range of evidence-based therapies.

In 2018, Indivior also supported a range of non-governmental agencies and campaigns around the world to help destigmatize and raise awareness of the disease of addiction and other mental health disorders. Indivior also supported efforts to develop resources for patients, families and communities.

Culture champions

The Group's culture champions are a network of nearly 50 employees from around the world who act as ambassadors and create opportunities for greater engagement and sharing of best practices. Champions are tasked with proposing ideas and implementing activities to drive a positive culture, in collaboration with Human Resources, managers and leaders.

To reinforce its culture and Guiding Principles, in 2018 the Group implemented an on-line training program to supplement the live classroom training. Employees are now expected to complete both modules to understand and quickly begin exemplifying our values and Guiding Principles.

Town hall events

During the year, the Group held several town hall events across our global regions and functions, including several global Skype broadcast meetings. These events serve as two-way dialogue opportunities to improve employee

1. <https://docs.house.gov/meetings/IF/IF14/20180228/106915/HHRG-115-IF14-Wstate-SubbiahP-20180228.pdf>.
2. <https://www.congress.gov/bills/115/congress/house-bill/6/all-info?r=L>.

Non-financial information statement

The Group is committed to transparency concerning its corporate responsibility impacts and opportunities, the disclosure of other non-financial information where it is relevant to shareholders and other key stakeholders, and to complying with the reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

The table and other information below are provided to assist readers of this report to understand the Group's approach, policies, and performance. It also aims to highlight

where further relevant information, other than that disclosed within this report can be accessed. In particular, the Group provides the responsibility section of its website (www.indivior.com) for this purpose, participates in the annual disclosure of environmental and climate change information to CDP (www.cdp.net), and regularly enters into dialogue with investors and investor research organizations (including MSCI and FTSE Russell) about this aspect of its activities.

Business model

An explanation of the Group's business model can be found on pages 10 and 11 of this annual report.

Description of principal risks, and impact of business activity

A description of the principal risks and potential adverse impacts relating to this aspect of the business can be found on pages 29 to 34 of this annual report. We have included a table below which cross-references this information in detail.

Other reporting requirements	Policies and statements of approach, due diligence and outcomes	Risks, risk management and additional information	Non-financial performance information
Environment and climate change	Environmental policy	Environmental impacts p18	Greenhouse gas emission information p18
Social matters	- Health and safety policy - Flexible working policy - Data protection policy - Healthcare professionals interaction policy - Healthcare business ethics policy - Share dealing policy and code - Field medical personnel policy - Records and information management policy - Advocacy and public policy	Reporting and investor dialogue p18 Health and safety impacts p18 Integration of advocacy, patient needs and stakeholder engagement into the business model p11 Patient focused culture p15 Community investment in Camp Mariposa (Eluna Network) p18 Patient safety and product quality p18 Human Resources p19-20 Business operations risk information p31 People information p80	Investor ESG ratings information p18 Health and safety data p18 Indivior Patient Health Foundation p19 Employee data p19-20
Human rights	- Diversity and inclusion policy - Modern Slavery Statement	International Women in Leadership program p20 Advocacy activities p20	Employee gender diversity figures p20
Business conduct	- Anti-bribery policy - Whistleblowing policy	Business conduct and compliance p19 Legal proceedings p26-28 Regulatory and safety risk information p31 Supply chain risk information p33 Legal and intellectual property risk information p33 Compliance risk information p34 Whistleblowing system p55	Political donations p81

A summary of the Group's policies in these areas are available within the responsibility sections of the Group's website (www.indivior.com). There is also a link to the Group's UK Modern Slavery Act 2015 statement at the foot of the home page.

The Group also has a Code of Conduct which addresses many of the stated policy areas and is available for download from the corporate governance section of the Group's website.

Financial review

Period to December 31 ^a (as reported)	FY 2018 \$m	FY 2017 \$m	% Δ Actual FX	% Δ Constant FX
Net revenue	1,005	1,093	-8	-9
Operating profit	292	193	+51	+48
Net income	275	58	*	*
EPS (cents per share)	38	8	*	*

* Not meaningful

Net Revenue

Adjusted Net Income¹

US Dollars (m)

US Dollars (m)

1. excluding exceptional items
(further details on page 25)

Cash Balance

Net Cash

US Dollars (m)

US Dollars (m)

Key operating developments

- US SUBOXONE® Film market share averaged and exited 2018 at 53% (2017 avg: 57%; 2017 exit: 56%).
- Following February 19, 2019 orders from the U.S. District Court for the District of New Jersey, Dr. Reddy's Laboratories (DRL) and Alvogen Pine Brook, Inc. (Alvogen) are no longer prevented from selling, offering to sell, or importing their generic buprenorphine/naloxone sublingual film products. On February 20, 2019, Indivior announced that it had launched an authorized generic version of SUBOXONE® (buprenorphine and naloxone) Sublingual Film (CIII) in the US. It is possible that other generic manufacturers may also launch generic versions of SUBOXONE® Film following Indivior's launch of this authorized generic.

- Indivior has been preparing for this eventuality and has implemented certain key elements of its contingency plan in light of these expected generic launches.
- SUBLOCADE™ net revenues were \$12m.
- PERSERIS™ was made available in the US in late November 2018. It launched commercially during the week of February 25, 2019, with a field force of 50 representatives.
- Termination of Arbaclofen Placarbil and ADDEX lead compound due to challenges in their Phase 1 and pre-clinical studies, respectively, reducing their probability of success below hurdle rates for further investment. This decision does not change our reason to believe in the molecular target (GABA_B receptor) and plans are being put in place to accelerate our new lead identification and optimization in partnership with ADDEX.

- The Group continued in advanced discussions with the DOJ about a possible resolution to its investigations. See Note 20 and Note 22 for further details on provisions and legal proceedings.

Operating highlights

- Net revenue of \$1,005m, a decrease of 8% versus prior year (-9% at constant exchange). US market growth was more than offset by US SUBOXONE® Film share loss, targeted rebating and mix impact from growth in government channels (Medicaid).
- Operating profit was \$292m (2017: \$193m). On an adjusted basis, operating profit was \$332m, a decrease of 18% (Adj. 2017: \$403m). Lower net revenue and higher SUBLOCADE and PERSERIS launch investments were partially offset by impacts from operating expense reductions.
- Net income was \$275m (2017: \$58m). On an adjusted basis, 2018 net income was \$272m +1% (Adj. 2017: \$270m). Lower adjusted operating profit was more than offset by lower net financing costs and effective tax rate.
- Cash balance at year-end of \$924m (+\$61m). Net cash of \$681m (+\$305m). Voluntary prepayments of \$235m on the term loan were made in the period; \$243m remains outstanding.
- Indivior implemented key elements of its contingency plan to help offset the substantial and material near-term impact to net revenue that is expected to result from the "at-risk" launch of generic versions of SUBOXONE® Film. The overriding objectives of the contingency plan are to provide for the commercial success of SUBLOCADE and PERSERIS, while ensuring a minimum cash balance of \$250m to remain in compliance with the Group's debt covenants.

Key actions included:

- ◀ reducing outstanding principal on the Term Loan by an additional \$235m in the year to \$243m;
- ◀ cash conservation measures resulting in 2018 ending cash balance of \$924m;
- ◀ initiatives to reduce structural operating expenses, including headcount reductions, R&D reprioritization and other committed savings; and
- ◀ preparing the launch of an authorized generic of SUBOXONE® Film upon confirmation of the launch of generic buprenorphine/naloxone sublingual film products. The launch is expected to capture share of the generic segment and generate an amount of net revenue in the range of tens of US\$ millions.

Operating review

US marketing update

In 2018, market volume for buprenorphine products continued to grow at low-teen percentage rates, in line with Indivior's expectations. This volume growth was driven by benefits from legislation and regulatory changes that have increased federal and state funding to expand OUD treatment, as well as from broader general awareness of the opioid epidemic.

Indivior supports the swift actions the US government has taken to combat the opioid epidemic, including the recent enactment of the SUPPORT for Patients and Communities Act of 2018, which expands access to BMAT. These regulatory and legislative

initiatives are supporting greater treatment capacity for those in most need and are likely to be manifested in continued growth in lower-priced government channels, such as Medicaid.

As the leader and innovator in the OUD category, Indivior has launched its new monthly buprenorphine depot SUBLOCADE.

Financial performance

Total group net revenue in 2018 decreased 8% to \$1,005m (2017: \$1,093m) at actual exchange rates (-9% at constant exchange rates). Volume improvement from underlying market expansion in the US and net revenue contribution from SUBLOCADE (2018: \$12m) were more than offset by the combined impacts of unfavorable mix from the increase in government channels (Medicaid) in the US, targeted rebating to maintain formulary access and a decline in SUBOXONE® Film market share.

US net revenue decreased 10% to \$790m (2017: \$877m), volume benefits from underlying market growth were more than offset by the combined impacts of unfavorable mix from the continued disproportionate growth in government channels (Medicaid), targeted rebating to maintain formulary access and the decline in SUBOXONE® Film market share as a result of competitive pricing pressure from generic buprenorphine/naloxone tablet providers. Improved SUBOXONE® Film pricing was more than offset by tactical rebating activity in connection with formulary access.

ROW net revenue decreased 1% at actual exchange rates (3% at constant exchange rates) to \$215m (2017: \$216m). Continued growth in Australasia and Canada were more than offset by impacts in certain European markets from ongoing austerity measures.

Gross margin was 87% (2017: 90%). The decrease versus the prior year primarily reflects lower net revenue driven by higher rebate rates and unfavorable mix and the impact of contingency planning for the "at-risk" launch of a generic buprenorphine/naloxone sublingual film product.

Selling, general and administrative expenses (SG&A) expenses as reported were \$494m (2017: \$707m). These included net exceptional costs of \$16m. The exceptional costs comprised \$13m related to restructuring and \$40m related primarily to potential redress for ongoing intellectual property related litigation, partially offset by a \$37m gain from the out-licensing of the intranasal naloxone opioid overdose patents. The prior year included exceptional items of \$210m for an increased legal provision related to the DOJ investigative and antitrust litigation matters and the legal settlement of the Amneal antitrust matter, partially offset by the release of a legacy litigation reserve.

On an adjusted basis, SG&A expenses decreased 4% to \$478m (Adj. 2017: \$497m). The decrease in the year largely reflects benefits from cost savings actions partially offset by the planned investments for launching SUBLOCADE and PERSERIS.

Reported 2018 R&D expenses were \$91m (2017: \$89m). The increase was primarily driven by the impairment of the Arbaclofen Placabil and ADDEX lead compounds in development, which have been classified as exceptional items. Excluding exceptionals, R&D expenses decreased by 25% to \$67m (Adj. 2017: \$89m). The decrease primarily reflects lower clinical activity and the reprioritization of R&D activities primarily to support SUBLOCADE Health Economics and Outcomes Research (HEOR) and post-marketing study commitments.

Operating profit was \$292m (2017: \$193m). Exceptional costs of \$40m and \$210m were included in the 2018 and 2017 results, respectively.

On an adjusted basis, operating profit was \$332m (33% margin), an 18% decrease versus \$403m (37% margin) in 2017. The decrease reflects lower net revenue, launch investments for SUBLOCADE and PERSERIS, partly offset by a reduction in operating expenses (SG&A and R&D) from cost savings initiatives.

EBITDA (operating profit plus depreciation and amortization) was \$308m (2017: \$206m). Excluding \$40m and \$210m of exceptional items in the current and prior year results, respectively, 2018 adjusted EBITDA was \$348m (Adj. 2017: \$416m).

Net finance expense was \$14m (2017: \$56m). The reduction in each period reflects lower interest and amortization of financing costs associated with the replacement of the Group's term loan borrowing facility in December 2017 and the voluntary repayments of \$235m of the principal balance in the year, and higher interest income.

Tax expense was \$3m, or a rate of 1% (2017 tax charge: \$79m; 58% rate). Tax expenses in the year included one-time items related to development credits for SUBLOCADE of \$34m, including \$1m interest. 2017 tax expenses assumed non-deductibility for tax purposes of the exceptional legal provisions and included \$9m related to the release of provisions for unresolved tax matters, partially offset by the impact of the re-measurement of certain deferred tax assets. Excluding exceptional items in 2018 pre-tax income and taxation of \$46m (2017: \$91m), the adjusted rate was 15% (Adj. 2017: 25%). The decrease in the adjusted rate was due to changes in the geographic mix of earnings, with increased earnings in the UK under the reduced rate for Patent Box, along with a reduction in the US corporate income tax rate from 35% to 21%.

Net income was \$275m (2017: \$58m) as reported. Excluding exceptional costs, 2018 net income was broadly unchanged at \$272m (Adj. 2017: \$270m). The current and prior year included a net amount of \$3m and \$212m of exceptional items, respectively.

Basic EPS was 38 cents (2017: 8 cents) and 37 cents on a diluted basis (2017: 8 cents). On an adjusted basis, excluding the effect of exceptional items, 2018 basic EPS was 37 cents (2017: 37 cents) and diluted EPS was 36 cents (2017: 36 cents).

Balance Sheet & Cash flow

Cash and cash equivalents at the end of the year were \$924m, an increase of \$61m versus 2017 of \$863m. Borrowings, net of issuance costs, were \$241m at the end of the year (2017: \$482m), primarily reflecting the impact of the voluntary prepayments of \$235m of outstanding term loan principal in the year. As a result, net cash stood at \$681m at year end (2017: \$376), a \$305m improvement in the year.

Net working capital (inventory plus trade and other receivables, less trade and other payables) was negative \$356m at year end, an increase of \$21m from negative \$335m since the end of 2017, primarily driven by an increase in sales returns and rebates in the US within payables, partially offset by increased inventories due in part to the launch of SUBLOCADE.

Cash generated from operations in 2018 was \$327m (2017: \$369m), a decrease of \$42m. The reduction in cash generated versus the prior year was primarily due to higher operating profit more than offset by a lower increase in legal provisions versus the prior year, net of other working capital changes.

Net cash inflow from operating activities was \$303m (2017: \$295m), an increase of \$8m reflecting lower cash from operations more than offset by lower net interest payments of \$8m vs. \$36m in the prior year and reduced tax payments of \$16m vs. \$33m in 2017.

Cash outflow from investing activities was \$4m (2017: \$43m), reflecting upfront payments for licensing arrangements with ADDEX and C4X, capitalized development costs, and ongoing investments in facilities, mostly offset by proceeds received from the disposal of the nasal naloxone intangible asset.

Cash outflow from financing activities increased to \$237m vs. \$84m in 2017, primarily reflecting the impact of the voluntary prepayments of \$235m of the outstanding Term Loan balance in the year.

Adjusted Results

The Board of Directors, and Executive Committee use adjusted results and measures to give greater insight to the financial results of the Group and the way it is managed. They believe the use of the adjusted measures such as adjusted operating profit, adjusted net income and adjusted earnings per share provide additional useful information on underlying trends to shareholders. The tables below show the list of adjustments between the reported and adjusted operating profit, net income, and earnings per share for both 2018 and 2017. Further details of each adjustment is available in Note 5 of the notes to the Group's financial statements on page 105.

Reconciliation of operating profit to adjusted operating profit

	2018 \$m	2017 \$m
Operating profit	292	193
Exceptional selling, general and administrative expenses	16	210
Exceptional research and development expenses	24	–
Adjusted operating profit	332	403

Reconciliation of net income to adjusted net income

	2018 \$m	2017 \$m
Net Income	275	58
Exceptional selling, general and administrative expenses	16	210
Exceptional research and development expenses	24	–
Exceptional financing costs	–	14
Exceptional tax items	(43)	(12)
Adjusted net income	272	270

Reconciliation of earnings per share to adjusted earnings per share

	2018 cents	2017 cents
Earnings per share	38	8
Exceptional selling, general and administrative expenses	2	29
Exceptional research and development expenses	3	–
Exceptional financing costs	–	2
Exceptional tax items	(6)	(2)
Adjusted earnings per share	37	37
Weighted average number of shares (thousands)	727,148	721,126

Litigation/Investigative matters

The Group carries a provision for investigative and antitrust litigation matters of \$438m. Substantially all of the provision relates to the U.S. Department of Justice (DOJ) investigation. The Group is in advanced discussions with the DOJ about a possible resolution to its investigations, although it cannot predict with any certainty whether, when, or at what cost it will reach an ultimate resolution.

U.S. Department of Justice Investigation

A US federal criminal grand jury investigation of Indivior initiated in December 2013 is continuing, and includes marketing and promotion practices, pediatric safety claims, and over prescribing of medication by certain physicians. The US Attorney's Office for the Western District of Virginia has served a number of subpoenas relating to SUBOXONE® Film, SUBOXONE® Tablet, SUBUTEX® Tablet, buprenorphine and our competitors, among other issues. The Group has responded to the subpoenas and has otherwise cooperated fully with the Department and prosecutors and will continue to do so. The Group is in advanced discussions with the Department of Justice about a possible resolution to its investigation. However, it is not possible to predict with any certainty the potential impact of this investigation on the Group or to quantify the ultimate cost of a resolution.

State Subpoenas

On October 12, 2016, Indivior was served with a subpoena for records from the State of Connecticut Office of the Attorney General under its Connecticut civil false claims act authority. The subpoena requests documents related to the Group's marketing and promotion of SUBOXONE® products and its

interactions with a non-profit third-party organization. On November 16, 2016, Indivior was served with a subpoena for records from the State of California Department of Insurance under its civil California insurance code authority. The subpoena requests documents related to SUBOXONE® Film, SUBOXONE® Tablet, and SUBUTEX Tablet.

The State has served additional deposition subpoenas on Indivior in 2017 and served a subpoena in 2018 requesting documents relating to the bioavailability/bioequivalency of SUBOXONE® Film, manufacturing records for the product and its components, and the potential to develop dependency on SUBOXONE® Film. The Group is fully cooperating in these civil investigations.

FTC investigation and Antitrust Litigation

The US Federal Trade Commission's investigation remains pending. Litigation regarding privilege claims has now been resolved. Indivior has produced certain documents that it had previously withheld as privileged; other such documents have not been produced.

Civil antitrust claims have been filed by (a) a putative class of direct purchasers, (b) a putative class of end payor purchasers, (c) Amneal Pharmaceuticals LLC (Amneal), a manufacturer of generic buprenorphine/naloxone tablets, and (d) a group of states, now numbering 41, and the District of Columbia. Each set of plaintiffs filed generally similar claims alleging, among other things, that Indivior violated US federal and/or state antitrust and consumer protection laws in attempting to delay generic entry of alternatives to SUBOXONE® tablets. Plaintiffs further allege that Indivior unlawfully acted to lower the market share of these products. The Group has settled the dispute with Amneal,

and Amneal has dismissed its claims against the Group with prejudice. The other antitrust cases are pending in federal court in the Eastern District of Pennsylvania. Pre-trial proceedings were coordinated. The fact discovery period has closed; expert discovery and briefing on class certification issues is ongoing.

Estate of John Bradley Allen

On December 27, 2016, the Estate of John Bradley Allen filed a civil complaint against Indivior, among other parties, in the Northern District of New York seeking relief under Connecticut's products liability and unfair trade practices statutes for damages allegedly caused by SUBOXONE®. This lawsuit was dismissed without prejudice on August 9, 2018.

Opioid Class Action Litigation

In February 2019, Indivior PLC, along with other manufacturers of opioid products, was named in the national civil opioid class action litigation brought by state and local governments, alleging misleading marketing messages. This complaint was filed by several Kentucky public health agencies in the class action consolidated in the federal district court for the Northern District of Ohio on February 6, 2019. On February 21, 2019, Indivior was voluntarily dismissed with prejudice from the lawsuit.

Intellectual property related matters

ANDA Litigation

Actavis is currently enjoined from launching a generic buprenorphine/naloxone film product until April 2024 based on a June 3, 2016 ruling by the United States District Court for the District of Delaware finding the asserted claims of the '514 Patent valid and infringed. Actavis has appealed this ruling. On October 24, 2017, Actavis received tentative approval from FDA for at least its 8mg/2mg generic product under its Abbreviated New Drug Application (ANDA) No. 204383 and on November 15, 2017, it received tentative approval for its 12mg/3mg generic product under ANDA No. 207087. Litigation against Actavis is also pending in the District of Delaware on Indivior's more recently listed Orange Book Patents: US Patent Nos. 9,687,454 (the '454 Patent), and 9,931,305 (the '305 Patent).

On August 31, 2017, the United States District Court for the District of Delaware found that asserted claims of US Patent No. 8,017,150 (the '150 Patent), US Patent No. 8,900,497 (the '497 Patent), and the '514 Patent are valid but not infringed by DRL. Indivior has appealed this ruling. Litigation against DRL is currently pending in the District of New Jersey on the '454 and '305 patents. DRL received final FDA approval for all four strengths of its generic buprenorphine/naloxone film product on June 14, 2018, and immediately launched its generic buprenorphine/naloxone film product "at-risk." On June 15, 2018, Indivior filed a motion with the United States District Court for the District of New Jersey seeking a Temporary Restraining Order (TRO) and Preliminary Injunction (PI) pending the outcome of a trial on the merits of the '305 Patent. The court granted Indivior a two-week

TRO, preventing DRL from continuing to sell or offer to sell its generic product. Indivior was required to post an \$18 million surety bond to cover DRL's damages in the event of an Indivior loss of its patent case against DRL. On June 28, 2018, the court heard oral argument in support of Indivior's motion for a PI against DRL and, at the conclusion of this hearing, extended the TRO for an additional 14 days in order to rule on the PI motion and required Indivior to post another \$18 million surety bond. On July 13, 2018, the District Court issued its ruling granting Indivior a PI against DRL. On July 18, 2018, the District Court ordered Indivior to post a surety bond for \$72 million (that total figure being inclusive of the \$36 million surety bond already posted) in connection with the PI. DRL appealed to the United States Court of Appeals for the Federal Circuit (CAFC) on the same day. On November 20, 2018, the CAFC issued a decision vacating the PI against DRL. Indivior filed a timely petition for rehearing and rehearing en banc on December 20, 2018. The CAFC denied the petition on February 4, 2019. On February 5, 2019, Indivior filed an emergency motion to stay the issuance of mandate pending the resolution of the appeal of the District of Delaware decision with respect to the '514 patent, and pending Indivior's forthcoming petition for a writ of certiorari to the Supreme Court of the United States in the PI matter. The CAFC denied that motion on February 11, 2019, and Indivior filed a second emergency motion to stay the mandate pending resolution of its forthcoming application for an administrative stay to the Supreme Court of the United States. The CAFC denied that motion and ordered issuance of the mandate on February 19, 2019. Indivior filed an application to the Supreme Court of the United States requesting a stay of the mandate pending resolution of

its forthcoming petition for *certiorari* seeking to overturn the CAFC's PI vacatur. On February 19, 2019, the Supreme Court of the United States denied Indivior's motion to stay issuance of the CAFC's mandate vacating the PI granted against DRL. The CAFC subsequently issued the mandate vacating the PI granted against DRL. The U.S. District Court for the District of New Jersey then confirmed the PI against DRL had been vacated.

DRL is therefore no longer prevented from selling, offering to sell, or importing their generic buprenorphine/naloxone sublingual film products. DRL has re-launched its generic product, and any sales in the U.S. are on an "at-risk" basis, subject to the outcome of the CAFC appeal of the judgments related to U.S. Patent No. 8,603,514, (and U.S. 8,017,150 in the case of DRL), as well as ongoing litigation in the District of New Jersey asserting Orange Book-listed U.S. Patent Nos. 9,931,305 and 9,687,454.

On February 12, 2019, the CAFC granted Indivior's request to expedite the appeal of the non-infringement judgment in the '514 patent case to the extent it will be placed on the next available oral argument calendar.

On November 13, 2018, DRL filed two separate petitions for *inter partes* review of the '454 Patent with the USPTO. Indivior's preliminary responses are due March 6, 2019 and March 7, 2019.

Teva filed a 505(b)(2) New Drug Application (NDA) for a 16mg/4mg strength of buprenorphine/naloxone film (CASSIPA™). Indivior, Aquestive Pharmaceuticals (formerly known as MonoSol Rx) and Teva agreed that infringement by Teva's 16mg/4mg dosage strength would be governed by the infringement ruling as to

Dr. Reddy's 8mg/2mg dosage strength that was the subject of the trial in November 2016. Accordingly, the non-infringement ruling in the Dr. Reddy's case means that the Teva 16mg/4mg dosage strength has been found not to infringe. Indivior has appealed this November 2016 ruling. Litigation is ongoing against Teva in the District of New Jersey on the '454 patent and '305 patent. Teva received final approval from the FDA for CASSIPA on September 7, 2018, and has agreed to be bound by the decision in the DRL PI case. Now that the mandate has issued in the DRL PI case, Teva is no longer prevented from launching CASSIPA. Any sales of CASSIPA in the US would be on an "at-risk" basis, subject to the outcome of the appeal of the non-infringement judgment related to the '514 patent, as well as the ongoing litigation against Teva and DRL in the District of New Jersey.

Trial against Alvogen in the lawsuit involving the '514 and '497 Patents for SUBOXONE® Film took place in September 2017. The trial was limited to the issue of infringement because Alvogen did not challenge the validity of either patent. On March 22, 2018, the United States District Court for the District of Delaware issued its ruling finding both patents not infringed by Alvogen. Indivior has appealed this ruling. Litigation against Alvogen is also pending in the United States District Court for the District of New Jersey on the '454 Patent and the '305 Patent. On January 22, 2019, Indivior filed a motion for a temporary restraining order ("TRO") and preliminary injunction in the District of New Jersey, requesting that the Court restrain the launch of Alvogen's generic buprenorphine/naloxone film product until a trial on the merits of the '305 patent. Alvogen received approval for its generic product on January 24, 2019. The same day, the District of New Jersey granted a TRO until February 7, 2019, with a PI hearing scheduled for that day. On January 31, 2019, Indivior and Alvogen entered into an agreement whereby

Alvogen is enjoined from the use, offer to sell, or sale within the United States, or importation into the United States, of its generic buprenorphine and naloxone sublingual film product unless and until the CAFC issues a mandate vacating the PI against DRL. Alvogen has launched its generic product, and any sales in the US are on an "at-risk" basis, subject to the outcome of the appeal of the non-infringement judgment related to the '514 patent, as well as the ongoing litigation against Alvogen in the District of New Jersey. On February 12, 2019, the CAFC granted Indivior's request to expedite the appeal of the non-infringement judgment in the '514 patent case to the extent it will be placed on the next available oral argument calendar.

By a Court order dated August 22, 2016, Indivior's SUBOXONE® Film patent litigation against Sandoz was dismissed without prejudice because Sandoz is no longer pursuing Paragraph IV certifications for its proposed generic formulations of SUBOXONE® Film.

On September 25, 2017, Indivior settled its SUBOXONE® Film patent litigation against Mylan, the terms of which are confidential. Mylan received final FDA approval for its generic version of the 8mg buprenorphine/naloxone film product on June 14, 2018.

On May 11, 2018, Indivior settled its SUBOXONE® Film patent litigation against Par. Under the terms of the settlement agreement, Par can launch its generic buprenorphine/naloxone film product on January 1, 2023, or earlier under certain circumstances. Other terms of the settlement agreement are confidential. So far as Indivior is aware, FDA to date has not granted tentative or final approval for Par's generic buprenorphine/naloxone film product.

Rhodes Pharmaceuticals

On December 23, 2016, Rhodes Pharmaceuticals filed a complaint against Indivior in the United States District Court for the District of Delaware, alleging that Indivior's sale of SUBOXONE® Film in the US infringes one or more claims of US Patent No. 9,370,512 (the '512 Patent). The asserted patent, which was issued in June 2016, claims priority to an application filed in August 2007.

On March 16, 2018, Indivior filed a petition for inter partes review (IPR) with the United States Patent and Trademark Office (USPTO) asserting that all claims of the '512 Patent are invalid.

On October 4, 2018, the USPTO declined to institute an IPR on the challenged claims of the '512 patent.

How Indivior reviews and manages its risk



Our Board of Directors

determines the Group's risk appetite, carries out a robust assessment of the Group's emerging risks and provides governance of Indivior's principal risks

Our Executive Committee

monitors and reviews the principal risks. Oversees the risk management program

Our Internal Audit Team

provides independent assurance of the effectiveness of governance, risks and controls

Our Integrity and Compliance Department

develops and implements an effective compliance management program

Our Risk Management Team

coordinates the risk management program

Our Business Continuity Committee

reviews and monitors business continuity activities

Our Information Technology (IT) Department

develops and maintains processes and controls to protect Indivior's electronic data and assets

Our Business Unit and Corporate Functional leadership

executes day-to-day risk management activities and manages risk mitigation actions within their respective functions or areas

Principal risks and risk management

The Board of Directors has carried out a robust assessment to ensure that the principal risks, including those that would threaten the Group's business model, future performance, solvency or liquidity, are effectively managed and/or mitigated to help ensure the Group remains viable. While the Group aims to identify and manage such risks, no risk management strategy can provide absolute assurance against loss.

The table overleaf provides insight into the principal risks, outlining why effective management of these risks is important, how we manage them, how the risks relate to the Group's strategic priorities, and which risks are rising, falling or have remained static during the past 12 months. Additional risks, not listed here, that the Group cannot presently predict or does not believe to be equally significant, may also materially and adversely affect the Group's revenues, financial condition and results of operations. The principal risks and uncertainties are not listed in order of significance.

Risk management

To maintain our position as the leading pharmaceutical company focused primarily on the treatment of addiction, we recognize that we must understand the risks we face; those inherent in our strategy and operations, and those presented by external conditions. We take a systematic and robust approach to identify and monitor those risks and continuously adjust our processes, controls and monitoring activities accordingly.

Our approach

Our systematic risk management approach is designed to identify risks that would threaten the Group's business model, future performance, solvency or liquidity. Effective risk management is fundamental to our ability to meet our operational and strategic objectives. The competitive market in which we operate has industry-specific risks, particularly those relating to new product development, intellectual property enforcement and legal proceedings, and compliance with laws and regulations. This requires that business risks are effectively assessed, appropriately measured and addressed through mitigation plans. Our overall risk management approach is to foster and embed a culture of risk management that is responsive, forward-looking, consistent and accountable.

The Executive Committee establishes the risk agenda for the reporting and ongoing management of risks and for the stewardship of the risk management approach. The Executive Committee assesses, on a quarterly basis, changes to the key risks impacting the Group, including new and emerging risks and impacts to Indivior's principal risks.

Risk control assurance

The Directors have overall responsibility for the Group's risk management framework. The Directors review the Group's principal risks and emerging risks with a focus on key risk areas. The Board's Committees regularly review risks relevant to their area of focus; this includes, but is not limited to, risks relating to legal, financial and compliance matters. Assurance on governance, risks and controls is provided by internal management information, internal audits, external audits and Board oversight. There is also an externally supported web-based and confidential employee reporting system in place (EthicsLine).

In addition to the principal risks discussed below, the Group is facing heightened viability risks that could have an impact on the Group's ability to achieve its near-term financial forecasts (refer to our viability statement on page 35). Those risks are being closely and actively monitored by the Board and management.

Business operations

The Group's operations rely on complex processes and systems, strategic partnerships, as well as specially-qualified and high-performing personnel to develop, manufacture and sell our products. Failure to continuously maintain operational processes and systems as well as to recruit and/or retain qualified personnel could adversely impact products' availability and patient health, and ultimately the Group's operational financial performance. Additionally, an ever-evolving regulatory, political and technological landscape requires that we have the right priorities, capabilities and structures in place to execute successfully on our business strategy and adapt to this changing environment. An example of this evolving landscape is Brexit (decision for the UK to leave the EU), which creates uncertainties and impacts various areas of the Group, including Operations, Regulatory, Supply Chain, and Quality.

Change from 2017



Increased operational challenges due to Brexit disruptions and staff reductions linked to the optimization of the base business

Link to strategic priorities

Building the resilience of our franchise and expanding global treatment

Examples of risks:

- ◁ Failure to retain and recruit qualified workforce and key talent
- ◁ Process disruptions due to staff reductions
- ◁ Failure of information technology (IT) systems, including from cyber security incidents (e.g. Malware and Ransomware), and data privacy breach
- ◁ Disruptions in our operations due to Brexit

Management actions

- ◁ Talent management programs are in place, including talent review and retention programs, with focus on identifying key roles and successors
- ◁ Programs to reinforce the culture, centered around passion and commitment to support the patient journey, are in place
- ◁ Knowledge transfer and transition plans are being developed
- ◁ IT policies, processes, systems and disaster recovery plans supporting overall business continuity are in place
- ◁ Strategy and processes to secure systems and protect data are in place
- ◁ Business standards, product quality, patient safety related policies and training are in place
- ◁ A Brexit steering committee monitors the evolving impact of Brexit and facilitates appropriate business planning

Product pipeline, regulatory and safety

The development and approval of the Group's products is an inherently risky and lengthy process requiring significant financial, research and development resources, and strategic partnerships. Complex regulations with strict and high safety standards govern the development, manufacturing and distribution of our products. In addition, strong competition exists for strategic collaboration, licensing arrangements and acquisition targets. Patient safety depends on our ability to perform robust safety assessment and interpretation to ensure that appropriate decisions are made regarding the benefit/risk profiles of our products. Deviations from these quality and safety practices can impact patient safety and market access, which can have a material effect on the Group's performance and prospects.

Change from 2017



No change

Link to strategic priorities

Developing our innovative pipeline, building the resilience of our franchise and expanding global treatment

Examples of risks:

- ◁ Failure to advance the development, and/or obtain regulatory approval, of pipeline products
- ◁ Failure to achieve expected market acceptance
- ◁ Performance failure of our Clinical Research Organization (CRO) partners
- ◁ Potential liability and/or additional expenses associated with ongoing regulatory obligations and oversight
- ◁ Unexpected changes to the benefit/risk profiles of our products

Management actions

- ◁ Product development, business development and international growth strategies are in place
- ◁ Due diligence, market valuation, and economic and financial modeling are in place
- ◁ Ongoing monitoring of CROs' performance and clinical practices is in place
- ◁ Ongoing Quality and Safety monitoring and auditing programs are in place
- ◁ Strategies to defend against and pursue appropriate resolution of product liability claims are in place
- ◁ Rigorous pharmacovigilance processes for ongoing evaluation of data collected from multiple sources related to patient safety are in place, including Risk Evaluation and Mitigation Strategy (REMS) programs in the US and Risk Management Plans (RMP) outside the US.

Commercialization

Successful commercialization of our products is a critical factor for the Group's sustained growth and robust financial position. Launch of new product involves substantial investment in marketing, market access and sales activities, product stocks, and other investments. Generic and brand competition, pricing pressures, private and government reimbursement schemes and systems, negotiations with payors, erosion and/or infringement of intellectual property (IP) rights, political and socioeconomic factors and HCP/patient adoption and adherence, if different than anticipated, can significantly impact the Group's performance and position.

Change from 2017

- ▲ Increased generic competition/threats and performance of SUBLOCADE™ in 2018 (Refer to the Chief Executive Officer's statement on pages 12 to 15 or the Finance Review section on pages 22 to 25)

Link to strategic priorities

Building the resilience of our franchise, expanding global treatment, and developing and fortifying the business

Examples of risks:	Management actions
◁ Unexpected changes to government and/or commercial reimbursement levels and pricing pressures ◁ Slower than expected ramp up and adoption of the new SUBLOCADE™ distribution platform and payor approval process impacting HCP and patient adoption ◁ Launch or marketing of competing branded and generic products ◁ HCP and patient adoption of the new treatment paradigm for SUBLOCADE™ and PERSERIS™	◁ Including health economic factors in the development of new products ◁ Managing prices within acceptable ranges ◁ Enhanced investments to educate and facilitate patients' access and reimbursement working with key stakeholders ◁ Emphasizing value of products and health economics tailored to commercial and government payors through market access activities ◁ Patient platforms supporting provider location, reimbursement support, and co-pay assistance for non-government patients are in place ◁ Ongoing training and development for field-based employees are in place ◁ Active monitoring of "at risk" generic launches and activation of related contingency plans ◁ International growth, pipeline development, and business development strategies are in place

Economic and financial

The nature of the pharmaceutical business is inherently risky and uncertain, and requires that we make significant financial investments to develop and support the success of our product portfolio. External financing is a key factor in sustaining our financial position and expanding our business growth. Our ability to realize value on those investments is often dependent on regulatory approvals, market acceptance, strategic partnerships, competition and legal developments. As a global business, we are also subject to political, economic and capital markets changes. External financing is a key factor in sustaining our financial position and expanding our business growth.

Change from 2017

- ▲ Financial pressure due to increased generic competition and performance of SUBLOCADE™ (Refer to the Finance Review section on pages 22 to 25)

Link to strategic priorities

Developing our innovative pipeline, building the resilience of our franchise, expanding global treatment, and developing and fortifying the business

Examples of risks:	Management actions
◁ Concentration of revenues geographically and/or by product ◁ Inability to raise capital or execute product and business developments and alliance opportunities ◁ Failure to meet financial obligations and performance ◁ Inability to identify and realize potential business development opportunities	◁ Strategies supporting expansion opportunities and diversification are in place ◁ Regular appraisals of debt and capital market conditions with advisors and counterparties are in place ◁ Realignment of cost and finance structures, and active expense management are in place ◁ Ongoing monitoring of financial performance and compliance with financial covenants ◁ Internal and external resources in place to identify potential targets and ensure rigorous due diligence of acquisitions and/or new product initiatives

Supply chain

The manufacturing and supply of our products are highly complex and rely on a combination of internal manufacturing capabilities and third parties for the timely supply of our finished drug and combination drug products. The Group has a single source of supply for buprenorphine, an active product ingredient (API) in the Group's products, and uses contract manufacturing organizations (CMOs) to manufacture, package and distribute our products. The manufacturing of non-sterile pharmaceutical and sterile filled pharma/combination drug products is subject to stringent global regulatory quality and safety standards, including Good Manufacturing Practice (GMP). Delays or interruptions our supply chain, and/or product quality failures could significantly disrupt patient access, adversely impact the Group's financial performance; lead to product recalls, and/or potential regulatory actions against the Group, along with reputational damage.

Change from 2017



No change

Link to strategic priorities

Building the resilience of our franchise, and expanding global treatment

Examples of risks:	Management actions
◁ Inability to supply compliant finished products in a continuous and timely manner ◁ Single source of API and reliance on critical CMOs	◁ Business continuity, disaster recovery, and emergency response plans across the supply chain network are in place ◁ Contingency plans and management of safety stocks are in place ◁ Comprehensive product quality and control processes and manufacturing performance monitoring across the supply chain network are in place ◁ Ongoing monitoring of stock levels and implementation of insurance coverage

Legal and intellectual property

Our pharmaceutical operations, which include controlled substances, are subject to a wide range of laws and regulations from various governmental and non-governmental bodies. Perceived noncompliance with these applicable laws and regulations may result in investigations or proceedings leading the Group to become subject to civil or criminal sanctions and/or pay fines and/or damages, as well as reputational damage.

Intellectual Property (IP) rights protecting our products may be challenged by external parties, including generic manufacturers. Although we have developed robust patent protection for our products, we are exposed to the risk that courts may decide that our IP rights are invalid and/or that third parties do not infringe our asserted IP rights.

Unfavorable outcome from government investigations and/or resolutions from legal proceedings, expiry and/or loss of IP rights could have a material adverse impact on the Group's prospects, results of operations and financial condition.

As previously disclosed in the Prospectus dated November 17, 2014, Indivior has indemnification obligations in favor of Reckitt Benckiser (RB) (page 43). Some of these indemnities are unlimited in terms of amount and duration and amounts potentially payable by the Indivior Group pursuant to such indemnity obligations could be significant and could have a material adverse effect on the Indivior Group's business, financial condition and/or operating results. Requests for indemnification may be subject to legal challenge.

Change from 2017



Material business impact of “at-risk” generic launches (Refer to the Legal proceedings section on pages 26 to 28 and Chair and Chief Executive Officer statements on pages 4 to 5 and 12 to 15 respectively)

Link to strategic priorities	Building the resilience of our franchise
Examples of risks:	Management actions
- Legal proceedings related to product liability claims, antitrust, government enforcement and/or private litigation associated with the manufacturing, marketing and distribution of our products - Government investigations of the Group's business activities - Infringement of IP rights of third-parties - Inability to obtain, maintain and protect patents and other proprietary rights	- Quality, patient safety, monitoring and compliance are embedded in the Group's processes and culture - Cooperation with government authorities in connection with ongoing investigations, utilizing internal and external counsel - Insurance coverage and monitoring of legal proceedings are in place - Ongoing active review, management and enforcement of our product patents, marketing exclusivity and other IP rights are in place - Strategies to defend against infringement claims and pursue enforcement of product patents and other IP rights are in place - Geographic expansion and product diversification strategies are in place

Compliance

Our Group operates on a global basis and the pharmaceutical industry is both highly competitive and regulated. Complying with all applicable laws and regulations, including engaging in commercial activities that are consistent with legal and industry standards, and our Group's Code of Conduct are core to the Group's mission, culture and practices. Failure to comply with applicable laws and regulations may subject the Group to civil, criminal and administrative liability, including the imposition of substantial monetary penalties, fines, damages and restructuring the Group's operations through the imposition of compliance or integrity obligations, and have a potential adverse impact on the Group's prospects, reputation, results of operations and financial condition.

Change from 2017



No change

Link to strategic priorities	Building the resilience of our franchise, and expanding global treatment
Examples of risks:	Management actions
- Failure to act in an ethical manner aligned with our Code of Conduct - Non-compliance with anti-corruption, healthcare, data privacy, or local laws and regulations - Failure to comply with payment and reporting obligations under the US and foreign government programs - Inability to respond adequately to changes in laws and regulations - Government investigations of the Group's business activities	- Ongoing evolution of our compliance program and compliance capabilities in place - All employees are required to perform annual training and certify compliance with our Code of Conduct - Compliance policies and processes, and related mandatory employee training programs are in place - Confidential independent reporting process for employees to report concerns is in place - Increased oversight and monitoring of controls and procedures in emerging markets are in place - Ongoing monitoring of controls over government pricing and reporting in place - Compliance risk assessment and monitoring of key risks are in place - Continuous review and assessment of developments in the law, applicable industry standards, and business practices - Cooperating with the authorities on ongoing investigations, using external counsel

Viability statement

The Group's viability is dependent upon execution of our business strategy, with a focus on:

- ◀ expansion of HCP and patient adoption of SUBLOCADE™;
- ◀ the US launch of PERSERIS™;
- ◀ optimization of the base business; and
- ◀ management of our risk related to legal proceedings and response strategy.

The Board has evaluated the Group's risk profile through the lens of the challenges faced in 2018, including the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, as discussed in Note 2 to the Financial Statements. Further, the elevated risk resulting from slower than expected SUBLOCADE adoption in addition to the loss of SUBOXONE® Film exclusivity in the US have exposed the Group to heightened viability risks. Considering these risks, structural changes have been made, including significant early retirement of debt and cost reduction actions, as the Group streamlines its focus on the two newly-approved products. Once these are established, Indivior will once again seek to expand with new treatments in the addiction and behavioral health disease spaces.

The prospects of the Group are evaluated throughout the year as part of the strategic planning process. This process is led by the Chief Executive Officer through the Executive Committee and involves all relevant functions such as R&D, supply, commercial, medical, legal, compliance and finance. Development of the strategic plan includes a deep dive into the principal risks and contemplated actions to manage and mitigate those risks.

The output of the strategic plan is a set of objectives, an analysis of key risks that could prevent the plan being delivered, and a financial forecast covering the following year. Within the Group's extended strategic horizon, financial forecasts are also prepared. The Board reviews and approves the budget for the upcoming year as well as the long-term strategic plan, which

includes challenging key assumptions and risk mitigation plans included therein.

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability of the Group. In determining a time period to assess the viability of the Group, the Directors considered the Group's strategic plan, business cycle, potential impacts of new product launches, generic challenges, ongoing legal proceedings, cost reduction actions and liquidity. Considering the newly launched portfolio products and the term loan expiration date, the Directors believe a period to 2022 factors in the risks in these activities. This assessment period provides a reasonable basis for the financial impact of these significant developments to be fully considered. Accordingly, a four-year period of assessment is deemed appropriate.

Although the strategic plan reflects the Directors' best estimate of the future prospects of the business, they have also "stress tested" the plan under various scenarios. The scenarios, which encompass a wide spectrum of potential outcomes, reflect the impact from the loss of exclusivity for SUBOXONE® in the US, and contemplate limited uptake of PERSERIS in the US, are designed to explore the resilience of the Group to the potential impact of significant risks set out on pages 30 to 34. These scenarios represent 'severe but plausible' circumstances the Group could experience. The scenarios tested included:

- ◀ underperformance in the expected market acceptance of SUBLOCADE over the viability period, and
- ◀ unfavorable outcome of legal proceedings.

Having considered these risk factors along with other principal risks set out on pages 30 to 34, the Directors have assessed the Group's ability to comply with the financial covenant in the Group's debt facility, maintain sufficient liquidity to fund its operations, pay off the debt in 2022, and address the reasonably possible financial implications of legal proceeding risks.

Other risks identified in the principal risks table on pages 31 to 34 were also considered, but the above financial risks and operating considerations were considered the most immediate and significant that could prevent the Group from delivering on its strategy. A number of other aspects of the principal risks – because of their nature or potential impact – could also threaten the Group's viability in its current form, if they were to occur.

The results of this stress testing showed the Group would be able to withstand the impact of these scenarios occurring over the period of the viability assessment. The Group will be required to use its cash reserves and may need to make further cuts to its operating costs and planned strategic investments. Depending upon the ultimate realization under the different scenarios, the actions that management would need to take will vary to ensure ongoing viability of the Group.

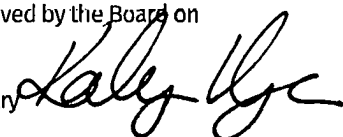
Possible scenarios may occur where the uptake of both SUBLOCADE and PERSERIS falls significantly below expectations and the outcome of legal proceedings or timing of payments for legal proceedings is materially worse than planned, in which circumstances the Group's viability may be impacted during the assessment period. In the early portion of the viability period, the Directors' control over certain matters, such as legal proceeding response strategy, helps to mitigate risk to the Group's viability. However, over the full viability period, the Directors' ability to influence the outcome of such matters may be more limited.

Based on their assessment of prospects and viability above, the Directors confirm their reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the four-year period ending December 31, 2022.

Strategic Report

The Strategic Report set out on pages 4 to 35 was approved by the Board on March 1, 2019.

Kathryn Hudson
Company Secretary



Strong and robust corporate governance delivering accountability

"Good governance is an essential part of our ethos underpinning the delivery of our vision for the benefit of colleagues, shareholders and stakeholders."

Howard Pien
Chair of the Board

Dear Shareholder,

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended December 31, 2018. As Chair of the Board, my role is to manage the Board and to ensure that it operates effectively. This year has seen continued focus on the Group's corporate governance arrangements, ensuring that we have strong and robust corporate governance at the heart of everything we do.

The Board continues to adhere to the principles of integrity, respect, transparency and openness. Board members are expected to lead by example and exemplify the highest standards of propriety, diligence and accountability.

Culture and governance

The Indivior Guiding Principles (the values we respect) and our Code of Conduct (the behaviors we expect) underpin everything that we do and the type of organization we want to be. Everyone who works for and with us is required to comply with these. The Board, Executive Committee and our management understand that how we work is as important as what we achieve. Our culture and values are not only championed by the Board and the Executive Committee but permeate throughout our organization.

Activities during the year

During 2018, the Board formally met on five occasions and held a further 17 ad hoc meetings, which were primarily held by conference telephone. The ad hoc meetings dealt with matters covering the ongoing DOJ investigation, antitrust litigation matters, litigation regarding Orange Book-listed patents and the possibility of a

launch of a generic buprenorphine/naloxone film product.

To further strengthen governance and oversight within the business, we made two strategic appointments during the year. The Internal Audit and Risk Management functions were combined and a new Vice President, Head of Internal Audit and Risk Management was appointed. We also created the new role of Chief Integrity and Compliance Officer, which is an Executive Committee role.

The strengthening of our subsidiary governance was another area of focus during the year. Led by the Company Secretary, further enhancements including process and monitoring initiatives were introduced Group-wide. We also appointed a new service provider, Eversheds Sutherland (International) LLP, to assist with the ongoing administrative requirements for many of the Group's overseas subsidiary companies, and developed a bespoke training program for subsidiary directors, which included a focus on subsidiary governance and directors' duties. This program will continue to be enhanced during 2019.

As the UK Government continues its Brexit negotiations, uncertainty remains as to the extent to which our business will be affected in the longer term. To prepare for all eventualities, we formed a Brexit Steering Committee which met regularly throughout the year and has led the Group in preparing to satisfy the new regulatory environment, especially in the EMEA region, and to mitigate any risk. Further reference to Brexit is set out on page 31.

Board effectiveness

As part of its annual cycle of business, the Board undertook an evaluation to consider the performance of the Board, each of the Directors, and the Board's principal committees. The report was prepared by Lintstock and detailed several areas for consideration, as outlined on page 48. The Board and committees will focus attention on these areas during the coming year. The overall performance of the Board and its committees was positively rated, especially given the challenges facing the business.

Looking ahead

Maintaining the highest standards of corporate governance is integral to the delivery of our vision. Your Board remains focused on ensuring our shareholders and stakeholders will benefit from the strong governance ethos which is present throughout the Group.

Howard Pien
Chair of the Board

March 1, 2019

UK Corporate Governance Code

The UK Corporate Governance Code, published in April 2016 by the Financial Reporting Council (the 'Code'), sets out standards of good practice in relation to Board leadership and effectiveness, remuneration, accountability and relations with shareholders.

The report on pages 42 to 82 describes how the Board has applied the Main Principles of the Code. Throughout the financial year and to the date of this report, the Company has complied with the provisions of the Code. A copy of the Code is available from the FRC website www.frc.org.uk.

A new UK Corporate Governance Code was published in 2018 and will apply for the financial year ending December 31, 2019. The Board has undertaken an assessment of its readiness to comply with and report against the 2018 Code, and we have begun to adopt certain changes to prepare for compliance with the new Code.

Board of Directors

Howard Pien Chair

Appointed to the Board
November 4, 2014

Skills and experience

- Howard has more than 30 years of pharmaceutical and biotechnology industry experience and brings strong and decisive leadership to the Board
- Vanda Pharmaceuticals, Inc.: Non-Executive Chairman (2010-2016)
- GlaxoSmithKline: various executive positions (1991-2003)
- Chiron, Corp: President and CEO (2003-2006) and later Chairman of the Board (2004-2006)
- Medarex Inc.: CEO and President (2007-2009)
- Abbott Laboratories and Merck & Co.: Product Manager, Business Unit Director, cardiovasculars, anti-infectives (1986-1991)
- Juno Therapeutics: Non-executive Chairman (2014-2018)

Other appointments

- Idera Pharmaceuticals, Inc.: Director
- Sapience Therapeutics: Chairman

Shaun Thaxter Chief Executive Officer

Appointed to the Board
November 4, 2014

Skills and experience

- Shaun has more than 25 years of pharmaceutical and prescription products industry experience. He is responsible for executing Indivior's strategy and leading the management team
- Appointed CEO of Indivior at time of Reckitt Benckiser Pharmaceuticals demerger
- Institute of Directors (IoD): Chartered Director and Fellow
- National Association of Corporate Directors (NACD): Board Leadership Fellow
- Reckitt Benckiser Pharmaceuticals, Inc.: President
- Reckitt Benckiser: Global Category Manager

Other appointments

None

Mark Crossley Chief Financial Officer

Appointed to the Board
February 21, 2017

Skills and experience

- Mark has a wealth of financial and pharmaceutical industry experience and knowledge
- Indivior Chief Strategy Officer
- Reckitt Benckiser Pharmaceuticals Inc.: Global Finance Director
- Procter and Gamble: Associate Director Corporate Portfolio Finance
- Procter and Gamble: Associate Director Female Beauty Strategy and Business Planning
- National Association of Corporate Directors (NACD): Board Leadership Fellow

Other appointments

None

Daniel Tassé Senior Independent Director

Appointed to the Board
November 4, 2014

Skills and experience

- Daniel has a strong track record of leading global organizations with more than 35 years of pharmaceutical and financial industry experience. He is an effective Senior Independent Director with a balanced understanding of the concerns of major shareholders
- Ikaria Holdings, Inc.: CEO and President (2008-2015), Chairman (2009-2015)
- Baxter International: General Manager of Pharmaceuticals and Technologies Business Unit
- GlaxoSmithKline: various senior management positions including President and Regional Director for Australasia (2001-2004)

Other appointments

- DBV Technologies SA: CEO
- Bellerophon Therapeutics: Director
- HLS Therapeutics Inc.: Director
- REGENXBIO Inc.: Director

Yvonne Greenstreet MBChB Non-Executive Director

Appointed to the Board
November 4, 2014

Skills and experience

- More than 20 years of pharmaceutical industry experience
- Experienced in medicines development, medical affairs and business development
- Pfizer Inc.: SVP Medicines Development (2010-2013)
- GlaxoSmithKline: various executive positions (1992-2010)
- Moelis & Company: Independent Director (2014-2018)

Other appointments

- Alnylam: Chief Operating Officer
- Pacira Pharmaceuticals, Inc.: Director

A. Thomas McLellan PhD Non-Executive Director

Appointed to the Board
November 4, 2014

Skills and experience

- Tom's extensive experience in the field of addictions spans more than 35 years as a career researcher in the treatment and policy-making around substance use and abuse. This enables him to contribute valuable insight and perspective to his work on Indivior's Science & Policy Committee
- Published more than 450 articles and chapters on addiction research
- Treatment Research Institute (TRI): Co-founder, CEO and Chairman until September 1, 2016
- White House Office of National Drug Control Policy (2009-2011): Deputy Director

Other appointments

- Recover Together, Inc.: Director
- Serves on several editorial boards of scientific journals

Committee Membership Key

(A) Audit Committee

(R) Remuneration Committee

() Chair

(N) Nomination Committee

(S) Science & Policy Committee

(D) Disclosure Committee

(C) Compliance Committee

Tatjana May
Non-Executive Director

(N) (R)

Appointed to the Board

February 1, 2017

Skills and experience

- Tatjana combines substantial knowledge and understanding of the pharmaceutical sector with more than 20 years of legal experience and brings both UK and US listed company expertise to Board discussions
- Shire plc: General Counsel and Company Secretary, Executive Committee Member (2001-2015)
- AstraZeneca plc: various positions including Assistant General Counsel (1995-2001)
- Slaughter and May: Lawyer (1988-1994)

Other appointments

- EIP Inc; Non-Executive Director
- The National Youth Orchestra of Great Britain: Trustee

Lorna Parker
Non-Executive Director

(R) (N)

Appointed to the Board

November 4, 2014

Skills and experience

- With more than 25 years of executive search, management assessment and board consulting experience, and UK listed company experience, Lorna provides strong leadership on governance matters including succession planning
- Conducts board effectiveness reviews for FTSE 100 companies
- Spencer Stuart: Partner (1989-2008); led the private equity practice across Europe and the legal search practice globally
- BC Partners: Senior Advisor (2008-2016)
- Future Academies: Director (2014-2017)

Other appointments

- CVC Capital Partners: Senior Advisor
- Manchester Square Partners: Senior Advisor
- Royal Horticultural Society: Trustee
- National Opera Studio: Trustee

Daniel J. Phelan
Non-Executive Director

(R) (N)

Appointed to the Board

November 4, 2014

Skills and experience

- Dan possesses more than 30 years of pharmaceutical and executive management experience, including extensive experience dealing with executive remuneration matters. He is an active and knowledgeable Chair of the Remuneration Committee and provides valuable perspective to the work of the Nomination & Governance Committee
- GlaxoSmithKline: advisor to three CEOs and various executive positions (1981-2012)
- Computer Sciences Corporation: Advisory Board Member (2013-2015)
- RiseSmart: Advisory Board Member (2012-2016)
- Rutgers University Board of Trustees: Member (2013-2017)

Other appointments

- TE Connectivity Ltd: Board Director

Chris Schade
Non-Executive Director

(A) (S)

Appointed to the Board

November 4, 2014

Skills and experience

- Chris's significant pharmaceutical and financial industry experience gained over more than 20 years in US listed companies make him a strong Chair of the Audit Committee, able to challenge incisively the Group's financial performance and approach to risk management
- Novira Therapeutics, Inc.: CEO (2014-2015)
- Omthera Pharmaceuticals, Inc.: CFO, EVP (2011-2013)
- NRG Energy, Inc.: CFO, EVP (2010-2011)
- Medarex Inc.: CFO, SVP (2000-2009)
- Merrill Lynch & Co.: MD, Debt Capital Markets (1992-2000)

Other appointments

- Aprea Therapeutics AB: President and Chief Executive Officer
- Integra LifeSciences Holdings Corporation: Director
- Sapience Therapeutics: Director

Lizabeth Zlatkus
Non-Executive Director

(A) (S)

Appointed to the Board

September 1, 2016

Skills and experience

- Liz is a financial and risk expert with significant audit and risk experience gained in both UK and US listed organizations. Her financial skills and knowledge are valuable to the work of the Audit Committee in particular
- The Hartford: various senior executive positions (1996-2011)
- Audit, Risk Compensation and Nomination Committee experience
- Legal & General: Non-Executive Director (2013-2016)
- Computer Sciences Corporation (2016-2017)

Other appointments

- Boston Private Financial Holdings: Non-Executive Director
- SE2: Board member
- Connecticut Science Center: Board of Trustees, Vice Chair
- Axis Capital Holdings Limited: Director

Kathryn Hudson
Company Secretary

(D)

Appointed Company Secretary

June 15, 2015

Skills and experience

- More than 15 years of experience as a Chartered Secretary
- Fellow of the Institute of Chartered Secretaries and Administrators, Chartered Governance Professional
- Kingfisher plc: Company Secretary (2012-2015)
- Senior Company Secretarial positions at Burberry Group plc and ICAP plc

Other appointments

None

Executive Committee

Shaun Thaxter
Chief Executive Officer



Professional experience and qualifications

See biography on page 38

Key previous roles

See biography on page 38

Mark Crossley
Chief Financial Officer



Professional experience and qualifications

See biography on page 38

Key previous roles

See biography on page 38

Debby Betz
**Chief Corporate Affairs and
Communications Officer**



Professional experience and qualifications

◀ 25+ years

Key previous roles

- ◀ Reckitt Benckiser Pharmaceuticals Inc.: Director of Marketing (North America) and Director of Commercial Development and Strategic Planning (North America)
- ◀ Purdue Pharma and Stuart Pharmaceuticals: Various sales and marketing leadership roles including District Sales Manager

Cindy Cetani
**Chief Integrity and
Compliance Officer**



Professional experience and qualifications

◀ 30+ years

Key previous roles

- ◀ Novartis Pharmaceuticals Corp: Chief Compliance Officer and Head of Compliance Operations, Group Integrity & Compliance
- ◀ Pharmacia: Director of Operations, Managed Markets

Jon Fogle
Chief Human Resources Officer



Professional experience and qualifications

- ◀ 20+ years
- ◀ Senior certified professional in human resources

Key previous roles

- ◀ Reckitt Benckiser Pharmaceuticals Inc.: Global Human Resources Director
- ◀ Reckitt Benckiser Pharmaceuticals Inc.: Human Resources Director for the US
- ◀ Capmark Finance (formerly GMAC Commercial Mortgage): Senior Vice President of Human Resources, North America

Christian Heidbreder
Chief Scientific Officer



Professional experience and qualifications

- ◀ 25+ years' leadership in neurosciences
- ◀ 350+ publications
- ◀ Affiliate Professor, Dept. Pharmacology and Toxicology, Virginia Commonwealth University School of Medicine

Key previous roles

- ◀ Reckitt Benckiser Pharmaceuticals Inc.: Global R&D Director
- ◀ Altria: Client Services' Health Sciences
- ◀ GlaxoSmithKline: Center of Excellence for Drug Discovery in Psychiatry
- ◀ SmithKline Beecham: Neuroscience Department

Committee Membership Key

- Ⓓ Disclosure Committee
 Ⓒ Compliance Committee

Javier Rodriguez
Chief Legal Officer

Ⓒ Ⓓ

Professional experience and qualifications

- 15+ years
- Admitted to practice law in New York, New Jersey and Virginia (Corporate Counsel)
- National Association of Corporate Directors Governance Fellow

Key previous roles

- Reckitt Benckiser Pharmaceuticals Inc.: VP General Counsel
- Reckitt Benckiser LLC: Senior Counsel (Healthcare), helping to acquire the global (ex-US) marketing rights to buprenorphine
- Bayer AG and Berlex Laboratories, Inc.: Corporate Counsel

Richard Simkin
Chief Commercial and Strategy Officer

Ⓒ Ⓓ

Professional experience and qualifications

- 20+ years

Key previous roles

- Reckitt Benckiser Pharmaceuticals Inc.: President, North America
- Reckitt Benckiser: General Manager Portugal
- Reckitt Benckiser: Marketing Director UK Healthcare
- Reckitt Benckiser: Two Global Category roles and a number of General Management positions

Frank Stier
Chief Manufacturing and Supply Officer

Ⓒ

Professional experience and qualifications

- 25+ years

Key previous roles

- Reckitt Benckiser Pharmaceuticals Inc.: Global Supply Director (heading logistics, customer service, demand planning and manufacturing)
- Reckitt Benckiser Pharmaceuticals Inc.: Supply Services Director then Global Supply Services Director
- Reckitt Benckiser: Supply Services Director, Central Europe
- Reckitt Benckiser: Industrial Customer Service Manager
- Colgate-Palmolive GbmH: various roles

Ponni Subbiah was a member of the Executive Committee throughout 2018 and stood down from the Committee in February 2019

Corporate governance

The Board is responsible for ensuring there is a robust and transparent governance framework in place.

We have a clear division of responsibilities between the Board and our various Committees; each role is clearly defined and is distinct from one another.

Indivior Board				
Principal Board Committees	Audit Committee Oversight of financial reporting, audit and risk	Nomination & Governance Committee Oversight of Board composition, succession planning, governance and corporate compliance	Remuneration Committee Oversight of the link of reward to strategy	Science & Policy Committee Oversight of pipeline research and development and public policy strategy
Executive Committees	Executive Committee Oversight of the implementation of the Group's strategic plan	Disclosure Committee Oversight of disclosure and reporting requirements and the identification of inside information	Compliance Committee (new structure established in January 2019) Oversight of the Group's compliance program	

Board committees

The Board has four principal committees, to which it has delegated certain responsibilities. These are the: Audit, Nomination & Governance, Remuneration and Science & Policy committees. Each committee operates under its own clearly defined Terms of Reference, available at www.indivior.com. More information about the roles, composition and work of the principal committees can be found in the Introduction to Board Committees on pages 50 to 77.

The Chair of each principal committee reports on the activities of the committee at the following Board meeting. Copies of all papers and the minutes of meetings of the principal committees are available to all Directors.

Executive committees

In addition to the principal committees, the Group has three executive committees:

Executive Committee

The Executive Committee is chaired by the Chief Executive Officer. The Committee comprises key functional leaders from the business and its purpose is to assist the Chief Executive Officer in discharging his duties. The Executive Committee meets monthly.

Biographical details of the members of the Executive Committee are on pages 40 to 41.

Disclosure Committee

The Disclosure Committee is chaired by the Chief Financial Officer. It comprises the Chief Financial Officer, the Chief Commercial and Strategy Officer, the Chief Legal Officer, the Chief Scientific Officer and the Company Secretary. The Committee meets as necessary and oversees the disclosure of information in accordance with the EU Market Abuse Regulation and the FCA's Disclosure Guidance and Transparency Rules.

The Disclosure Committee receives input and advice from relevant individuals and advisors as required. These include the Group's brokers and external legal counsel.

Compliance Committee

An Executive Compliance Committee was established in January 2019, replacing the existing management compliance committee (which has been reorganized as the Compliance Administration Council, which now reports to the Compliance Committee). The Compliance Committee comprises all members of the Executive Committee and is chaired by the Chief Integrity and Compliance Officer. The Compliance Committee meets monthly and is responsible for overseeing compliance with applicable laws, rules and regulations related to Indivior's business operations excluding compliance with securities regulations and financial reporting requirements.

The Board

The Board is collectively responsible to the shareholders for the long-term success of the Company. It provides strategic leadership and effective oversight of the Group's operations, either directly or through the work of its principal committees. The Board has ultimate responsibility for ensuring good governance throughout Indivior.

The Board has a schedule of matters that are reserved to it for approval. The schedule was last updated in November 2017, and is available to view on the Group's website www.indivior.com.

Roles and responsibilities of the Board

The Board is collectively responsible for the long-term success of the Company and for delivering value to shareholders. The Board's primary focus is to support and further the Group's purpose of pioneering life-transforming treatments for patients suffering from addiction and its co-occurrences.

The Board met regularly throughout the year. Led by the Chair, it approves the strategy, reviews financial and operational performance, risk management and appetite, the Group's capital structure and plans proposed by management to implement agreed strategy. The Board ensures that sufficient resources are available to meet the objectives set.

The Board is responsible for approval of:

- ◊ the Group's strategic aims and objectives, including material litigation strategy, and review of performance against those aims and objectives;

- ◊ the Group's annual budget and corporate plans;
- ◊ the Group's annual, half-yearly and quarterly financial reports;
- ◊ the Annual Report and Accounts and the reports included therein;
- ◊ the dividend policy;
- ◊ all Board appointments or removals, remuneration arrangements and termination payments;
- ◊ membership and chairship of the Board and committees and succession planning for senior management;
- ◊ major capital projects, acquisitions or divestments;
- ◊ any increase in, or significant variation in, the terms of the borrowing facilities of the Company;
- ◊ capital expenditure projects outside the scope of the approved annual budgets and plans;
- ◊ treasury and risk management policies; and
- ◊ appointment and removal of the Company Secretary.

The Board has delegated responsibility for the day-to-day management of the business to the Chief Executive Officer.

Board composition
Details of the Board's composition are set out on pages 38 to 39 which contain biographical details of each of the Directors. The Directors have a valuable combination of skills and business, scientific, pharmaceutical and disease experience which continue to be relevant to the Group.

Chair and Chief Executive Officer
There is a formal division of responsibilities between the Chair, Howard Pien, and Chief Executive Officer, Shaun Thaxter, which is set out in writing. The Chair and Chief Executive Officer work together to set the Board's agenda.

The Chair leads the Board and is responsible for ensuring its overall effectiveness. He promotes high standards of corporate governance and probity and fosters constructive relations between the Executive and Non-Executive Directors, and is responsible for setting the tone and culture in the boardroom.

Throughout the year, the Chair worked closely with the Senior Independent Director and the Non-Executive Directors. A part of each Board meeting is reserved for a meeting of the Chair and the Non-Executive Directors, without executive management present.

The Chief Executive Officer is responsible for the day-to-day leadership of the business, including leading and monitoring the performance of senior management. He is responsible to the Board for the performance of the business against agreed strategy and plans. He is supported in this role by the Executive Committee.

Senior Independent Director
Daniel Tassé is the Senior Independent Director. He acts as a sounding board for the Chair and can act as an intermediary between the other Directors and the Chair when required. He also leads the other Non-Executive Directors in the annual performance evaluation of the Chair.

He provides an alternative point of contact for shareholders on matters that would not be appropriate for them to discuss or resolve via the Chair, Chief Executive Officer or Chief Financial Officer.

Non-Executive Directors

The Non-Executive Directors bring an independent perspective to Board discussion. The Company has benefited from the broad range of skills and experience which the Non-Executive Directors provide from different businesses and fields, including finance, academic, scientific, private equity and pharmaceutical sectors.

Throughout the year they have constructively challenged and developed the Group's strategy, scrutinized the performance of management, agreed goals and objectives, and monitored the Group's risk profile and reporting of performance.

Company Secretary

The Company Secretary, Kathryn Hudson, acts as Secretary to the Board and the Remuneration and Nomination & Governance Committees.

She supports the Chair and the Board in the execution of their duties. She advises the Chair, Chief Executive Officer and senior management on regulatory and governance matters. The Deputy Company Secretary (a suitably qualified member of the Company Secretarial team) acts as Secretary to the Audit and Science & Policy Committees.

Biographical details of the Company Secretary are on page 39.

Information and support

All Directors have direct access to the advice and services of the Company Secretary. Directors may also obtain independent professional advice as required at the Company's expense.

Non-Executive Director Independence

The Board monitors the independence of the Non-Executive Directors for the purposes of the Code.

At its meeting in February 2019, the Board considered the independence of each of the Non-Executive Directors (other than the Chair, who was deemed independent by the Board at the date of his appointment) against the criteria specified in the Code, and determined that all remain independent of management and free from any relationship that could interfere with their judgment.

Conflicts of interest

Processes exist for actual or potential conflicts of interest to be reviewed and disclosed and to make sure Directors do not participate in any decisions where they may have a conflict or potential conflict. The Nomination & Governance Committee considers the other significant commitments or external interests of potential appointees as part of the selection process and discloses them to the Board when recommending an appointment.

Non-Executive Directors are required to inform the Board of any subsequent changes to such commitments, which must be pre-cleared with the Chair if material.

The Company's procedures for dealing with Directors' conflicts of interest continued to operate effectively during the year. No Director had a material interest or

any significant contract with the Company or any of its subsidiaries during the year.

External directorships

The Nomination & Governance Committee has approved a formal policy in respect of external appointments for Executive Directors and members of the Executive Committee. Executive Directors may hold one non-executive appointment, subject to the approval of the Nomination & Governance Committee. Members of the Executive Committee may hold one non-executive appointment subject to the approval of the Executive Committee.

The Nomination & Governance Committee considers the other commitments of the Chair of the Board and Non-Executive Directors. The Committee considers if any potential conflict of interest is likely to arise as a result of the appointment. The Committee also considers the likely time commitment required from the Directors' other commitments and if this is likely to interfere with their ability to discharge their duties effectively (and having regard to 'overboarding' guidelines). The Committee reports to the Board on its review and recommends if any action is necessary.

During the year, the Committee reviewed the other commitments of the Chair and Non-Executive Directors. In particular, the Committee considered Daniel Tassé's appointment as Chief Executive Officer of DBV Technologies SA in November 2018, and noted that he has a transition plan to reduce his other commitments during the course of 2019. Following the Committee's review, the Board has reviewed Mr Tassé's other commitments and is satisfied that

he devotes sufficient time to effectively discharge his duties.

Time commitment of the Chair and Non-Executive Directors
The letters of appointment for the Chair and Non-Executive Directors state the expected time commitment to fulfill their roles. The Chair and Non-Executive Directors are expected to set aside sufficient time to prepare for meetings. The Board is satisfied that all Directors continue to devote sufficient time to discharge their duties effectively.

Appointment and re-appointment of Directors

There is a formal, rigorous and transparent procedure for the appointment of new Directors. The Board may appoint an individual as a Director either to fill a vacancy or as an additional member of the Board. The process for new appointments is led by the Nomination & Governance Committee, which makes a recommendation to the Board.

The 2018 UK Corporate Governance Code recommends that all Directors should be subject to annual re-appointment by shareholders. All Directors (with the exception of Dr. Yvonne Greenstreet) will stand for re-appointment at the forthcoming Annual General Meeting to be held on May 8, 2019 (the '2019 AGM'). The Non-Executive Directors' terms of appointment and service contracts will be made available for inspection by shareholders at the 2019 AGM. Letters setting out the terms of appointment of each Non-Executive Director are also available for inspection at the Company's Registered Office.

The Board may appoint any Director to hold any employment or executive office and may revoke or terminate any such appointment. Shareholders may, by ordinary resolution, appoint a person as a Director or remove any Director before the expiration of their period of office.

Induction and training

A bespoke training and induction program is designed for each new Director to help provide them with a broad understanding of the business and regulatory and governance matters. The Company Secretary facilitates the induction of new Directors and monitors ongoing training needs and arranges for updates to be scheduled as required.

The Company Secretary arranges additional training sessions for the Board and committees as appropriate, which during 2018 included refresher training on directors' duties, corporate governance developments and regulatory reporting developments.

■ Chair
■ Executive Directors
■ Non-Executive Directors

■ Male
■ Female

Diversity and Inclusion

At Indivior, we value our distinctive culture and believe it is a key source of sustainable competitive advantage. We believe inclusion and diversity in its broadest sense enables innovation, continuous improvement of quality, and increased speed and efficiency in meeting the various needs of our patients, customers and stakeholders.

Our Diversity and Inclusion Policy, which applies to the Board, its Committees and our workforce, reflects our beliefs and values. Supporting and promoting the diversity of our people is an important priority for the Group and we have focused on developing an inclusive culture that values all employees regardless of their age, disability, gender, race, sexual orientation or other protected characteristics. We achieve this through targeted sourcing of people from diverse backgrounds and cultures and an ongoing focus on creating an environment that allows our talented people to prosper.

Our Board and Executive Committee are made up of individuals from a broad, diverse background; this includes strong gender diversity comprising 36% women on the Board and 22% on the Executive Committee. This is consistent across the Group and at senior leadership levels in the organization (Executive Committee and direct reports), where there is 36% female representation.

Board and committee attendance

Directors are expected to attend each Board meeting and all meetings of the committees of which they are a member, save for in exceptional circumstances. To maximize attendance, scheduled meetings are arranged in advance to help Directors avoid clashes with other commitments. If a Director is unable to attend a meeting, they are provided with the briefing materials before the meeting and can discuss any agenda item with the Chair of the Board, Chief Executive Officer or relevant Committee Chair. Board and committee meetings are held in the UK and the US.

The table below gives details of Directors' attendance at Board and Committee meetings held during the year.

	Board		Audit Committee		Nomination & Governance Committee	Remuneration Committee		Science & Policy Committee
	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Scheduled	Ad hoc	Scheduled
Chair								
Howard Pien	5/5	17/17	–		–	–	–	–
Executive Directors								
Shaun Thaxter	5/5	17/17	–		–	–	–	–
Mark Crossley	5/5	17/17	–		–	–	–	–
Non-Executive Directors								
Yvonne Greenstreet	5/5	12/17	5/5	2/3	–	–	–	5/5
Tom McLellan	5/5	16/17	–		5/5	–	–	5/5
Tatjana May	5/5	17/17	–		5/5	5/5	2/2	–
Lorna Parker	5/5	13/17	–		5/5	5/5	2/2	–
Dan Phelan	5/5	17/17	–		5/5	5/5	2/2	–
Chris Schade	5/5	15/17	5/5	3/3	–	–	–	5/5
Daniel Tassé	5/5	14/17	5/5	3/3	–	5/5	2/2	–
Lizabeth Zlatkus	5/5	17/17	5/5	3/3	–	–	–	5/5

Many of the ad hoc meetings were called at very short notice to ensure that the Board were kept apprised of developments in respect of the various litigation and investigational matters. Due to the need for the Board to convene often at very short notice, some Directors were not always able to attend all meetings. When Directors are unable to attend meetings, they receive briefing papers and have the opportunity to provide comments to the Chair ahead of the meeting.

Board effectiveness

Activities during the year

During the year, the Board held five scheduled meetings and 17 ad hoc meetings. The Board considers that it met sufficiently frequently to enable the Directors to discharge their duties effectively. Details of the principal matters discussed during the year are shown in the following table.

Operational performance	◊ The Chief Executive Officer provided an update on the operational performance of the business at each scheduled meeting. ◊ The Board reviewed the launch plans and performance of SUBLOCADE™ in the US throughout the year. As the business encountered slower than expected ramp up and adoption rates, the Board sought further detail regarding the underlying issues affecting the launch and the actions that management were taking to address these. The Board carefully reviewed the financial performance against expectations and external guidance, and approved changes to these based on management's estimates. ◊ The Board considered and approved the contingency plans prepared by management to address the slower than expected ramp up and adoption of SUBLOCADE and the potential 'at risk' launch of a generic rival. These included the reductions in the workforce and in research and development activities. ◊ The Board reviewed the launch plans for PERSERIS™ in the US and agreed to invest strategically in the launch to diversify the Group's future revenue streams. ◊ The Board undertook a review of strategic opportunities, which included the decision to divest the Group's interest in China.
Financial performance	◊ The Chief Financial Officer provided an update on the financial performance of the business at each scheduled meeting. ◊ The Board reviewed and approved the FY 2017 preliminary announcement and the 2018 half-year results. ◊ The Board reviewed and agreed the changes in outlook and guidance announced in July and September 2018. ◊ The Board kept the Group's capital base under review and approved the voluntary prepayment of \$150m of debt in September and \$85m of debt in November 2018.
Audit and risk	◊ The Chair of the Audit Committee provided a report on the activities of the Committee at the following Board meeting. ◊ On the recommendation of the Audit Committee, the Board agreed to recommend the re-appointment of PricewaterhouseCoopers LLP as the External Auditor. ◊ During the year, the Board reviewed and approved the Group's principal risks for inclusion in the Annual Report and results announcements. ◊ Further information regarding the work of the Audit Committee in 2018 can be found on pages 50 to 57.
Governance and compliance	◊ The Chairs of each of the Committees provided a report on the activities of their respective Committee at the following Board meeting. ◊ The Company Secretary provided an update on the corporate governance developments and, in particular, revisions under the new 2018 UK Corporate Governance Code. ◊ The Board reviewed and approved the 2017 Annual Report and Notice of Annual General Meeting. ◊ Alongside the Nomination & Governance Committee, considered the Group's succession planning arrangements for the Board and members of the Executive Committee.
Investor relations	◊ The Board was kept abreast of the views of shareholders during the year by management and presentations from the Group's brokers.
Corporate responsibility	◊ The Board received a presentation outlining the Group's corporate responsibility performance. The Board reviewed the Group's performance versus its peers and the areas of focus for 2018. ◊ The Board received a presentation about the work of UK charity DrugFAM from Elizabeth Burton-Phillips MBE, Founder and Chair of the charity.
Litigation matters	◊ The Board was regularly updated on the litigation matters relating to the Group's intellectual property related to SUBOXONE® (buprenorphine and naloxone) Sublingual Film (CIII) and antitrust litigation matters.
Government investigation	◊ The Group is in discussions with the DOJ about a possible resolution to its investigations, although it cannot predict with any certainty whether, when, or at what cost it will reach such a resolution. The Board has been highly engaged in these discussions throughout the process and remained so during the year. The Group continues to cooperate fully with all parties and is hopeful these matters will soon be resolved.

Board effectiveness review

In accordance with the Code, the Board undertook a review of the effectiveness of its performance and of its committees and individual Directors during the year. The Review was internally facilitated by the Chair of the Nomination & Governance Committee, supported by the Company Secretary. The Review comprised a survey completed by each of the Directors and the Company Secretary.

The survey focused on a number of key areas, including board composition, dynamics and expertise, meeting management and support, strategic oversight, risk management and succession planning.

The responses to the survey were collated and a report was prepared by Lintstock. The report was circulated to the Directors and was considered by the Board at its meeting in November 2018.

The overall performance of the Board and its committees was positively rated, particularly in the context of the challenges facing the business. In particular, the composition and broad expertise of the Board was highly rated.

The review highlighted a number of areas of focus for 2019, including:

- ◊ succession planning – the need to continue to focus on succession planning arrangements for the Board and senior management;
- ◊ stakeholder engagement – gaining a greater understanding of the views of key stakeholders including employees, patients and physicians;

- ◊ culture – devoting time to review the Group's culture, particularly following the organizational changes that have been made; and
- ◊ Board materials – a continued focus on developing Board materials that are clear and concise.

The Board plans to address these matters in the coming year.

The Non-Executive Directors, led by the Senior Independent Director, carried out the review of the performance of the Chair of the Board.

The last externally facilitated Board effectiveness review was carried out in 2017 by Oliver Ziehn of Lintstock. The Board intends to comply with the provisions of the Code regarding performance evaluation and to conduct its next externally facilitated review in 2020.

Engagement with shareholders

The Board recognizes the importance of regular, effective and constructive communications with its shareholders. The principal opportunity for shareholders to engage with the Board face-to-face is at the Company's AGM.

The Group announces its financial results on a quarterly basis, and these are released to the London Stock Exchange via an authorized Regulatory Information Service, and subsequently published on the Group's website. Half and full-year results are accompanied by a presentation by the Chief Executive Officer, Chief Financial Officer and other executives for investors, which is live webcast and archived on the Group's website. Members of the investment community are invited to engage management with questions during the question and answer period. The Chief Executive Officer

also presented financial and operational results, together with future strategy, at the Company's AGM in May 2018.

The quarterly financial results announcements are accompanied by a conference call with the Chief Executive Officer, Chief Financial Officer and other executives for investors and analysts – such calls are also live webcast. Members of the investment community are invited to engage management with questions during the question and answer period.

During the year, the Chief Executive Officer, Chief Financial Officer and the Vice President, Investor Relations met regularly with the Company's major shareholders and financial analysts to discuss matters relating to the Group's business strategy and current performance. When required to do so, the Chair and Non-Executive Directors may attend meetings with major shareholders.

Executive management also presented at and attended various healthcare sector investor conferences for the purposes of meeting investors. Over the course of the year, management held smaller group meetings with investing institutions in the US and UK. The Non-Executive Directors regularly receive presentations and updates from the Chief Executive Officer, Chief Financial Officer and the Vice President, Investor Relations, covering discussions with the Company's institutional shareholders and are informed of any issues or concerns raised during those discussions. Shareholders' and analysts' briefings are circulated to all Non-Executive Directors. This process enhances Non-Executive Directors' understanding of the views of shareholders and enables

the Board to judge what future action would further assist investors' understanding of the Group's objectives.

Board accountability

The Board is responsible for the integrity of the Group's financial statements, and recognizes its responsibility to present a fair, balanced and understandable assessment of the Group's position and prospects.

The Board has assessed, together with the Audit Committee, all information available in considering the overall drafting of the Group's financial statements and the process by which they were compiled and reviewed. In doing so, the Board ensured that adequate time was dedicated to the drafting process so that linkages and consistencies were worked through and tested. Drafts were received by knowledgeable executives and senior management not directly involved in the year-end process. The Board recognizes that this responsibility extends to interim and other inside information, information required to be presented in relation to statutory requests, and reports to regulators. In relation to these requirements, reference is made to the Statement of Directors' Responsibilities for preparing the financial statements, set out on pages 83 and 84.

The Audit Committee

The Committee makes formal and transparent arrangements for considering how financial reporting and internal control principles are applied, and for maintaining an appropriate and transparent relationship with the independent External Auditor, PricewaterhouseCoopers LLP. Details of the role and activities of the Committee are set out on pages 50 to 57.

Further disclosures

Information fulfilling the further disclosure requirements contained in the Companies Act 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules is set out on page 78 of the Directors' Report which are incorporated by reference into this Corporate Governance Report.

Annual General Meeting

The AGM provides all shareholders with an opportunity to put questions to the Board of Directors and to vote on the resolutions set out in the Notice of Meeting. All resolutions are voted on by way of poll, with one vote for each share held. The results of the poll are announced to the London Stock Exchange and published on Indivior's website shortly after the end of the AGM.

Introduction to Board Committees

Audit Committee

“On behalf of the Board, I am pleased to present the Audit Committee Report for the financial year ended December 31, 2018.”

Committee composition

During the year and as at the date of this Report, the Committee comprises four independent Non-Executive Directors:

- ◁ Chris Schade (Chair)
- ◁ Yvonne Greenstreet
- ◁ Daniel Tassé
- ◁ Lizabeth Zlatkus

Governance

The Committee comprises a minimum of three members, all of whom are independent Non-Executive Directors. Two members constitute a quorum and the Committee met eight times during the year of which five were scheduled meetings and three ad hoc. The agendas were linked to events in the Group's financial calendar. Details of attendance at Committee meetings are on page 46.

The Committee as a whole has the necessary competence relevant to the sector in which it operates. The Committee has determined that Chris Schade and Lizabeth Zlatkus have recent and relevant financial experience and competence in accountancy or auditing. All Committee members are financially literate and have an understanding of the following areas:

- ◁ the principles of, and developments in, financial reporting, including the applicable accounting standards and statements of recommended practice;
- ◁ key aspects of the Group's operations including corporate policies and the Group's internal control environment;

- ◁ the role of internal and external auditing and risk management;
- ◁ matters that may influence the presentation of accounts and key figures; and
- ◁ the regulatory framework for the Group's business.

The Committee has unrestricted access to Group documents, information, employees, and the External Auditor. The Committee may also take independent professional advice on any matters covered by its Terms of Reference at the Group's expense. The Committee's Terms of Reference can be viewed on the Investors section of the Group's website www.indivior.com.

Throughout the year, the Committee invited the Chief Financial Officer, Group Financial Controller, Vice President, Head of Internal Audit and Risk Management, Vice President, Internal Audit and the Audit Partner and other representatives from the External Auditor to attend meetings of the Committee, although it reserves the right to meet without any of these individuals. For part of each meeting, the Committee will meet separately with representatives from the External Auditor and Vice President, Head of Internal Audit and Risk Management without any other persons present.

The Committee Chair reports the outcome of each Committee meeting to the Board, and copies of the minutes of each Committee meeting are circulated to all Directors.

The Committee's effectiveness was reviewed during the year as part of the Board's annual performance evaluation. A description of the evaluation is set out on page 48.

Role and responsibilities

The role and responsibilities of the Committee include:

Financial reporting

- ◊ to monitor the integrity of the Group's financial reporting, including all formal announcements relating to financial results and compliance with auditing standards;
- ◊ to inform the Board of the outcome of the Group's external audit and explain how it contributed to the integrity of financial reporting;
- ◊ to review the Group's strategy for the management of key financial risks and to ensure the Group has followed appropriate accounting policies and made appropriate estimates and judgments; and
- ◊ to challenge, where necessary, the consistency of, and any changes to, accounting and treasury policies; whether the Group has followed appropriate accounting policies and made appropriate estimates and judgments; the clarity and completeness of disclosures, significant adjustments resulting from the external audit, the going concern assumption, the viability statement and compliance with auditing standards.

Narrative reporting

- ◊ to review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business and strategy; and

- ◊ to assist the Board in relation to the Board's assessment of the principal risks facing the Group and the prospects of the Group for the purposes of disclosures required in the Annual Report and Accounts.

Internal financial controls

- ◊ to review the effectiveness of the Group's internal financial controls, including the policies and overall processes for assessing internal financial control and effectiveness of corrective action taken by management.

Whistleblowing and fraud

- ◊ to monitor the Group's policies, procedures and controls for preventing bribery, money laundering and the Group's arrangements for whistleblowing.

Internal Audit

- ◊ to monitor and review the effectiveness of the Group's Internal Audit function in the context of the Group's overall governance, risks and controls framework; and
- ◊ to consider and review the remit of the Internal Audit function, ensuring it has adequate resources and all necessary access to information to enable it to perform its function effectively.

External Auditor

- ◊ to oversee the relationship between the Group and the External Auditor, advise the Board how the External Auditor has contributed to the integrity of the Group's financial reporting process, and to report to the Board whether it considers the audit contract should be put out to tender, thereby conforming to the requirements for tendering or rotation of the audit services contract; and

- ◊ to review and monitor the External Auditor's objectivity and independence, agree the scope of their work, negotiate and agree fees paid for the audit, assess the effectiveness of the audit process and agree the policy in relation to the provision of non-audit services.

Activities during the year

The Committee has an annual work plan which includes standing items that the Committee considers, in addition to any specific matters requiring the Committee's attention. As part of the annual work plan, the Committee receives and considers, amongst other items of business:

- ◊ scheduled finance updates on financial reporting, including significant reporting and accounting matters;
- ◊ progress against plan and results of Internal Audit's activities, including Internal Audit and management reports on internal controls covering financial, compliance, operational, and information technology matters, and the implementation of management actions to address identified control weaknesses;
- ◊ summary reports of instances of whistleblowing, together with management actions; and
- ◊ updates from the External Auditor focusing on the delivery of the Audit Plan, financial reporting, accounting judgments and observations on the internal financial control environment which they have encountered during their work.

Significant judgments

The following areas of focus in relation to the Group's Annual Report and other accounting areas requiring management judgment were considered and discussed with both management and the External Auditor:

Areas of focus	Action taken/conclusion
Viability statement	◊ When assessing the prospects and challenges facing the Group resulting from lower net revenue and slightly higher adjusted net income compared to the prior year, the Committee considered scenarios that could impact future financial projections and the ability of the Group to remain viable. ◊ The Committee debated with management the dependencies on which the viability statement was reliant, which included, amongst other items, the future growth of SUBLOCADE™ and PERSERIS™, legal and financial risks associated with the ongoing U.S. Department of Justice Investigation and the disruption to the Group's base business, in the US, caused by generic entrants into the market. The Committee reviewed management's business plan for the optimization of the base business and cash forecasts, and the possible use of cash reserves over the length of the viability period. The Committee also probed management's judgment regarding short- and long-term provisioning, and the sensitivity analysis initiated by management assessing the impact of generic entrants into the market. ◊ The Committee reiterated that a four-year period was an appropriate timeframe over which to make the viability statement and reflected the best estimate of the future prospects of the business. ◊ Based on the Committee's assessment of the Group's prospects, management's approach to the challenges facing the business, including appropriate and detailed financial disclosures in the Annual Report referencing these challenges to viability, the Committee confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next four years. Further information on the Group's principal risks including the viability statement are detailed on pages 29 to 35.
Going concern	◊ Uncertainties relating to the ongoing litigation, the U.S. Department of Justice Investigation, revenue outlook for SUBLOCADE™ and PERSERIS™, and generic entrants into the market have been of importance to the Committee throughout the year and has further highlighted the importance of the Committee's evaluation as to whether the Group remains a going concern when preparing the financial statements. ◊ The Committee explored with management its litigation strategy and the possibility of cash outflows after the going concern period, and cash forecasting scenarios. The Committee also challenged management on the adequacy of provisioning for ongoing litigation matters. To assist, management provided detailed financial planning analysis for consideration by the Committee, detailing significant steps to reduce the cost base of the business in order to manage effectively the Group's capital structure to ensure sufficient liquidity over possible near-term litigation and trading outcomes. ◊ As a consequence of the need to protect and reduce the cost base of the business, management implemented restructuring and cost saving initiatives, which included a Group-wide redundancy program, to partially offset the financial impact of recent adverse US market developments. Further information regarding the cost saving initiatives are on page 15. ◊ Following the implementation of the cost-saving initiatives, the strength of management's plans for managing the day-to-day operations of the business and planned cash management, the Committee was able to confirm that following the going concern basis of accounting in the financial statements continues to be appropriate.

Areas of focus	Action taken/conclusion
Prepayment of external debt	- Following amendment to the Group's term loan facilities, the Committee received presentations from management on the option of making voluntary prepayments of debt in accordance with the term loan facilities. - The Committee discussed with management the extent to which the Group's cash and liquidity position would be impacted by making voluntary prepayments, and reviewed treasury and cash forecasting positions for the Group. Prevailing financial market conditions and timings were considered by the Committee plus the risks associated with a debt paydown program were explored. - The Committee judged that such voluntary prepayments would be in the best interests of the Group and, to assist management, the Committee provided direction on undertaking the voluntary debt paydown program. Subsequently, a total of \$235m in voluntary prepayments of debt were made during the year.
Critical accounting judgments and disclosures, and key sources of estimation	- When applying the Group's accounting policies, management must make a number of key judgments on the application of applicable accounting standard, estimates and assumptions. These judgments and estimates are based on factors considered to be relevant. - The Committee has challenged management on key judgments and estimations covering revenue recognition, tactical rebating and provisions relating to ongoing litigation. The uncertainty and outcome of the ongoing litigation and the disruption of generic entrants into the US market are also key sensitivities for the Committee, as noted above in sections relating to the viability statement and going concern. - Given that certain judgments and disclosures in the Annual Report are highly judgmental, the Committee has reviewed management's inputs into their analysis and development of the judgments and disclosures, and discussed the critical nature of each with both management and the Group's External Auditor. - The Committee has satisfied itself that the Group's accounting policies and their application by management are appropriate. The Committee is also satisfied with both the appropriateness of analysis performed by management, including the judgments made and estimates used and the related disclosures.
Taxation	- The Group's worldwide operations are significantly integrated and involve a number of decisions by tax authorities in various jurisdictions. The Committee challenged management on their estimates of financial exposure faced by the Group in managing its tax affairs and reviewed the appropriateness of management's tax strategy, policy and principles for managing tax risks. The Committee also challenged management on the tax treatment regarding orphan drug status plus the impact on the Group of recent US tax reform. Accordingly, excluding the impact of exceptional items, the resulting effective tax rate for the year ended December 31, 2018, was 15% (2017: 25%). - The Committee concluded that management oversight and judgment of the Group's tax matters continued to be appropriate and is in accordance with the Group's tax strategy, which can be viewed at www.indivior.com/corporate-governance/tax-strategy.

Monitoring the integrity of reported financial information

Ensuring the integrity of the financial statements and associated announcements is a fundamental responsibility of the Committee and, during the year, the Committee reviewed the Group's Annual Report, and interim financial statements. Each review considered:

- ◊ the accounting principles, policies and practices adopted in the Group's financial statements, any proposed changes to them and the adequacy of their disclosure;
- ◊ the description of performance to ensure it was fair, balanced and understandable;
- ◊ accounting issues or areas of complexity, the actions, estimates and judgments of management in relation to financial reporting, and the assumptions underlying the going concern and viability statements;
- ◊ any significant adjustments to financial reporting arising from the external audit;
- ◊ tax contingencies, compliance with statutory tax obligations and the Group's tax policy; and
- ◊ litigation and contingent liabilities affecting the Group.

Internal Audit

The Committee is required to assist the Board in fulfilling its responsibilities regarding the adequacy of resourcing and the planning of the Internal Audit function of the Group to ensure they are appropriate for the Group's needs. To fulfill its duties, the Committee considered:

- ◊ Internal Audit's reporting lines and its access to the Committee and all Board members;

- ◊ Internal Audit's staffing and resources;
- ◊ Internal Audit's plans and its achievements of planned activity;
- ◊ the results of key audits and other significant findings, the adequacy of management's response and the timeliness of their resolution;
- ◊ the nature and extent of non-audit activity performed by Internal Audit; and
- ◊ changes since the last annual assessment of the significant risks and the Group's ability to respond to changes in its business and the external environment.

The annual review of the Internal Audit function was conducted during the year with the assistance of Lintstock, an independent external evaluation consultancy. The review included input from members of the Committee, Executive Committee, the External Auditor and senior members of key departments from within the Group. Accordingly, it was concluded that the Internal Audit function remained effective and continued to meet the needs of the Group.

Throughout the year, the Committee continued to receive regular updates on the work carried out by the Internal Audit function.

During the year, a new Vice President, Head of Internal Audit and Risk Management, was appointed. Following the appointment, the Committee considered a draft Risk Assessment and Audit Plan for 2019, which was subsequently approved by the Committee in January 2019.

Internal financial control and risk management

The Committee acknowledges its responsibilities to assist the Board to fulfill its responsibilities for the Group's risk management and internal control systems, including the adequacy and effectiveness of the control environment, controls over financial reporting and the Group's compliance with the Code.

All business areas of the Group prepare annual operating plans and budgets. These are regularly reviewed and updated as necessary throughout the year. Performance against budget is monitored centrally at operational level, and is discussed at Committee and Board meetings. The cash position of the Group is monitored daily by the Treasury function.

Clear guidelines are in place for capital expenditure and investment decisions. These include budget preparation, appraisal and review procedures, and delegated authority levels.

Effective controls ensure that the Group's exposure to avoidable risk is minimized, and the Committee is cognizant of the material controls within the Group, including, amongst other things, that proper accounting records are maintained, financial information used within all business areas is reliable and up-to-date, and the financial reporting processes comply with relevant regulatory reporting requirements.

The Group has in place internal controls and risk management systems in relation to the Group's financial reporting processes for preparation of consolidated accounts. These systems include policies and procedures that relate to the maintenance of records which accurately and fairly reflect

transactions, provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements, require representatives of the Group to certify that their reported information gives a true and fair view of the state of affairs of the business and its results for the period, and review and reconcile reported data. Additionally, the Committee has reviewed plans on key operational issues, risk management, and Internal and External Auditors' reports.

Control processes are designed to manage, rather than eliminate, the risk of assets being unprotected and guard against their unauthorized use, culminating in the failure to achieve business objectives. Internal controls will only provide reasonable and not total assurance against material misstatement or loss.

To fulfill its duties, the Committee reviewed:

- ◁ the External Auditor's reports to the Committee;
- ◁ reports from Internal Audit on key audit areas and any deficiencies in the control environment covering internal financial control, operational and risk management;
- ◁ the Group's approach to IT and cyber security; and
- ◁ the Group's whistleblowing policy and the ongoing compliance with the policy including reviewing reports provided by the external service provider and any actions arising therefrom.

Accordingly, the Committee confirms there is a process for identifying, evaluating and managing risks faced by the Group and the operational effectiveness of the appropriate controls, all of which have been in place throughout the year and up to

the date of approval of the 2018 Annual Report and Accounts.

Reviewing the effectiveness of internal control

As referred to above, throughout the year the Board, through the Committee and assisted by the Internal Audit function, reviews the effectiveness of internal control and the management of risk. The Internal Audit function reports into the Committee and has authority to review any relevant part of the Group or its business and has a planned schedule of reviews that coincide with the Group's risks. In addition to financial and business reports, the Committee has reviewed medium- and longer-term strategic plans, reports on key operational issues, tax, treasury, risk management, legal matters and Committee reports, including Internal and External Auditors' reports.

Significant failings or weaknesses

The Committee confirms that no significant weaknesses or failings were identified during the year and, therefore, no remedial actions were required.

Misstatements

Management reported to the Committee that they were not aware of any material or immaterial misstatements intentionally made. The External Auditor reported to the Committee the misstatements they had found during their work and, after due consideration, the Committee agreed with management that these misstatements were not material and that no adjustments were required.

Whistleblowing

The Group's whistleblowing policy contains arrangements for an independent external service provider to receive, in confidence, complaints on accounting, risk issues, internal control, auditing issues and related matters for reporting to the Committee as appropriate. The Committee regularly reviewed reports provided by the external service provider, and the actions arising therefrom.

Financial Reporting Council review of 2017 Annual Report

On November 30, 2018, the Conduct Committee of the Financial Reporting Council (CC) requested that the Group assist them in their review of relevant reporting requirements associated with the Group's Annual Report and financial statements to December 31, 2017. The Group, via the Committee and management, engaged with the CC and provided all information requested. On review, the Group has made additional disclosure enhancements in this Annual Report and financial statements, and the Committee is pleased to note that the CC have confirmed that their enquiries relating to the review were closed.

External Auditor

PricewaterhouseCoopers LLP (PwC) were appointed as the Group's External Auditor on demerger in December 2014, and were last re-appointed by shareholders at the AGM in May 2018.

The Committee oversees the work undertaken by the External Auditor, and is responsible for the development, implementation and monitoring of policies and procedures on the use of the External Auditor for non-audit services in accordance with

professional and regulatory requirements. These policies are kept under review to ensure that the Group benefits, in a cost-effective manner, from the cumulative knowledge and experience of the External Auditor while ensuring that the External Auditor maintains the necessary degree of independence and objectivity. During the year, the Committee continued to meet with the External Auditor following Committee meetings, without members of management being present, and reviewed key issues.

The Committee has formally reviewed the independence of the External Auditor, which has provided a letter confirming that it believes it remained independent throughout the year, within the meaning of the regulations on this matter and in accordance with its professional standards.

To fulfill its responsibilities to ensure the independence of the External Auditor, the Committee has reviewed:

- ◊ a report from the External Auditor describing arrangements to identify, report and manage any conflict of interest, and policies and procedures for maintaining independence and monitoring compliance with relevant requirements; and
- ◊ the extent of non-audit services provided by the External Auditor; and
- ◊ the External Audit team is led by Sarah Quinn (Audit Partner) who was appointed following the retirement of the previous Audit Partner at the conclusion of the 2016 Year-End Audit.

The Financial Reporting Council's Audit Quality Review team (AQR) routinely monitors the quality of the audit work of certain UK audit firms through inspections of sample audits and related procedures of individual audit firms. During the year, the AQR selected to review the audit of the Group's December 31, 2017 financial statements. On conclusion of the inspection, the Committee is pleased to note that the AQR were satisfied that no matters arose during the inspection which required action. Additionally, the AQR report noted that in one particular area of the audit they considered the work of the External Auditor to be of a high standard.

Auditor effectiveness

To assess the effectiveness of the External Auditor and fulfill its responsibilities for oversight of the external audit process, the Committee reviewed:

- ◊ the fulfillment by the External Auditor of the agreed Audit Plan and variations from it;
- ◊ reports highlighting the major issues that arose during the course of the audit and their resolution;
- ◊ a report from the Audit Partner at each Committee meeting;
- ◊ the terms, areas of responsibility, associated duties and scope of the audit as set out in the engagement letter with the External Auditor;
- ◊ the overall Audit Plan and fee proposal;
- ◊ key accounting and audit judgments and how the External Auditor applied constructive challenge and professional skepticism when dealing with management;

- ◊ recommendations made by the External Auditor to the Committee and the adequacy of management's response;
- ◊ recent and historical performance of the External Auditor in relation to the Group's audits including the quality and probity of communication with the Committee;
- ◊ the appropriateness of fees relative to both efficiency and audit quality;
- ◊ the External Auditor's independence policies and processes for maintaining its independence;
- ◊ the length of tenure as the Group's External Auditor and its depth of understanding of the Group's business, operations and systems, and accounting policies and practices;
- ◊ the capability, expertise and efficiency in handling the breadth and complexity of the Group's operations worldwide; and
- ◊ the demonstration of professional integrity and objectivity to rotate and select a lead Audit Partner and other key engagement partners at least every five years or as otherwise required by applicable law or regulation.

To further assist the Committee in assessing the effectiveness of the External Auditor, the Committee undertook their annual assessment of the External Auditor via a survey completed by key internal stakeholders. The analysis of the results of the survey was undertaken by Lintstock and the results were discussed with the Committee and the External Auditor at the Committee meeting held in November 2018.

Participants in the survey were drawn from individuals who have significant contact with the External Auditor throughout the year and included members of the Committee, as well as members from the Finance, Treasury, Internal Audit and Legal teams, plus management. All replies were returned on a confidential basis.

The Committee continues to review annually the appointment of the External Auditor, taking into account the Auditor's effectiveness, independence and Audit Partner rotation, and makes a recommendation to the Board accordingly.

Any decision to open the external audit to tender would be taken on the recommendation of the Committee. To date, no tender has been conducted, and there are no contractual obligations that restrict the Group's current choice of External Auditor.

Further details on the responsibilities of the Committee regarding the engagement of the External Auditor and the supply of non-audit services can be found in the Committee's Terms of Reference.

External Auditor independence
Indivior has a formal policy in place to safeguard the independence of the External Auditor. The Committee and the Chief Financial Officer keep the independence and objectivity of the External Auditor under review. Additionally, reliance is placed on the External Auditor's internal independence controls as detailed in their Independence Letter issued to the Company in the year.

The Committee has reviewed the nature and level of non-audit services undertaken by the External Auditor during the year to satisfy

itself that there is no effect on their independence.

Non-audit services

The Committee, in keeping under review the nature and level of non-audit services undertaken by the External Auditor, recognizes that, in certain circumstances, the nature of the advice required may make it more timely and cost-effective to appoint the External Auditor, who already has a good understanding of the business.

During the year, the Group's policy has been updated to describe more precisely, services prohibited under Financial Reporting Council rules and the request for the Committee to approve all non-audit services.

The Committee will consider other non-audit services when it is in the best interests of the Group to do so, provided they can be undertaken without jeopardizing the independence of the External Auditor.

The Group's policy on non-audit fees states that, on an annual basis, non-audit fees should not normally be in excess of 70% of the Group's external audit and audit-related services billed over the last three years.

Audit and Audit related fees paid to the External Auditor for the year ended December 31, 2018, were \$2.2m. Further details are provided in Note 6 to the financial statements.

All audit-related and non-audit services were approved in advance by the Committee. Audit-related services were primarily for quarterly reviews and audit services pertaining to a potential listing in the US whilst non-audit services in 2017 related to advisory services for potential financing alternatives. The

Auditor was best placed to perform these services.

In providing non-audit services, the Committee considered the ongoing independence of the External Auditor and were satisfied that the independence of the External Auditor was not compromised in providing these services.

External Auditor re-appointment
The Committee has recommended to the Board that PwC be proposed for re-appointment by shareholders as the External Auditor at the AGM in May 2019. The Group has no current retendering plans.

Compliance with CMA Order
The Group confirms that during the period under review, it has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Chris Schade
Chair of the Audit Committee

March 1, 2019

Nomination & Governance Committee

“On behalf of the Board
I am pleased to present
the Nomination &
Governance
Committee Report for
the financial year ended
December 31, 2018.”

Committee composition

At December 31, 2018, the Committee comprised four independent Non-Executive Directors:

- ◁ Lorna Parker (Chair)
- ◁ Tatjana May
- ◁ Thomas McLellan
- ◁ Daniel J. Phelan

Meetings

The Committee met five times in 2018. Details of attendance at Committee meetings are detailed on page 46.

At the invitation of the Committee, the Chair of the Board, the Chief Executive Officer, the Chief Legal Officer, the Chief Human Resources Officer, the Chief Integrity and Compliance Officer and the Vice President Corporate Compliance and the Company Secretary attended meetings of the Committee.

The Committee holds a private session at each meeting without members of the executive management team being present.

The Chair of the Committee reports on the activities of the Committee at the following Board meeting, and copies of the minutes of Committee meetings are circulated to all Directors.

Role and responsibilities

The role and responsibilities of the Committee falls into two key areas:

Board composition & succession planning arrangements

- ◁ reviewing the size, composition, diversity and balance of skills of the Board and its Committees;
- ◁ overseeing the recruitment process for Directors and making recommendations to the Board regarding new appointments; and

- ◁ overseeing succession plans for the Board, its Committees and for senior management positions and ensuring that these support the development of a diverse pipeline for succession.

Corporate governance and compliance

- ◁ keeping the Group’s corporate governance arrangements under review and monitoring external corporate governance developments;
- ◁ reviewing and evaluating any conflicts of interest notified by Directors, and recommending authorizations or other measures to the Board; and
- ◁ overseeing the Group’s corporate compliance program.

The Committee has delegated authority from the Board, which is set out in its Terms of Reference and available to view on the Company’s website www.indivior.com.

The Committee is supported by the Company Secretary. The Committee has authority to appoint search consultants and other advisors at its discretion.

Activities during the year

During the year, the Committee considered, amongst other items, the following matters:

Succession planning

The Committee reviewed the succession planning arrangements in place for the Board and members of the Executive Committee. In particular, given that the majority of the Non-Executive Directors were appointed in 2014 (at demerger), the Committee recognises that there needs to be a clear plan in place for their orderly succession.

The Committee has developed a formal plan to address the refreshment of the Board and its Committees, which takes into account tenure, diversity and skills.

Board effectiveness review

The Committee considered the approach regarding the review of the effectiveness of the Board, its Committees and the individual Directors. The Chair of the Committee, supported by the Company Secretary, developed the approach for 2018, which was undertaken by way of a survey. The Committee's performance was reviewed as part of the Board's annual performance evaluation.

Further information regarding the effectiveness review in 2018 can be found on page 48.

Culture

The Committee reviewed the feedback from the Group's engagement and culture survey and considered the progress made against prior years. The Committee was pleased to note that good progress had been made and that participation and engagement levels were high.

Diversity

The Committee reviewed and updated the Group's Diversity and Inclusion Policy and the Diversity Statement for inclusion in the Annual Report.

While the Group is not required to report on gender pay gap matters as it has fewer than 250 employees in the UK, the Committee reviewed the analysis of its UK employees and noted that the pay gap was smaller than the national averages.

Corporate governance

During the year, the Committee was kept abreast of developments in corporate governance by the Company Secretary. This included a review of the new UK Corporate Governance Code, which will apply to the Company for the financial year ended December 31, 2019.

The Committee also reviewed a number of key areas of corporate governance including:

- ◊ the enhancements to policies and procedures that had been implemented to ensure that reasonable procedures are in place to prevent the facilitation of tax evasion;
- ◊ on behalf of the Board, reviewed and approved the Group's UK Modern Slavery Statement; and
- ◊ reviewed the Group's policies in relation to sexual harassment.

Director independence and conflicts of interest

During the year, the Committee considered the other commitments of the Chair and Non-Executive Directors and if these were likely to give rise to a potential conflict of interest. The Committee also reviewed the likely time commitment required from the Directors' other appointments and if these were likely to interfere with their ability to discharge their duties (and having regard to 'overboarding' guidelines). The Committee provided a report on its review to the Board.

The Board considered the Committee's recommendations and considered that each of the Non-Executive Directors remained independent and dedicated sufficient time to discharge their duties effectively.

Corporate compliance

At each meeting, the Committee considered an update on the Group's Corporate Compliance Program. These reports included updates on the following matters:

- ◊ details of training and employee education activities;
- ◊ field monitoring activities;
- ◊ compliance investigations;
- ◊ reports received via the Group's confidential reporting hotline (Ethicsline);
- ◊ a review of the results of the Group's audit of its third-party distributors;
- ◊ developments to policies and process enhancements supported by external advisors; and
- ◊ staffing and resourcing of the Integrity and Compliance Department.

In October 2018, Cindy Cetani joined the Group in the newly created role of Chief Integrity and Compliance Officer; Cindy is also a member of the Executive Committee. This executive appointment further enhanced and strengthened the Group's commitment to corporate compliance.

The Committee held a private session with the Head of Compliance at each meeting without members of the executive management team present.

Lorna Parker

Chair of the Nomination & Governance Committee

March 1, 2019

Science & Policy Committee

“On behalf of the Board, I am pleased to present the Science & Policy Committee Report for the financial year ended December 31, 2018.”

Committee composition

During the year and as at the date of this Report, the Committee comprises four independent Non-Executive Directors:

- ◁ Yvonne Greenstreet (Chair)
- ◁ Thomas McLellan
- ◁ Chris Schade
- ◁ Lizabeth Zlatkus

Meetings

The Committee met five times in 2018. Details of attendance at Committee meetings are detailed on page 46.

At the invitation of the Chair of the Committee, the Chief Scientific Officer, Chief Medical Officer, Chief Officer, Corporate Affairs and Communications and VP, Government Affairs attended meetings of the Committee.

Role and responsibilities

The role and responsibilities of the Committee include:

- ◁ to provide assurance to the Board regarding the quality, competitiveness and integrity of the Group’s research and development (R&D) activities;
- ◁ to review the scientific technology and R&D capabilities deployed within the business;

- ◁ to assess the decision-making processes for R&D projects and programs, and to review benchmarking against industry and scientific best practice, where appropriate; and
- ◁ to review relevant and important bioethical issues and assist in the formulation of, and agreement on behalf of the Board, appropriate policies in relation to such issues.

The Committee has delegated authority from the Board, which is set out in its Terms of Reference and available to view on the Group’s website www.indivior.com.

The Committee is supported by the Deputy Company Secretary. The Committee has authority to appoint consultants and other advisors at its discretion.

The Committee holds a private session at each meeting without members of the executive management team being present.

The Chair of the Committee reports on the activities of the Committee to the Board, and copies of the minutes of Committee meetings are circulated to all Directors.

Activities during the year

During the year, the Committee considered, among other items, the following matters:

- ◊ monitored and reviewed the progress of RBP-7000 Once-Monthly Risperidone-Containing Subcutaneous Long-Acting Injectable, which obtained U.S. Food and Drug Administration approval on July 27, 2018, and made available under the trademark PERSERIS™;
- ◊ monitored and reviewed the progress and development of the Company's product pipeline and early stage asset development opportunities for substance use disorder;
- ◊ reviewed the effectiveness of the Committee during the year as part of the Board's annual performance evaluation;
- ◊ received presentations on the Group's submission to a report commissioned by the Institute for Clinical and Economic Review (ICER). The Final Evidence Report was issued by ICER on December 3, 2018;
- ◊ following FDA approval of SUBLOCADE in November 2017, the Committee, throughout the year, monitored and reviewed the planning and execution of post-marketing and lifecycle management strategies associated with SUBLOCADE. Further information is set out on pages 16 to 17;
- ◊ reviewed progress of regulatory filings outside the US; and
- ◊ received briefings on the Group's public policy strategies with emphasis on the federal and state landscape in the US.

Yvonne Greenstreet

Chair of the Science & Policy Committee

March 1, 2019

Annual Remuneration Statement

Dear Shareholders,

"On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended December 31, 2018."

My colleagues and I on the Committee hope that you find the report clear, transparent and informative, and that we can count on your continued support.

The Directors' Remuneration Report on pages 62 to 77 will be subject to an advisory vote at the Annual General Meeting ('AGM') in 2019. All payments to Directors during 2018 were made in accordance with the Remuneration Policy.

Our current Remuneration Policy was approved by 94.3% of shareholders at the AGM in 2018, and I would like to thank shareholders for their continuing support.

No changes are proposed to our Remuneration Policy this year and a summary of our Policy has been included at the end of this report.

Context for remuneration at Indivior

Our remuneration philosophy is focused on aligning the incentivization of our senior executives with our strategic priorities.

Indivior will continue to apply a remuneration philosophy that is simple, focused on delivering exceptional performance and aligned with shareholders' interests. Our remuneration structure is designed to reflect that the majority of our revenues are from our US operations and the significant majority of our management team are based in the US. We therefore compete for talent against global pharmaceutical companies, predominantly based in the US, whose pay model is very different to typical UK market practice.

We have designed our remuneration structure to be carefully balanced, as Indivior is a UK-listed company operating within UK best practice and corporate governance

guidelines. This results in a remuneration structure that is different in some respects to a typical UK-listed or US-listed package, but one that the Committee considers to be appropriate to be able to retain and incentivize our strong management team.

The Committee believes its overall approach on remuneration continues to be aligned with the Group's strategic objectives and shareholder interests.

Summary of key decisions

The bullet points below set out a summary of the key decisions and outcomes in relation to 2018 remuneration and the approach for 2019 remuneration for the Executive Directors:

- ◊ 2018 Annual Incentive Plan ('AIP'), the formulaic outturn resulted in some bonus outturn, negative discretion was applied to reduce bonus amounts to zero;
- ◊ 2016-2018 Long-Term Incentive Plan ('LTIP') awards, performance assessment resulted in 0% vesting;
- ◊ 2019 AIP, measures are focused on SUBLOCADE™ revenue, PERSERIS™ revenue and cash management;
- ◊ 2019-2021 LTIP awards, a reduction in the maximum opportunity from 500% to 325% for 2019 awards only (a 35% reduction); and
- ◊ 2019-2021 LTIP awards, measures are focused on shareholder returns.

The above was considered against a background of UK market-leading shareholding requirements, the 2018 reduction in LTIP policy maximum and the introduction of bonus deferral provisions.

The following sections describe the business performance context and subsequent decisions and outcomes in more detail.

2018 business performance

2018 was a challenging year for Indivior. The business faced a number of challenges to its intellectual property relating to SUBOXONE® Film, coupled with obstacles relating to the launch of SUBLOCADE. Furthermore, the Committee and management recognised the shareholder experience over the year. Remuneration outcomes and decisions appropriately reflected these challenges.

2018 remuneration outcomes

The following section outlines the outcomes for the 2018 AIP and the 2016-2018 LTIP awards.

2018 AIP

The financial performance of the Group in 2018 was disappointing and consequently the Group did not meet the threshold net revenue and net income targets under the AIP. The Group continued to make good progress in the advancement of its pipeline and product targets, which resulted in the achievement of 24 out of a maximum 30 points, and an overall outturn of 27% of the maximum annual bonus on a formulaic basis.

However, in light of the financial performance and the shareholder experience over the year, the Committee considered it appropriate to exercise its discretion to override the formulaic outturn and reduce bonus amounts for the Executive Directors to zero. The Executive Directors were fully supportive of this decision and agreed that any level of bonus would have been inappropriate in the context of performance and shareholder returns during 2018.

2016-2018 LTIP

For LTIP awards granted in 2016 which were scheduled to vest in

2019, the year ended December 31, 2018 was the final year of the three-year performance period. The awards were subject to relative Total Shareholder Return ('TSR') versus the constituents of the FTSE 250 excluding investment trusts (one-third weighting); relative TSR versus the constituents of the S&P 1500 Pharmaceutical and Biotech Index (one-third weighting); and a key pipeline and product measure (one-third weighting). The Group did not achieve threshold performance in respect of the performance measures and consequently there was 0% vesting of these awards and they lapsed in full.

Implementation of Remuneration Policy for Executive Directors in 2019**Base salary**

The Executive Directors received a base salary increase of 3% effective January 1, 2019. The Committee carefully considered the increases to base salary and concluded that these were appropriate given that they were aligned with the average increase for the wider workforce.

2019 AIP

As a result of the Board's strategic decision to reduce investment in research and development activities in the short-term to reduce the Group's operational cost base, the Committee considered the performance measures to be set for the 2019 AIP.

The Committee concluded that the AIP measures should be focused on financial performance, split between net revenues for SUBLOCADE and PERSERIS and cash management; the pipeline and product measure has been removed from the 2019 AIP. In line with our renewed Policy, 75% of any bonus amount will be delivered in cash and 25% will be deferred into shares for a period of two years.

2019-2021 LTIP

Ordinarily, LTIP awards of 500% of base salary would be made to Executive Directors in respect of the 2019-2021 performance period. However, the Committee carefully considered quantum for these awards, particularly in the context of the material decline in the Company's share price in 2018. The Committee concluded that it was appropriate to reduce the size of awards granted under the LTIP by 35% for 2019 only. The Executive Directors will therefore receive LTIP awards with a reduced maximum value of 325% of salary. Again, the Executive Directors were fully supportive of the Committee's decision and agreed that a reduction for the 2019 awards was entirely appropriate.

The Committee also considered the LTIP performance metrics in the current business context. The Committee concluded that it would be appropriate to adjust the measures and determined that the awards will be subject to relative TSR versus the constituents of the FTSE 250 excluding investment trusts and relative TSR versus the constituents of the S&P 1500 Pharmaceutical and Biotech Index; each with equal weighting. The Committee considers that relative TSR remains a relevant metric as it is directly aligned with the interests of shareholders. The use of two relative TSR comparator groups is intended to balance the fact that Indivior is a FTSE 250 listed company, but also recognizes that Indivior operates within a specialized sector, where the majority of its peers are listed in the US. Again, given the Board's strategic decision to reduce investment in research and

development activities in the short term to reduce the Group's operational cost base, the pipeline and product measure has been removed from the 2019-2021 LTIP measures.

As with the LTIP awards granted in 2018, the awards granted to the Executive Directors in 2019 will be subject to an additional two-year holding period following the end of the three-year performance period.

Shareholding requirements

Our executive shareholding requirements are significantly higher than UK market practice. At December 31, 2018, the Chief Executive Officer held shares with a value equivalent to 380% of salary and the Chief Financial Officer held shares with a value of 115% of salary.

The Committee noted that the Chief Executive Officer had previously exceeded the shareholding requirement of 500% of salary, but that the value of his holding had reduced below the requirement as a result of the decline in Indivior's share price in 2018.

Other matters considered by the Committee

Corporate governance developments
The Committee noted with interest corporate governance developments during the year. In particular, the updated 2018 UK Corporate Governance Code introduced a number of requirements for accounting periods beginning on or after January 1, 2019. We are very mindful of these developments and will report to shareholders in our 2019 Annual Report on Remuneration on our approach and policies under the new requirements.

All-employee plans

The Group operates a Sharesave plan in the UK and an Employee Stock Purchase Plan in the US. The Sharesave plan is open to all UK employees, and Employee Stock Purchase is open to all US employees (except those who participate in the LTIP). The Committee was pleased to note good participation rates in these plans.

Shareholder engagement

We continue to value the feedback provided by our shareholders and have maintained an open dialogue with our major shareholders during the year.

2019 AGM

We hope you will agree that we have taken a fair and responsible approach to executive pay and hope to receive your support for the Directors' Remuneration Report at our AGM in May 2019.

Daniel J. Phelan

Chair of the Remuneration Committee

March 1, 2019

Annual report on remuneration

The following report outlines our remuneration framework, how the Remuneration Policy was implemented in 2018, and how the Committee intends to apply the Policy in 2019. This Annual Report on Remuneration, together with the Annual Remuneration Statement from the Chair of the Committee, will be submitted to an advisory shareholder vote at the 2019 AGM.

This Directors' Remuneration Report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulation 2008, and is compliant with the requirements of the 2016 UK Corporate Governance Code (the 'Code') and the UK Listing Authority's Listing Rules and the Disclosure Guidance and Transparency Rules.

The Remuneration Committee
As of December 31, 2018, the Remuneration Committee comprised four Non-Executive Directors, all of whom are considered to be independent for the purposes of the Code. The members who served on the Committee during the year were:

	Date appointed to the Committee	Meetings attended in 2018
Daniel J. Phelan (Chair)	Nov 4, 2014	7/7
Tatjana May	Feb 1, 2017	7/7
Lorna Parker	Nov 4, 2014	7/7
Daniel Tassé	Nov 1, 2017	7/7

Meetings

At the invitation of the Committee, the Chair of the Board, the Chief Executive Officer, Jon Fogle (Chief Human Resources Officer), Diego Castro Albano (Global Compensation

and Benefits Director) and Kathryn Hudson (Company Secretary) attended meetings and provided advice to the Committee. Members of the Committee and any person attending its meetings do not participate in any discussion or decision on their own remuneration.

The Committee meets with the advisors to the Committee at each meeting without management present.

The Chair of the Committee reports on the activities of the Committee at the following Board meeting, and copies of the minutes of Committee meetings are circulated to all Directors.

Role and responsibilities

The Committee's role is to assist the Board of Directors in fulfilling its oversight responsibility by ensuring that the Remuneration Policy and practices reward fairly and responsibly; are linked to corporate performance; and take account of the generally accepted principles of good governance. On behalf of, and subject to approval by, the Board, the Committee primarily:

- ◊ sets and regularly reviews the Group's overall remuneration strategy;
- ◊ determines the Remuneration Policy for senior management; and
- ◊ in respect of the Executive Directors, members of the Executive Committee and the Company Secretary, sets, reviews and approves:
 - remuneration policies, including Annual and Long-Term Incentive Plans;
 - individual remuneration and compensation arrangements;
 - individual benefits, including pension arrangements;

- terms and conditions of employment, including the Executive Directors' service agreements;
- participation in the Group's Annual and Long-Term Incentive Plans; and
- the targets for the Annual and Long-Term Incentive Plans.

Advice provided to the Remuneration Committee
Deloitte LLP were appointed as advisors to the Committee upon listing in December 2014, following a review undertaken in advance of listing. Deloitte LLP is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.

Fees for advice provided to the Committee for the year, charged on a time spent basis, were £109.0k. Deloitte LLP also provided other employee and tax-related services to the Group during the year.

Willis Towers Watson also provided the Committee with benchmarking information during the year and fees for this were \$92.7k. Willis Towers Watson also provided benefits consulting support in the US during the year.

The Committee is satisfied that the advice provided by Deloitte LLP and Willis Towers Watson is objective and independent.

Activities during the year

The principal matters considered by the Committee during the year were, as follows:

- ◁ reviewed and agreed the outturn in respect of the AIP for the 2017 financial year;
- ◁ considered and agreed the outturn in respect of the LTIP awards granted in 2015;
- ◁ confirmed the measures and targets for the 2018 AIP and 2018-2020 LTIP awards;
- ◁ reviewed and approved the 2017 Annual Report on Remuneration and agreed to put it to shareholders for an advisory vote;
- ◁ following consultation with shareholders and advisors, developed a number of changes to the Group's Remuneration Policy and proposed these to shareholders for a binding vote;
- ◁ reviewed the remuneration arrangements for the Executive Directors, members of the Executive Committee and the Company Secretary, taking into account external benchmarking analysis;
- ◁ reviewed the progress of the Executive Directors and members of the Executive Committee against their shareholding requirements;
- ◁ reviewed and approved the rules of the Indivior Deferred Bonus Plan;
- ◁ reviewed and amended the rules of the Indivior Long-Term Incentive Plan to extend the malus and clawback provisions to include serious reputational damage (in line with the approved Remuneration Policy);

- ◁ undertook an analysis of the 2018 UK Corporate Governance Code and identified those areas which would require further review and changes in approach and policies in 2019; and
- ◁ reviewed the fees paid to the Chair of the Board.

Since the end of the financial year, the Committee has considered the following matters:

- ◁ reviewed the outturn in respect of the AIP for the 2018 financial year and exercised its discretion to override the formulaic outturn and reduce bonus amounts for the Executive Directors to zero;
- ◁ considered the outturn in respect of the LTIP awards granted in 2016, noting that the Group did not achieve threshold performance in respect of the performance measures, and consequently there was 0% vesting of these awards and they lapsed in full;
- ◁ reviewed and agreed the measures and targets for the 2019 AIP;
- ◁ reviewed and agreed the measures and targets for the 2019-2021 LTIP awards. The Committee considered the quantum of the awards in the context of the material decline in the Company's share price and concluded that it was appropriate to reduce the size of awards granted under the LTIP by 35% for 2019 only; and
- ◁ reviewed and approved this 2018 Annual Report on Remuneration and agreed to put it to shareholders for an advisory vote.

Contents

Annual Report on Remuneration

- 65 The Remuneration Committee
- 67 Single total figure of remuneration for Executive Directors
- 67 Incentive outcomes for the year ended December 31, 2018
- 69 Scheme interests awarded during the financial year
- 70 Executive Directors' shareholding and share interests
- 71 Outstanding awards under the LTIP
- 71 Payments to past Directors
- 71 Payments for loss of office
- 71 External appointments
- 71 Service agreements
- 72 Review of past performance
- 73 Dilution limits
- 73 Implementation of Executive Director Remuneration Policy for 2019
- 75 Single total figure of remuneration for the Chair and Non-Executive Directors
- 75 Implementation of Non-Executive Director Remuneration Policy for 2019
- 76 Letters of appointment
- 76 Summary of voting outcomes at the 2018 AGM
- 77 Summary Remuneration Policy

Single total figure of remuneration for Executive Directors (audited)

The table below sets out the remuneration of the Executive Directors for the financial year ended December 31, 2018, and comparative figures for the financial year ended December 31, 2017.

	Base salary \$'000		Taxable benefits ¹ \$'000		AIP \$'000		LTIP \$'000		Pension benefits ² \$'000		Total \$'000	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Shaun Thaxter	797.7	774.5	60.0	63.9	0.0	1,215.9	0.0	7,013.7 ⁵	152.0	147.7	1,009.6	9,215.7
Mark Crossley ³	494.4	412.9	33.0	21.3	0.0	437.8 ⁴	0.0	1,555.0 ⁶	23.4	19.7	550.8	2,446.8
Total	1,292.1	1,187.4	93.0	85.2	0.0	1,653.7	0.0	8,568.7	175.3	167.4	1,560.4	11,662.5

1. Taxable benefits consist primarily of healthcare, life and disability insurance.

2. Pension benefits in the year comprised profit-sharing contributions into the US qualified 401(K) plan, 401(K) matching, contributions to a non-qualified plan and cash.

3. Mark Crossley was appointed an Executive Director on February 21, 2017. His base salary, taxable benefits and pension benefits shown for 2017 are from the date of his appointment to December 31, 2017.

4. Mark Crossley received a total cash bonus of \$437.8k under the AIP in respect of the financial year ended December 31, 2017, equivalent to 94.5% of base salary for the entire financial year.

5. The LTIP award granted to Shaun Thaxter in 2015 vested on March 12, 2018. The award vested at 73.5% of maximum and had a value of \$6,858.9k on the vesting date (based on 1,219,432 shares at 404.8p converted to US\$ using the GBP/US\$ exchange rate on the vesting date (GB£1:US\$1.3895)). He also received a cash payment of \$154.9k, being the amount equivalent to the dividends that would have accrued during the vesting period. The estimated value of the award was previously disclosed in the 2017 Annual Report on Remuneration.

6. The LTIP award granted to Mark Crossley in 2015 vested on February 26, 2018, and the value of the award was previously disclosed in the 2017 Annual Report on Remuneration.

Incentive outcomes for the year ended December 31, 2018 (audited)

AIP 2018

In line with the Remuneration Policy, the maximum AIP opportunity for the Chief Executive Officer was 200% of base salary and 120% of base salary for the Chief Financial Officer.

At the start of the year, the Committee set stretching performance targets in the context of the business plan for the year and taking account of external forecasts. These were equally weighted between net revenue, net income and key pipeline and product measures. For threshold performance, 12.5% of the maximum bonus would be paid, for target performance, 50% of the maximum bonus opportunity would be paid, and 100% of the maximum bonus would only be paid for the delivery of exceptional performance significantly above both internal and external expectations. The outturn is calculated on a straight-line basis between threshold and target, and between target and maximum.

The table below provides an overview of the performance against the targets set in respect of the net revenue and net income measures.

Measure	Weighting	Performance targets			Achieved \$m	Outturn as a % of maximum
		Threshold \$m	Target \$m	Maximum \$m		
Net revenue	33%	1,047	1,163	1,396	1,005	0%
Net income	33%	285	317	380	275	0%

Directors' remuneration report continued

In respect of the key pipeline and product measure, four milestones were set across various segments of the business, with a number of points allocated for each milestone. For threshold performance, one point needed to be achieved, for target performance, 15 points needed to be achieved and for maximum performance, 30 points needed to be achieved.

The table below illustrates the performance against each of these milestones:

Milestone	Project	Target date	Date achieved	Points allocated	Points awarded
SUBLOCADE™ Post-Marketing Requirement & Commitment Studies	Completion of all five nonclinical Post-Marketing Requirement Studies	Q4 2018	Q4 2018		
	Submission of draft protocol to the US FDA to comply with two clinical Post-Marketing Requirement Studies	Q2 2018	Q2 2018		
	Submission of data analysis assessments to the US FDA to comply with Post-Marketing Commitment Studies	Q2 2018	Q2 2018	10	10
SUBLOCADE Life Cycle Evidence Generation (LEGO) Studies	Buprenorphine-Fentanyl blockade study	Q2 2018	Q2 2018		
	SUBLOCADE in Emergency Room study	Q3 2018	Missed	5	0
Pipeline – Early Stage Asset Development	Arbaclofen Placarbil	Q2 2018	Missed		
	ADX71441	Q2 2018	Q1 2018		
	C4X2356	Q3 2018	Q2 2018		
	Development of strategy and completion of evaluation of drug repurposing/repositioning opportunities	Q2 2018	Q2 2018	5	4
Publication & Conferences	Five peer-reviewed publications in well-regarded journals	Q4 2018	Q4 2018		
	Obtain approval and present pivotal phase 3 clinical data in support of SUBLOCADE and RBP-7000 in 10 high-impact international conferences	Q4 2018	Q4 2018	10	10
Total				30	24

On a formulaic basis, this resulted in 80% outturn in respect of the key pipeline and product measure (27% of the maximum annual bonus).

The Committee considered the outturn in the context of the financial performance of the Group in 2018 and the shareholder experience and considered it appropriate to exercise its discretion to override the formulaic outturn and reduce bonus amounts for the Executive Directors to zero.

Measure	Weighting	Achievement	Outturn as a % of maximum
Net revenue	33%	0%	0%
Net income	33%	0%	0%
Key pipeline and product measure	33%	80%	27%
Total outturn (on a formulaic basis)			27%
Actual outturn (following Committee discretion)			0%

Deferred Bonus Plan

Following the approval of the Remuneration Policy at the AGM in 2018, a Deferred Bonus Plan was introduced, which requires 25% of the outturn under the AIP to be compulsorily deferred into conditional shares. The deferred conditional share awards vest after two years subject to continued employment as well as malus provisions. As the outturn of the AIP for 2018 was zero, there will be no bonus deferral in respect of the 2018 financial year.

LTIP

Since the end of the year, the Committee has considered and reviewed the outturn of the conditional awards granted to the Executive Directors under the LTIP in February 2016. The vesting of these awards was conditional upon continued employment and the achievement of the following performance measures.

Key pipeline and product measure

The Committee set one milestone in respect of the key pipeline and product measure. The milestone related to the successful approval of SUBLOCADE in the US and net revenues generated in 2018. The schedule below shows the net revenue milestone targets set by the Committee: 12.5% of the maximum award would have vested for achieving threshold revenues, 50% for target revenues and 100% of the maximum award would have vested for achieving net revenues in excess of \$130m. As SUBLOCADE US net revenue in 2018 did not reach threshold, the portion of the award subject to the key pipeline and product measure did not vest.

Milestone	Weighting	Performance			Achieved \$m	Outturn as a % of maximum
		Threshold \$m	Target \$m	Maximum \$m		
US SUBLOCADE™ net revenue	100%	70	100	130	12	0%

TSR measures

Relative TSR was assessed over the three-year period from January 1, 2016 to December 31, 2018; 12.5% of the maximum award would have vested for Indivior being ranked median in comparison to the respective peer group, and 100% of the maximum award would have vested for being ranked upper quartile or above. Awards vest on a straight-line basis between median and upper quartile.

The TSR performance period ended on December 31, 2018, and Indivior was ranked below median in both peer groups and did not therefore reach threshold and, accordingly, the portions of the award subject to relative TSR did not vest.

This has resulted in zero outturn under the LTIP for the Executive Directors.

Measure	Weighting	Outturn as a % of maximum
Key pipeline and product measure	33%	0%
Relative TSR vs. the constituents of the FTSE 250 excluding investment trusts	33%	0%
Relative TSR vs. the constituents of the S&P 1500 Pharmaceutical and Biotech Index	33%	0%
Total outturn		0%

Scheme interests awarded during the financial year (audited)**LTIP**

Conditional awards were granted under the LTIP to the Chief Executive Officer and Chief Financial Officer on March 9, 2018. The awards will normally vest after three years and will then be subject to a further two-year holding period before shares are released.

	Date of award	No. of shares under award at maximum	Closing share price at date of award	Face value \$'000 ¹	Performance period	Normal vesting date	Normal release date
Shaun Thaxter	Mar 9, 2018	729,617	402.0p	3,738	Jan 2018 – Dec 2020	Mar 9, 2021	Mar 9, 2023
Mark Crossley	Mar 9, 2018	452,209	402.0p	2,317	Jan 2018 – Dec 2020	Mar 9, 2021	Mar 9, 2023

1. The face value of the awards have been calculated using the closing share price on the date of the award and converted to US\$ using the GBE/US\$ exchange rate on December 31, 2018 (GB£1:US\$1.2746). Shaun Thaxter and Mark Crossley received awards with a value of 500% of base salary. Conditional awards include the right to receive an amount equal in value to any dividends payable on the number of vested shares between the award date and the release date.

The vesting of these awards is subject to the achievement of the following performance measures.

Measure	Weighting
Relative TSR vs. the constituents of the FTSE 250 excluding investment trusts	33%
Relative TSR vs. the constituents of the S&P 1500 Pharmaceutical and Biotech Index	33%
Key pipeline and product measure	33%

Relative TSR performance against each of the comparator groups will be measured over three financial years.

Following the reduction of the annual maximum opportunity for the Chief Executive Officer from 600% to 500% of salary in 2018, threshold vesting for the Chief Executive Officer only was increased from 12.5% to 15% of the maximum award for Indivior being ranked median in comparison to the peer group, and 100% of the maximum award will vest for Indivior being ranked at the upper quartile or above. For the Chief Financial Officer, 12.5% of the maximum award will vest for Indivior being ranked median in comparison to the peer group, and 100% of the maximum award will vest for Indivior being ranked at the upper quartile or above. The awards will vest on a straight-line basis between median and upper quartile, with none of the award vesting if Indivior is ranked below median. The Committee considers that these measures balance the fact that Indivior is a FTSE 250 listed company but also recognizes that Indivior operates within a specialized sector where the majority of its peers are listed in the US.

The key pipeline and product measure relates to the delivery of the pipeline and advancement of our product portfolio. The actual targets have not been disclosed prospectively as the Committee believes that these details are commercially sensitive. We will disclose the actual targets and the level of performance achieved against them in 2021, following the completion of the performance period in December 2020, at which point the targets will no longer be considered commercially sensitive.

Executive Directors' shareholding and share interests (audited)

In line with Indivior's Remuneration Policy, Executive Directors are required to build a shareholding with a value equivalent to 500% of base salary. They have five years from the date of demerger or the date of appointment, whichever is later, in which to reach this shareholding requirement. Members of the Executive Committee are expected to build a shareholding of 150% of base salary within the same time frames.

The table below shows the shareholding of each of the Executive Directors (together with interests held by their connected persons) and a summary of outstanding awards as at the date of this report. Shaun Thaxter had previously achieved the shareholding requirement, but has fallen below the requirement as a result of the decline in share price in 2018.

	Number of shares owned outright		Conditional awards held	Options held	Shareholding requirement (% of base salary)	Shareholding at December 31, 2018 (% of base salary) ²	Date by which shareholding requirement to be achieved
	At December 31, 2018	At December 31, 2017	Unvested and subject to performance conditions and continued employment	Vested but not exercised ¹			
Shaun Thaxter	1,509,334	841,798	1,761,905	921,461	500%	380%	December 2019
Mark Crossley	283,372	125,528	985,376	210,619	500%	115%	February 2022

1. The options over 921,461 and 210,619 shares, held by Shaun Thaxter and Mark Crossley, at an option price of 111.0p per share vested on May 11, 2016, and are scheduled to lapse on December 28, 2024.

2. In line with Indivior's Executive Shareholding Guidelines adopted in February 2019, the Executive Directors shareholdings as a % of base salary have been calculated based on shares owned outright valued using the three-month average share price to December 31, 2018 (156.0p) and the US/UK exchange rate over the same period (£1:US\$1.2869).

3. There have been no changes in the interests of the directors in the shares of Indivior PLC between December 31, 2018, and the date of this report.

Outstanding awards under the LTIP

Details of conditional awards over shares granted to the Executive Directors subject to performance conditions are shown below. These awards were granted under the LTIP.

	Date of award	No. of shares under award at maximum	Performance period	Normal vesting date	Normal release date ¹
Shaun Thaxter	Mar 9, 2018	729,617	Jan 2018 – Dec 2020	Mar 9, 2021	Mar 9, 2023
	Feb 24, 2017	1,032,288	Jan 2017 – Dec 2019	Feb 24, 2020	Feb 24, 2022
Mark Crossley	Mar 9, 2018	452,209	Jan 2018 – Dec 2020	Mar 9, 2021	Mar 9, 2023
	Feb 24, 2017	533,167	Jan 2017 – Dec 2019	Feb 24, 2020	Feb 24, 2022

1. Awards granted under the LTIP are subject to a two-year post-vesting holding period.

2. Shaun Thaxter and Mark Crossley hold vested but unexercised market value options over 921,461 and 210,619 shares respectively. These options were granted in December 2014 (on demerger) at an option price of 111p per share and are scheduled to lapse on December 28, 2024.

Payments to past Directors

Cary Claiborne stepped down as a Director on March 7, 2017, and remained an employee until January 31, 2018. His remuneration arrangements on leaving were in line with the approved Remuneration Policy and were reported in the 2017 Annual Report on Remuneration.

The LTIP award granted to Mr Claiborne in 2015 vested on March 12, 2018. The award vested at 73.5% of maximum and had a value of \$4,369.0k on the vesting date (based on 776,761 shares at 404.8p converted to US\$ using the GBP/US\$ exchange rate on the vesting date (GB£1:US\$1.3895)). Mr Claiborne also received a cash payment of \$98.5k, being the amount equivalent to the dividends that would have accrued during the vesting period. The estimated value of the award was previously disclosed in the 2017 Annual Report on Remuneration.

The LTIP award granted to Mr Claiborne in 2016 which was scheduled to vest on February 19, 2019, was subject to the achievement of performance conditions measured over the three-year period from 2016 to 2018. The Group did not achieve threshold performance in respect of the performance conditions set and consequently the award lapsed.

Payments for loss of office

There were no payments for loss of office.

External appointments

Subject to the approval of the Nomination & Governance Committee, Executive Directors are able to accept an external appointment to a corporate board outside the Company and can retain the fees paid for these services. The Chief Executive Officer and Chief Financial Officer do not hold any external appointments.

Service agreements

The Executive Directors have service agreements that set out the contract between the Executive Director and the Company.

	Date of appointment	Notice period from Company	Notice period from individual	Expiry of current term
Shaun Thaxter	November 4, 2014	12 months	12 months	Rolling contract
Mark Crossley	February 21, 2017	12 months	12 months	Rolling contract

Review of past performance

Historical TSR performance

The graph below shows the TSR of the Company and the UK FTSE 250 Index over the period from admission on December 23, 2014 to December 31, 2018. The Index was selected on the basis that the Company was a member of the FTSE 250 Index in the UK during that period.

Value of a hypothetical holding of £100 invested from admission to December 31, 2018.

Historical Chief Executive Officer pay

The historical total remuneration for the role of the Chief Executive Officer for the period from January 1, 2014 to December 31, 2018, is set out in the table below. Historical data is not provided prior to 2014, as the Group was a division of Reckitt Benckiser Group ('RB'). Shaun Thaxter was the Chief Executive Officer throughout the period.

Year	Single figure of total remuneration (\$'000)	AIP (outturn as a % of maximum)	LTIP (outturn as a % of maximum)
2018	1,009.6	0.0%	0.0%
2017	9,215.7	78.5%	73.5%
2016	5,024.8	94.5%	100%
2015	4,317.9	94.5%	93.3%
2014	1,968.1	100% ¹	n/a

1. Indivior was a division of RB for the majority of 2014 and Shaun Thaxter participated in the RB annual bonus plan in that year. The maximum bonus payable to Shaun Thaxter under that plan was 214% of base salary. Shaun Thaxter was paid the maximum bonus in 2014.

Percentage change in Chief Executive Officer remuneration

The following table illustrates the change in Chief Executive Officer base salary, taxable benefits and annual bonus between 2017 and 2018, compared with the average percentage change for the rest of the US employee population; the majority of the Group's employees are based in the US.

	Chief Executive Officer (% change 2017-18)	Other employees (% change 2017-18)
Base salary	3%	3%
Taxable benefits	-6%	2%
Annual bonus (AIP)	~100%	-64%

Relative importance of spend on pay

The following table shows total employee pay compared with shareholder distributions and research and development expenses for 2018 and 2017.

	2018 \$m	2017 \$m	% change
Total employee pay	214	225	-5%
Shareholder distributions ¹	–	–	n/a
Research and development expenses (excluding exceptional items) ²	67	89	-25%

1. In line with the Dividend Policy approved by the Board in 2016, the Company does not intend to pay dividends for the foreseeable future.

2. Research and development expenses excludes exceptional items charged during the year. For further information, refer to Note 5.

Dilution limits

Indivior's share plans provide that awards can be satisfied by newly-issued shares, the transfer of treasury shares or existing shares (purchased in the market and held in an employee benefit trust). Indivior's share plans state that the aggregate number of shares that may be issued to satisfy awards made under those plans must not exceed 10% of the Company's issued share capital in any 10-year period. The Committee has reviewed the number of shares subject to award to ensure that these limits would not be breached by the granting of awards in 2019.

Implementation of Executive Director Remuneration Policy for 2019

Base salary

Base salaries are reviewed taking into account competitive practice for similar roles in the Company's remuneration peer group. The Executive Directors received a 3% salary increase, in line with the average merit increase provided to the wider workforce in both the UK and US with effect from January 1, 2019. The base salaries of the Executive Directors as at January 1, 2019 and January 1, 2018, are set out below.

Base salary \$'000	As at January 1, 2019	As at January 1, 2018	% increase
Shaun Thaxter	821.6	797.7	3%
Mark Crossley	509.2	494.4	3%

Pension benefits

No changes have been made to the pension arrangements for 2019. The Chief Executive Officer will receive pension contributions (or equivalent cash allowances) of 17.5% of salary, plus any Company matching on 401(K) elected deferrals. This is made up of profit-sharing contributions of 4% of pay directed into the Indivior Inc. Profit Sharing and 401(K) plan, with any outstanding balance between these contributions and the 17.5% of annual base salary paid in cash and/or the deferred compensation account.

The Chief Financial Officer, Mark Crossley, will receive pension contributions of profit-sharing contributions of 4% of pay directed into the Indivior Inc. Profit Sharing and 401(K) plan, plus any Company match of 75% on elected deferrals up to 4.5% of pay. The Indivior Inc. Profit Sharing and 401(K) plan is governed by the plan limits, as set by the Internal Revenue Services (IRS).

The Executive Directors do not have a prospective entitlement to a defined benefit pension.

AIP 2019

No changes have been made to the opportunity under the AIP for 2019. The Chief Executive Officer and Chief Financial Officer will have a maximum bonus opportunity of 200% and 120% of base salary, respectively.

As a result of the strategic decision to reduce investment in certain research and development activities in the short term in order to reduce the Group's operational cost base, the Committee considered the performance measures for the 2019 AIP and concluded that they would be based on three financial metrics. In line with our Policy, 75% of any bonus amount will be delivered in cash and 25% will be deferred into shares for a period of two years.

Bonuses for 2019 will be based on the following measures and weightings:

Measure	Weighting
SUBLOCADE™ net revenue	40%
Cash management	40%
PERSERIS™ net revenue	20%

As an additional underpin, if the Group violates its debt covenants, no award will be paid in respect of the cash management portion of the annual bonus.

We have not disclosed the actual performance targets for 2019, as we consider them to be commercially sensitive. However, we commit to disclosing the performance targets retrospectively in next year's Annual Report on Remuneration.

LTIP

Following consultation with shareholders in 2018, the maximum opportunity under the LTIP for the Chief Executive Officer was reduced from 600% to 500% of base salary for awards granted from 2018 onwards. The Committee carefully considered the quantum of awards to be granted in 2019 in the context of the material decline in the Company's share price in 2018. The Committee concluded that it was appropriate to reduce the quantum of all LTIP awards to be granted in 2019 by 35%; the Executive Directors will therefore receive awards with a reduced maximum opportunity of 325% of base salary (162.5% at target). The awards will be subject to a three-year performance period and an additional two-year post-vesting holding period.

The Committee also considered the LTIP performance metrics in the current business context and concluded it would be appropriate to adjust the measures and has therefore determined that awards granted in 2019 will be subject to relative TSR versus the constituents of the FTSE 250 excluding investment trusts; and relative TSR versus the constituents of the S&P 1500 Pharmaceutical and Biotech Index; each with equal weighting.

Measure	Weighting	Rationale for metric
Relative TSR vs. FTSE 250 (excluding investment trusts)	50%	Provides alignment with shareholders through the relative outperformance of other UK listed companies.
Relative TSR vs. S&P 1500 Pharmaceutical and Biotech Index	50%	Provides alignment with shareholders through the relative outperformance of direct sector peers who are subject to similar market influences.

Following the reduction of the annual maximum opportunity for the Chief Executive Officer in 2018, threshold vesting for the Chief Executive Officer only was increased from 12.5% to 15% of the maximum award for Indivior being ranked median in comparison to the peer group, and 100% of the maximum award will vest for Indivior being ranked at upper quartile or above. For the Chief Financial Officer, 12.5% of the maximum award will vest for Indivior being ranked median in comparison to the peer group, and 100% of the maximum award will vest for Indivior being ranked at upper quartile or above. Awards will vest on a straight-line basis between median and upper quartile, with none of the awards vesting if Indivior is ranked below median.

Single total figure of remuneration for the Chair and Non-Executive Directors (audited)

The table below sets out the total remuneration received by the Chair and the Non-Executive Directors for the year ended December 31, 2018. The Chair and the Non-Executive Directors are not eligible to participate in the Company's annual bonus, long-term incentive or pension schemes.

	2018 '000	2017 '000
Howard Pien	\$396.9	\$396.9
Yvonne Greenstreet	\$122.7	\$122.7
Tatjana May	£75.0	£68.8 ¹
A. Thomas McLellan	\$108.3	\$108.3
Lorna Parker	£85.0	£85.0
Daniel J. Phelan	\$122.7	\$122.7
Chris Schade	\$122.7	\$122.7
Daniel Tassé	\$137.1	\$137.1
Lizabeth Zlatkus	\$108.3	\$108.3

1. Tatjana May was appointed a Director of the Company on February 1, 2017. The fee shown for 2017 is from the date of appointment to December 31, 2017.

Implementation of Non-Executive Director Remuneration Policy for 2019

Chair and Non-Executive Directors' fees

The fees paid to the Chair and Non-Executive Directors are reviewed on a biennial basis and were previously reviewed by the Board in November 2016, after which there was no increase. The fees were reviewed again in November 2018 in line with the normal cycle, again after which there was no increase. Fees have therefore stayed at the same level since the date of listing in December 2014, and are intended to stay at that level until the next review in November 2020.

Fees paid to the Chair and the Non-Executive Directors who are resident in the UK and US are paid in UK pounds sterling and US dollars respectively. Since 2016, a fixed exchange rate has been used to translate UK amounts into US dollars, effectively setting fees at that time, both on a UK and US basis. Details of these fees are set out in the table below.

	Fees at January 1, 2019 £'000	Fees at January 1, 2018 £'000	Fees at January 1, 2019 \$'000	Fees at January 1, 2018 \$'000	% increase
Chair	275.0	275.0	396.9	396.9	—
Non-Executive Director	55.0	55.0	79.4	79.4	—
Senior Independent Director	20.0	20.0	28.9	28.9	—
Chair of Audit Committee	20.0	20.0	28.9	28.9	—
Chair of Remuneration Committee	20.0	20.0	28.9	28.9	—
Chair of Science & Policy Committee	20.0	20.0	28.9	28.9	—
Chair of Nomination & Governance Committee	20.0	20.0	28.9	28.9	—
Member of Audit Committee	10.0	10.0	14.4	14.4	—
Member of Remuneration Committee	10.0	10.0	14.4	14.4	—
Member of Science & Policy Committee	10.0	10.0	14.4	14.4	—
Member of Nomination & Governance Committee	10.0	10.0	14.4	14.4	—

Directors' remuneration report continued

Chair and Non-Executive Directors' shareholding (audited)

The following table shows the shareholdings of each of the Chair and Non-Executive Directors (together with the interests of their connected persons) as at December 31, 2018. The Chair and Non-Executive Directors are expected to acquire an interest in Indivior shares over the course of their appointment.

	Total number of shares held at December 31, 2018	Total number of shares held at December 31, 2017
Howard Pien	46,219	46,219
Yvonne Greenstreet	6,017	6,017
Tatjana May	—	—
A. Thomas McLellan	7,546	7,546
Lorna Parker	6,079	6,079
Daniel J. Phelan	10,318	10,318
Chris Schade	5,911	5,911
Daniel Tassé	12,996	12,996
Lizabeth Zlatkus	696	696

1. There have been no changes in the interests of the Directors in the shares of Indivior PLC between December 31, 2018 and the date of this report.

Letters of appointment

The terms of service of the Chair and the Non-Executive Directors are contained in letters of appointment. In accordance with the Code, the Chair and Non-Executive Directors are appointed subject to re-appointment by shareholders at the Company's next AGM following their appointment and re-appointment at each subsequent AGM. The Chair and Non-Executive Directors are not entitled to receive compensation for loss of office.

The table below sets out the dates of appointment of the Chair and the Non-Executive Directors and the expiry of their current terms.

	Date of appointment	Expiry of current term	Length of service at December 31, 2018 in years	Notice period
Howard Pien	November 4, 2014	November 3, 2020	4	1 month
Yvonne Greenstreet	November 4, 2014	November 3, 2020	4	1 month
Tatjana May	February 1, 2017	January 31, 2020	1	1 month
A. Thomas McLellan	November 4, 2014	November 3, 2020	4	1 month
Lorna Parker	November 4, 2014	November 3, 2020	4	1 month
Daniel J. Phelan	November 4, 2014	November 3, 2020	4	1 month
Chris Schade	November 4, 2014	November 3, 2020	4	1 month
Daniel Tassé	November 4, 2014	November 3, 2020	4	1 month
Lizabeth Zlatkus	September 1, 2016	August 31, 2019	2	1 month

Summary of voting outcomes at the 2018 AGM

At the AGM held on May 16, 2018, votes cast by proxy and at the meeting in respect of Directors' Remuneration were as follows:

Resolution	Votes for	Votes for (%)	Votes against	Votes against (%)	Votes withheld (abstentions)
Approve the Directors' Remuneration Report	567,518,604	94.9%	30,581,743	5.1%	62,455
Approval of the Remuneration Policy	563,892,577	94.3%	34,156,066	5.7%	113,809

Summary Remuneration Policy

This section of the report sets out a summary of the Remuneration Policy that was approved by shareholders at the AGM on May 16, 2018 and became effective on that date. No changes are proposed for 2019. It is intended that the Policy will remain effective for a period of three years i.e. until 2021. The full Policy can be found in the Directors' Remuneration Report in the 2017 Annual Report on the Company's website www.indivior.com.

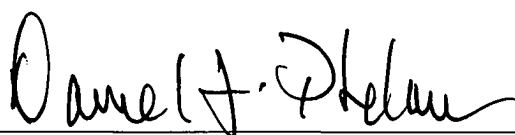
Summary Policy table – Executive Directors

Remuneration Element	Operation
Base salary	Base salaries are normally reviewed annually, with any increase normally being applied with effect from January 1 each year. Base salary levels/increases take account of: - the competitive practice in the Group's remuneration peer group. - the scope and responsibility of the position. - individual performance. - salary increases awarded across the Group as a whole.
Pension benefits	Executive Directors may receive contributions into a defined contribution scheme, a cash allowance, pension benefits in the form of profit-sharing contributions into the US qualified 401(K) plan, Group matching on 401(K) elected deferrals, or a combination thereof.
Benefits	Executive Directors may receive various market-competitive benefits, which may include: a company car (or cash equivalent), travel allowance, private medical and dental insurance, travel accident policy, disability and life assurance. Where appropriate, other benefits may be provided to take account of individual circumstances, such as but not limited to: expatriate allowances, relocation expenses, housing allowance and education support. The Company provides Directors' and Officers' liability insurance, and an indemnity to the extent permitted by law.
Annual Incentive Plan	Performance is assessed on an annual basis with measures and targets set by the Committee at the start of the performance year. At the end of the performance year, the Committee determines the extent to which these have been achieved. Bonuses are paid after the end of the performance year. 75% of the annual bonus is delivered in cash and 25% is deferred into shares for a period of two years. During the deferral period, deferred share awards may be reduced or canceled in certain circumstances. Dividend equivalents may be paid in cash or additional shares on deferred share awards up to the end of the deferral period, where relevant. The Committee has discretion to adjust the formulaic bonus outcomes both upwards and downwards (including to zero) to ensure alignment of pay with performance, e.g. in the event performance is impacted by unforeseen circumstances outside of management control.
Long-Term Incentive Plan (LTIP)	Awards under the LTIP may consist of grants of conditional share awards, nil cost options or market-value share options which vest subject to the achievement of stretching performance targets measured over a performance period of at least three years. Awards granted to Executive Directors from 2016 onwards are subject to an additional holding period following the performance period. For awards with a three-year performance period, this holding period will normally be two years. The LTIP opportunity is reviewed annually with reference to market data and the associated cost to the Group is calculated using an expected value methodology. The performance conditions are reviewed before each award cycle to ensure they remain appropriate and targets are suitably stretching and may be amended in accordance with the terms of the LTIP or if the Committee reasonably considers it appropriate, provided that the amended performance conditions are not materially easier to satisfy. Dividend equivalents may be paid in cash or additional shares on LTIP awards that vest up to the end of the post-vesting holding period, where relevant. The Committee has discretion to adjust the formulaic LTIP outcomes to improve the alignment of pay with value creation for shareholders to ensure the outcome is a fair reflection of the performance of the Group.
All-employee share plans	Executive Directors may participate in all-employee share plans offered by the Group on the same basis as is offered to the Group's other eligible employees.

Daniel J. Phelan

Chair of the Remuneration Committee

March 1, 2019



Directors' Report

The Directors present their Annual Report together with the audited consolidated financial statements for the year ended December 31, 2018.

Corporate Governance Statement

The Directors' Report forms part of the management report as required under DTR 4.1.8R. The Strategic Report on pages 4 to 35 includes forward-looking statements indicating important events affecting the Group, future likely developments and the Group's business model and strategy. The Corporate Governance Report on pages 36 to 77 is incorporated into the Directors' Report by reference.

The following information fulfilling the further disclosure requirements contained in the Companies Act 2006, Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 and the FCA's Listing Rules and Disclosure Guidance and Transparency Rules (DTRs) have been included elsewhere within the Annual Report and are incorporated into the Directors' Report by reference:

Disclosure	Location
Future business developments and R&D activities	Strategic Report (pages 16 to 17)
Financial risk management	Strategic Report (pages 29 to 34)
Greenhouse gas emissions	Strategic Report (page 18)
Directors' Responsibilities Statement	(pages 83 to 84)

Both the Directors' Report and the Strategic Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law. The liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law.

Results and dividends

The consolidated income statement is on page 95. Profit for the financial year attributable to equity shareholders amounted to £275m.

In line with the dividend policy approved by the Board, the Directors do not recommend payment of a dividend in respect of the financial year ended December 31, 2018. The Directors are of the view that the dividend policy remains appropriate for the Group in light of its current financial position, strategy and prospects and the continuing uncertainties faced. These uncertainties include ongoing litigation, the ongoing government investigation and the need to establish more diverse revenue streams in light of generic entry into the market.

Directors and their interests

The Directors of the Company who served during the financial year ended December 31, 2018 and up to the date of signing the financial statements appear on pages 38 to 39. Yvonne Greenstreet will step down as a Director prior to the 2019 Annual General ('2019 AGM') and will not seek re-election. Details of Directors' interests in the Company's ordinary shares, including any interest in share awards and long-term incentive plans, are set out in the Directors' Remuneration Report on pages 62 to 77.

No Director held a material interest at any time during the year in any derivative or financial instrument relating to the Company's shares.

Powers of Directors

The Directors are responsible for managing the business of the Company and may exercise all the powers of the Company, subject to the provisions of relevant statutes, to any directions given by special resolution and the Articles of Association. Powers relating to the issuing of shares are also included in the Articles of Association and such authorities are renewed by shareholders at the AGM each year, see page 79.

Appointment and replacement of Directors

The Company's Articles of Association give the Directors power to appoint and replace Directors. Under the Terms of Reference of the Nomination & Governance Committee, any appointment will be recommended by that Committee for approval by the Board of Directors.

The Articles of Association require Directors to retire and submit themselves for re-appointment at the first Annual General Meeting ('AGM') following appointment, and all Directors who have held office at the date of the two preceding AGMs.

Notwithstanding these provisions of the Articles of Association, in compliance with the UK Corporate Governance Code and in line with previous years, all Directors wishing to continue in office will offer themselves for re-appointment by the shareholders at the 2019 AGM. Details of unexpired terms of Directors' service contracts are set out in the Directors' Remuneration Report on page 76.

Director indemnities and insurance cover

In accordance with the Company's Articles of Association and to the extent permitted by law, the Directors have been granted an indemnity from the Company in respect of liability incurred as a result of their office. In addition, the Company maintained Directors' and Officers' liability insurance throughout the year. Neither the indemnity nor the insurance provide cover in the event that a Director is found to have acted dishonestly or fraudulently.

Articles of Association

The Articles of Association may be amended by special resolution of the shareholders.

Shares

Share capital

Details of the Company's share capital and the rights attached to the Company's shares are set out in Note 7 on page 129.

The Company has one class of ordinary share which carries no rights to fixed income. Each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on the Official List and traded on the London Stock Exchange. As of December 31, 2018, the Company had 728,441,653 ordinary shares in issue. The Company does not hold any shares in Treasury.

The rights and obligations attached to the Company's ordinary shares are set out in the Articles of Association. There are no restrictions on the voting rights attaching to the Company's ordinary shares or the transfer of securities in the Company except, in the case of transfers of securities:

- ◊ that certain restrictions may from time to time be imposed by laws and regulations; and pursuant to the EU Market Abuse Regulation, Directors and certain employees require clearance to deal in the Company's securities.
- ◊ no person holds securities in the Company which carry special voting rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

The Company has a Sponsored Level 1 American Depository Receipt ('ADR') program in the US.

Authority to allot shares

At the 2019 AGM, the Directors will ask shareholders to renew the authority last granted to them at the 2018 AGM to allot shares up to a maximum of an amount equivalent to two-thirds of the shares in issue (of which one-third must be offered by way of rights issue). The renewed authority will apply until the conclusion of the 2020 AGM.

Two separate special resolutions will be proposed at the 2019 AGM to authorize the Directors to allot equity shares in the Company for cash, without regard to the pre-emption provisions of the Companies Act 2006. These authorities are also renewable annually. The authorities sought are in line with institutional shareholder guidance.

Authority to purchase own shares

At the 2018 AGM, shareholders approved a resolution for the Company to make purchases of its own shares to a maximum number

of ordinary shares, being approximately 10% of the issued share capital. As at December 31, 2018 the full extent of this authority remained in force and unutilized. The authority is renewable annually and shareholders will be asked to approve an equivalent resolution at the 2019 AGM.

The Directors consider it desirable for these general authorizations to be available in order to maintain an efficient capital structure but will only purchase the Company's shares in the market if they believe it is in the best interests of shareholders generally.

Substantial shareholdings

As at December 31, 2018 and the date of this Report, the Company had been notified under Rule 5 of the Disclosure Guidance and Transparency Rules of the following major interests in the voting rights in the capital of the Company:

Name of shareholder	At March 1, 2019 (% of total voting rights)	At December 31, 2018 (% of total voting rights)
Standard Life Aberdeen	17.31%	15.04%
Scopia Capital Management	15.98%	18.03%
Old Mutual Global Investors (UK) Limited	8.02%	8.02%
Artemis Investment Management	5.30%	5.30%
Prudential	5.22%	5.22%

Shares held in the Indivior PLC Employee Benefit Trust

The trustee of the Indivior PLC Employee Benefit Trust ('EBT') has agreed not to vote any shares held by the EBT at any general meeting. If any offer is made to shareholders to acquire their shares the trustee will not be obliged to accept or reject the offer in respect of any shares which are at that time subject to

subsisting awards, but will have regard to the interests of the award holders and will have power to consult them to obtain their views on the offer. Subject to the above, the trustee may take action with respect to the offer it thinks fair.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group have been reviewed by the Directors and are detailed on pages 30 to 34, where information is also provided on the performance of the Directors in actively managing those risks.

Greenhouse gas emissions

Disclosures concerning the Group's greenhouse gas emissions are contained within the managing our business responsibly section of the Strategic Report, on page 18, and form part of the Directors' Report disclosures.

People

During the year under review, the Group employed an average of 1,024 people worldwide (2017: 1,012). The Group's business priority is to safeguard the well-being, development and safety of its workforce. It also wants its workforce to have opportunities to grow and progress as part of an enjoyable career.

The Group is an inclusive and equal opportunity employer that relies on Human Resources specialists throughout its worldwide locations to ensure compliance with all applicable laws governing employment practices and to advise on all Human Resources policies and practices, including for example recruitment and selection, training and development, promotion and retirement. Group policies seek to

create a workplace that has an open atmosphere of trust, honesty and respect. Harassment or discrimination of any kind based on race, color, religion, gender, age, national origin, citizenship, mental or physical disabilities, sexual orientation, veteran status, or any other similarly protected status is not tolerated. This principle applies to all aspects of employment from recruitment and promotion, through to termination and all other terms and conditions of employment. It is Group policy not to discriminate on the basis of any unlawful criteria, and its practices include the prohibition on the use of child or forced labor. Employment policies are fair and equitable and consistent with the skills and abilities of the employee and the needs of the business.

The Group is committed to offering equal opportunities in recruitment, training, career development and promotion to all people, including those with disabilities, having regard for their particular aptitudes and abilities. As a matter of policy, full and fair consideration is given to applicants with disabilities and every effort is made to give employees who become disabled while employed by the Group an opportunity for retraining and for continuation in employment. It is Group policy that the training, career development and promotion of disabled persons should, as far as possible, be the same as that of other employees. Employees and their representatives are briefed and consulted on all relevant matters on a regular basis in order to take their views into account with regard to decision-making and to achieve a common awareness of all the financial and economic factors affecting the performance of the

Group. Information relevant to the employees is provided to them and, where appropriate, to employee trade union representatives.

The Group supports the wider fundamental human rights of its employees worldwide, as well as those of its customers and suppliers.

Further information regarding our people can be found on pages 19 to 20.

Significant agreements – change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover, such as commercial contracts, bank agreements, property lease arrangements and employee share plans. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole.

There are no significant agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover.

There is no information that the Company would be required to disclose about persons with whom it has contractual or other arrangements which are essential to the business of the Company.

The Directors acknowledge that there are other significant stakeholders, in addition to shareholders, who provide valuable feedback and help shape the Company's overall approach to governance.

Political donations

There were no political donations, as defined in the Companies Act 2006, during 2018 (2017: nil). The Company's US subsidiaries do make 'political donations' as defined under UK law, but these donations are not subject to that law. Donations by US subsidiaries will not exceed US\$500,000.

Branches

The Group has branches in Finland, Norway and Sweden. The Group had a branch in Greece during the 2018 financial year, which formally deregistered on January 10, 2019.

Disclosure of information to External Auditor

Each of the persons who are Directors at the time when this Directors' Report is approved confirms that:

- ◊ so far as he/she is aware, there is no relevant audit information of which the Company's External Auditor is unaware; and
- ◊ each Director has taken all reasonable steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's External Auditor is aware of that information.

For these purposes, relevant audit information means information needed by the Company's External Auditor in connection with the preparation of their report on pages 85 and 94.

External Auditor

PricewaterhouseCoopers LLP have agreed to be re-appointed as the External Auditor of the Company. Resolutions for their re-appointment, and to authorize

the Audit Committee to determine their remuneration, will be proposed at the forthcoming AGM.

Financial risk management

Details of the Group's use of financial instruments, together with information on the Company's risk objectives, policies and exposure to price, credit, liquidity, cash flow and interest rate risks, can be found in Note 16.

Disclosures required under Listing Rule 9.8.4

There are no disclosures required to be made under UK Listing Rule 9.8.4. Details of long-term incentive plans can be found in the Directors' Remuneration Report on pages 62 to 77.

Post-balance sheet events

- ◊ Following February 19, 2019 orders from the U.S. District Court for the District of New Jersey, Dr. Reddy's Laboratories (DRL) and Alvogen Pine Brook, Inc. (Alvogen) are no longer prevented from selling, offering to sell, or importing their generic buprenorphine/naloxone sublingual film products. On February 20, 2019, Indivior announced that it had launched an authorized generic version of SUBOXONE® (buprenorphine and naloxone) Sublingual Film (CIII) in the U.S. It is possible that other generic manufacturers may also launch generic versions of SUBOXONE® Film following Indivior's launch of this authorized generic.
- ◊ Indivior reached a definitive agreement (February 4, 2019) to divest rights related to SUBOXONE® Sublingual Tablets (Sai Bo Song™) in the People's Republic of China to Zhejiang

Pukang Biotechnology Co., Ltd. (Pukang) for total potential consideration of up to \$122.5m based on achieving certain milestones. The agreement is subject to various closing conditions and is anticipated to close in Q4 2019.

- ◊ During the year, the Group announced its intention to implement a program to streamline the Group and reduce certain costs. This resulted in a further reduction in headcount of more than 120 employees in Q1 2019. Incremental costs to effect the savings will be reflected as an exceptional cost in Q1 2019.

Viability statement

The Directors have assessed the prospects of the Group over a four-year period to December 31, 2022, as set out on page 35. This has taken into account the business model, strategic aims, risk appetite, and principal risks and uncertainties, along with the Group's current financial position. Based on this assessment, the Directors have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the four-year period under review. The viability statement can be found on page 35.

Disclaimer

The purpose of this Annual Report and Accounts is to provide information to members of the Company. The Annual Report and Accounts have been prepared for, and only for, the members of the Company, as a body and no other persons. The Company, its Directors and employees, agents or advisors do not accept or assume responsibility to any other person

to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

The Annual Report and Accounts contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and Accounts and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

Annual General Meeting ('AGM')

The AGM will be held at 11am (UK Time) on Wednesday, May 8, 2019 at the offices of Addleshaw Goddard LLP, Milton Gate, 60 Chiswell Street, London EC1Y 4AG. A full description of the business to be conducted at the meeting is set out in the Notice of AGM, available from the Company's website www.indivior.com.

Strategic Report

The Strategic Report set out on pages 4 to 35 was approved by the Board on March 1, 2019.

By Order of the Board

Kathryn Hudson

Company Secretary of Indivior PLC



103-105 Bath Road
Slough, Berkshire, SL1 3UH

Company registration number:
9237894

March 1, 2019

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group and Parent Company for that period. In preparing the financial statements, the Directors are required to:

- ◊ select suitable accounting policies and then apply them consistently;
- ◊ state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;

- ◊ make judgements and accounting estimates that are reasonable and prudent; and
- ◊ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Annual Report and Accounts, confirm that, to the best of their knowledge:

- ◊ the Parent Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- ◊ the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- ◊ the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to auditors

A Directors' statement in relation to disclosure of relevant audit information can be found in the Directors' Report on pages 78 to 82.

Going concern

The Group's business model, strategy, and viability assessment are set out in the Strategic Report on pages 4 to 35, along with the principal risks that could threaten the Group's business model, future performance, solvency or liquidity and the Group's risk management strategy. The Group's financial position, cash flows, liquidity position and financial assets and liabilities are discussed in the notes to the Group financial statements, along with the Group's objectives, policies and processes for managing its financial risks, and the Group's exposure to liquidity risk and capital risk.

The Directors have given the going concern assessment due consideration and have concluded that it is appropriate to prepare the Group financial statements on a going concern basis. The Directors have considered the Group's strategic plan, in particular with reference to the period through June 2020. As disclosed in Note 22 of the Group Financial Statements, the Directors have considered the impact of the DOJ, FTC and antitrust litigations. The final settlement amount may be materially higher than the \$438m provision recorded at December 31, 2018, or require payment over a shorter period. This, together with higher than expected loss of revenue following the 'at-risk' launch of generic buprenorphine/naloxone sublingual film products, or failure for new products to meet expectations,

could impact the Group and Parent Company's ability to operate. The Directors have taken significant steps to reduce the cost base of the business and manage its capital structure and believe the Group has sufficient liquidity to continue as a going concern for at least the next twelve months. However, a combination of the risks may require additional measures such as further cost savings or a change to the litigation strategy.

Although the above factors indicate the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern, the Directors have a reasonable expectation that the Group and Parent Company have adequate resources to continue in operational existence through the period ending June 2020. Accordingly, the Directors continue to adopt the going concern basis for accounting in preparing these financial statements. The viability statement is on page 35.

This statement is made to fulfill the requirements of Provision C.1.3 of the UK Corporate Governance Code.

By Order of the Board

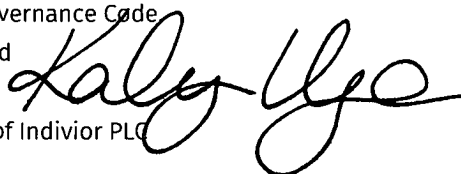
Kathryn Hudson

Company Secretary of Indivior PLC

103-105 Bath Road
Slough, Berkshire, SL1 3UH

Company Registration
number: 9237894

March 1, 2019



Independent Auditors' report to the members of Indivior PLC

Report on the audit of the Financial Statements

Opinion

In our opinion:

- ◊ Indivior PLC's Group Financial Statements and Parent Company Financial Statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit and cash flows for the year then ended;
- ◊ the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- ◊ the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- ◊ the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

We have audited the Financial Statements, included within the Annual Report, which comprise: the Consolidated balance sheet and the Parent Company balance sheet as at 31 December 2018; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement, the Consolidated statement of changes in equity and the Parent Company statement of changes in equity for the year then ended; and the notes to the Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

Other than those disclosed in Note 6 to the Financial Statements, we have provided no non-audit services to the Group or the Parent Company in the period from 1 January 2018 to 31 December 2018.

Emphasis of matter – Group – Outcome of legal proceedings

In forming our opinion on the Group Financial Statements, which is not modified, we draw your attention to Notes 2, 20 and 22 that describe the uncertain outcome of the ongoing investigations by the Department of Justice and the Federal Trade Commission as well as antitrust litigation. The Group carries a provision of \$438m, substantially all of which relates to the potential settlement of the Department of Justice investigations. The final aggregate settlement amount for all of the outstanding matters referred to may be materially higher than this provision and/or may require payment over a shorter period than currently anticipated.

Material uncertainty relating to going concern – Group and Parent Company

In forming our opinion on the Financial Statements, which is not modified, we have considered the adequacy of the disclosure made in Note 2 of the Group Financial Statements and Note 1 of the Parent Company Financial Statements that describes the uncertain outcome of the ongoing investigations by the Department of Justice and Federal Trade Commission and antitrust litigation.

This could impact the Group's ability to operate, which will be adversely affected by the significant decline in revenue in 2019 and beyond following the 'at-risk' launch of generic buprenorphine/naloxone sublingual film products and the potential risk of failure for new products to meet revenue growth expectations.

The above matters could also impact the Parent Company's ability to recover amounts owed by subsidiary undertakings and the value of the Parent Company's investments in shares in subsidiary undertakings.

These conditions, set out in Note 2 to the Group Financial Statements and Note 1 to the Parent Company Financial Statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Parent Company's ability to continue as a going concern. The Financial Statements do not include the adjustments that would result if the Group and Parent Company were unable to continue as a going concern.

Independent Auditors' report to the members of Indivior PLC continued

Explanation of material uncertainty

The Directors have taken significant steps to reduce the cost base of the business and manage its capital structure and believe the Group has sufficient liquidity, influence over near-term legal proceedings and the ability to carry out further measures that may be necessary for the Group and Parent Company to continue as a going concern for at least the next 12 months. However, a combination of the above risks may require additional measures such as further cost savings or a change to the legal strategy. As a result of the expected significant decline in revenue in 2019 and the extent of its potential impact, the Directors are prepared to take the further steps noted, as also described in Note 2 to the Group Financial Statements and Note 1 to the Parent Company Financial Statements.

The Directors believe that they are able to carry out the necessary additional measures and that the Group and Parent Company can continue as a going concern for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis for accounting in preparing these Financial Statements. However, given the risks associated with the matters outlined above, the Directors have drawn attention to this in disclosing a material uncertainty relating to going concern in the basis of preparation to the Financial Statements.

What audit procedures we performed

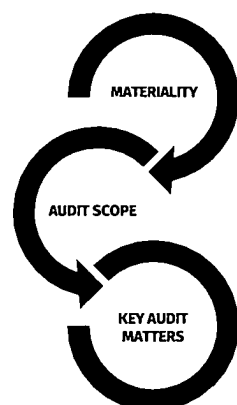
In concluding there is a material uncertainty, our audit procedures assessed the impact of a final aggregate settlement amount for all of the outstanding legal proceedings that is materially higher than the current provision; higher than expected loss of revenue following the 'at-risk' launch of generic buprenorphine/naloxone sublingual film products; and the failure for new products to meet revenue growth expectations.

In assessing the impact of the above scenarios, which are referred to in Note 2 to the Group Financial Statements and Note 1 to the Parent Company Financial Statements, we performed the following procedures on the Directors' assessment that the Group and Parent Company will continue as a going concern:

- ◊ agreed the underlying cash flow projections to management approved forecasts, assessed how these forecasts are compiled, and assessed the accuracy of management's forecasts by reviewing third-party data for the SUBOXONE® Film, SUBLOCADE™ and PERSERIS™ revenue streams with the assistance of our valuations experts;
- ◊ evaluated the assumptions regarding the impact of revenue decline of SUBOXONE® Film by reference to the historical impact of other generic launches on the revenues of a branded product;
- ◊ assessed the basis of the actions implemented to reduce the Group's cost base by agreeing them to detailed workings, agreeing, where appropriate, to actions already undertaken, discussing the assumptions used with management, assessing the reductions against underlying calculations and whether those further reductions identified were feasible given our understanding of the business model and operating expenses;
- ◊ assessed the impact of either increased lump sum payments or a different payment pattern as a result of the settlement of the legal proceedings, combined with lower SUBOXONE® Film, SUBLOCADE and PERSERIS revenue and a higher level of damages required to be paid to generic competition than currently provided against the debt covenants in place as explained in Note 18;
- ◊ assessed whether the downside model prepared by management appropriately considered the risks facing the business as identified in the principal risk section on pages 29 to 34; and
- ◊ checked the mathematical accuracy of the spreadsheet used to model future financial performance and determined whether the minimum cash balance requirements will be met.

Our audit approach

Overview



- ◊ Overall Group materiality: \$15.9m (2017: \$18.0m), based on 5% of adjusted profit before tax.
- ◊ Overall Parent Company materiality: \$14.7m (2017: \$14.7m), based on 1% of total assets.
- ◊ We conducted work in two key territories, being the UK and US. This included full scope audits at two components and specific audit procedures over certain financial statement line items at a further four components.
- ◊ The components where we performed audit work, taken together with our work on central corporate functions, accounted for 94% of the Group's revenues and 92% of the Group's adjusted profit before tax.
- ◊ Risk of misstatement relating to ongoing legal claims and regulatory investigations and claims and the related provisions (refer to Notes 20 and 22) (Group).
- ◊ Significant judgements and estimates in sales rebates, discounts and returns adjustments recognised primarily in the US business (refer to Note 2) (Group).
- ◊ Recoverability of assets (Group).
- ◊ Carrying value of investments in subsidiaries (refer to Note 2 of the Parent Company Financial Statements) (Parent Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to pharmaceutical regulatory requirements (including, but not limited to, those of the Federal Trade Commission, US Food and Drug Administration and the European Medicines Agency) (see page 34 of the Annual Report), and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the Financial Statements including, but not limited to, the Companies Act 2006 and UK and US tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate revenue or expenditure, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors referred to in the scoping section of our report below, so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- ◊ Discussions with management, internal audit and the Group's legal advisors, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- ◊ Reviewing key correspondence with regulatory authorities and discussion with external and internal legal counsel;
- ◊ Review of significant component's auditors' working papers;
- ◊ Reading of internal audit reports;
- ◊ Challenging assumptions and judgements made by management in its significant accounting estimates, in particular in relation to impairment of intangible assets, other non-current assets, deferred tax assets and inventories (see related key audit matter below);
- ◊ Evaluation of management's controls designed to prevent and detect irregularities, in particular its anti-bribery controls;
- ◊ Assessment of matters reported on the group's whistleblowing helpline and the results of management's investigation of such matters; and
- ◊ Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, posted by senior management or posted at unusual times.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Independent Auditors' report to the members of Indivior PLC continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty relating to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Risk of misstatement relating to ongoing legal claims and regulatory investigations and the related provisions (refer to Notes 20 and 22) – Group The pharmaceutical industry is a highly regulated industry. Compliance is required across the industry, however with the US representing (79%) of the Group's revenue, the US regulatory requirements, including those of the Federal Trade Commission and US Food and Drug Administration is considered a significant focus. The Group is engaged in a number of ongoing litigations and investigations, which may have a material impact on the Group Financial Statements. We focused on this area because the outcome of claims is uncertain and the positions taken by the Directors are based on the application of material judgements and estimation. Accordingly, should the outcomes of the legal proceedings differ from those anticipated by the Directors, this could materially impact the Group's reported profit and balance sheet position. As referred to in Notes 2, 20 and 22, the Group carries a provision of \$438m in respect of the investigative and antitrust litigation matters at 31 December 2018 (31 December 2017 – \$438m). In arriving at this balance, management has applied a payment structure and discount rate to determine the present value as reported. Substantially all of the provision relates to the U.S. Department of Justice investigation. The Group is in advanced discussions with the Department of Justice about a possible resolution to its investigations, although it cannot predict with any certainty whether, when, or at what cost it will reach an ultimate resolution. Therefore, the final settlement amounts may be materially higher than the \$438m provision maintained or require payment over a shorter period.	We discussed actual or pending legal or regulatory claims with the Group's external and internal legal counsel to gain an understanding of the status of each case. Where provisions had been booked in the Group Financial Statements, we substantively tested the amount provided and evaluated management's position of the likely outcome and compared that to the provision by: ◊ reading documentation such as correspondence with external legal counsel and Board and Committee minutes and having discussions with external and internal legal counsel; ◊ evaluating independent confirmations that we received from the Group's external legal counsel; and ◊ assessing management's assumed payment structure, including evaluating the discount rate utilised. We assessed the impact that applying different payment arrangements and discount rate assumptions would have on the provision noting immaterial variations to management's provision balance. For certain ongoing regulatory investigations where no formal claim had been brought against the Group at 31 December 2018, we spoke with external legal counsel to discuss the matters and understand the extent of their work to determine whether it was sufficient to support their conclusions regarding the settlement estimate that was established as a provision and to determine that there have been no illegal acts. We used our own accumulated knowledge from working with other entities in the pharmaceutical industry operating in the US to challenge whether the Directors had omitted any material relevant factors when drawing their conclusions. In addition, we considered the completeness of legal and regulatory matters through open discussions with internal legal counsel and by reading Board and Committee minutes, without identifying any other legal matters that had not already been disclosed to us. Furthermore, we obtained representations from management that there have been no illegal acts. Finally, we checked the disclosures relating to legal proceedings in the Financial Statements back to our underlying work. We found that the disclosures in Notes 20 and 22 were in accordance with the requirements of IFRSs as adopted by the European Union. We consider that the disclosures in respect of the legal and regulatory matters are of such importance that they are fundamental to understanding the Financial Statements and we therefore included reference to the disclosures in the 'Outcome of legal proceedings' emphasis of matter above.

Key audit matter

Significant judgements and estimates in sales rebates, discounts and returns adjustments recognised primarily in the US business (refer to Note 23) – Group

In the US, the Group sells products through distributors and the ultimate selling price is determined based on the contractual arrangements that the Group has with the patient's insurer or other payment programme (Medicaid, Medicare or equivalent scheme). The time between initial shipment to the distributor (when the revenue is recognised), the dispensing of a product to a patient and notification by the relevant insurer or payment programme may be several months. Accordingly, an estimate of the net selling price is necessary at the date of shipment, when the revenue is recognised.

As a result, revenue recognised on sales to wholesale and retail distributors is subject to a final determination of the net sales price in the form of rebates, discounts and sales returns. The process for determining the size of these estimates is complex and depends on contract terms and regulation, as well as forecasts of sales volumes by channel. Our testing focused on the accruals for sales rebates, discounts and sales returns recognised at the year-end.

We focused on this area as the process for calculating sales rebates, discounts and return accruals involves the use of large volumes of data, being sales volumes and discounts from multiple sources, which, taken together, can be subjective and at risk of management manipulation or bias. Given the large quantities of data and significant judgements involved in compiling these calculations, we considered there to be a risk of bias in the calculations and that this risk related to the understatement of these accruals. In addition, given the increased risk of generic intrusion in 2019, we also focused on management's assessment of the impact that the generics could have on sales returns.

How our audit addressed the key audit matter

We obtained the accruals calculation for sales rebates, discounts and sales returns and tested the inputs into the calculations by comparing them with:

- ◀ rates included in sales contracts and agreements with third parties; and
- ◀ rebate invoices received after the year-end, on a sample basis, in order to assess the accuracy of the Directors' forecast volumes by channel.

We performed look back tests that compared accruals recognised in previous periods to actual rebates, discounts or returns received in order to test the Directors' historical accuracy in calculating these accruals.

We assessed the completeness and accuracy of the accruals by understanding and testing the process management used to record the year-end balances, by comparing such amounts to our own independently developed expectations of the year-end balances. Our independent expectations were developed based upon historical rebate invoices received, adjusted for current volumes, rebate rates and for sales returns, and adjusted for industry experience in the face of competition. The accruals recognised in the Financial Statements were not materially different from our internally generated expectations.

We assessed the reasonableness of management's sales returns provision in light of the wholesaler buy-in and the imminent generic entry, by analysing the industry trends on returns following the launch of generics. We considered the year-end inventory holding levels at both wholesalers and pharmacies as compared to the expected forecast sales following a generic launch. We considered management's assumptions utilised to be reasonable in light of the level of information available at the year-end.

In determining the appropriateness of the revenue recognition policy (including application of IFRS 15 'Revenue with contracts with Customers') applied by the Directors in calculating sales rebates, discounts and sales returns under contractual and regulatory requirements, we note there is judgement taken regarding these items. From the evidence obtained we found the assumptions, methodology and policies used to be appropriate.

We evaluated whether management's revenue recognition policies applied were consistent with IFRSs as adopted by the European Union, noting no differences. We also evaluated management's adoption of the new accounting standard, which had no impact.

Independent Auditors' report to the members of Indivior PLC continued

Key audit matter

Recoverability of assets (refer to Note 2) – Group

Intangible assets of \$84m, other non-current assets of \$33m, deferred tax assets of \$44m, and inventories of \$78m are accounted for at amortised cost less impairment in the Group balance sheet at 31 December 2018. These assets are tested for impairment if impairment indicators exist.

The recoverability of certain assets, including intangible assets, other non-current assets, deferred tax assets and inventory may be impacted by the recent developments in the Group's business, including:

- ◁ a decline in SUBOXONE® Film revenue following the 'at-risk' launch of generic buprenorphine/naloxone sublingual film product;
- ◁ the market acceptance of SUBLOCADE and PERSERIS being slower than expected; and
- ◁ cost reduction contingency plans, including changes to the product pipeline.

The recoverable amounts of these assets is estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the Income Statement.

An impairment loss was recorded at 31 December 2018 in relation to the Arbaclofen Placabil and Addex intangible assets, bringing the net book value from \$24m down to nil. No other assets were deemed to be impaired.

How our audit addressed the key audit matter

Our procedures focused on management's judgements on the recoverability and valuation of the intangibles, other long-term assets, deferred tax assets and inventory assets linked to management revised forecasts due to generic intrusion and any changes to expectations for the product pipeline.

For intangible assets, we considered whether the SUBLOCADE and PERSERIS intangible assets were recoverable based on management's revised forecasts.

We utilised our valuation experts to assess the accuracy of management's forecasts based on the market data for uptake of comparable products and broker forecasts, assessed management's discount rate applied, and checked the consistency of forecasts and accuracy of the model used.

For other intangible assets related to products in development, we considered the accuracy of forecasts used in the impairment assessments based on management's latest product pipeline plan and consider management's decision to impair these assets by \$24m to be appropriate.

We assessed whether the inventory held at 31 December 2018 relating to SUBLOCADE, PERSERIS, SUBOXONE® and SUBUTEX was recognised at the appropriate net realisable value and is recoverable by assessing the forecast sales and profit figures, concluding that the forecasts support the inventory held at 31 December 2018.

For other non-current assets and deferred tax assets, we assessed the recoverability of these assets against management's forecasts concluding that there was sufficient headroom or future profits to support the value held at 31 December 2018.

For all of the above matters, we checked that the cash flow forecasts and assumptions used were consistent with those used in the going concern assessment detailed above.

We have also assessed management's disclosures within the Group Financial Statements and consider them to be appropriate.

Key audit matter

Carrying value of investments in subsidiaries (refer to Note 2 of the Parent Company Financial Statements) – Parent Company

Investments in subsidiaries of \$1,437m are accounted for at cost less impairment in the Parent Company balance sheet at 31 December 2018.

Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the Income Statement. Given the significant share price decline during the year, we considered this to be an impairment indicator that required management to perform an impairment assessment.

Judgement is required in the area of impairment testing, particularly in assessing: (1) whether an event has occurred that may indicate that the related asset values may not be recoverable; (2) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or the net present value of future cash flows which are estimated based on the continued use of the asset in the business; (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

Changing the assumptions to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Parent Company's financial condition and results of operations.

How our audit addressed the key audit matter

We evaluated management's assessment of whether any indicators of impairment existed, mainly being the significant share price decline during the year.

For the investment in Indivior Global Holdings Limited, a discounted cash flow model was prepared. In conjunction with our assessment of the Group's and Parent Company's ability to continue as a going concern, we tested the reasonableness of the key assumptions. This included revenue, profit and cash flow growth rates, terminal value and the discount rate. We utilised our valuation experts to support us in our assessment of the accuracy of the revenue forecasts for management's key products: SUBOXONE® Film, SUBLOCADE, and PERSERIS. We performed our own independent sensitivity analysis to understand the impact of reasonable changes in management's assumptions on the available headroom.

As a result of our work, we considered that the carrying values of the investments held by the Parent Company are supportable in the context of the Parent Company Financial Statements taken as a whole.

We have also assessed management's disclosures within the Parent Company financial statements and consider them to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

The Group operates a single business activity and therefore has one reportable segment. The Group Financial Statements are a consolidation of 37 components comprising the Group's operating businesses and centralised Group functions. The Group consolidation, Financial Statements disclosures and corporate functions were audited by the Group engagement team. This included our work over legal, intangible assets impairment, tax, borrowings, net finance expense and share-based payments.

In addition to centralised Group audit procedures, we conducted our audit by concentrating our work on those parts of the Group that make up the most significant proportions of the Financial Statements. We identified one component in each of the US and UK that required a full scope audit due to its size. Audit procedures over specific financial statement line items were performed at a further four components in the UK and US to give sufficient audit coverage. With the largest components of the Group being the US and UK we focused our audit work there. For the audit of the US component, we utilised our Richmond, Virginia based component audit team with knowledge and experience of the US pharmaceuticals industry and regulations. These US procedures were supplemented by procedures performed on certain UK and European operations by PwC staff based in the UK.

Our Group engagement team's involvement in the audits of the components included site visits where the component auditors' planned response to key audit matters was discussed, particularly regarding sales rebates, chargebacks and discounts in the US and certain asset recoverability considerations in the UK. The Group engagement team involvement also included component auditor working paper reviews in the US and UK, regular conference calls, and attendance at both the US and UK component audit closing meetings.

Taken together, the components and corporate functions where we conducted audit procedures accounted for 94% of the Group's net revenues and 92% of the Group's adjusted profit before tax. This provided the evidence we needed for our opinion on the consolidated Financial Statements taken as a whole. This was before considering the disaggregated group level analytical review procedures, which covered certain of the Group's smaller and lower risk components that were not directly included in our Group audit scope.

Independent Auditors' report to the members of Indivior PLC continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Parent Company Financial Statements
Overall materiality	\$15.9m (2017: \$18.0m).	\$14.7m (2017: \$14.7m).
How we determined it	5% of adjusted profit before tax.	1% of total assets.
Rationale for benchmark applied	The Group's principal measure of earnings comprises adjusted profit before tax, which adjusts statutory profit before tax for a number of exceptional income and expenditure items. Consistent with prior year, we excluded these exceptional items, which are non-recurring and do not impact continuing business performance, which is consistent with the measure of performance that the shareholders consider.	Based on our professional judgement, as the Parent Company is a holding company we believe total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark for holding companies.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between \$3.5m and \$12.5m (2017: between \$5m and \$17m). Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit of the Group Financial Statements of above \$0.8m (2017: \$0.9m) and above \$0.7m (2017: \$0.7m) in respect of our audit of the Parent Company Financial Statements as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements and the Directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the Financial Statements.	We have nothing material to add or to draw attention to other than the material uncertainty relating to going concern as described in the section above. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2018 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or further draw attention to regarding:

- ◊ The Directors' confirmation on page 30 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- ◊ The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

We also have nothing material to add to the Directors' explanation on page 35 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. However, we draw attention to the disclosures made within the Viability Statement on page 35 of the Annual Report regarding the possible scenarios that may occur where the uptake of both SUBLOCADE and PERSERIS falls significantly below expectations and where the outcome of legal proceedings or timing of litigation payments is materially worse than planned, in which circumstances the Group's viability may be impacted during the assessment period.

Other than drawing attention to the disclosures referred to above, we have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- ◊ The statement given by the Directors, on page 83, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company obtained in the course of performing our audit.
- ◊ The section of the Annual Report on pages 50 to 57 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- ◊ The Directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the Financial Statements and the audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' responsibilities set out on page 83, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine 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, the Directors are responsible for assessing the Group's and the Parent 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 unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (UK) 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 these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- ◁ we have not received all the information and explanations we require for our audit; or
- ◁ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- ◁ certain disclosures of Directors' remuneration specified by law are not made; or
- ◁ the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the Directors on 23 December 2014 to audit the Financial Statements for the year ended 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ended 31 December 2014 to 31 December 2018.



Sarah Quinn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 March 2019

Consolidated income statement

For the year ended December 31	Note	2018 \$m	2017 \$m
Net revenues	3	1,005	1,093
Cost of sales		(128)	(104)
Gross profit		877	989
Selling, general and administrative expenses	4	(494)	(707)
Research and development expenses	4	(91)	(89)
Operating profit		292	193
Operating profit before exceptional items		332	403
Exceptional items	4	(40)	(210)
Finance income	8	17	7
Finance expense		(31)	(63)
Net finance expense before exceptional items	8	(14)	(42)
Exceptional items	4	–	(14)
Profit before taxation		278	137
Income tax expense	9	(3)	(79)
Taxation before exceptional items	9	(46)	(91)
Exceptional items within taxation	4	43	12
Net income		275	58
Earnings per ordinary share (cents)			
Basic earnings per share	10	38	8
Diluted earnings per share	10	37	8

Financial
statements

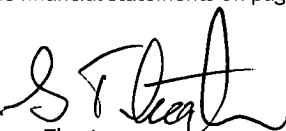
Consolidated statement of comprehensive income

For the year ended December 31	2018 \$m	2017 \$m
Net income	275	58
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent years:		
Net exchange adjustments on foreign currency translation	(18)	8
Other comprehensive income	(18)	8
Total comprehensive income	257	66

Consolidated balance sheet

As at December 31	Note	2018 \$m	2017 \$m
Assets			
Non-current assets			
Intangible assets	11	84	92
Property, plant and equipment	12	57	54
Deferred tax assets	13	44	58
Other receivables	15	33	15
		218	219
Current assets			
Inventories	14	78	52
Trade and other receivables	15	287	278
Current tax receivable		40	32
Cash and cash equivalents	17	924	863
		1,329	1,225
Total assets		1,547	1,444
Liabilities			
Current liabilities			
Borrowings	18	(4)	(5)
Provisions for liabilities and charges	20	(69)	(143)
Trade and other payables	23	(721)	(665)
Current tax liabilities		(24)	(41)
		(818)	(854)
Non-current liabilities			
Borrowings	18	(237)	(477)
Provisions for liabilities and charges	20	(424)	(316)
Other non-current liabilities		(2)	-
		(663)	(793)
Total liabilities		(1,481)	(1,647)
Net assets/(liabilities)		66	(203)
Equity			
Capital and reserves			
Share capital	24	73	72
Share premium	24	5	2
Other reserves	25	(1,295)	(1,295)
Foreign currency translation reserve	25	(32)	(14)
Retained earnings		1,315	1,032
Total equity		66	(203)

The financial statements on pages 95 to 122 were approved by the Board of Directors on March 1, 2019 and signed on its behalf by:


Shaun Thaxter
Director

Mark Crossley
Director 

Consolidated statement of changes in equity

	Notes	Share capital \$m	Share premium \$m	Other reserves \$m	Foreign currency translation reserve \$m	Retained earnings \$m	Total equity \$m
Balance at January 1, 2017		72	–	(1,295)	(22)	950	(295)
Comprehensive income							
Net income		–	–	–	–	58	58
Other comprehensive income		–	–	–	8	–	8
Total comprehensive income		–	–	–	8	58	66
Transactions with owners		–	–	–	–	–	–
Share-based plans	26	–	2	–	–	16	18
Deferred taxation on share-based plans	13	–	–	–	–	8	8
Total transactions recognized directly in equity		–	2	–	–	24	26
Balance at December 31, 2017		72	2	(1,295)	(14)	1,032	(203)
Balance at January 1, 2018		72	2	(1,295)	(14)	1,032	(203)
Comprehensive income							
Net income		–	–	–	–	275	275
Other comprehensive income		–	–	–	(18)	–	(18)
Total comprehensive income					(18)	275	257
Transactions with owners							
Share-based plans	26	1	3	–	–	15	19
Deferred taxation on share-based plans	13	–	–	–	–	(7)	(7)
Total transactions recognized directly in equity		1	3	–	–	8	12
Balance at December 31, 2018		73	5	(1,295)	(32)	1,315	66

Financial
statements

Consolidated cash flow statement

For the year ended December 31	Notes	2018 \$m	2017 \$m
Cash flows from operating activities			
Operating profit		292	193
Depreciation, amortization and impairment	11, 12	40	13
Gain on disposal of intangible asset		(37)	–
Share-based payments	26	15	16
Foreign exchange impacts		(12)	6
Increase in trade and other receivables		(33)	(59)
Increase in inventories		(31)	(6)
Increase in trade and other payables		58	5
Increase in provisions		35	201
Cash generated from operations		327	369
Interest paid		(25)	(41)
Interest received		17	5
Transaction costs related to borrowings		–	(5)
Taxes paid		(16)	(33)
Net cash inflow from operating activities		303	295
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(11)	(30)
Purchase of intangible assets	11	(30)	(13)
Proceeds from license of intangible assets	11	37	–
Net cash outflow from investing activities		(4)	(43)
Cash flows from financing activities			
Proceeds from borrowings	18	–	487
Repayment of borrowings	18	(240)	(573)
Proceeds from issuance of ordinary shares		3	2
Net cash (outflow) from financing activities		(237)	(84)
Net increase in cash and cash equivalents		62	168
Cash and cash equivalents at beginning of the year	17	863	692
Exchange difference		(1)	3
Cash and cash equivalents at end of the year	17	924	863

Notes to the Financial Statements

1. General information

Indivior PLC (the "Company") and its subsidiaries (together, the "Group") are engaged in the development, manufacture and sale of buprenorphine-based prescription drugs for the treatment of opioid dependence (the "Indivior Business").

The Indivior Business was previously the pharmaceuticals business of the Reckitt Benckiser Group plc (RB), carried out by RBP Global Holdings Limited and its subsidiaries.

The Company was incorporated and domiciled in the United Kingdom on September 26, 2014 and is the holding company for the Group.

The principal accounting policies adopted in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all years presented.

2. Basis of preparation and changes in accounting policy

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union and the Companies Act 2006 (the Act) applicable to companies reporting under IFRS.

The financial statements are presented in US\$.

Subject to the following matter, after making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least one year from the financial statements date. However, as disclosed in Note 20, the Group carries a provision of \$438m substantially all relating to the Department of Justice investigations. The final settlement amount may be materially higher than this provision or require payment over a shorter period, which, together with higher than expected loss of revenue following the 'at-risk' launch of generic buprenorphine/naloxone sublingual film products, or the failure for new products to meet revenue growth expectations, could impact the Group's ability to operate. The Directors have taken significant steps to reduce the cost base of the business and manage its capital structure and believe the Group has sufficient liquidity, influence over near-term litigation outcomes, and the ability to carry out further measures that may be necessary for the Group to continue as a going concern for at least the next twelve months. However, a combination of the above risks may require additional measures such as further cost savings or a change to the litigation strategy. As such, the above factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Adoption of new and revised standards

The following new IFRS standards have been adopted by Indivior from January 1, 2018:

IFRS 9 Financial Instruments

The standard introduces new requirements for the classification and measurement of financial assets and liabilities, a new model for recognising impairment provisions based on expected credit losses and aligning hedge accounting more closely with an entity's risk management approach. It requires impairments of financial assets to be based on a forward looking model, changes the approach to hedging financial

exposures and related documentation, changes the recognition of certain fair value changes, and amends disclosure requirements.

The impairment of financial assets, including trade receivables, is now assessed using an expected credit loss model. Given the nature of Indivior's receivables, there was no impact to the Group's provisions for doubtful accounts or impairments due to this change.

The Group applied the modified retrospective method upon adoption of IFRS 9 on January 1, 2018. This method requires the recognition of the cumulative effect of initially applying IFRS 9 to retained earnings and not to restate prior years. There was no cumulative effect recorded as there was no impact.

IFRS 15 Revenue from Contracts with Customers

Indivior implemented IFRS 15 as of January 1, 2018. The new standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied, and the control of goods or services is transferred. It applies to all contracts with customers, except those in the scope of other standards. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations.

The Group's net revenues are derived primarily from the sale of buprenorphine-based prescription drugs, where control transfers to customers and performance obligations are satisfied at the point of delivery, usually when title passes to the customer either on shipment or on receipt of goods depending on local trading terms. The adoption of IFRS 15 did not change the timing or amount of revenue recognized under this arrangement.

The Group applied the modified retrospective method upon adoption of IFRS 15 on January 1, 2018. This method requires the recognition of the cumulative effect of initially applying IFRS 15 to retained earnings and not to restate prior years. There was no cumulative effect recorded as there was no impact.

New accounting standards issued but not yet effective

The following standard has been issued but is not yet effective:

IFRS 16 Leases

IFRS 16 Leases substantially changes the financial statements as the majority of leases for which the Group is the lessee will become on-balance sheet liabilities with corresponding right-of-use assets on the balance sheet. The lease liability reflects the net present value of the remaining lease payments, and the right-of-use asset corresponds to the lease liability, adjusted for payments made before the commencement date, lease incentives and other items related to the lease agreement. The standard replaces IAS 17 Leases.

The Group will adopt IFRS 16 Leases effective for the period starting January 1, 2019. On adoption, the Group will recognize right-of-use ("ROU") assets and lease liabilities in relation to items previously classified as 'operating leases' under the principles of IAS 17 Leases. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of lease payments which are discounted using the applicable incremental borrowing rate as of January 1, 2019. The Group expects to apply the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying IFRS 16, as of January 1, 2019, to the retained earnings. Comparatives for the 2018 financial year will not be restated.

2. Basis of preparation and changes in accounting policy (continued)

In applying IFRS 16 for the first time, the Group expects to use the following practical expedients permitted by the standard:

- ◊ The reliance on a previous assessment of whether a lease is onerous;
- ◊ The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- ◊ Application of a single discount rate to leases with similar characteristics;
- ◊ The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- ◊ The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2018 as short-term leases.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.8%.

As at January 1, 2019, the Group will recognize \$29m of right-of-use assets, \$33m of lease liabilities and an adjustment to beginning retained earnings of \$4m. For the leases in place at January 1, 2019, the calculated impact to 2019 would be an \$8m reduction in lease expense, a \$7m increase to depreciation of right-of-use assets and \$2m increase in finance expense. Cash flow from operations is expected to increase by \$6m due to certain lease expenses no longer being recognized as operating cash outflows, but this will be offset by a \$7m increase in cash used in financing activities due to repayments and interest on the principal of lease liabilities.

There are no other IFRS standards or interpretations not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

The consolidated financial statements include the results of the Company and all of its subsidiaries made up to the same accounting date. Subsidiaries are those entities controlled by the Group. Control exists where the Group is exposed to, or has the rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns.

Inter-company transactions, balances and unrealized income and expenses on transactions between Group companies have been eliminated on consolidation. All subsidiaries have year-ends which are co-terminus with the Group's. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US dollars, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the remeasurement of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized within SG&A in the income statement.

The exchange rates used for the translation of currencies into US dollars that have the most significant impact on the Group results were:

	2018	2017
GBP year-end exchange rate	1.2746	1.3513
GBP average exchange rate	1.3362	1.2881
EUR year-end exchange rate	1.1451	1.2001
EUR average exchange rate	1.1819	1.1287

The financial statements of subsidiaries are translated into US dollars on the following basis:

- ◊ Assets and liabilities at the year-end rate.
- ◊ Profit and loss account items at the average exchange rate for the year.

Exchange differences arising from translation of the net investment in foreign entities are taken to equity (and recognized in the statement of comprehensive income) on consolidation.

Accounting estimates and judgments

The Directors make a number of estimates and assumptions regarding the future and make some significant judgments in applying the Group's accounting policies.

Key estimates and assumptions

These key estimates and assumptions made may affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results may ultimately differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The key estimates and assumptions used in the financial statements are set out below.

Provisions for returns, discounts, incentives and rebates

The Group offers various types of price reductions on its products. In particular, products sold in the United States are covered by various programs (such as Medicare and Medicaid) under which products are sold at a discount. Rebates are granted to healthcare authorities, and under contractual arrangements with certain customers. Some wholesalers are entitled to chargeback incentives based on the selling price to the end customer, under specific contractual arrangements. Cash discounts may also be granted for prompt payment.

The discounts, incentives and rebates described above are estimated on the basis of specific contractual arrangements with customers or of specific terms of the relevant regulations and/or agreements applicable for transactions with healthcare authorities, and of assumptions about the attainment of sales targets. Several months may pass between the original estimate of rebates due and when the amount is confirmed, which may increase the estimation risk. Please refer to Note 3 for further details.

2. Basis of preparation and changes in accounting policy (continued)

The Group also estimates the amount of product returns on the basis of contractual sales terms and reliable historical data. In 2018, the Group's reliable historical data was supplemented with forward looking modelling which contemplated the potential impact on product returns from an expected launch of generic buprenorphine/naloxone film in the US. The estimates are recognized in the period in which the underlying sales are recognized, as a reduction of sales revenue.

A 3% variation in product returns would impact net revenue by approximately \$1 million. A 3% variation in our provision for rebates would impact net revenue by \$14 million. For more details of accruals for returns, discounts, incentives and rebates, see Note 23 to the consolidated financial statements.

Impairment of assets

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves comparing the higher of fair value less costs to sell or value-in-use to the carrying value of the asset. Determining these incorporate a number of key estimates and assumptions, particularly for intangible assets – Products in development. For more details of significant estimates in relation to impairment of assets, see Note 11 to the consolidated financial statements.

Critical judgments

The following are the critical judgments, that the Directors have made in the process of applying the Group's accounting policies, that have the most significant effect on the amounts recognised in the Group's financial statements:

Provisions for litigation and IP related claims

The Group may be involved in litigation, arbitration or other legal proceedings. These proceedings typically are related to product liability claims, intellectual property rights, compliance and trade practices, commercial claims and employment and wrongful discharge claims.

Provisions are valued on the basis of the Directors' best estimates taking into account all available information, external advice, and historical experience. The assessment of provisions can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions, including the settlement or litigation strategy, amount, timing of payments, and discounting. Given the inherent uncertainties related to these estimates and assumptions, the actual outflows resulting from the realization of those risks could differ materially from the Group's estimates. For more details of provisions for litigation and IP related claims, see Note 20 to the consolidated financial statements. For more details of all the outstanding legal proceedings, see Note 22 to the Consolidated financial statements.

3. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (CODM), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (CEO).

The Indivior Group is predominately engaged in a single business activity, which is the development, manufacture and sale of buprenorphine-based prescription drugs for treatment of opioid dependence. The CEO reviews net revenues to third parties, operating expenses by function, and financial results on a consolidated basis for evaluating financial performance and allocating resources. Accordingly, the Group operates in a single reportable segment.

Accounting policy

Revenues

Revenue arising from the sale of goods is presented in the consolidated income statement under net revenues. Net revenues comprise revenue from sales of pharmaceutical products, net of sales returns, customer incentives and discounts, and certain sales-based payments paid or payable to the healthcare authorities.

Net revenue is recognized when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over pharmaceutical products to the customer, substantially all of which is with receipt of the products by the customer. The amount of net revenue recognized is based on the consideration expected in exchange for pharmaceutical products. The Group has no contracts with more than one performance obligation.

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract due to returns, discounts, incentives and rebates. These are estimated and recognized in the period in which the underlying sales are recognized as a reduction of sales revenue.

These amounts are calculated as follows:

- ◀ accruals for rebates based on attainment of sales targets are estimated and recorded as each of the underlying sales transactions is recognized;
- ◀ accruals for price reductions under government and state programs, largely in the US, are estimated on the basis of the specific terms of the relevant regulations and agreements, and recorded as the underlying sales transactions are recognized;

- ◀ accruals for sales returns are calculated on the basis of management's best estimate of the amount of product that will ultimately be returned by customers. In countries where product returns are possible, the Group has implemented a returns policy that allows the customer to return products within a certain period either side of the expiry date (usually three to six months before and six to twelve months after the expiry date). The accrual is estimated on the basis of past experience of sales returns and expectations of future returns.

The Group also takes account of factors such as levels of inventory in its various distribution channels, product expiry dates, information about potential discontinuation of products and the entry of competing generics into the market. In each case, the accruals are subject to continuous review and adjustment as appropriate based on the most recent information available to management. The Group believes it has the ability to measure each of the above accruals reliably, using the following factors in developing its estimates:

- ◀ the nature and patient profile of the underlying product;
- ◀ the applicable regulations and/or the specific terms and conditions of contracts with governmental authorities, wholesalers and other customers;
- ◀ historical data relating to similar contracts, in the case of qualitative and quantitative rebates and chargeback incentives;
- ◀ past experience and sales growth trends;
- ◀ actual inventory levels in distribution channels, monitored by the Group using internal sales data and externally provided data;
- ◀ the shelf life of the Group's products; and
- ◀ market trends including competition, pricing and demand.

There may be adjustments to the accruals when the actual rebates are invoiced based on utilization information submitted to the Group (in the case of accruals for rebates related to sales targets or contractual rebates) and claims/invoices received (in the case of regulatory rebates and chargebacks). Management believes the estimates made are reasonable; however such estimates involve judgments on aggregate future sales levels, distribution channel mix, distributors sales performance and market competition.

3. Segment information (continued)

Revenues are attributed to countries based on the country where the sale originates. The following table represents revenue from continuing operations attributed to countries based on the country where the sale originates and non-current assets, net of accumulated depreciation and amortization, by country. Non-current assets for this purpose consist of intangible assets, property, plant and equipment, and other receivables.

For the year ended December 31, 2018	Net revenue from sale of goods \$m	Non-current assets \$m
United States	790	62
Rest of World	215	112
Total	1,005	174

Included in 2018 US revenue is \$12m of SUBLOCADE net revenues (2017: nil).

For the year ended December 31, 2017	\$m	\$m
United States	877	68
Rest of World	216	93
Total	1,093	161

Significant customers

Revenues include amounts derived from significant customers that amount to 10% or more of the Group's revenues as follows (in percentages of total net revenue):

Customer	2018 %	2017 %
Customer A	24%	23%
Customer B	22%	28%
Customer C	25%	22%

4. Operating costs and expenses

Accounting policies

Research and development

Research expenditure on internal activities is charged to the consolidated income statement in the year in which it is incurred.

Development expenditure is written off in the year in which it is incurred, unless the following criteria are met:

- ◊ it must be technically feasible to complete the development project (or intangible asset) so that the related product will be available for use or sale;
- ◊ there is an intention to complete the intangible asset or development project and use or sell it;
- ◊ the Group has the ability to use the intangible asset or to sell it;
- ◊ the way in which the intangible asset will generate probable future economic benefits;
- ◊ the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- ◊ expenditure attributable to the intangible asset during its development is able to be reliably measured.

Amounts capitalized are amortized over the useful life of the developed product.

An internally generated intangible asset arising from the Group's development activities is recognized only if the following conditions are met:

- ◊ an asset is created that can be identified;
- ◊ it is probable that the asset created will generate future economic benefits; and
- ◊ the development cost of the asset can be measured reliably.

The Group has determined that filing for regulatory approval is generally the earliest point at which internal development costs can be capitalized, however judgment is exercised when assessing the point at which it is probable that the asset created will generate future economic benefits, which may not be until final regulatory approval for certain assets. All internal development expenditure incurred prior to filing for regulatory approval is therefore expensed as incurred. Internally generated intangibles recognized include software and technology and development costs in relation to PERSERIS™. The Group commenced capitalisation and amortisation of SUBLOCADE™ following receipt of regulatory approval in November 2017 and PERSERIS™ in July 2018.

Notes to the Financial Statements continued

4. Operating costs and expenses (continued)

Expenses

Expenses are recognized in respect of goods and services received when supplied in accordance with contractual terms. Provision is made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated.

Marketing and promotional expenses are charged to the income statement as incurred.

Exceptional Items

Where significant expenses or income that do not reflect the Group's ongoing operations are incurred during the year, these items are disclosed as exceptional items in the income statement. Examples of such items could include restructuring and other expenses relating to the integration of an acquired business and related expenses for the reconfiguration of the Group's activities and/or capital structure, impairment of current and non-current assets, certain costs arising as a result of material and non-recurring regulatory and litigation matters, and certain tax related matters.

The table below sets out selected operating costs and expenses information.

	Notes	2018 \$m	2017 \$m
Research & development expenses ¹		(91)	(89)
Marketing, selling and general expenses ²		(205)	(163)
Administrative expenses ³		(271)	(525)
Depreciation and amortization	11, 12	(13)	(13)
Operating lease rentals	19	(5)	(6)
		(494)	(707)

- R&D expenses include \$24m of impairment costs that have been classified as exceptional as outlined in the table below.
- Distribution costs of \$3m previously included in operating expenses have been classified as cost of sales to better reflect the nature of the SUBLOCADE™ costs. The prior year has not been adjusted as the total amount, which was approximately \$3m, is not material.
- Administrative expenses include exceptional costs in the current and prior year as outlined in table below. Prior year administrative expenses also included non-exceptional expenses of \$36m related to prospective protection of the Group's intellectual property and revenues. These costs were not considered exceptional in 2017 as they were not due to a litigation settlement provision, punitive or potential redress related expenses.

Exceptional items

	2018 \$m	2017 \$m
Other operating income ¹	37	–
Restructuring costs ²	(13)	–
Legal expenses/provision ³	(40)	(210)
Intangible impairment (R&D) ⁴	(24)	–
Financing costs ⁵	–	(14)
Total exceptional items before taxes	(40)	(224)
Tax effect of exceptional items	8	3
Exceptional items within taxation⁶	35	9
Total exceptional items	3	(212)

- \$37m of exceptional income in 2018 relates to the proceeds received from the out-licensing of nasal naloxone opioid overdose patents which are included within SG&A.
- Restructuring costs relate to the cost-saving initiative announced and implemented during the year to offset the financial impact of recent adverse US market developments. These consist primarily of redundancy and related costs that are expected to be utilised within one year.
- \$40m of legal expenses in the current year relate to potential redress for ongoing intellectual property related litigation with DRL and Rhodes Pharmaceuticals. \$210m of legal expenses in 2017 included \$197m related to increased legal provision and legal expenses for the DOJ investigation, \$25m for the conclusive legal settlement with Amneal Pharmaceuticals LLC relating to anti-trust litigation, and a release of \$12m for a legacy litigation reserve.
- In 2018, R&D expenses include \$24m of impairment charges related to the Arbaclofen Placarbil and lead ADDEX compounds for which development has ceased due to challenges in the Phase 1 and preclinical studies, respectively, thereby reducing their probability of success below hurdle rates for further investment.
- In 2017, \$14m of financing costs were written off due to the early debt refinancing. This was accounted for as a significant modification in accordance with IAS 39 'Financial Instruments: Recognition and Measurement' based on legal release of the debt, the change in currency profile of the overall debt, and the removal and relaxation of financial covenants.
- In 2018, there was an exceptional tax credit of \$34m in relation to development credits for SUBLOCADE™ claimed for prior years, finalization of the estimate of the US rate change on deferred tax assets in the US of \$1m, along with tax on exceptional items of \$8m. Prior year tax exceptionals of \$9m related to the release of a provision for unresolved tax matters partially offset by the impact of the remeasurement of net deferred tax assets as a result of the US Tax Reform along with the tax on exceptional income.

5. Adjusted results

The Directors and management team use adjusted results and measures to give greater insight to the financial results of the Group and the way it is managed. The tables below show the list of adjustments between the reported and adjusted operating profit and net income.

Reconciliation of operating profit to adjusted operating profit:

	Notes	2018 \$m	2017 \$m
Operating profit		292	193
Exceptional selling, general and administrative expenses	4	16	210
Exceptional research and development expenses	4	24	–
Adjusted operating profit		332	403

Reconciliation of net income to adjusted net income:

	Notes	2018 \$m	2017 \$m
Net income		275	58
Exceptional selling, general and administrative expenses	4	16	210
Exceptional research and development expenses	4	24	–
Exceptional financing costs	4	–	14
Exceptional tax items	4	(43)	(12)
Adjusted net income		272	270

Reconciliation of earnings per share to adjusted earnings per share:

	Notes	2018 cents	2017 cents
Earnings per share		38	8
Exceptional selling, general and administrative expenses		2	29
Exceptional research and development expenses		3	–
Exceptional financing costs		–	2
Exceptional tax items		(6)	(2)
Adjusted earnings per share		37	37
Weighted average number of shares (thousands)		727,148	721,126

6. Auditors' remuneration

	2018 \$m	2017 \$m
Audit of Parent Company and consolidated financial statements:		
Audit of the Group's Annual Report and financial statements	1.1	1.1
Audit of the Group's subsidiaries	0.3	0.2
Audit-related assurance services	0.8	0.7
Audit and audit-related services	2.2	2.0
Other non-audit assurance services	–	0.6
Total auditors' remuneration	2.2	2.6

Total fees charged for audit-related assurance services and other non-audit assurance services in the year relating to the Indivior Group or any of its subsidiaries were \$0.8m (2016: \$1.3m). Audit-related assurance services were primarily for audit services pertaining to quarterly reviews and services pertaining to potential US listing.

7. Employees

Accounting policies

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognized in the provision for employee benefits. All other short-term employee benefits are included within trade and other payables.

Notes to the Financial Statements continued

7. Employees (continued)

Post-retirement benefits other than pensions

Some companies within the Group provide post-retirement medical care to their retirees. The costs of providing these benefits are accrued over the period of employment and the liability recognized in the balance sheet is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related asset is deducted.

Pension commitments

Some companies within the Group operate defined contribution and (funded and unfunded) defined benefit pension schemes. The cost of providing pensions to employees who are members of defined contribution schemes is charged to the income statement as contributions are made. The Group has no further payment obligations in respect of such schemes once the contributions have been paid.

(a) Staff costs	Note	2018 \$m	2017 \$m
The total employment costs, including Directors, were:			
Wages and salaries		(161)	(172)
Social security costs		(29)	(28)
Other pension costs		(9)	(9)
Share-based plans	26	(15)	(16)
		(214)	(225)

Key management personnel is defined as the Board of Directors and Executive Committee. Details of the Board of Directors' emoluments are included in the Directors' Remuneration Report on pages 62 to 77, which forms part of the financial statements.

Compensation awarded to other key management is as follows:

	2018 \$m	2017 \$m
Short-term employee benefits	6	11
	6	11

(b) Staff numbers

The average number of people employed by the Group, including Directors, during the year was:

	2018	2017
Operations	657	649
Management	231	225
Research and development	136	138
Average number of employees	1,024	1,012

8. Net finance expense

Accounting policy

Finance costs of borrowings are recognized in the income statement over the term of those borrowings. Finance income on cash and cash equivalents are recognized in the income statement in the period they are earned.

Finance income	2018 \$m	2017 \$m
Interest income on cash and cash equivalents	17	7
Total finance income	17	7
Finance expense		
Interest payable on borrowings	(28)	(37)
Amortization of finance charges	(3)	(12)
Other finance expense*	–	(14)
Total finance expense	(31)	(63)
Net finance expense	(14)	(56)

* Relates to exceptional items. More details in Note 4.

9. Income tax expense

Accounting policy

Income tax for the year comprises current and deferred tax expense. Income tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustment to tax payable in respect of previous years.

	2018 \$m	2017 \$m
Current tax	(58)	(37)
Adjustments for current tax of prior years	62	19
Total current tax	4	(18)
Origination and reversal of temporary differences	22	(30)
Adjustments for changes in tax rates	2	(15)
Adjustments for prior year deferred tax	(31)	(16)
Total deferred tax	(7)	(61)
Tax on profit	(3)	(79)

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from April 1, 2017. The Group's profits for the year ended December 31, 2018 are taxed at an effective rate of 1% (2017: 58%).

The total tax charge for the year can be reconciled to the accounting profit as follows:

	2018 \$m	2017 \$m
Profit before taxation	278	137
Tax at the notional UK corporation tax rate of 19.00% (2017: 19.25%)	53	26
Effects of:		
Tax at rates other than the UK corporation tax rate	6	6
Non-deductible provision	–	80
Permanent differences	(9)	(15)
R&D tax credit	(1)	(1)
UK Patent box	(16)	(12)
Adjustments in respect of prior years	3	(3)
Sublocade development tax credits claimed for prior years	(34)	–
Adjustments to amounts carried in respect of unresolved tax matters	(2)	(18)
Impact of changes in tax rates	(2)	15
Share awards	5	–
Other	–	1
Income tax expense	3	79

The reported effective tax rate of 1% (2017: 58%) was impacted by:

- ◊ Recognition of a tax credit for Sublocade development tax credits of \$34m relating to prior years, as a result of a change in estimate.
- ◊ The 2017 non-deductible provision related to certain legal provisions that the company accrued in 2017, and no further accruals were made in the current year. A current year release of uncertain tax provisions due to expiry of the statute of limitations resulted in an additional \$2m benefit being recorded. The 2017 benefit related to the release of uncertain tax provisions of \$18m upon close out of IRS tax audits.
- ◊ The 2018 \$2m one-time non-cash benefit (2017: \$15m expense) related to the lowering of the US corporate income tax rate to 21%, requiring a revaluation of US deferred tax assets and liabilities, and is as a result of finalizing our 2017 US income tax returns.

Notes to the Financial Statements continued

9. Income tax expense (continued)

Excluding the impact of exceptional items, the effective tax rate for the year ended December 31, 2018 was 15% (2017: 25%).

	2018 \$m	2017 \$m
Income tax expense	3	79
Tax on exceptional pre-tax expense	8	44
Tax at rates other than the UK corporation tax rate	–	39
Non-deductible provision	–	(80)
Sublocated development tax credits claimed for prior years	34	–
Adjustments to amounts carried in respect of unresolved tax matters	(1)	24
Impact of changes in tax rates	2	(15)
Income tax expense excluding exceptional items	46	91

Further details of the exceptional items can be found in Note 4.

The Group believes it has made adequate provision for the liabilities likely to arise from periods which are open and not yet agreed by tax authorities. The ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of agreements with relevant tax authorities or litigation where appropriate. In assessing these income tax uncertainties, management is required to determine the unit of account, the evaluation of the circumstances, facts and other relevant information in respect of the tax position taken together with estimates of amounts that may be required to be paid in ultimate settlement with the tax authorities. As Indivior operates in a multi-national tax environment, the nature of the uncertain tax positions is often complex and subject to change. Original estimates are always refined as additional information becomes known. Indivior reviews and measures uncertain tax positions using internal expertise, experience and judgement, together with assistance and opinions from professional advisors.

Factors affecting future tax charges

As a group with worldwide operations, Indivior is subject to several factors that may affect future tax charges, principally the levels and mix of profitability in different jurisdictions, transfer pricing regulations, tax rates imposed and tax regime reforms. The enacted UK Statutory Corporation Tax rate is 19% for the year ended December 31, 2018 with a further reduction to 17% from April 1, 2020.

Other tax matters

The European Commission has announced its intention to open a State Aid investigation into the UK's controlled foreign company ("CFC") financing exemption. At December 31, 2018, the Group has benefited from the UK controlled foreign company financing exemption by approximately \$24 million; however, at present the Group believes no provision is required in respect of this matter.

The United Kingdom ('UK') decision to withdraw from the European Union ('EU') may have a material effect on our taxes. The impact of the withdrawal will not be known until both the EU and the UK develop the exit plan and the related changes in tax laws are enacted. We will adjust our current and deferred income taxes when tax law changes related to the UK withdrawal are substantively enacted and/or when EU law ceases to apply in the UK.

10. Earnings per share

	2018 cents	2017 cents
Basic earnings per share	38	8
Diluted earnings per share	37	8
Adjusted basic earnings per share	37	37
Adjusted diluted earnings per share	36	36

Basic

Basic earnings per share is calculated by dividing profit (net income) for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares in the form of share awards and options. The weighted average number of shares is adjusted for the number of shares granted assuming the vesting of all awards and exercise of all stock options.

	2018 thousands	2017 thousands
Weighted average number of shares		
On a basic basis	727,148	721,126
Dilution for share awards and options	23,994	27,356
On a diluted basis	751,142	748,482

10. Earnings per share (continued)

Adjusted earnings

The Directors believe that earnings per share, adjusted for the impact of exceptional items after the appropriate tax amount, provides more meaningful information on underlying trends to shareholders in respect of earnings per share. A reconciliation of net income to adjusted net income is included in Note 5.

11. Intangible assets

Accounting policy

Intangible assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment.

Payments made in respect of acquired distribution rights are capitalized when it is probable that the expected future economic benefits attributable to the asset will flow to the Group. The useful life of the acquired distribution rights is determined based on legal, regulatory, contractual, competitive, economic or other relevant factors. Acquired rights with finite lives are subsequently amortized using the straight-line method over their defined useful economic lives. Amortization expense related to acquired distribution rights is included in selling, general and administrative expenses.

Payments related to the acquisition of rights to products in development or marketed products are capitalized if it is probable that future economic benefits from the asset will flow to the Group. Probability is assumed for all externally acquired products in development, including subsequent milestone payments up to and including approval. Amortization of the asset starts when it becomes available for use, at which point the asset is amortized over its useful economic life, which is generally estimated as the patent life within the product's primary market. Prior to that date, the intangible asset is tested for impairment annually, irrespective of whether any indication of impairment exists. Amortization charges of marketed products are recognized within COGS.

Impairment of intangible assets

The carrying values of intangible assets are reviewed for impairment either annually or when events or changes in circumstances indicate the carrying value may be impaired depending on the intangible asset type. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell or its value-in-use. In assessing value-in-use, its estimated future cash flow is discounted to its present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

In carrying out impairment reviews of intangible assets, a number of significant assumptions have to be made. These include the probability of success in obtaining regulatory approvals, future rate of market growth, discount rates, the market demand for the products acquired, the future profitability of acquired businesses or products, and levels of reimbursement for pharmaceutical products. If actual results should differ, or changes in expectations arise, impairment charges may be required which would adversely impact reported results. Products in development of \$10m are subject to potential impairment in line with the probability of success.

	Acquired distribution rights \$m	Products in development \$m	Marketed products \$m	Software \$m	Total \$m
Cost					
At January 1, 2018	234	40	24	37	335
Additions	–	29	–	1	30
Transfers	–	(30)	30	–	–
Disposals and asset write-offs	–	–	–	–	–
Exchange adjustments	(15)	(4)	–	–	(19)
At December 31, 2018	219	35	54	38	346
Accumulated amortization and impairment					
At January 1, 2018	234	–	–	9	243
Amortization charge	–	–	3	7	10
Impairment charge	–	24	–	–	24
Exchange adjustments	(15)	1	(1)	–	(15)
At December 31, 2018	219	25	2	16	262
Net book amount at December 31, 2018	–	10	52	22	84

11. Intangible assets (continued)

	Acquired distribution rights \$m	Products in development \$m	Marketed products \$m	Software \$m	Total \$m
Cost					
At January 1, 2017	219	49	–	36	304
Additions	–	12	–	1	13
Transfers	–	(24)	24	–	–
Disposals and asset write-offs	–	–	–	–	–
Exchange adjustments	15	3	–	–	18
At December 31, 2017	234	40	24	37	335
Accumulated amortization and impairment					
At January 1, 2017	219	–	–	2	221
Amortization charge	–	–	–	7	7
Exchange adjustments	15	–	–	–	15
At December 31, 2017	234	–	–	9	243
Net book amount at December 31, 2017	–	40	24	28	92

Products in development

Products in development are not amortized as they are not yet in use but are assessed for impairment at the end of each reporting period. During the year, impairment charges of \$24m were recognised within R&D in relation to the Arbaclofen Placarbil and lead ADDEX compounds for which development has ceased due to challenges in the Phase 1 and preclinical studies, respectively, thereby reducing their probability of success below hurdle rates for further investment. Once approved in their primary market, products in development are transferred to marketed products.

Marketed products

Marketed products include approved product rights which are amortised over the patent exclusivity period in the major market to which the approval relates. All products are assessed for impairment indicators at the end of each reporting period. There were no impairments recognized in the year.

The Group received regulatory approval for SUBLOCADE™ in November 2017 and PERSERIS™ in July 2018, resulting in transfers from products in development to marketed products. Amortisation expense of \$3m (2017: \$0.1m) was recognised in COGS.

Software

Acquired computer software licenses are capitalized at cost. These costs are amortized on a straight-line basis over a period of up to five years.

12. Property, plant and equipment

Accounting policies**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, with the exception of freehold land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured.

Except for freehold land and assets under construction, the cost of property, plant and equipment is depreciated on a straight-line basis over the expected useful life of the asset. For this purpose, expected lives are determined within the following limits:

- ◀ freehold buildings: not more than 20 years; and
- ◀ plant and equipment: not more than 10 years;
- ◀ motor vehicles and computer equipment: not more than 4 years;
- ◀ leasehold improvements: up to the expected lease term.

Assets' residual values and useful lives are reviewed, and adjusted if necessary, at each balance sheet date. Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be appropriate. Freehold land is reviewed for impairment on an annual basis.

Gains and losses on the disposal of property, plant and equipment are determined by comparing the asset's carrying value with any sale proceeds, and are included in the income statement.

12. Property, plant and equipment (continued)

	Land and buildings \$m	Plant and equipment \$m	Total \$m
Cost			
At January 1, 2018	45	56	101
Additions	5	6	11
Exchange adjustment	(2)	(1)	(3)
At December 31, 2018	48	61	109
Accumulated depreciation and impairment			
At January 1, 2018	7	40	47
Charge for the year	3	3	6
Exchange adjustment	(1)	–	(1)
At December 31, 2018	9	43	52
Net book amount at December 31, 2018	39	18	57
	Land and buildings \$m	Plant and equipment \$m	Total \$m
Cost			
At January 1, 2017	25	43	68
Additions	19	11	30
Exchange adjustment	1	2	3
At December 31, 2017	45	56	101
Accumulated depreciation and impairment			
At January 1, 2017	4	37	41
Charge for the year	3	3	6
At December 31, 2017	7	40	47
Net book amount at December 31, 2017	38	16	54

Depreciation expense is included in cost of goods sold, selling general and administrative, and R&D expenses within the income statement.

Additions in the year relate primarily to the redevelopment of the offices and laboratories in Fort Collins, Colorado and Richmond, Virginia offices.

13. Deferred tax

Accounting policy

Deferred tax is provided in full, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not recorded if it arises from the initial recognition of an asset or liability in a transaction (other than a business combination) that affects neither accounting nor taxable profit or loss at that time. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and apply when the deferred tax asset or liability is settled. They are revalued for changes in tax rates when new tax rates are substantively enacted. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax on unrealised profit in inventory arises due to elimination of inter-company sales that are taxed at different rates between jurisdictions.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the investor is able to control the timing of temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Accordingly, the Group has not recorded any deferred tax on investments in subsidiaries.

Deferred tax assets and liabilities within the same tax jurisdiction are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and where there is an intention to settle these balances on a net basis.

13. Deferred tax (continued)

Deferred tax assets	Unrealized profit in inventory \$m	Intangible assets \$m	Short-term temporary differences \$m	Share-based payments \$m	Other \$m	Total \$m
At January 1, 2017	50	7	31	11	10	109
(Charged)/Credited to the income statement	(37)	–	(17)	2	(9)	(61)
Charged directly to equity	–	–	–	8	–	8
Exchange differences	–	–	–	–	2	2
At December 31, 2017	13	7	14	21	3	58
(Charged)/Credited to the income statement	2	(7)	5	(10)	3	(7)
(Charged)/Credit directly to equity	–	–	–	(7)	–	(7)
Exchange differences	(1)	–	–	1	–	–
At December 31, 2018	14	–	19	5	6	44

The Group has not recognized certain losses in the UK entities in respect of earlier periods \$9m (2017:\$10m tax benefit) as the likelihood of future economic benefit is not sufficiently assured. These losses have unlimited carry-forward period.

To the extent that dividends remitted from overseas subsidiaries are expected to result in additional taxes, appropriate amounts have been provided for. Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the investor is able to control the timing of temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. No deferred tax has been provided for unremitted earnings of Group companies overseas as these are considered permanently employed in the business of these companies. A large proportion of the Group profits are realized in the US and we expect that we can rely on the UK-US treaty provisions to ensure that any future dividends paid will not suffer any withholding tax. Post Brexit, on the assumption that the EU Parent Subsidiary exemption will cease to apply, the estimated total tax liability on unremitted earnings from EMEA is less than \$0.5 million.

14. Inventories**Accounting policy**

Raw materials, stores and consumables, work in progress and finished goods are stated at the lower of cost or net realizable value. Cost comprises materials, direct labour and an appropriate portion of overhead expenses (based on normal operating capacity) required to get the inventory to its present location and condition. Inventory valuation is determined on a first in, first out basis. Selling expenses, product amortization, and certain other overhead expenses are excluded. Net realizable value is the estimated selling price less applicable selling expenses.

Write-down of inventory occurs in the general course of business. Impairments are recognized in cost of sales.

	2018 \$m	2017 \$m
Raw materials, stores and consumables	31	14
Work in progress	24	19
Finished goods and goods held for resale	23	19
Total inventories, net	78	52

The cost of inventories recognized as an expense and included as cost of sales amounted to \$128m (2017: \$104m). This includes inventory write-offs and losses of \$8m (2017: \$2m). The inventory provision (reflected in the carrying amounts above) at December 31, 2018 was \$30m (2017: \$14m). The increase was primarily driven by provisions based on expiration dates associated with increased levels of inventory for SUBLOCADE and PERSERIS in line with the Group policy.

15. Trade and other receivables**Accounting policy**

Trade receivables are initially recognized at their invoiced amounts less any adjustments for estimated deductions such as cash discounts. From January 1, 2018, with the adoption of IFRS 9 Financial Instruments, provisions for expected credit losses are established using an expected credit loss model (ECL). The provisions are based on a forward-looking ECL, which includes possible default events on the trade receivables over the entire holding period of the trade receivable. These provisions represent the difference between the trade receivable's carrying amount in the consolidated balance sheet and the estimated collectible amount. Charges for doubtful trade receivables are recognized in the consolidated income statement within SG&A expenses. The recognized amounts approximate fair value. Trade receivables consist of amounts due from customers, primarily wholesalers and distributors, for whom there is no significant history of default. The credit risk of customers is assessed, taking into account their financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors. The Group is not aware of any deterioration in the credit quality of these customers and considers that the amounts are still recoverable.

15. Trade and other receivables (continued)

Current assets	2018 \$m	2017 \$m
Trade receivables	271	260
Less: Provision for impairment of receivables	(2)	(3)
Trade receivables – net	269	257
Other receivables	9	6
Prepayments	9	15
Total current receivables	287	278

The aging analysis of past due trade receivables as of December 31 is as follows:

	2018 \$m	2017 \$m
Up to three months past due	6	17
Three to six months past due	1	1
Over six months past due	1	5
	8	23
Neither past due nor impaired	263	237
Provision for impairment of receivables	(2)	(3)
Trade receivables – net	269	257

As at December 31, 2018, trade receivables of \$2m (2017: \$6m) were assessed for impairment. The amount of provision at December 31, 2018 was \$2m (2017: \$3m). A portion of the receivables is expected to be recovered due to the nature and historical collection of trade receivables.

The movement in the provision for impaired receivables consists of increases for additional provisions offset by receivables written off and unused provision released back to the income statement. The gross movements in the provision are considered to be insignificant. The current other receivables balance does not contain impaired assets. They consist of items including reclaimable turnover tax and are from a broad range of countries within the Group.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2018 \$m	2017 \$m
Sterling	10	11
Euro	24	28
US dollar	240	222
Other currencies	13	17
	287	278

Other non-current receivables

Non-current other receivables of \$33m at December 31, 2018 (2017: \$15m) related primarily to long-term prepaid expenses for contract manufacturing capacity.

The maximum exposure to credit risk at the year-end is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

16. Financial instruments and risk management

The Group's financial assets and liabilities include cash and cash equivalents, borrowings, trade receivables and trade payables as set out in Notes 17, 18, 15 and 23 respectively. The carrying value less impairment provision of current borrowings, cash at bank, trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The non-current borrowing, which is presented at amortized cost, is also assumed to approximate its fair value.

Financial risk management of the Group is mainly exercised and monitored at Group level. The Group's financing and financial risk management activities are centralized to achieve benefits of scale and control with the ultimate goal of maximizing the Group's liquidity and mitigating its operational and financial risks. Financial exposures of the Group are managed centrally in a manner consistent with underlying business risks. Only those risks and flows generated by the underlying commercial operations are managed; speculative transactions are not undertaken.

16. Financial instruments and risk management (continued)

Foreign exchange risk management

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. The Group's policy is to align the foreign currency payables and receivables within its major subsidiaries in order to provide some protection against the remeasurement exposure on profits. The Group may undertake borrowings and other hedging methods in the currencies of the countries where most of its assets are located.

Liquidity risk management

Liquidity risk is the risk that the Group is not able to settle or meet its obligations on time or at a reasonable price. The Group's policy is to ensure there is sufficient funding and facilities in place to meet foreseeable liquidity requirements. The Group manages and monitors liquidity risk through regular reporting of current cash and borrowing balances and periodic review of short-, medium-, and long-term cash forecasts, while considering the maturity of its borrowing facility.

At December 31, 2018, Indivior had \$4m (2017: \$5m) of borrowings repayable within one year and \$924m (2017: \$863m) of cash and cash equivalents.

Credit risk management

The Group's exposure to credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, and trade receivables. Financial institution counterparties are subject to approval under the Group's counterparty risk policy and such approval is limited to financial institutions with a BBB rating or above. Concentration of credit risk with respect to trade receivables are limited given that the balances consist of amounts due from customers, primarily wholesalers and distributors, for whom there is no significant history of default. Outside the US, no customer accounts for more than 5% of the Group's trade receivables balance. In the US, in line with other pharmaceutical companies, the Group sells its products through a small number of wholesalers in addition to hospitals, pharmacies, physicians and other groups. Sales to the three largest wholesalers amounted to approximately 71% of the Group sales in 2018. At December 31, 2018, the Group had trade receivables due from these three wholesalers totalling \$212m (2017: \$198m). The Group is exposed to a concentration of credit risk in respect of these wholesalers such that, if one or more of them encounters financial difficulty, it could materially and adversely affect the Group's financial results. The Group's credit risk monitoring activities relating to these wholesalers include a review of their financial information and Standard & Poor's credit ratings, and establishment and periodic review of credit limits. However, the Group believes there is no further credit risk provision required in relation to these customers (see Note 15, 'Trade and other receivables').

Capital risk management

The Group considers capital to be net debt plus total equity. Net debt is calculated as total borrowings less cash and cash equivalents, short-term available-for-sale financial assets and financing derivative financial instruments (refer to Note 17). Total equity includes share capital, reserves and retained earnings as shown in the consolidated balance sheet.

	Note	2018 \$m	2017 \$m
Net cash	18	681	376
Total equity		66	(203)
		747	173

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimize the cost of capital.

The Group monitors net debt which at year-end amounted to net cash of \$681m (2017: \$376m). The Group seeks to pay down net debt using cash generated by the business to maintain an appropriate level of financial flexibility.

17. Cash and cash equivalents

Accounting policy

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with original maturities of less than three months.

	2018 \$m	2017 \$m
Cash and cash equivalents	924	863
	924	863

There were no bank overdrafts in the current or prior year.

18. Financial liabilities – borrowings

Accounting policy

Interest-bearing borrowings are recognized initially at fair value less attributable transaction cost; the cost of the loan approximates its fair value. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost, with any difference between cost and redemption value being recognized within finance expense in the income statement over the year of the borrowings on an effective interest basis.

Borrowings are classified as a current liability unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

	2018 \$m	2017 \$m
Current		
Term loan	(4)	(5)
	(4)	(5)
Non-current		
Term loan	(237)	(477)
	(237)	(477)
Analysis of net cash		
Cash and cash equivalents	924	863
Borrowings ¹	(243)	(487)
	681	376

1. Borrowings reflect the outstanding principal amount drawn, before debt issuance cost of \$2m (2017: \$5m).

	2018 \$m	2017 \$m
Reconciliation of net cash/(debt)		
Net cash/(debt) at beginning of year	376	131
Net increase in cash and cash equivalents	61	171
Net repayment of borrowings	240	86
Exchange adjustments	4	(12)
Net cash/(debt) at end of year	681	376

The carrying value of current borrowings and cash at bank equal their fair value.

The terms of the loan in effect at December 31, 2018 are as follows:

	Currency	Carrying Value \$m	Nominal interest margin	Maturity	Amortization	Maximum leverage ratio
Term loan facility	USD	243	Libor (1%) + 4.5%	2022	1%	3.0

Also included within the terms of the loan were:

- ◊ Nominal interest margin is calculated over three-month LIBOR subject to the LIBOR floor;
- ◊ The maximum leverage ratio is a financial covenant to maintain net secured leverage below a specified maximum (*adjusted aggregated net debt divided by adjusted EBITDA ratio) which stands at 3.0x;
- ◊ A \$50m revolving credit facility; which remained undrawn at the balance sheet date.

	2018 \$m	2017 (restated) \$m
Maturity of debt		
Bank loans and overdrafts payable due:		
Within one year or on demand	21	42
Bank loans payable due:		
Later than one and less than five years	288	621
Over five years	–	–
Gross borrowings (including interest)	309	663

The prior year has been restated to include the interest payable on the principal amount of the outstanding loan balance. The impact of this change was an increase in 2017 gross borrowings from \$487m to \$663m.

18. Financial liabilities – borrowings (continued)**Analysis of changes in liabilities from financing activities**

	At January 1, 2018 \$m	Cash flows \$m	Profit and loss \$m	Reclassifications \$m	Exchange adjustments \$m	At December 31, 2018 \$m
Current borrowings	(5)	5	–	(4)	–	(4)
Non-current borrowings	(477)	235	(3)	4	4	(237)
Interest payable	(1)	25	(28)	–	1	(3)
Total liabilities from financing activities	(483)	265	(31)	–	5	(244)

19. Operating lease commitments**Accounting policy**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the lease.

	2018 \$m	2017 (restated) \$m
Total future minimum lease payments under non-cancellable operating leases due:		
Within one year	8	6
Later than one and less than five years	19	20
More than five years	12	13
	39	39

We identified that the lease commitment relating to an embedded lease had not been recorded in the lease commitment note in the 2017 Annual Report and Accounts. All charges related to the lease have been accurately recorded and hence the only adjustment required is to this note. The impact of this change was to increase the total lease commitment in 2017 from \$26m to \$39m.

The Group's operating leases relate primarily to property, plant and equipment (administrative offices). Operating lease rentals charged to the income statement in 2018 were \$5m (2017: \$6m).

20. Provisions for liabilities and charges**Accounting policy**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that there will be an outflow of resources to settle that obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reviewed regularly and amounts updated where necessary to reflect the latest assumptions. The assessment of provisions can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. Given the inherent uncertainties related to these estimates and assumptions, the actual outflows resulting from the realization of those risks could differ from the Group's estimates.

20. Provisions for liabilities and charges (continued)

	Litigation/ investigative matters \$m	IP related matters \$m	Restructuring costs \$m	Retirement benefit costs \$m	Total provisions \$m
At January 1, 2017	256	1	–	2	259
Charged to the income statement	222	36	–	–	258
Utilized during the year	(28)	(19)	–	–	(47)
Released to income statement	(12)	–	–	–	(12)
Exchange adjustments	–	1	–	–	1
At December 31, 2017	438	19	–	2	459
Charged to income statement	–	43	13	1	57
Utilized during the year	–	(17)	(5)	–	(22)
Exchange adjustments	–	(1)	–	–	(1)
At December 31, 2018	438	44	8	3	493
Provisions – current	52	9	8	–	69
Provisions – non-current	386	35	–	3	424
At December 31, 2018	438	44	8	3	493
Provisions – current	124	19	–	–	143
Provisions – non-current	314	–	–	2	316
At December 31, 2017	438	19	–	2	459

Discounting did not materially impact the roll-forward of provisions as the estimated timing of payments has shifted during the period.

The Group is involved in legal and intellectual property disputes as described in Note 22, Legal Proceedings.

The Group carries a provision for investigative and antitrust litigation matters of \$438m. Substantially all of the provision relates to the U.S. Department of Justice investigation. The Group is in advanced discussions with the Department of Justice about a possible resolution to its investigations, although it cannot predict with any certainty whether, when, or at what cost it will reach an ultimate resolution. Although the total amount of the provision has not changed, the classification between current and non-current has changed due to a shift in management's best estimate of the timing of payments.

In the event the final settlement amount of the DOJ matter is materially higher than the provision or is required to be paid over a shorter period of time, and the Group is further adversely impacted by higher than expected loss of revenue following the 'at-risk' launch of generic buprenorphine/naloxone sublingual film products or the failure for new products to meet revenue growth expectations, the Group would not continue in business without taking further necessary measures to reduce its cost base and improve its cash flow. The Directors have taken significant steps to reduce the cost base of the business and manage its capital structure. However, a combination of the above risks may require additional measures such as further cost savings or a change to the litigation strategy.

The Group also carries provisions totalling \$44m for intellectual property related matters, \$40m of these relate to potential redress for ongoing intellectual property related litigation with DRL and Rhodes Pharmaceuticals and have been classified as exceptional costs (see Note 4).

The restructuring provision relates to the cost-saving initiative announced and implemented during the year to offset the financial impact of recent adverse US market developments. These consist primarily of redundancy and related costs, the majority of which is expected to be utilized within one year.

The final aggregate cost of these matters may be materially higher than the amount provided.

The Group believes that it has strong defences in the antitrust and other litigations and is actively litigating these matters.

Indivior cannot predict with any certainty whether, when, or at what cost it will reach ultimate resolution of the antitrust and other litigation matters.

21. Contingent liabilities

Other than the disputes for which provisions have been taken as disclosed in Note 20, 'Provisions for liabilities and charges' or as separately disclosed in Note 9, 'Income tax expense' under 'Other tax matters', reliable estimates could not be made of the potential range of cost required to settle legal or intellectual property disputes where the possibility of losses is more than remote. Descriptions of the significant tax, legal and other disputes to which the Group is a party are set out in Note 9, 'Income tax expense' and Note 22, 'Legal Proceedings'.

22. Legal proceedings

Litigation/Investigative matters

Department of Justice Investigation

A U.S. federal criminal grand jury investigation of Indivior initiated in December 2013 is continuing, and includes marketing and promotion practices, pediatric safety claims, and overprescribing of medication by certain physicians. The U.S. Attorney's Office for the Western District of Virginia has served a number of subpoenas relating to SUBOXONE® Film, SUBOXONE® Tablet, SUBUTEX® Tablet, buprenorphine and our competitors, among other issues. The Group has responded to the subpoenas and has otherwise cooperated fully with the Department and prosecutors and will continue to do so. The Group is in advanced discussions with the Department of Justice about a possible resolution to its investigation. However, it is not possible to predict with any certainty the potential impact of this investigation on the Group or to quantify the ultimate cost of a resolution.

State subpoenas

On October 12, 2016, Indivior was served with a subpoena for records from the State of Connecticut Office of the Attorney General under its Connecticut civil false claims act authority. The subpoena requests documents related to the Group's marketing and promotion of SUBOXONE® products and its interactions with a non-profit third-party organization. On November 16, 2016, Indivior was served with a subpoena for records from the State of California Department of Insurance under its civil California insurance code authority. The subpoena requests documents related to SUBOXONE® Film, SUBOXONE® Tablet, and SUBUTEX® Tablet. The State has served additional deposition subpoenas on Indivior in 2017 and served a subpoena in 2018 requesting documents relating to the bioavailability/bioequivalency of SUBOXONE® Film, manufacturing records for the product and its components, and the potential to develop dependency on SUBOXONE® Film. The Group is fully cooperating in these civil investigations.

FTC investigation and antitrust litigation

The U.S. Federal Trade Commission's investigation remains pending. Litigation regarding privilege claims has now been resolved. Indivior has produced certain documents that it had previously withheld as privileged; other such documents have not been produced.

Civil antitrust claims have been filed by (a) a putative class of direct purchasers, (b) a putative class of end payor purchasers, (c) Amneal Pharmaceuticals LLC (Amneal), a manufacturer of generic buprenorphine/naloxone tablets, and (d) a group of states, now numbering 41, and the District of Columbia. Each set of plaintiffs filed generally similar claims alleging, among other things, that Indivior violated U.S. federal and/or state antitrust and consumer protection laws in attempting to delay generic entry of alternatives to SUBOXONE® tablets. Plaintiffs further allege that Indivior unlawfully acted to lower the market share of these products. The Group has settled the dispute with Amneal, and Amneal has dismissed its claims against the Group with prejudice. The other antitrust cases are pending in federal court in the Eastern District of Pennsylvania. Pre-trial proceedings were coordinated. The fact discovery period has closed; expert discovery and briefing on class certification issues is ongoing.

Estate of John Bradley Allen

On December 27, 2016, the Estate of John Bradley Allen filed a civil complaint against Indivior, among other parties, in the Northern District of New York seeking relief under Connecticut's products liability and unfair trade practices statutes for damages allegedly caused by SUBOXONE®. This lawsuit was dismissed without prejudice on August 9, 2018.

Opioid Class Action Litigation

In February 2019, Indivior PLC, along with other manufacturers of opioid products, was named in the national civil opioid class action litigation brought by state and local governments, alleging misleading marketing messages. This complaint was filed by several Kentucky public health agencies in the class action consolidated in the federal district court for the Northern District of Ohio on February 6, 2019. On February 21, 2019, Indivior was voluntarily dismissed with prejudice from the lawsuit.

Intellectual property related matters

ANDA litigation and inter parties review

Actavis is currently enjoined from launching a generic buprenorphine/naloxone film product until April 2024 based on a June 3, 2016 ruling by the United States District Court for the District of Delaware finding the asserted claims of the '514 Patent valid and infringed. Actavis has appealed this ruling. On October 24, 2017, Actavis received tentative approval from FDA for at least its 8mg/2mg generic product under its Abbreviated New Drug Application (ANDA) No. 204383 and on November 15, 2017, it received tentative approval for its 12mg/3mg generic product under ANDA No. 207087. Litigation against Actavis is also pending in the District of Delaware on Indivior's more recently listed Orange Book Patents: U.S. Patent Nos. 9,687,454 (the '454 Patent), and 9,931,305 (the '305 Patent).

On August 31, 2017, the United States District Court for the District of Delaware found that asserted claims of U.S. Patent No. 8,017,150 (the '150 Patent), U.S. Patent No. 8,900,497 (the '497 Patent), and the '514 Patent are valid but not infringed by DRL. Indivior has appealed this ruling. Litigation against DRL is currently pending in the District of New Jersey on the '454 and '305 patents. DRL received final FDA approval for all four strengths of its generic buprenorphine/naloxone film product on June 14, 2018, and immediately launched its generic buprenorphine/naloxone film product "at-risk." On June 15, 2018, Indivior filed a motion with the United States District Court for the District of New Jersey seeking a Temporary Restraining Order (TRO) and Preliminary Injunction (PI) pending the outcome of a trial on the merits of the '305 Patent. The court granted Indivior a two-week TRO, preventing DRL from continuing to sell or offer to sell its generic product. Indivior was required to post an \$18 million surety bond to cover DRL's damages in the event of an Indivior loss of its patent case against DRL. On June 28, 2018, the court heard oral argument in support of Indivior's motion for a PI against DRL and, at the conclusion of this hearing, extended the TRO for an additional 14 days in order to rule on the PI motion and required Indivior to post another \$18 million surety bond. On July 13, 2018, the District Court issued its ruling granting Indivior a PI against DRL. On July 18, 2018, the District Court ordered Indivior to post a surety bond for \$72 million

22. Legal proceedings (continued)

(that total figure being inclusive of the \$36 million surety bond already posted) in connection with the PI. DRL appealed to the United States Court of Appeals for the Federal Circuit (CAFC) on the same day. On November 20, 2018, the CAFC issued a decision vacating the PI against DRL. Indivior filed a timely petition for rehearing and rehearing en banc on December 20, 2018. The CAFC denied the petition on February 4, 2019. On February 5, 2019, Indivior filed an emergency motion to stay the issuance of mandate pending the resolution of the appeal of the District of Delaware decision with respect to the '514 patent, and pending Indivior's forthcoming petition for a writ of certiorari to the Supreme Court of the United States in the PI matter. The CAFC denied that motion on February 11, 2019, and Indivior filed a second emergency motion to stay the mandate pending resolution of its forthcoming application for an administrative stay to the Supreme Court of the United States. The CAFC denied that motion and ordered issuance of the mandate on February 19, 2019. Indivior filed an application to the Supreme Court of the United States requesting a stay of the mandate pending resolution of its forthcoming petition for certiorari seeking to overturn the CAFC's PI vacatur. On February 19, the Supreme Court of the United States denied Indivior's motion to stay issuance of the CAFC's mandate vacating the PI granted against DRL. The CAFC subsequently issued the mandate vacating the PI granted against DRL. The U.S. District Court for the District of New Jersey then confirmed the PI against DRL had been vacated.

DRL is therefore no longer prevented from selling, offering to sell, or importing their generic buprenorphine/naloxone sublingual film products. DRL has re-launched its generic product, and any sales in the U.S. are on an "at-risk" basis, subject to the outcome of the CAFC appeal of the judgments related to U.S. Patent No. 8,603,514, (and U.S. 8,017,150 in the case of DRL), as well as ongoing litigation in the District of New Jersey asserting Orange Book-listed U.S. Patent Nos. 9,931,305 and 9,687,454.

On February 12, 2019, the CAFC granted Indivior's request to expedite the appeal of the non-infringement judgment in the '514 patent case to the extent it will be placed on the next available oral argument calendar.

On November 13, 2018, DRL filed two separate petitions for inter partes review of the '454 Patent with the USPTO. Indivior's preliminary responses are due March 6, 2019 and March 7, 2019.

Teva filed a 505(b)(2) New Drug Application (NDA) for a 16mg/4mg strength of buprenorphine/naloxone film (CASSIPA™). Indivior, Aquestive Pharmaceuticals (formerly known as MonoSol Rx) and Teva agreed that infringement by Teva's 16mg/4mg dosage strength would be governed by the infringement ruling as to Dr. Reddy's 8mg/2mg dosage strength that was the subject of the trial in November 2016. Accordingly, the non-infringement ruling in the Dr. Reddy's case means that the Teva 16mg/4mg dosage strength has been found not to infringe. Indivior has appealed this November 2016 ruling. Litigation is ongoing against Teva in the District of New Jersey on the '454 patent and '305 patent. Teva received final approval from the FDA for CASSIPA on September 7, 2018 and has agreed to be bound by the decision in the DRL PI case. Teva is therefore enjoined from launching CASSIPA unless and until the CAFC issues a mandate vacating the PI against DRL. Any sales of CASSIPA in the U.S. would be on an "at-risk" basis, subject to the outcome of the appeal of the non-infringement judgment related to the '514 patent, as well as the ongoing litigation against Teva and DRL in the District of New Jersey.

Trial against Alvogen in the lawsuit involving the '514 and '497 Patents for SUBOXONE® Film took place in September 2017. The trial was limited to the issue of infringement because Alvogen did not challenge the validity of either patent. On March 22, 2018, the United States District Court for the District of Delaware issued its ruling finding both patents not infringed by Alvogen. Indivior has appealed this ruling. Litigation against Alvogen is also pending in the United States District Court for the District of New Jersey on the '454 Patent and the '305 Patent. On January 22, 2019, Indivior filed a motion for a temporary restraining order ("TRO") and preliminary injunction in the District of New Jersey, requesting that the Court restrain the launch of Alvogen's generic buprenorphine/naloxone film product until a trial on the merits of the '305 patent. Alvogen received approval for its generic product on January 24, 2019. The same day, the District of New Jersey granted a TRO until February 7, 2019, with a PI hearing scheduled for that day. On January 31, 2019, Indivior and Alvogen entered into an agreement whereby Alvogen is enjoined from the use, offer to sell, or sale within the United States, or importation into the United States, of its generic buprenorphine and naloxone sublingual film product unless and until the CAFC issues a mandate vacating the PI against DRL. Alvogen has launched its generic product, and any sales in the US are on an "at-risk" basis, subject to the outcome of the appeal of the non-infringement judgment related to the '514 patent, as well as the ongoing litigation against Alvogen in the District of New Jersey. On February 12, 2019, the CAFC granted Indivior's request to expedite the appeal of the non-infringement judgment in the '514 patent case to the extent it will be placed on the next available oral argument calendar.

By a Court order dated August 22, 2016, Indivior's SUBOXONE® Film patent litigation against Sandoz was dismissed without prejudice because Sandoz is no longer pursuing Paragraph IV certifications for its proposed generic formulations of SUBOXONE® Film.

On September 25, 2017, Indivior settled its SUBOXONE® Film patent litigation against Mylan, the terms of which are confidential. Mylan received final FDA approval for its generic version of the 8mg buprenorphine/naloxone film product on June 14, 2018.

On May 11, 2018, Indivior settled its SUBOXONE® Film patent litigation against Par. Under the terms of the settlement agreement, Par can launch its generic buprenorphine/naloxone film product on January 1, 2023, or earlier under certain circumstances. Other terms of the settlement agreement are confidential. So far as Indivior is aware, FDA to date has not granted tentative or final approval for Par's generic buprenorphine/naloxone film product.

Rhodes pharmaceuticals

On December 23, 2016, Rhodes Pharmaceuticals filed a complaint against Indivior in the United States District Court for the District of Delaware, alleging that Indivior's sale of SUBOXONE® Film in the U.S. infringes one or more claims of U.S. Patent No. 9,370,512 (the '512 Patent). The asserted patent, which was issued in June 2016, claims priority to an application filed in August 2007.

On March 16, 2018, Indivior filed a petition for inter partes review (IPR) with the United States Patent and Trademark Office (USPTO) asserting that all claims of the '512 Patent are invalid.

On October 4, 2018, the USPTO declined to institute an IPR on the challenged claims of the '512 patent.

Notes to the Financial Statements continued

23. Trade and other payables

	2018 \$m	2017 \$m
Sales returns and rebates	(510)	(433)
Trade payables	(47)	(40)
Accruals and other payables	(146)	(178)
Other tax and social security payable	(15)	(13)
Interest payable	(3)	(1)
	(721)	(665)

Sales return and rebate accruals, primarily in the US, are provided for by the Group at the point of sale in respect of the estimated rebates, discounts or allowances payable to customers. Accruals are made at the time of sale but the actual amounts paid are based on claims made some time after the initial recognition of the sale. As the amounts are estimated they may not fully reflect the final outcome and are subject to change dependent upon, amongst other things, the channel (e.g. Medicaid, Medicare, Managed Care) and product mix. The level of accrual is reviewed and adjusted in light of historical experience of actual rebates, discounts or allowances given and returns made and any changes in arrangements. Future events could cause the assumptions on which the accruals are based to change, which could affect the future results of the Group.

The carrying amounts of total trade and other payables are denominated in the following currencies:

	2018 \$m	2017 \$m
Sterling	62	63
US dollar	629	566
Other currencies	30	36
	721	665

24. Share capital

Accounting policy

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity.

	Equity ordinary shares	Issue price \$	Nominal value \$m
Issued and fully paid			
At January 1, 2018	721,462,733	0.10	72
Allotments	6,978,920	0.10	1
At December 31, 2018	728,441,653		73
Issued and fully paid			
At January 1, 2017	720,597,566	0.10	72
Allotments	865,167	0.10	—
At December 31, 2017	721,462,733	0.10	72

Allotment of ordinary shares

During the year, 6,978,920 ordinary shares (2017: 865,167) were allotted to satisfy vestings/exercises under the Group's Long-Term Incentive Plan and the US Employee Stock Purchase Plan.

25. Other Equity

Nature and purpose of reserves

Foreign currency translation

The foreign currency translation reserve contains the accumulated foreign exchange differences from the translation of the financial statements of the Group's foreign operations arising when the Group's entities are consolidated.

Other reserves

The other reserves balance relates to the Group formation in 2014. It represents the difference between the nominal value of the shares issued by the Company and the net investment in the Group by the former owner.

26. Share-based payments

Accounting policy

The Group operates three equity-settled executive and employee share plans. For all grants of share options and awards, the fair value at the grant date is calculated using appropriate pricing models. The grant date fair value is recognized over the vesting period as an expense, with a corresponding increase in retained earnings.

Employee Plans

Legacy Award – Indivior LTIP (formerly Reckitt Benckiser LTIP)

Upon Indivior demerging from RB and listing on the UK Main Market, awards under the Reckitt Benckiser 2007 Long-Term Incentive Plan granted in 2012 were exchanged on a value-neutral basis for new awards over Indivior ordinary shares under the Indivior LTIP for a number of executives.

The Remuneration Committee considered the vesting of these awards, taking into account the performance of RB and Indivior over the vesting period, weighted one-third on RB's performance and two-thirds on Indivior's performance. The Committee concluded that 93.33% of the Award would vest in May 2016. Further information can be found in the Directors' Remuneration Report.

Indivior Long-Term Incentive Plan (LTIP)

In 2015, a share-based incentive plan was introduced for employees (including Executive Directors) of the Group. An award under the LTIP can take the form of a zero-cost option, a market value option, or a conditional award.

The LTIP may comprise grants performance shares and/or share options which vest subject to the achievement of stretching performance targets.

The LTIP has a performance period of at least three years and a minimum vesting period of three years. From 2016 onwards, awards granted to the Executive Directors are subject to a further two-year post-vesting period.

The LTIP opportunity is reviewed annually with reference to market data and the associated cost to the Company, calculated using an expected-value methodology.

The performance condition is reviewed before each award cycle to ensure it remains appropriately stretching.

The fair values of awards granted under the Long-Term Incentive Plans are calculated using a Monte Carlo simulation model.

The key assumptions in the simulation model are stock price of the Company, expected volatilities of the Company, risk-free rate, and dividend yield.

Other Employee Plans

The Company operates an HMRC-approved SAYE plan for UK employees and US Employee Stock Purchase Plan (ESPP) for US employees. The amounts recognized for these plans are not material for disclosure.

For all plans, the inputs to the option pricing models are reassessed for each grant. The following assumptions were used in calculating the fair value of options granted.

Award	Grant date	Performance Period	Share price on grant date £	Volatility ¹ %	Dividend yield %	Expected life in years	Risk-free interest rate ² %	Weighted average fair value £
2015	February 26, 2015	2015-17	1.70	39	0.0	3	0.73	1.67
2015	March 11, 2015	2015-17	1.75	38	0.0	3	0.78	1.28
2016	February 19, 2016	2016-18	1.55	38	0.0	3	0.40	1.10
2016	August 2, 2016	2016-18	2.92	46	0.0	3	0.15	2.59
2017	February 24, 2017	2017-19	3.43	43	0.0	3	0.12	2.76
2018	March 9, 2018	2018-20	4.02	48	0.0	3	0.85	3.39
2018	March 9, 2018	2018-20	4.02	48	0.0	3	0.85	2.90
2018	November 28, 2018	2018-20	0.99	n/a	0.0	3	n/a	0.99

1. Given the short trading history as of the valuation dates, we relied on a comparable set of guideline companies. We calculated the expected volatility based on equal weighting of historical volatility and the implied volatility of guideline public companies. This historical volatility was calculated based on a lookback period of three years.

2. The risk-free interest rate reflects the continuous risk-free yield based on the UK government interest rates as of the valuation date, based upon a maturity commensurate with the performance period.

26. Share-based payments (continued)

At the end of the year, the maximum number of shares that could be awarded under the Group's LTIP was:

	Legacy (LTIP) millions	LTIP millions	Total millions
Outstanding at January 2017	3	19	22
Awarded	–	6	6
Vested/Exercised	(1)	–	(1)
Forfeited	–	(1)	(1)
Outstanding at December 2017	2	24	26
Awarded	–	6	6
Vested/Exercised	–	(6)	(6)
Forfeited	–	(3)	(3)
Outstanding at December 2018	2	21	23

Charged to income statement

The expense charged to the income statement for share-based payments is as follows:

	2018 \$m	2017 \$m
Granted in current year	6	6
Granted in prior years	9	10
Total share-based expense for the year	15	16

27. Related party transactions

Key management compensation is disclosed in Note 7a.

The subsidiaries included in the consolidated financial statements at December 31, 2018 are disclosed in Note 2 to the Parent Company financial statements.

28. Post balance sheet events

Following February 19, 2019 orders from the U.S. District Court for the District of New Jersey, Dr. Reddy's Laboratories (DRL) and Alvogen Pine Brook, Inc. (Alvogen) are no longer prevented from selling, offering to sell, or importing their generic buprenorphine/naloxone sublingual film products. On February 20, 2019, Indivior announced that it had launched an authorized generic version of SUBOXONE® (buprenorphine and naloxone) Sublingual Film (CIII) in the U.S. It is possible that other generic manufacturers may also launch generic versions of SUBOXONE® Film following Indivior's launch of this authorized generic.

Indivior reached a definitive agreement (February 4, 2019) to divest rights related to SUBOXONE® Sublingual Tablets (Sai Bo Song™) in the People's Republic of China to Zhejiang Pukang Biotechnology Co., Ltd. (Pukang) for total potential consideration of up to \$122.5m based on achieving certain milestones. The agreement is subject to various closing conditions and is anticipated to close in Q4 2019.

During the year, the Group announced its intention to implement a program to streamline the Group and reduce certain costs. This resulted in a further reduction in headcount of more than 120 employees in Q1 2019. Incremental costs to effect the savings will be reflected as an exceptional cost in Q1 2019.

Historical financial information

	2018 \$m	2017 \$m	2016 \$m	2015 \$m
Income statement				
Revenue from continuing operations	1,005	1,093	1,058	1,014
Operating profit	292	193	149	346
Net finance (expense)	(14)	(56)	(51)	(61)
Profit on ordinary activities before tax	278	137	98	285
Tax on profit on ordinary activities	(3)	(79)	(63)	(57)
Net income	275	58	35	228
Balance sheet				
Net assets/(liabilities)	66	(203)	(295)	(279)
Net working capital ¹	(356)	(335)	(390)	(274)
Statistics				
Reported basis				
Operating margin	29.1%	17.7%	14.1%	34.1%
Tax rate	1.1%	57.7%	64.3%	20%
Diluted earnings per share (cents)	0.37	0.08	0.05	0.31

1. Net working capital includes inventories and trade and other receivables less trade and other payables.

Parent Company balance sheet

As at December 31	Note	2018 \$m	2017 \$m
Fixed assets			
Investments	2	1,437	1,437
Deferred tax	3	5	21
Current assets			
Debtors	4, 5	54	26
Cash and cash equivalents		6	1
		60	27
Creditors due within one year	6	33	–
Net current assets		1,469	1,485
Creditors due after one year	6	–	–
Net assets		1,469	1,485
Equity			
Share capital	7	73	72
Share premium		5	2
Retained earnings		1,391	1,411
Total equity		1,469	1,485

The financial statements on pages 124 to 130 were approved by the Board of Directors on March 1, 2019 and signed on its behalf by:

Shaun Thaxter
Director



Mark Crossley
Director



Parent Company statement of changes in equity

	Notes	Share capital \$m	Share premium \$m	Retained earnings \$m	Total equity \$m
Balance at January 1, 2017		72	–	1,363	1,435
Comprehensive income					
Net income		–	–	24	24
Other comprehensive income		–	–	–	–
Total comprehensive income		–	–	24	24
Transactions with owners					
Share-based plans	8	–	2	16	18
Deferred taxation on share-based plans		–	–	8	8
Total transactions recognized directly in equity		–	2	24	26
Balance at December 31, 2017		72	2	1,411	1,485
Balance at January 1, 2018		72	2	1,411	1,485
Comprehensive income					
Net loss		–	–	(28)	(28)
Other comprehensive income		–	–	–	–
Total comprehensive income		–	–	(28)	(28)
Transactions with owners					
Share-based plans		1	3	15	19
Deferred taxation on share-based plans		–	–	(7)	(7)
Total transactions recognized directly in equity		1	3	8	12
Balance at December 31, 2018		73	5	1,391	1,469

Financial
statements

Notes to the Parent Company Financial Statements

The Parent Company financial statements of Indivior PLC (the "Company") for the year ended December 31, 2018 were authorized for issue by the Board of Directors on March 1, 2019 and the balance sheet was signed on the Board's behalf by Shaun Thaxter and Mark Crossley. Indivior PLC is an investment holding company and is a public limited company incorporated and domiciled in England and Wales. The address of the registered office and company number are given on page 131.

These financial statements were prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements are prepared under the historical cost convention, and in accordance with the Companies Act 2006.

As permitted by s408 (4) of the Companies Act 2006, no profit and loss account is presented for Indivior PLC. The results of the Company are included in the consolidated financial statements of Indivior PLC.

The accounting policies which follow apply to preparation of the financial statements for the year ended December 31, 2018. They have all been applied consistently throughout the year and the preceding year. The financial statements are prepared in US dollars and are rounded to the nearest million.

	2018	2017
GBP year-end exchange rate	1.2746	1.3513
GBP average exchange rate	1.3362	1.2881

1. Accounting policies

Basis of preparation

Indivior PLC (the "Company") is the Parent Company of the Indivior Group. Indivior PLC is a public limited company incorporated and domiciled in England and Wales.

The Company and its subsidiaries (together, 'the Group') is engaged in the development, manufacture, and sale of buprenorphine-based prescription drugs for the treatment of opioid dependence.

The Parent Company financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the "Act") for all periods presented.

The Company is included in the Group financial statements of Indivior PLC, which are publicly available on the Company's website.

The financial statements are prepared on a going concern basis under the historical cost convention in accordance with the Companies Act 2006 ('the Act') and applicable UK accounting standards. Subject to the following matter, after making appropriate enquiries, the Directors have a reasonable expectation that the Group and Parent Company has adequate resources to continue in operational existence for at least one year from the financial statements date. However, as disclosed in Note 20 to the Group financial statements, the Group carries a provision of \$438m substantially all relating to the Department of Justice investigations. The final settlement amount may be materially higher than this provision or require payment over a shorter period, which, together with higher than expected loss of revenue following the 'at-risk' launch of generic buprenorphine/naloxone sublingual film products, or the failure for new products to meet revenue growth expectations, could impact the Group's ability to operate. The Directors have taken significant steps to reduce the cost base of the business and manage its capital structure and believe the Group has sufficient liquidity, influence over near-term litigation outcomes and the ability to carry out further measures that may be

necessary for the Group to continue as a going concern for at least the next twelve months. However, a combination of the above risks may require additional measures such as further cost savings or a change to the litigation strategy. These conditions may impact the Parent Company's ability to recover amounts owed from subsidiaries and value of the Parent Company's fixed asset investments in shares in subsidiaries. As such, the above factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Parent Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Parent Company were unable to continue as a going concern.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-Based Payments for an ultimate parent, the share-based payment arrangement must concern its own equity instruments and its separate financial statements must be consolidated financial statements of the Group; And in both cases, this exemption requires that equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated.
- The requirements of paragraphs 17 and 18 of IAS 24 Related-Party Disclosures to disclose information about key management personnel compensation and related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to provide information about the impact of IFRSs that have been issued but are not yet effective.
- The requirements of IAS 7 Statement of Cash Flow to prepare a cash flow statement for any qualifying entity.
- The requirements of paragraphs 10(d), 10(f), 16, 38, 38A-D, 40A-D, 111, 134-6 of IAS 1 Presentation of financial statements to present:
 - a cash flow statement;
 - statement of financial position and related notes at the beginning of the earliest comparative period whenever an entity applies an accounting policy retrospectively, makes a retrospective restatement, or when it reclassifies items in its financial statements;
 - an explicit statement of compliance with IFRS. Indeed, FRS 101 prohibits such a statement of compliance and an FRS 101 statement of compliance is required instead;
 - information about capital and how it is managed.

New standards, amendments and IFRIC interpretations

IFRS 9 and IFRS 15 are new accounting standards that are in effect from January 1, 2018 and have had no impact on the Parent Company.

Foreign currency translation

Transactions denominated in foreign currencies are translated using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except where hedge accounting is applied.

1. Accounting policies (continued)

Taxation

The tax charge/credit is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax liabilities are provided for in full and deferred tax assets are recognized to the extent that they are considered recoverable.

A deferred tax asset is considered recoverable if it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried-forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Cash in bank and in hand

Cash at bank and in hand includes cash held in bank accounts.

Accounting estimates and judgments

In the application of the Company's accounting policies, the Directors are required to make some estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the significant judgments made in applying the Company's accounting policies:

- ◀ determining whether there are indicators of impairment of the Company's fixed asset investment.

The Company's Directors are of the opinion that there are no further judgments and no key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities for the Company within the next financial year.

2. Investments

Accounting policy

Investments are stated at the lower of cost and their recoverable amount, which is determined as the higher of net realizable value and value-in-use.

Impairment of investments

A review of the potential impairment of an investment is carried out by the Directors if events or changes in circumstances indicate that the carrying value of the investment could exceed their recoverable values based on their value in use or fair value less costs to sell. Such impairment reviews are performed in accordance with IAS 36 'Impairment of assets'.

	2018 \$m	2017 \$m
At January 1	1,437	1,437
At December 31	1,437	1,437

Investments represent shares in subsidiaries.

An impairment analysis of the investment balance was performed at the end of the year, using a value in use methodology based on discounted future expected cash flows. The key assumptions in the impairment review were revenue and related cash flow projections and the discount rate. The cash flow projections consisted of the Board-approved budget for the following year which factored in expected erosions following generic entry, together with forecasts for up to three additional years and nominal expected growth rates beyond those years over the patent life of marketed products. No revenues have been factored in for products in development. The discount rate used is the Group's Weighted Average Cost of Capital (WACC). There was no impairment recognized as a result of the impairment analysis.

The Directors believe that the carrying value of the investments is supported by their underlying net assets. The cost of investments has been determined with reference to the nominal value of shares issued as permitted by s615 of the Act.

Notes to the Parent Company Financial Statements continued

2. Investments (continued)

Subsidiaries

The subsidiaries as at December 31, 2018, all of which are included in the consolidated financial statements, are shown below, in accordance with s410 of the Act.

Name	Country of incorporation or registration and operation	Registered Office	Principal activity	Effective % of share capital held by the Group
Indivior Global Holdings Limited	England and Wales	103-105 Bath Road, Slough, Berkshire, SL1 3UH, United Kingdom	Holding company	Ordinary 100
RBP Global Holdings Limited	England and Wales	103-105 Bath Road, Slough, Berkshire, SL1 3UH, United Kingdom	Holding and Finance company	Ordinary 100
Indivior Finance S.à.r.l	Luxembourg	1, rue de la Poudrerie, Leudelange, L – 3364, Luxembourg	Finance company	Ordinary 100
Indivior Finance (2014) LLC	US	10710 Midlothian Turnpike, Suite 430, North Chesterfield, VA 23235, United States	Finance company	Ordinary 100
Indivior US Holdings Inc.	US	10710 Midlothian Turnpike, Suite 430, North Chesterfield, VA 23235, United States	Holding company	Ordinary 100
Indivior Finance LLC	US*	103-105 Bath Road, Slough, Berkshire, SL1 3UH, United Kingdom	Finance company	Ordinary 100
Indivior Finance (2015) S.à.r.l	Luxembourg	1, rue de la Poudrerie, Leudelange, L – 3364, Luxembourg	Finance company	Ordinary 100
Indivior Pty Ltd	Australia	Pod B.02, Level 3, 78 Waterloo Road, Macquarie Park NSW 2113, Australia	Operating company	Ordinary 100
Indivior UK Limited	England and Wales	103-105 Bath Road, Slough, Berkshire, SL1 3UH, United Kingdom	Operating company	Ordinary 100
Indivior South Africa (Pty) Ltd	South Africa	Building 21 C, Woodlands Office Park, 20 Woodlands Drive, Woodmead, 2191, South Africa	Operating company	Ordinary 100
Indivior EU Limited	England and Wales	103-105 Bath Road, Slough, Berkshire, SL1 3UH, United Kingdom	Operating company	Ordinary 100
Indivior Europe Limited	Ireland	27 Windsor Place, Dublin 2, Ireland	Dormant company	Ordinary 100
Indivior France SAS	France	1-5 Avenue Carnot, 91300, Massy, France	Operating company	Ordinary 100
Indivior Italia S.r.l	Italy	Corso di Porta Romana 68, 20122 Milano, Italy	Operating company	Ordinary 100
Indivior Deutschland GmbH	Germany	Hermesheimer Straße 3, 68163 Mannheim, Germany	Operating company	Ordinary 100
Indivior Solutions Inc.	US	10710 Midlothian Turnpike, Suite 430, North Chesterfield VA 23235, United States	Operating company	Ordinary 100
Indivior Inc.	US	10710 Midlothian Turnpike, Suite 430, North Chesterfield VA 23235, United States	Operating company	Ordinary 100
Indivior Ireland (Investments) Limited	Ireland	12 Merrion Square North, Dublin 2, Ireland	Finance company	Ordinary 100
Indivior Canada Ltd	Canada	333 Bay Street, Suite 2400, Toronto, Ontario, M5H 2T6, Canada	Operating company	Ordinary 100
Indivior España S.L.U	Spain	Camino de los Gamos nº 1, Edificio Negocenter, 28224 (MADRID), Pozuelo de Alarcón, Spain	Operating company	Ordinary 100
Indivior Nederland B.V.	Netherlands	Kabelweg 57, Unit 1.06.07 A, 1014BA, Amsterdam, Netherlands	Operating company	Ordinary 100
Indivior Portugal Unipessoal LDA.	Portugal	Praça Duque de Saldanha, n.º 1, Edifício Atrium Saldanha, piso 7, 1050-094, Freguesia de Arroios, Concelho de Lisboa, Portugal	Operating company	Ordinary 100
Indivior Austria GmbH	Austria	Kärntner Ring 12, 3. Stock, 1010 Wien, Austria	Operating company	Ordinary 100
Indivior Schweiz AG	Switzerland	Neuhofstrasse 5A, 6340, Baar, Switzerland	Operating company	Ordinary 100
Indivior Hrvatska d.o.o.	Croatia	Savska cesta 32/13, 10000 Zagreb, Croatia	Operating company	Ordinary 100
Indivior Nordics ApS	Denmark	c/o Lundgrens Advokatpartnerselskab, Tuborg Boulevard 12, 4., 2900 Hellerup, Denmark	Operating company	Ordinary 100
Indivior (Beijing) Pharmaceuticals Information Consulting Co. Ltd	China	Unit 07, 19 th Floor, Fortune Financial Centre, No. 5, 3 rd middle East Ring Road, Beijing, Chaoyang District, China	Operating company	Ordinary 100
Indivior Belgium SPRL	Belgium	Avenue Louise 331-333, 1050 Bruxelles, Belgium	Operating company	Ordinary 100
Indivior Česko S.R.O	Czech Republic	Pobřežní 394/12, Karlín, 186 00, Praha 8, Czech Republic	Operating company	Ordinary 100
Indivior Israel Ltd	Israel	13 Hamikhtoot St., Modiin, 7178094, Israel	Operating company	Ordinary 100
Indivior Middle East FZ-LLC	Dubai Healthcare City Free Zone (UAE)	Unit ED03, Second Floor, Building No. 27, Dubai Healthcare City, Dubai, United Arab Emirates	Dormant company	Ordinary 100

* Indivior Finance LLC is registered in the US state of Delaware but also has a UK establishment.

With the exception of Indivior Global Holdings Limited, none of the above subsidiaries is held directly by Indivior PLC.

3. Deferred tax assets

	2018 \$m	2017 \$m
Deferred tax assets	5	21
	5	21

Deferred tax assets all relate to share awards. Refer to Note 13 of the Group financial statements for further details.

4. Debtors due within one year

	2018 \$m	2017 \$m
Amounts owed by subsidiaries	53	23
Corporate tax receivable	1	3
	54	26

Amounts owed by/to Group undertakings are unsecured, interest free, and are repayable on demand.

5. Financial instruments

	2018 \$m	2017 \$m
Financial assets:		
Financial assets that are debt instruments measured at amortized cost	53	23
Financial assets measured at fair value through profit and loss	7	4
	60	27

6. Creditors

	2018 \$m	2017 \$m
Amounts falling due after one year:		
Amounts owed to subsidiaries	–	–
Amounts falling due within one year:		
Amounts owed to subsidiaries	33	–
	33	–

Amounts owed by/to Group undertakings are unsecured, interest free, and are repayable on demand.

7. Share Capital

Further information on the share capital of the Company can be found in Note 24 of the notes to the Group financial statements.

8. Share-based payments

The disclosure relating to the Company is detailed in Note 26 of the Notes to the Group financial statements.

9. Directors and employees

There were no employees of the company during this or the previous financial year.

Details of the remuneration of key management personnel are given in Note 7 to the Group financial statements.

10. Auditors' remuneration

The fee charged for the statutory audit of the Company was \$0.03m (2017: \$0.03m). Details for non-audit fees are given in Note 6 of the notes to the Group financial statements.

11. Related party transactions

The Company has taken advantage of the exemption within IAS 24 Related Party Disclosures not to disclose related party transactions with wholly owned subsidiaries of the Group. There were no other related party transactions.

12. Post balance sheet events

Following February 19, 2019 orders from the U.S. District Court for the District of New Jersey, Dr. Reddy's Laboratories (DRL) and Alvogen Pine Brook, Inc. (Alvogen) are no longer prevented from selling, offering to sell, or importing their generic buprenorphine/naloxone sublingual film products. On February 20, 2019, Indivior announced that it had launched an authorized generic version of SUBOXONE® (buprenorphine and naloxone) Sublingual Film (CIII) in the U.S. It is possible that other generic manufacturers may also launch generic versions of SUBOXONE® Film following Indivior's launch of this authorized generic.

Indivior reached a definitive agreement (February 4, 2019) to divest rights related to SUBOXONE® Sublingual Tablets (Sai Bo Song™) in the People's Republic of China to Zhejiang Pukang Biotechnology Co., Ltd. (Pukang) for total potential consideration of up to \$122.5m based on achieving certain milestones. The agreement is subject to various closing conditions and is anticipated to close in Q4 2019.

During the year, the Group announced its intention to implement a program to streamline the Group and reduce certain costs. This resulted in a further reduction in headcount of more than 120 employees in Q1 2019. Incremental costs to effect the savings will be reflected as an exceptional cost in Q1 2019.

Information for shareholders

Useful contacts

Registered address

Indivior PLC
103-105 Bath Road, Slough, Berkshire,
SL1 3UH, UK

Registered in England and Wales
(company number: 9237894)

Website: www.indivior.com

Company Secretary

Kathryn Hudson
Email: coscec@indivior.com

Registrar

Computershare Investor Services PLC
The Pavilions, Bridgwater Road, Bristol,
BS13 8AE, United Kingdom

Website: www.investorcentre.co.uk
Telephone: +44 (0) 370 707 1820

Annual General Meeting ('AGM')

The AGM will be held on May 8, 2019 at the offices of Addleshaw Goddard LLP, Milton Gate, 60 Chiswell Street, London EC1Y 4AG. The Notice of Meeting, together with information regarding the business to be conducted at the meeting and results of voting, will be available on the Company's website www.indivior.com.

Shareholders are entitled to attend and vote at the AGM. Shareholders who are registered for eComms, and receive shareholder documents electronically, are permitted to cast their AGM vote electronically.

Documents on display

Copies of Directors' service contracts, Articles of Association and Terms of Reference will be available for inspection by shareholders at the AGM.

Dealing in Indivior securities

Ordinary shares

The Company has ordinary shares admitted to the Official List of the Financial Conduct Authority and traded on the London Stock Exchange, a regulated market. Live trading data for the Company's ordinary shares can be accessed through www.indivior.com/share-price-center, or via the London Stock Exchange's website www.londonstockexchange.com.

Key dates

First Quarter Financial Results Announcement	May 2, 2019
Annual General Meeting	May 8, 2019
Half Year Financial Results Announcement	July 31, 2019
Third Quarter Financial Results Announcement	October 31, 2019

Note: dates may be subject to change

Shareholders have the opportunity to buy or sell Indivior PLC shares using a share dealing facility operated by our Registrar, Computershare. Internet and telephone dealing is available via the Investor Centre (www.investorcentre.co.uk):

- ◀ Internet Dealing – the fee for this service will be 1% of the value of each sale or purchase of shares (subject to a minimum of £30). Stamp duty of 0.5% is also payable on all purchases. Before you trade you will need to register for this service. This can be done by going online at www.computershare.trade.
- ◀ Telephone Dealing – the fee for this service will be 1% of the value of the transaction plus £35. Stamp duty of 0.5% is also payable on all purchases. To use the service please call +44 (0)370 703 0084 and have your Shareholder Reference Number to hand.

These services are available Monday to Friday from 8am to 4.30pm (UK). Please note that, due to the regulations in the UK, Computershare are required to check that you have read and accepted the Terms & Conditions before being able to trade, which could delay your first telephone trade. If you wish to trade quickly, we suggest visiting the Registrar's website and registering online first at www.computershare.trade.

American Depositary Receipts

In addition to having its securities listed on the London Stock Exchange, Indivior sponsors a Level 1 American Depositary Receipt program in the US. These ADRs are publicly traded on a US over-the-counter market, under symbol INVVY; the value of one Indivior ADR corresponds to the value of five ordinary shares of the Company.

For questions related to the Company ADR Program, please contact J.P. Morgan shareholder services on the details below, or visit the J.P. Morgan Depositary Receipts Services website at www.adr.com.

J.P. Morgan Depositary Bank

4 New York Plaza, Floor 12 New York, NY 1004, US
In the US: (866) JPM-ADRS

J.P. Morgan Transfer Agent Service Center

ADR Shareholders can contact:

J.P. Morgan Chase Bank N.A.
P.O. Box 64504, St. Paul,
MN 55164-0854, US

General inquiries

In the US: +1 (800) 990 1135
Outside the US: +1 (651) 453 2128
Email: jpmorgan.adr@wellsfargo.com

Managing your shareholding Investor Center

Investor Centre is Computershare's easy to use self-service website (www.investorcentre.co.uk), available 24/7, through which Company shareholders can do the following:

- ◀ amend personal details;
- ◀ view payment and tax information;
- ◀ register for eComms; and
- ◀ view share balances.

eComms

All Indivior shareholders will be sent various Company communications, such as the Annual Report and Accounts and Notice of AGM. Our Registrar, Computershare Investor Services PLC, is responsible for sending you these communications as well as handling any queries you may have.

Indivior would like to invite you to join the growing number of its shareholders who have opted to receive their shareholder communications via email.

Registering for eComms means that you will receive information by email quickly and efficiently, and helps to assist us with our commitment to the environment and focus on cost control.

By registering you will no longer receive paper copies of Annual Reports or other communications that are available electronically, and instead will receive emails advising you when and how to access documents online. Shareholders who receive eComms are entitled to request a hard copy of any such document at any time free of charge from the Company's Registrar, and can also revoke their consent to receive eComms at any time.

Visit www.investorcentre.co.uk/eComms to register for the eComms service, or alternatively contact Computershare via the telephone number under 'useful contacts'.

Information for shareholders continued

Shareholder analysis

Analysis of shareholder bands at December 31, 2018

Range	No. of Shareholders	%	No. of Shares	%
1 – 1,000	9,402	75.51%	3,007,076	0.41%
1,001 – 5,000	2,221	17.84%	4,537,570	0.62%
5,001 – 10,000	250	2.01%	1,762,003	0.24%
10,001 – 100,000	309	2.48	9,759,032	1.34%
100,001 – 999,999,999	269	2.16	709,375,972	97.38%
Total	12,451	100%	728,441,653	100%

Analysis of shareholder categories as at December 31 2018

	Holdings	%	Shares	%
Individuals	10,957	87.99%	11,240,644	1.54%
Bank or Nominees	905	7.27%	409,058,135	56.16%
Investment Trust	16	0.13%	64,995	0.01%
Insurance Company	2	0.02%	37,127	0.01%
Other Company	546	4.39%	169,958,202	23.33%
Pension Trust	2	0.02%	6,501	0.00%
Other Corporate Body	23	0.18%	138,076,049	18.95%
Total	12,451	100%	728,441,653	100%

ShareGift

We support ShareGift, a charity share donation scheme (registered charity number: 1052686).

Through ShareGift shareholders who have only a very small number of shares, which might be considered uneconomic to sell, are able to donate them to charity. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of UK registered charities.

Please contact ShareGift with any queries or for further information using the details below, or visit the ShareGift website at www.sharegift.org.

Email: help@sharegift.org
Telephone: +44 (0)20 7930 3737
Address: PO Box 72253, London, SW1P 9LQ

Dividends

The Board, as indicated in the prospectus for the demerger in November 2014, considered future dividend policy in the light of the Company's current financial position, strategy and prospects. Given the uncertainties facing the Group, including generic challenges to the intellectual property of Suboxone® Film, the level of gross debt together with the associated covenants and the need to seek to diversify the sources of revenue and cash-flow, the Company does not expect to pay ordinary dividends for the foreseeable future.

Indivior PLC's demerger from Reckitt Benckiser Group plc ('RB')

Base cost apportionment

This information is provided as indicative guidance only. Indivior can accept no responsibility for the use that may be made of this information. Any individual wishing to calculate their capital gains tax should consult an appropriate and authorized professional adviser.

The demerger of Indivior PLC from RB was approved by RB's shareholders on December 11, 2014, and completed with the admission of Indivior securities to the London Stock Exchange at 8.00 am on December 23, 2014. Shareholders registered on the RB share register at the Demerger Record Time of 6.00 pm on December 22, 2014 received one Indivior ordinary share for each RB ordinary share held.

For the purposes of taxation of chargeable gains, the base cost of RB shares held immediately before the demerger is the companies' respective market values on December 23, 2014.

Using the valuation methodology prescribed by section 272(3) TCGA, the market values of RB and Indivior shares were as follows:

- ◀ RB: £51.975
- ◀ Indivior: £1.325

Boiler Room Scams

Shareholders are advised to be wary of any offers of unsolicited investment advice or offers of free company or research reports. These are typically from overseas brokers who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK securities.

If you receive any unsolicited investment advice you should firstly obtain the name of the person and organization and check that they are properly authorized by the FCA before getting involved, by visiting www.fca.org.uk/register.

Using an unauthorized firm to buy or sell shares or other securities will prohibit access to the Financial Ombudsman Service or Financial Services Compensation Scheme.

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Our name is iconic

Our name is iconic of the individual patient's journey to reclaim life from the disease of addiction and our endeavor to address patients' unmet needs.

Our logo radiates our patient focused, holistic approach to expanding access to evidence-based treatment for addiction worldwide.