



NB Aurora S.A. SICAF-RAIF

Annual Report

(with the report of the “Réviseur d’Entreprises Agrée” thereon)

For the year ended 31 December 2018

Registered office

28-32, Place de la Gare
L-1616 Luxembourg
Grand Duchy of Luxembourg
R.C.S Luxembourg, B 218101

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NB AURORA S.A. SICAF-RAIF
For the year ended 31 December 2018

GENERAL INFORMATION

Directors (*)	Francesco Moglia Maria Pierdicchi (Independent) Patrizia Polliotto (Independent) Alessandro Spada (Independent) Karl Pardaens, Chairman
Alternative Investment Fund Manager	Neuberger Berman AIFM Limited Lansdowne House 57 Berkeley Square 4 th Floor London, W1J 6ER United Kingdom
Portfolio Manager	Neuberger Berman Europe Limited Lansdowne House 57 Berkeley Square 4 th Floor London, W1J 6ER United Kingdom
Auditor	KPMG Luxembourg, S.C. 39, avenue John-F. Kennedy L-1855 Luxembourg
Administrator, Registrar, and Transfer Agent	Société Générale Bank & Trust S.A. 11, avenue Emile Reuter L-2420 Luxembourg
Depository and Paying Agent	Société Générale Bank & Trust S.A. 11, avenue Emile Reuter L-2420 Luxembourg

(*) Patrizia Micucci (resigned as of 4 April 2018), Roberto Timo (resigned as of 23 July 2018) and Maria Pierdicchi (appointed as of 4 April 2018).

The General Meeting of Shareholders as of 23 July 2018 has acknowledged the resignation of Mr. Roberto Timo from the Board of Directors and has appointed Mrs. Patrizia Polliotto, Mr. Alessandro Spada and Mr. Karl Pardaens as additional members of the Board of Directors pursuant to Articles 23.1 and 26.1 of NB Aurora S.A. SICAF-RAIF's Articles of Association.

NB AURORA S.A. SICAF-RAIF
For the year ended 31 December 2018

DIRECTORS' REPORT

The Board of Directors presents the annual report as of 31 December 2018 (the “financial statements”) for NB Aurora S.A. SICAF-RAIF (the “Company” or “NB Aurora” or the “Fund”).

Principal activities

The Company’s investment objective is to achieve long-term capital appreciation through equity and equity-related investments primarily in a portfolio of small and medium sized and unlisted Italian companies.

The Company’s investment strategy is to acquire further stakes, predominantly minority stakes, in unlisted small and mid-cap companies, providing companies with capital to finance their business growth and international expansion plans alongside the entrepreneurs.

The Company has a corporate form of a “société anonyme” qualifying as a “fonds d’investissement alternatif réservé” or “RAIF” in the form of an “société d’investissement á capital fixe” incorporated under the laws of the Grand Duchy of Luxembourg on 14 September 2017.

The Company does not have any branches nor does it conduct any research and development activities.

The Company’s Class A Ordinary Shares (ISIN LU1738384764) are listed since 4 May 2018 on the Investment Vehicles Market - Professional Segment, a regulated market operated by Borsa Italiana S.p.A. (the “MIV”). The Company is the first permanent capital vehicle listed on the MIV.

The Company has not repurchased any of its Shares during the year.

Review of development of the business

The Company was incorporated on 14 September 2017. On 4 May 2018 (the “Listing Date”), the Company commenced investing in accordance with the investment objective (the “Listing”).

The Board of Directors’ determination of key performance indicators for the reporting period is represented by the financial results as disclosed in the annual financial report.

Results, activities and future developments

The financial position and results for the year are presented in the following pages of this report.

The Company realised a profit of Euro 52,655,693 for the year ended 31 December 2018. Before the Listing Date, the Company share capital was Euro 50,000, represented by 50,000 fully paid Special Shares. As of the Listing Date, the Company issued and listed 15,000,000 Class A Ordinary Shares corresponding to Euro 150 million and issued 150,000 Class B Ordinary Shares corresponding to Euro 1.5 million. The Company is authorised to issue new shares within the limits of the authorised capital of the Company, being Euro 600 million. As of 31 December 2018, the subscribed capital of the Company is equal to Euro 151,550,000 consisting of 15,200,000 Shares without indication of a par value, all of which are fully paid up and represented by 15,000,000 Class A Ordinary Shares, 150,000 Class B Ordinary Shares and 50,000 Special Shares, representing Euro 150,000,000 of share capital of the Company for the Class A Ordinary Shares, Euro 1,500,000 of share capital of the Company for the Class B Ordinary Shares and Euro 50,000 of share capital of the Company for the Special Shares.

DIRECTORS' REPORT (CONTINUED)

Results, activities and future developments (continued)

As described in detail in the following pages of this Annual Report, on 25 May 2018 Aurora completed the acquisition of 44.55% of the units of Fondo Italiano for a total consideration of Euro 75.4 million (excluding transaction costs). Subsequently, seven of the underlying investments of Fondo Italiano were divested as follows:

- On 19 July 2018, Fondo Italiano sold its interest in Rigoni di Asiago for a total consideration of Euro 39 million; that means for the pro-rata share owned by Aurora in Fondo Italiano (44.55%) an amount of Euro 17.4 million with a realised capital gain for Aurora of Euro 7.4 million after deduction of transaction costs of Euro 0.5 million.
- On 19 July 2018, Fondo Italiano sold its interest in Sanlorenzo for a total consideration of Euro 21.8 million; that means for the pro-rata share owned by Aurora in Fondo Italiano (44.55%) an amount of Euro 9.7 million with a realised capital gain for Aurora of Euro 3.2 million.
- On 24 July 2018, Fondo Italiano received Euro 3.4 million of receivables from IEN; that means for the pro-rata share owned by Aurora in Fondo Italiano (44.55%) an amount of Euro 1.5 million with a realised capital gain for Aurora of Euro 0.3 million.
- On 6 August 2018, Fondo Italiano sold its interest in Truestar and received Euro 3.0 million of which Euro 1.5 million was a loan repayment and Euro 1.5 million from the sale with a realised capital gain for Aurora of Euro 1.3 million.
- On 11 September July 2018, Fondo Italiano sold its interest in Megadyne S.p.A. for a total consideration of Euro 32.9 million; that means for the pro-rata share owned by Aurora in Fondo Italiano (44.55%) an amount of Euro 14.7 million with a realised capital gain for Aurora of Euro 9.0 million.
- On 1 October 2018, Fondo Italiano sold its interest in Mesgo S.p.A for a total consideration of Euro 38.5 million; that means for the pro-rata share owned by Aurora in Fondo Italiano (44.55%) an amount of Euro 17.2 million with a realised capital gain for Aurora of Euro 9.6 million after deduction of transaction costs of Euro 0.7 million.
- On 15 November 2018, Fondo Italiano sold its interest in General Medical Merate S.p.A. for a total consideration of Euro 18.2 million; that means for the pro-rata owned share by Aurora in Fondo Italiano (44.55%) an amount of Euro 8.1 million with a realised capital gain for Aurora of Euro 1.8 million.

On 27 December 2018, Aurora completed its first direct investment by purchasing a minority interest in a private Italian company, Club Del Sole S.r.l., through a wholly owned subsidiary, NB Aurora Holdings S.a r.l (“Aurora Holdings” or “Aurora Holdings (Club Del Sole S.r.l.)”). Aurora Holdings, together with some co-investors, invested a total of Euro 51 million (including transaction costs) into a new limited company, First Club S.r.l. which acquired a minority interest (39%) in Club Del Sole Holdings. Aurora Holdings contribution amounted to Euro 33 million (including transaction costs) and its proportionate interest in Club Del Sole S.r.l. is 26%.

Aurora expects to create value through the existing investment in Fondo Italiano Units and Club Del Sole S.r.l. as well as other future equity investments primarily in portfolio of small and medium sized and mainly unlisted Italian companies.

NB AURORA S.A. SICAF-RAIF
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DIRECTORS' REPORT (CONTINUED)

Distributions

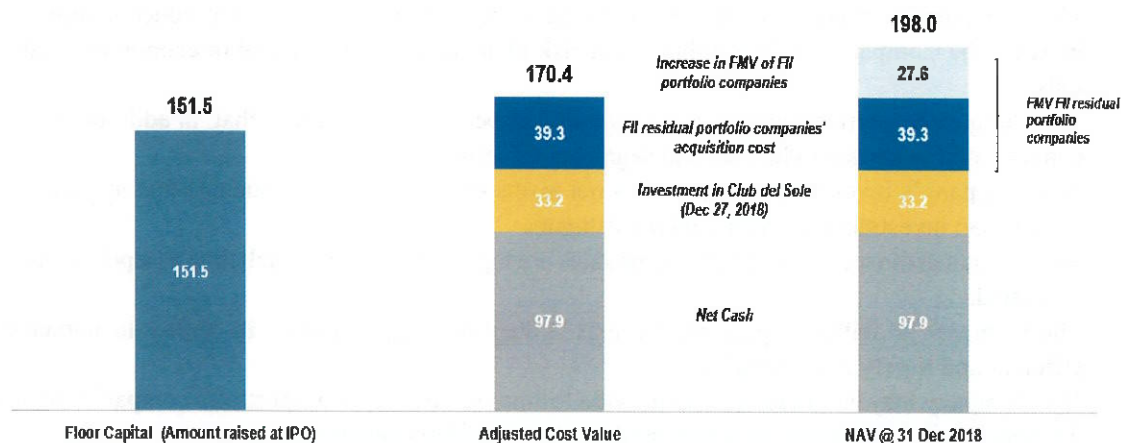
Following the publication of the annual audited financial report, the Board of Directors shall make a proposal to the General Meeting of shareholders for a distribution to the shareholders for an amount between 50% and 100% of the excess (if any), between:

- the difference between (i) the acquisition cost of all illiquid assets (including all net capitalised costs and taking into account any write off/write down made on said assets), plus cash (including all the liquid assets valued at their net current value); and (ii) all liabilities of the Company) ((i) and (ii) together, the "Adjusted Cost Value"), both as resulting from the last annual audited financial report; and
- the amount equal to the numbers of the Class A Ordinary Shares and Class B Ordinary Shares of the Company multiplied by the respective subscription price of the Ordinary Shares (the "Floor Capital").

The following tables show the amount that is available for distribution to shareholders:

	€
Acquisition cost of Fondo Italiano Units	39,349,646
Acquisition cost of Aurora Holdings	33,145,585
Cash and cash equivalents	100,302,075
Current liabilities	(2,388,347)
Adjusted Cost Value (A)	170,408,958
Floor Capital (B)	151,500,000
Distribution (A-B)	18,908,958

NAV, ADJUSTED COST VALUE AND FLOOR CAPITAL (€m)



Directors

The names of Directors at any time during the year are set out on page 1. Patrizia Micucci who resigned from the Board of Directors on 4 April 2018 purchased 30,000 of Aurora's Class A Ordinary Shares on 4 May 2018 for a total consideration of Euro 300,000. Sunrise S.S., an entity closely associated with Patrizia Micucci, purchased 75,000 of Aurora's Class B Ordinary Shares on 12 July 2018 for a total consideration of Euro 750,000. No other Directors who held office during the year ended 31 December 2018 and as at the date of this report hold interests in the issued share capital of the Company at any time during the year and as at the date of this report.

DIRECTORS' REPORT (CONTINUED)

Related parties transactions

Related parties transactions are described in note 7 of the Financial Statements as of 31 December 2018.

Subsequent events

There were no major events occurring after the reporting date which require disclosure in the Annual Report of the Company.

Accounting records

The Board of Directors have appointed Société Générale Bank & Trust S.A. as administrator of the Company, the accounting records of the Company are maintained at the registered office.

Going concern

The Board of Directors consider it appropriate to prepare the financial statements under the going concern assumption.

Principal risks and uncertainties

Investment in the Company carries with it a high degree of risk. The Company's investment objective is to achieve long-term capital appreciation through equity and equity-related investments primarily in a portfolio of small and medium sized and unlisted Italian companies. There can be no assurance that the investment objective of the Company will be achieved, and investment results may vary substantially from year to year. The following is a non-exhaustive summary of the principle risks and uncertainties related to the Company's investment activities:

- A substantial portion of the Company's assets are invested, directly or indirectly through, Fondo Italiano and in equity and equity-related investments primarily in a portfolio of private, medium sized and unlisted Italian companies that may involve significant risks.
- The Company's investments are concentrated in Italy and this geographic concentration may increase the Company's vulnerability to the risk of adverse social, political or economic events in Italy.
- The Company's portfolio may include a small number of large positions that, in addition, may be concentrated in certain industries and segments of activity.
- The Company's invests a large part of its net assets in unregulated investments that are generally riskier than investments in regulated investments.
- Investments in most of the portfolio companies are highly illiquid until such time as a public market is created.
- The Company's ability to perform the exit strategies is dependent on its ability to implement efficient and timely exit strategies.
- The Company may be called upon to provide follow-on funding for its portfolio companies or have the opportunity to increase its investment in such portfolio companies.
- Most of the Company's investments will be minority investments and the Company may accordingly only have minority rights.
- Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty with respect to successful completion.
- Due diligence processes involve subjective analysis and there can be no assurance that all material issues will be uncovered.
- The Company is largely dependent upon the private equity experience and judgment of the AIFM, the Portfolio Manager and the Principals for the selection of suitable investments.

DIRECTORS' REPORT (CONTINUED)

Principal risks and uncertainties (continued)

Further information on the Company's exposure to market risk, liquidity risk and credit risk at 31 December 2018 and the risk management objectives policies and processes are included in note 6 of the Financial Statements.

Independent auditor

KPMG Luxembourg, *société coopérative* ("KPMG") was appointed as approved audit firm (*cabinet de révision agréé*) of the Company on the date of incorporation of the Company until the General Meeting of shareholders convene to approve the Company's annual accounts. KPMG is a member of the Luxembourg institute of registered auditors (*Institut des réviseurs d'entreprises*) under audit firm registration number 149.133.

Corporate Governance Statement

1. Introduction

The Board of Directors have taken a number of steps to ensure, on a voluntary basis, compliance with certain provisions of the Corporate Governance Code of Borsa Italiana S.p.A.. The Corporate Governance Code is available to the public on Borsa Italiana website (www.borsaitaliana.it and <https://www.borsaitaliana.it/comitato-corporate-governance/codice/codiceeng2018.en.pdf>).

NB Aurora is organised under the laws of the Grand Duchy of Luxembourg and has its registered office at 28-32 Place de la Gare, L-1616 Luxembourg, Grand Duchy of Luxembourg. The Grand Duchy of Luxembourg is NB Aurora's home member state for the purposes of Directive 2004/109/EC on the harmonisation of transparency requirements.

2. Significant Shareholdings

As of 31 December 2018, NB Aurora issued 15,000,000 of Class A Ordinary Shares, 150,000 of Class B Ordinary Shares (the "Ordinary Shares") and 50,000 of Special Shares (together with the Ordinary Shares collectively referred to as the "Shares"). According to the Articles, each Share entitles its owner to one vote at each General Meeting.

Based on the information communicated by the investors to NB Aurora, as of 31 December 2018 the following entities have significant direct and/or indirect shareholding within the meaning of Directive 2004/109/EC on the harmonisation of transparency requirements:

Name of the shareholder	% of voting rights
Banca IMI S.p.A.	6.58%
Eurizon Capital SGR S.p.A., controlled by Intesa Sanpaolo S.p.A.	9.18%
Red Circles Investments	6.58%
rDNA SRL	6.66%
Dompe Sergio Gianfranco Luigi M.	6.58%
AZ Fund Management S.A., controlled by Azimut Holding S.p.A.	9.8%

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees

3.1. Powers

The Board of Directors of NB Aurora (the "Board of Directors") is vested with the broadest powers to act in the name of NB Aurora and to take any action necessary or useful to fulfil NB Aurora's corporate purpose, with the exception of the powers reserved by the Luxembourg law on commercial companies of 10 August 1915, as amended (the "Luxembourg Companies Law") and the articles of association of NB Aurora (the "Articles") to the general meeting of the shareholders of NB Aurora (the "General Meeting").

The powers of the Board of Directors are further limited by the powers of the alternative investment fund manager under the English law governed management agreement concluded between Neuberger Berman Europe Limited, a private limited company with registered office at 4th Floor, Lansdowne House, 57 Berkeley Square, London, W1J 6ER, UK, registered at the Companies House with registration number 05463227 ("NBEL") being the subsidiary of Neuberger Berman Group LLC ("Neuberger"), and Neuberger Berman AIFM Limited on 16 February 2018 (the "AIFM Agreement").

3.1.1. The powers related to general management of NB Aurora

The Board of Directors plays a crucial role in defining the business strategy of NB Aurora and in supervising the general management of NB Aurora. In particular, the Board of Directors have the power to:

- a. examine the strategic, operational and financial plans and corporate governance structures of NB Aurora;
- b. admit investors into NB Aurora;
- c. approve the issue of Shares within the limits of the authorised capital;
- d. propose or decide to make distributions to investors;
- e. prepare the annual accounts, annual report and semi-annual reports, and/or monitoring and supervision of any delegate or service provider appointed to perform such preparation;
- f. evaluate the general performance of NB Aurora, with special reference to situations of conflict of interest and monitoring of transactions with related parties, within the limits this activity is not assigned to the AIFM and/or delegated to NBEL;
- g. propose amendments to the prospectus, offering documents or the Articles, within the limits as this activity is not assigned to the AIFM;
- h. appoint and remove the AIFM (and entrust it with the investment management and marketing functions pertaining to NB Aurora and its investments);
- i. monitor the AIFM's actions/mission on at least an annual basis;
- j. prepare, update or revise a business plan together with the appointed AIFM, which shall be consistent with the duration of NB Aurora and current or expected market conditions;
- k. define the guidelines for the internal control and the management of the business risks and periodically verify their adequacy and effective operations with the cooperation of the control and risk committee; and
- l. prepare the corporate governance report attesting the implementation of the corporate governance rules.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees (continued)

3.1.2. The powers of the Board of Directors to represent NB Aurora

The Board of Directors is vested with the power to manage and administer NB Aurora; this includes representation powers of NB Aurora. NB Aurora is bound by (i) the joint signatures of any three directors, or (ii) by the joint signature or the sole signature of any person(s) to whom such signature powers may have been delegated by the Board of Directors within the limits of such delegation.

3.1.3. The power of the Board of Directors to issue or buy-back shares

Currently, NB Aurora does not have a share buy-back programme in place and it is not authorised by its shareholders to buy-back its Shares.

3.2. The appointment and replacement of the members of the Board of Directors

The Articles provide that the members of the Board of Directors are elected by the General Meeting for a period of up to three years.

The General Meeting appoints the members of the Board of Directors from a list of candidates designated as follows:

- a. the holders of Special Shares shall be entitled to propose a list of candidates among which the General Meeting may appoint (from that list) up to three candidates, one of which shall qualify as an independent director; and
- b. the holders of Class A Ordinary Shares shall be entitled to propose a list of candidates among which the General Meeting may appoint (from that list) up to two candidates, both of which shall qualify as independent directors.

The Board of Directors is in charge of the establishment of the candidate lists. If no list is presented by the holders of the Class A Ordinary, the candidates shall be appointed solely from the list proposed by the holder(s) of the Special Shares. If neither the holder(s) of the Special Shares nor of the Class A Ordinary Shares propose any candidates within the timeline set by the Board of Directors, the Board of Directors shall be entitled to propose any candidates it deems fit, subject to the minimum requirement that a majority of the Board of Directors be composed of independent directors.

Should one or more member(s) of the Board of Directors cease for any reason whatsoever to hold his or her office, the substitute shall be selected by the remaining members of the Board of Directors from the same list in which the ceasing director was included. Any such selected member(s) shall only terminate the mandate of the resigning director(s).

In the event of a vacancy in the office of a director because of death, legal incapacity, bankruptcy, resignation, retirement or otherwise, this vacancy may be filled on a temporary basis and for a period of time not exceeding the initial mandate of the replaced director by the remaining directors until the next General Meeting which shall resolve on the permanent appointment in compliance with the applicable legal provisions.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees (continued)

3.3. Composition of the Board of Directors

As of 31 December 2018, the Board of Directors was composed of the following five (5) members: Francesco Moglia, Karl Pardaens, Maria Pierdicchi, Patrizia Polliotto and Alessandro Spada. The mandates of the directors will expire at the annual General Meeting in 2021, except for Francesco Moglia's mandate that will expire at the annual General Meeting in 2019.

Pursuant to the Articles the majority of the members of the Board of Directors shall be independent within the meaning of article 3 of the Code of Conduct.

As of 31 December 2018, the following directors were independent directors, as assessed by the Board of Directors at its meeting held on 5 September 2018 and as disclosed to the market on the same date: Maria Pierdicchi, Patrizia Polliotto and Alessandro Spada.

In accordance with the Code of Conduct, the independence of the members of the Board of Directors will be periodically assessed by the Board of Directors.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees (continued)

3.3. Composition of the Board of Directors (continued)

In particular, on the basis of the following criteria set forth by article 3 of the Code of Conduct:

- a. if the Director controls, directly or indirectly, NB Aurora also through subsidiaries, trustees or through a third party, or is able to exercise dominant influence over NB Aurora, or participates in a shareholders' agreement through which one or more persons may exercise control or considerable influence over NB Aurora;
- b. if the Director is, or has been in the preceding three fiscal years, a relevant representative of NB Aurora, of a subsidiary having strategic relevance, or of a company under common control with NB Aurora, or of a company or entity controlling NB Aurora or able to exercise considerable influence over the same, also jointly with other persons through a shareholders' agreement;
- c. if the Director has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:
 - i. with NB Aurora, one of its subsidiaries or promoters, or any of its significant representatives (i.e. to be intended as the legal representative, the president of the entity, the chairman of the Board of Directors, the executive Directors and executives with strategic responsibilities of the relevant company or entity), or has been in the preceding three fiscal years, an employee of the abovementioned subjects;
 - ii. with a subject who, jointly with other persons through a shareholders' agreement, controls NB Aurora, or – in case of a company or an entity – with the relevant significant representatives or is, or has been in the preceding three fiscal years, an employee of the abovementioned subjects;
- d. if the Director receives, or has received in the preceding three fiscal years, from NB Aurora or from a subsidiary, holding company or promoters of NB Aurora, a significant additional remuneration compared to the "fixed" remuneration of a non-executive Director of NB Aurora, including the participation in incentive plans linked to NB Aurora's performance;
- e. if the Director was a Director of NB Aurora or of the promoter for more than nine years in the last 12 years;
- f. if the Director is vested with the office of executive Director in another company in which an executive Director of NB Aurora holds the office of Director;
- g. if the Director is a shareholder, quota holder or Director of a legal entity belonging to the same network as NB Aurora appointed for the accounting audit of NB Aurora;
- h. if the Director is a close relative of a person who is in any of the positions listed in the above paragraphs.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees (continued)

3.3. Composition of the Board of Directors (continued)

Short biographies of the five members of the Board of Directors are provided hereafter:

Francesco Moglia

Mr. Moglia was a member of the Board of Directors since the date of incorporation of NB Aurora and his mandate shall expire at the annual General Meeting in 2019.

Other than being a Director of NB Aurora, he is head of operations for the NB Renaissance funds and director of NB Renaissance Partners Holdings. Mr. Moglia is a member of the Board of Directors of Private Equity International, an Intesa Sanpaolo group company in Luxembourg which manages investments in international private equity funds and joint ventures, as well as other traditional and alternative Luxembourg funds; he also chairs the investment committee of that company. Prior to joining the private equity group, he was General Manager of *Société Européenne de Banque*, in Luxembourg.

He holds a degree of Master in Finance from the London Business School.

Karl Pardaens

Mr. Karl Pardaens has been a member of the Board of Directors since 23 July 2018. Other than being a director of NB Aurora, he is a member of the Brussels and Luxembourg Bars, and a partner of Elvinger Hoss Prussen SA since 2007. His principal fields of activity are corporate law, securitisation, capital markets, mergers and acquisitions, financial and securities law. He is highly recommended in all the major legal guides (Chambers & Partners (Global and Europe), Legal 500 and IFLR1000).

Maria Pierdicchi

Ms. Pierdicchi (independent director) has been a member of the Board of Directors since 4 April 2018. Other than being a director of NB Aurora, she is also currently a Non-Executive Director at Unicredit, where she also is member of the Internal Controls and Risk Committee, at Luxottica S.p.A. and Autogrill, where she chairs the Human Resources Committee. From 2016 to 2018 she has served as sole independent director for the resolution of Nuova Banca Marche, Etruria e Lazio, Cassa di Risparmio di Ferrara and Chieti. Prior to these positions, Ms. Pierdicchi gained extensive experience in managerial roles in the financial industry as Head of Southern Europe and CEO for Italy for Standard & Poor's Rating Services from 2013 to 2015. In Borsa Italiana she founded and managed Nuovo Mercato for high growth companies. From 1991 to 1998 she was Director of Strategic Planning and Control for Premafin S.p.A. and its listed subsidiaries, and previously she worked at Citibank N.A. in corporate finance. She started her career in Bocconi University as research assistant in International Banking and teacher at SDA Business School.

Ms. Pierdicchi holds a summa cum laude BA in Economics (Laurea in Economia Politica), from Università Commerciale "L. Bocconi", Milan and she completed her post-graduate studies with an MBA Finance at the New York University, Stern Graduate School of Business Administration. Ms. Pierdicchi gained numerous awards, including the Marisa Bellisario Award for Women in Finance in 2001 and the International Leadership Award by The McGraw Hill Companies/Standard & Poor's in 2004, and she has been a member of the board and vice chairman of the Italian/American Chamber of Commerce until 2017 and is a founding member of the executive board of Valore D, an association for the promotion of women leadership in Italian corporations.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees (continued)

3.3. Composition of the Board of Directors (continued)

Patrizia Polliotto

Mrs. Patrizia Polliotto (independent director) has been a member of the Board of Directors since 23 July 2018. Other than being a director of NB Aurora, she is a cassationist lawyer specialised in business law, corporate law and contract law, she is the owner of the homonymous law firm based in Turin, Milan and Rome, that deals with civil and administrative matters, with particular reference to banking, corporate and insurance law. Alongside her main professional activity, she is also independent director in listed and non-listed companies, member of ODV, director in the Management Committee of Banking Foundation and Liquidator Commissioner appointed by the Italian Ministry of Economic Development, as well as speaker in conferences specialised in the sector.

Alessandro Spada

Mr. Alessandro Spada (independent director) has been a member of the Board of Directors since 23 July 2018. Other than being a director of NB Aurora, he is graduated in Law, in 1992 he joined VRV S.p.A., the family owned company specialised in design and manufacturing of pressure vessels and heat transfer equipment for the Oil & Gas, chemical, petrochemical and Cryogenic industries. He is president of VRV S.p.A. and he also holds roles within VRV Group. Since June 2017 he became Vicar Vice-President of Assolombarda Confindustria Milano Monza and Brianza for Medium Enterprises and since May 2009 he became a member of Executive Council of Confindustria (Italian Entrepreneurial Association).

3.4. Activities of the Board of Directors in 2018

The Board of Directors held eight meetings in 2018, with an average attendance rate of 100%.

The Board of Directors approved the audited annual accounts for the financial year ending on 31 December 2017.

On 16 February 2018, the Board of Directors approved the Listing together with all necessary steps to be taken and documents to be prepared and entered into by NB Aurora in connection with the Listing. The Board of Directors further resolved to enter into a private placement agreement in relation to the placement of the Class A Ordinary Shares (the "Private Placement").

Once the Listing and the Private Placement was completed the Board of Directors decided to increase the share capital of NB Aurora from the authorised share capital for the listing of the Class A Ordinary Shares on the professional segment of the market for investment vehicles of Borsa Italiana S.p.A by issuing fifteen million (15,000,000) Class A Ordinary Shares for the price of one hundred fifty million euros (EUR 150,000,000) and one hundred fifty thousand (150,000) Class B Ordinary Shares were allocated to NBEL and Popote S.S. for the price of one million five hundred thousand euros (EUR 1,500,000).

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees (continued)

3.4. *Activities of the Board of Directors in 2018 (continued)*

On 5 September 2018, the Board of Directors approved the semi-annual accounts for the period from 1 January 2018 to 30 June 2018. Although the semi-annual accounts are not required to be audited the Board of Directors requested KPMG Luxembourg to review such accounts, in particular the portfolio valuation and the accounting treatment of Fondo Italiano d'Investimento which had been purchased by NB Aurora.

3.5. *Committees of the Board of Directors*

As of 31 December 2018, the Board of Directors has not set up any committee.

By virtue of the provisions of the Code of Conduct companies are required to set up a nomination committee and a remuneration committee made up, for the majority, of independent directors appointed in accordance with article 3 of the Code of Conduct. NB Aurora, however, decided not to do so for the following reasons:

- a. the functions of such committees are considered being absorbed by the Board of Directors;
- b. the Board of Directors is already made up of a majority of independent directors appointed in accordance with article 3 of the Code of Conduct;
- c. as described below, the operational management is entrusted to the AIFM as a result of the management functions granted by the Board of Directors to the AIFM to act as alternative investment manager of NB Aurora.

Regarding the control and risk committee please refer to section 4 (*Internal Control and Risk Management System*) below.

3.6. *The investment committee*

NBEL acting through its head office and/or through its Italian branch as portfolio manager of NB Aurora formed an investment committee (the "Investment Committee") composed of senior investment team members of NBEL to effectively carry out the portfolio management activities pertaining to NB Aurora and its investment objectives. The Investment Committee is not a committee of the Board of Directors and is composed of: Patrizia Micucci, Francesco Sogaro, Lorenzo Baraldi, Fabio Canè and Stefano Bontempelli.

Summary biographies of the members of the Investment Committee (the "Principals") can be found below:

Patrizia Micucci is a managing director of NBEL. Prior to joining Neuberger, Mrs. Micucci was Group Country Head for Italy at Société Générale, where she was also Chief Country Officer and Head of Coverage and Investment Banking. In 2009, she worked as senior partner of BI-INVEST, responsible for identifying investment opportunities with strategic focus on illiquid assets. Mrs. Micucci started her career at Lehman Brothers, where she spent 17 years (from 1990 to 2007), culminating as Head of Investment Banking Division Italy. She graduated magna cum laude in business administration from Luiss University (in Rome) and obtained an MBA from L. Stern School of Business of New York University.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees (continued)

3.6. The investment committee (continued)

Francesco Sogaro is a managing director of NBEL. Prior to joining Neuberger, he was senior partner (Head of the Investment Team) and member of the Investment Committee at Fondo Italiano d'Investimento, which he joined before the first closing of the fund in September 2010. Before Fondo Italiano d'Investimento, Francesco Sogaro co-founded (and served as CEO of the management company) Atlantis Capital Special Situations - an Italian fund specialised in turn around investments in Italian SMEs. Francesco has been member of the International Advisory Board of Heritage Bank (Geneva) for 10 years and has several years' experience as an entrepreneur (in the family company) and as a financial advisor serving for 4 years as CEO of a small family office. He has also served as (or he is currently member of) the boards of directors or bond-holder representative of many operating and financial companies including H&C S.p.A., Forgital Group S.p.A., Tbs Group S.p.A., Marsilli & Co S.p.A., Brugola Oeb Industriale S.p.A., Arioli S.p.A., Brazzoli S.p.A., Truostar Group S.p.A., Bunch S.p.A., Giostyle S.p.A., Labomar S.p.A.. Francesco graduated in Economics from the Bocconi University in Milan.

Lorenzo Baraldi is a managing director of NBEL. Prior to Neuberger, he was senior partner (Head of the Investment Team) and member of the Investment Committee at Fondo Italiano d'Investimento, which he joined in February 2011. Lorenzo began his career in 1994 in the Investment Banking and Corporate Finance division of Banca Commerciale Italiana (Comit), managing several listings of various companies on the stock exchange and M&A transactions. He joined the private equity team of the Intesa Sanpaolo Group in 2004, completing numerous equity investments/divestments in various industrial sectors, as well as restructuring projects, and in the last couple of years he was in charge of PE for IMI Investimenti S.p.A. (AUM of about EUR 300 million). Lorenzo graduated with a first-class degree in Economics and Business from the University of Bologna. He is a Chartered Accountant since 1999 and has served as (or he is currently member of) the boards of directors of Imaging S.p.A., Esaote S.p.A., Fila S.p.A., Ilpea S.p.A., Infracom S.p.A., Turbocoating S.p.A., Sanlorenzo S.p.A., Surgital S.p.A. and Sira. He has also been a member of the Advisory Committee of Fondo Centro Impresa and Fondo Mezzogiorno and a member of the investment committee of the French Fund FCIR.

Fabio Canè is a senior partner of NB Renaissance Partners. He is a member of the NB Renaissance Partners Investment Committee. Previously, he was the Head of Private Equity at Intesa Sanpaolo's CIB Division. He was in charge of Direct Private Equity and Private Equity Funds investments. Mr. Canè started his career at Intesa Sanpaolo in 2005 where he served a number of roles, including Head of Investment Banking, where he was responsible for M&A, ECM, DCM and structured finance with assets of more than EUR 10 billion, and Head of Restructuring & Special Situations with the responsibility of financial restructuring reporting to the CIB Division's CEO. From 2000 to 2004, Mr. Canè was co-founder and Chairman of the Board of Directors of Yoox (now Yoox Net-A-Porter Group), a successful internet apparel retailer, currently listed on the Milan Stock Exchange (approx. EUR 3.2 billion market cap). From 1990 to 2000, he worked for Bain & Co. in Boston and Milan as a Partner. Mr. Canè graduated cum laude in Business Administration from LUISS University in 1984 and received an M.B.A. from the Stern School of Business at New York University in 1990. Mr. Canè is a Certified Public Accountant and serves as a Board member of Comelz, Engineering Ingegneria Informatica and Pianoforte (Yamamay/Carpisa).

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees (continued)

3.6. *The investment committee (continued)*

Stefano Bontempelli is a senior partner of NB Renaissance Partners. He is a member of the NB Renaissance Partners Investment Committee. Previously he was Head of Corporate Finance Italy at Société Générale, which he joined at the end of 2010, and a member of Neuberger (previously Lehman Brothers) from 1999 to 2010. At Neuberger, he was managing director and partner of Neuberger Co-Investment Fund from 2006 to 2010, and a member of the European Mergers & Acquisitions Group at Lehman Brothers from 1999 to 2006 based in Milan and London with various responsibilities including Head of Mergers & Acquisitions Italy. Mr. Bontempelli started his career in the Mergers & Acquisitions Group at Credit Suisse First Boston based in London. Mr. Bontempelli graduated cum laude in Business Administration from Ca' Foscari University of Venice. He is a board member of Biolchim, Engineering Ingegneria Informatica and Farnese Vini.

All decisions of the Investment Committee are taken by a simple majority vote.

The Investment Committee is, *inter alia*, in charge of:

- a. the discretionary portfolio management function in respect of the assets of NB Aurora, in line with the investment policy of NB Aurora;
- b. origination of investment opportunities;
- c. analysis and investigation of potential investments in portfolio companies, including evaluation of markets, management, financial condition, competitive position, market ranking and prospects for future performance;
- d. analysis and investigation of potential disposal of investments, including identification of potential acquirers and evaluation of offers made by such potential acquirers;
- e. negotiating and structuring acquisitions and disposal of investments and supervising the preparation and review of documents required in connection therewith;
- f. monitoring the compliance of the portfolio of NB Aurora with any investment or other risk limits whether set out in NB Aurora's prospectus, any offering document of NB Aurora or set by the AIFM in the context of the AIFM risk management function;
- g. monitoring the performance of portfolio companies, including the authority to evaluate, monitor, exercise voting rights, and take other appropriate action, with respect to investments;
- h. marketing services; and
- i. any services related to the assets of NB Aurora (including administrative activities, advice on investment strategy, and other services connected to the management of any portfolio company).

The Principals are supported by the following investment professionals with respect to the management of the NB Aurora (together the "Team").

Lorenzo Carù is a Principal of NBEL and former Partner at Fondo Italiano d'Investimento, which he joined in February 2011. He began his career in 1999 as an auditor for Pricewaterhouse and from 2004 he worked in the Transaction Services division of Deloitte Financial Advisory Services S.p.A. where, as director of the private equity division, he followed numerous acquisitions and disposals on behalf of primary Italian and international private equity funds, with specific focus on investments in SMEs. He has also served on the boards of directors of Comecer S.p.A. and Veenstra Instrumenten BV and he is currently member of the board of directors of AMUT S.p.A., DBA Group and Elco. Lorenzo graduated in Business Economics from the University Carlo Cattaneo in Castellanza - LIUC.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees (continued)

3.6. *The investment committee (continued)*

Viviana Gasparrini is a Principal of NBEL and former partner at Fondo Italiano d'Investimento, which she joined in March 2011. Before that, she gained five years' experience working for the pan-European fund Barclays Private Equity where she concluded several investments in Italian SMEs in various industrial sectors, acting in some cases as board member. Viviana previously worked for several years in the Investment Banking division of Lazard & Co where she was involved, as an Associate, in numerous M&A transactions with focus on the telecommunications and media sector. Viviana graduated with a first-class degree in Business Economics from the Bocconi University in Milan.

Stefano Tatarella is a Principal of NBEL and former partner at Fondo Italiano d'Investimento, which he joined in January 2011. From 2002 he worked for several private equity funds specialising in investments in SMEs: initially for Quadrivio SGR (2002-2006) and then for Aletti Private Equity SGR (2006-2008) and lastly for Mid Industry Capital (2008-2011). During that period of time he concluded several acquisitions and divestitures of Italian companies, acting in some cases as board member. He previously worked for Kepler Equities (formerly Julius Baer Brokerage) as a SME analyst. Stefano graduated in Economics and Business from the Università Cattolica in Milan. Recently he attended an executive education programme at INSEAD.

Piero Migliorini is a vice president of NBEL and former investment manager at Fondo Italiano d'Investimento, which he joined in 2010 as an Investment Analyst. Piero served as the board of directors and bondholder representative of Fondo Italiano d'Investimento's portfolio companies (i.e. Mesgo, BAT, Eco Eridania, Forgital). Previously he worked as an analyst in the Investments division of MPS Venture (currently MP Venture), an Italian private equity firm with EUR 500 million under management and focused on growth capital for Italian SMEs, and before as a Chartered Accountant and Auditor. Piero graduated in Business and Economics and majored in Corporate Finance from the LUISS University in Rome.

Mauro Facchini is a senior associate of NBEL and former senior associate at Fondo Italiano d'Investimento, which he joined in 2013 as an investment analyst. He previously worked as analyst in the Investment Banking divisions of Banca Leonardo (2010-2011) and Nomura International Plc (2012) where, as financial advisor, followed several M&As and debt restructuring transactions for Italian and foreign companies in various industrial sectors. Mauro before graduating in Corporate Finance from the Bocconi University in Milan in 2011, joined as an intern the Investment Banking division of Goldman Sachs in London.

Alessandro Viganò is an analyst of NBEL. Previously he worked at Fondo Italiano d'Investimento which he joined in 2017. Alessandro graduated in Statistics and Economics from Bocconi University in Milan.

Pietro Fontana is an analyst of NBEL. He previously worked at Fondo Italiano d'Investimento which he joined in 2016. Pietro graduated in Economics and Business from the Università Cattolica in Milan and holds an MSc Finance from Grenoble Graduate School of Business.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees (continued)

3.7. The valuation committee

NB Aurora has made available a group of professionals and adequate resources to effectively carry out the valuation activities pertaining to NB Aurora and its portfolio. The AIFM has formed a valuation committee, composed by the following professionals who have gained relevant professional experience (the "Valuation Committee"):

- Amy Gilfenbaum
- Thierry Challande
- Chrystelle Charles-Barral
- Giacomo Barchetta
- Russell Boyd
- Stefano Bontempelli
- Brien Smith

The Valuation Committee approves the valuation of the investments proposed by the Team. The Valuation Committee resolves with the majority of its members.

3.8. AIFM and NBEL

As of 31 December 2018, Neuberger Berman AIFM Limited, a private limited company incorporated in England and Wales, having its registered office at 4th Floor Lansdowne House, 57 Berkeley Square, London W1J 6ER, United Kingdom and registered at companies house under number 09711040, was NB Aurora's external alternative investment fund manager ("AIFM") within the meaning of Directive 2011/61/EU on alternative investment fund managers ("AIFMD") and is authorised and regulated by the United Kingdom Financial Conduct Authority ("FCA") as a full scope alternative investment fund manager in the United Kingdom. The AIFM is the alternative investment fund manager for all of Neuberger's AIF products. The AIFM is a subsidiary of Neuberger, a management controlled company.

The assets of NB Aurora are segregated from those of the AIFM.

The AIFM delegated, under its responsibility, part of its functions to local or foreign subsidiaries, branches or third parties including portfolio management to NBEL, as further described under item 3.9. below.

Neither the AIFM nor NBEL manages NB Aurora as its sole and exclusive function and each may engage in other business ventures and other activities, including directly or indirectly purchasing, selling, holding or otherwise dealing with any securities for the account of other investment funds, for their own accounts or for the accounts of any of their family or other clients subject to applicable market abuse legislation.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees (continued)

3.8. AIFM and NBEL (continued)

Neuberger has chosen to set-up an alternative investment fund manager in Luxembourg. Neuberger has applied for authorisation with the Luxembourg *Commission de Surveillance du Secteur Financier* earlier in 2019 for the formation, authorisation and registration of a Luxembourg alternative investment fund manager to be appointed as the AIFM of NB Aurora upon obtaining the requisite licence and so will replace the current AIFM.

3.9. Delegation of activities by the AIFM and NBEL

The AIFM shall delegate, under its supervision and control, certain discretionary portfolio management functions and marketing functions to NBEL in accordance with the RAIF Law and the AIFMD.

The AIFM retained the function of risk management but delegated the function of portfolio management to its affiliate NBEL, that is authorised and regulated by the FCA with the necessary regulatory permissions to perform the functions of portfolio management and is registered as an investment adviser with the Securities and Exchange Commission in the United States.

NBEL has a team of eight dedicated senior professionals who are responsible for conducting the portfolio management of NB Aurora, and who have in aggregate 149 years of private equity experience across fund management and operation, deal sourcing, investment analysis, deal execution, operation and management of portfolio companies (including participation on the boards of portfolio companies) and deal exits, which are all relevant to the activities of NB Aurora and which will facilitate the management team in achieving the objectives of NB Aurora. The team is supported by a pool of analysts to assist with due diligence, analysis and ongoing monitoring of the underlying investments.

3.10. AIFM entrusted with the investment management function

The Board of Directors appointed the AIFM to act as an alternative investment manager on the basis of the AIFM Agreement. The AIFM delegated the portfolio management function to NBEL.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees (continued)

3.10. AIFM entrusted with the investment management function (continued)

The AIFM may, but is not obligated to, offer to holders of the Ordinary Shares the opportunity, if any, to be involved in transactions, (including mergers and acquisitions, holding corporate deals, listing of portfolio companies, amongst others), to the extent permitted by and within the terms and conditions of the structure of any transaction and to the extent permitted by applicable law or regulation.

The AIFM is, in particular, responsible for:

- a. the monitoring of NBEL in relation to the delegated portfolio management function pertaining to the assets of NB Aurora;
- b. the performance of the risk management function of NB Aurora including:
 - i. identification and analysis of the exposure of NB Aurora's assets to certain risks, setting up a risk management procedure and definition, selection and application of an adequate risk management methodology in relation to NB Aurora's investment policies and objectives;
 - ii. setting out for each risk it has identified, quantitative and/or qualitative risk limits as required under applicable laws and regulations;
 - iii. identification and analysis of the risks to which NB Aurora is exposed and to determine and monitor compliance with NB Aurora's risk limits, in particular market, credit, liquidity and counterparty risks as well as other risks such as operational risks;
 - iv. calculation of the leverage of NB Aurora in accordance with the AIFMD rules applicable in the United Kingdom ("UK");
 - v. setting up an appropriate liquidity management system and adoption of procedures, monitoring of the liquidity risk of NB Aurora and to ensuring that the liquidity profile of the investments of NB Aurora complies with its underlying obligations;
 - vi. ensuring that the risk profile of NB Aurora disclosed to NB Aurora's investors is consistent with the size, portfolio structure, investment strategy and objective of NB Aurora, the liquidity profile and the risk limits that have been set; and
 - vii. taking all remedial measures and corrective actions where and as required;
- c. performance of the marketing function, including:
 - i. activation and management the marketing passport; and
 - ii. monitoring of the marketing activities conducted by any appointed delegate.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

3. The Board of Directors and its Committees (continued)

3.11. Activities of the AIFM and NBEL in 2018 in relation to NB Aurora

AIFM and NBEL have been involved in sourcing investments in Italian small and medium sized enterprises and completing on certain investments. In particular, NBEL's activities have involved:

- origination of investment opportunities;
- analysis and investigation of potential investments in portfolio companies, including evaluation of markets, management, financial condition, competitive position, market ranking and prospects for future performance;
- analysis and investigation of potential disposal of investments;
- negotiating and structuring acquisitions and disposal of investments and supervising the preparation and review of documents required in connection therewith;
- monitoring the performance of portfolio companies, including the authority to evaluate, monitor, exercise voting rights, and take other appropriate action, with respect to investments;
- monitoring the compliance of the portfolio of NB Aurora with any investment or other risk limits;
- any marketing services required by the AIFM; and
- any services related to the assets of the Issuer (including administrative activities, advice on investment strategy, and other services connected to the management of any portfolio company) required by the AIFM.

As of 31 December 2018, NB Aurora has invested €75.4 million in the units of Fondo Italiano di Investimento, which holds a portfolio of 8 small and medium sized companies. Moreover, on 27 December 2018, NB Aurora has invested €33 million in Club del Sole, which is a leader in Italy in the management of camping villages. Since its investment, Club del Sole has acquired 4 more camping sites, resulting in a total of 15 villages under management.

4. Internal Control and Risk Management Systems

NB Aurora is a company incorporated under the laws of the Grand Duchy of Luxembourg. It is not therefore subject to the duty to appoint an internal board of auditors.

NB Aurora, being an alternative investment fund, is exempted from the obligation to set up an audit committee in accordance with Article 52(5) of the Luxembourg law of 23 July 2016 concerning the audit profession.

However, as indicated into item 16.4 of the prospectus dated 27 April 2018, prepared in connection with the Listing (the "Prospectus") the Board of Directors intends to set up and organise in compliance with the Code of Conduct, within 12 months from the Listing (i.e. 4 May 2018), a control and risk committee with the functions described under item 16.3 of the Prospectus.

As of 31 December 2018, the Board of Directors has not set up such control and risk committee.

Accounting supervision has been entrusted by NB Aurora to KPMG Luxembourg, *société coopérative*.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

5. Shareholder Meeting

5.1. General Meeting

Under the Luxembourg Law, NB Aurora's annual and/or extraordinary General Meetings represent the entire body of shareholders of NB Aurora. The General Meeting is vested with the widest power, and the resolutions passed at such meetings are binding upon all shareholders, whether absent, abstaining from voting or voting against. Each of the Shares entitles the holder thereof to attend the General Meeting, either in person or by proxy, to address the General Meeting and to exercise voting rights, subject to the provisions of the Luxembourg Companies Law and the Articles.

As long as NB Aurora has shares admitted to trading on a regulated market (within the meaning of MiFID II), convening notices for all General Meetings shall be published at least 30 days, or in case of convening a second meeting due to lack of quorum at the first meeting, at least 17 days prior to the holding of the General Meeting in (i) the Luxembourg Official Gazette (*Recueil Electronique des Sociétés et Associations*, "RESA") (<https://www.lbr.lu>), (ii) one Luxembourg newspaper, (iii) at least one other media which can easily and on a non-discretionary basis be accessed within the EEA, and (iv) on the website of NB Aurora (www.nbaurora.com).

The minutes of the General Meeting shall be signed by the members of the board of the General Meeting. After the General Meeting the results of the vote shall be published through a press release and on NB Aurora's website (www.nbaurora.com).

5.2. Voting rights

5.2.1. Limitation of voting rights

There are no restrictions on the voting rights attached to the Shares, except when voting rights are suspended in accordance with the provisions of the Luxembourg Companies Law.

Each shareholder may also individually decide not to exercise, temporarily or permanently, all or part of their voting rights. The waiving shareholder is bound by such waiver and the waiver is mandatory for NB Aurora upon notification to the latter.

In case of suspended or waived voting rights, the holders of the voting rights may attend any General Meeting but they are not taken into account for the determination of the conditions of quorum and majority to be complied with at the General Meeting.

5.2.2. Exercise of voting rights

The shareholders exercise their voting rights collectively at the General Meeting. Each shareholder shall indicate to NB Aurora its intention to participate in the General Meeting at least fourteen (14) days before the date of the General Meeting at midnight (the "Record Date"). The number of Shares and voting rights held by each shareholder is determined at the Record Date.

In case of Shares held through a securities settlement system, with a professional depository or sub-depository designated by such depository, holders of these Shares shall obtain a certificate certifying the number of Shares recorded at the Record Date.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

5. Shareholder Meetings (continued)

5.2.2. Exercise of voting rights (continued)

A shareholder may act at any General Meeting by appointing another person, shareholder or not, as its proxy in writing, subject to applicable laws. Copies of written proxies that are transmitted by telefax or e-mail may be accepted as evidence of such written proxies at a General Meeting. One person may represent one or several shareholder(s). The proxies must be notified in writing to NB Aurora in the form provided by NB Aurora or any other form deemed acceptable by NB Aurora, so that they are received at least six days before the relevant General Meeting, duly completed and signed, along with or, as the case may be, followed by the evidence of shareholder's holding at the Record Date.

If provided for in the relevant convening notice, any shareholder which participates in a General Meeting through electronic means shall be deemed to be present at the place of the General Meeting for the purposes of the quorum and majority requirements. The use of electronic means allowing shareholders to take part in a General Meeting may be subject only to such requirements as are necessary to ensure the identification of shareholders and the security of the electronic communication, and only to the extent that they are proportionate to achieving that objective.

If provided for in the relevant convening notice, the shareholders may vote in writing (by way of a voting bulletin). The voting bulletins, in which it is not indicated in which way the votes shall be cast or if the vote is to be withheld, are considered void. Copies of voting bulletins that are transmitted by telefax or e-mail may be accepted as evidence of such voting bulletins at a General Meeting. In order to be taken into account, the voting bulletins (i) must be received by NB Aurora 72 hours before the relevant General Meeting or (ii) if and for so long as any Shares of NB Aurora are admitted to trading on a regulated market established or operating in a Member State of the European Union, must be received at least six days before the General Meeting, along with or, as the case may be, followed by evidence of the shareholder's holding at the Record Date.

A board of the General Meeting shall be formed in accordance with the Articles to ensure that the General Meeting is held in compliance with the conditions to attend and act at a General Meeting either in person, by proxy or by correspondence.

5.2.3. Ordinary and extraordinary resolutions

Pursuant to the Articles and the Luxembourg Companies Law, ordinary resolutions do not require any presence quorum and shall be adopted by a simple majority of votes validly cast on such resolution at a General Meeting. Abstentions and nil votes will not be taken into account.

Extraordinary resolutions are required, inter alia, for the following matters:

- a. an increase or decrease of the authorised capital or issued share capital;
- b. a limitation or exclusion of pre-emptive rights;
- c. approval of a merger (*fusion*) or de-merger (*scission*);
- d. dissolution; and
- e. an amendment to the Articles.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

5. Shareholder Meetings (continued)

5.2.3. Ordinary and extraordinary resolutions (continued)

Pursuant to the Luxembourg Companies Law, for any extraordinary resolutions to be considered at a General Meeting, the quorum must be at least half of NB Aurora's issued share capital. Any extraordinary resolution shall generally be adopted at a quorate General Meeting upon a two-thirds majority of the votes validly cast on such resolution. In case such quorum is not reached, a second meeting may be convened by the Board of Directors in which no quorum is required, and which must still approve the amendment with two-thirds of the votes validly cast. Abstentions and nil votes will not be taken into account.

5.3. Other rights in relation to the General Meeting

For as long as NB Aurora has Shares admitted to trading on a regulated market, NB Aurora must ensure that, for a continuous period beginning on the day the convening notice to the General Meeting is published and including the day of the General Meeting, it makes available to its shareholders on its website (www.nbaurora.com) at least the following information:

- a. the convening notice;
- b. the total number of Shares and voting rights in NB Aurora outstanding at the date of the notice;
- c. the documents to be submitted to the General Meeting;
- d. a draft resolution or, where no resolution is proposed to be adopted, a comment from a competent body within NB Aurora, to be designated by the applicable law, for each item on the proposed agenda of the General Meeting; moreover, draft resolutions tabled by shareholders must be added to the website as soon as practicable after NB Aurora has received them; and
- e. where applicable, the forms to be used to vote by proxy and to vote by correspondence, unless those forms are sent directly to each shareholder.

In addition, any registered shareholder is entitled to receive a copy of the annual accounts, the auditor's reports and the management reports free of charge prior to the date of the annual ordinary General Meeting.

One or more shareholders, representing in the aggregate at least 5% of the capital in NB Aurora are entitled to request the addition of one or several items to the agenda of any General Meeting and file draft resolutions in this respect.

Under Luxembourg law, it is generally accepted that a shareholder has the right to receive responses to questions concerning items on the agenda for a General Meeting, if such responses are necessary or useful for a shareholder to make an informed decision concerning such agenda item, unless a response to such questions could be detrimental to NB Aurora's interests.

The Board of Directors has the right to adjourn any General Meeting being in progress for a maximum period of four weeks. The Board of Directors must do so if requested by one or more shareholder(s) representing in the aggregate at least 10% of NB Aurora's share capital. Such postponement shall cancel all resolutions already adopted.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

5. Shareholder Meetings (continued)

5.4. The annual General Meeting

The last annual General Meeting took place prior to the Listing on 8 March 2018 in the registered office of NB Aurora. At the time of the annual General Meeting NB Aurora's entire share capital was represented by the Special Shares only which were held by a sole shareholder.

At this annual General Meeting the sole shareholder approved: (i) the annual accounts for the period from 14 September 2017 (date of incorporation) to 31 December 2017, (ii) granted discharge to the members of the Board of Directors then in office for the exercise of their mandate for the same period, (iii) renewed the mandate of Francesco Moglia as member of the Board of Directors, and (iv) renewed the mandate of KPMG Luxembourg as the independent auditor of NB Aurora.

6. Additional Shareholders' Rights

6.1. Special control rights

Pursuant to the Articles the holders of the Special Shares and Class A Ordinary Shares are vested in with specific rights in respect of the appointment of the members of the Board of Directors. Please refer to section 3.2. above.

6.2. Dividend rights

The shareholders' entitlement to profits is determined based on the distribution rights attached to their Shares, as further described below. Pursuant to the Luxembourg Companies Law, in a *société anonyme*, resolutions concerning the rights to annual dividends for a given financial year and the amount and payment date thereof are in principle adopted by the General Meeting.

Dividends may only be distributed from NB Aurora's distributable profits subject to the conditions provided for by the Luxembourg Companies Law. The amount of distributable profits is equivalent to the amount of the profits at the end of the last financial year plus any profits carried forward and any amounts drawn from reserves or share premium which are available for that purpose, minus any losses carried forward and sums to be placed in reserves.

In accordance with the Luxembourg Companies Law and the Articles, NB Aurora must allocate at least 5% of any net profit to a legal reserve account. Such contribution ceases to be compulsory as soon as and as long as the legal reserve reaches 10% of NB Aurora's subscribed capital but shall again be compulsory if the legal reserve falls below such 10% threshold.

Declared and unpaid distributions held by NB Aurora for the account of the shareholders do not bear interest. The Luxembourg Companies Law provides that claims for dividends lapse in favour of NB Aurora five years after the date on which such dividends were declared.

Details concerning any annual dividends resolved by the General Meeting and the paying agents named by NB Aurora in each case will be published through a press release and on the website of NB Aurora (www.nbaurora.com).

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

6. Additional Shareholders' Rights (continued)

6.2. Dividend rights (continued)

The Board of Directors shall make a proposal to the General Meeting for a distribution to the shareholders (each a "Distribution") for an amount between 50% and 100% of the excess (if any), between:

- a. the Adjusted Cost Value resulting from the said last annual audited financial report; and
- b. the Floor Capital.

For the purpose of this section:

"Adjusted Cost Value" means the difference between:

- a. the acquisition cost of all illiquid assets (including all net capitalised costs and taking into account any write off/write down made on said assets), plus cash (including all the liquid assets valued at their net current value); and
- b. all liabilities of NB Aurora.

"Floor Capital" means the amount equal to the number of Ordinary Shares multiplied by the total respective subscription price of the Ordinary Shares.

Distributions to shareholders shall be allocated *pari passu* as follows:

- a. 85% to all shareholders in proportion to the Shares in issue; and
- b. 15% to holders of Class B Ordinary Shares (the "Performance Participation").

The annual General Meeting held on 8 March 2018 did not distribute any dividends.

6.3. Liquidation Rights

In the event of dissolution of NB Aurora in accordance with the Articles or upon the expiry of its term, the liquidation shall be carried out by one or several liquidators who are appointed by the General Meeting deciding on such dissolution and which shall determine their powers and their remuneration. Unless otherwise provided, the liquidators shall have the most extensive powers for the realisation of the assets and payment of the liabilities of NB Aurora.

Upon liquidation, the surplus resulting from the realisation of the assets and the payment of the liabilities shall be distributed and allocated *pari passu* among NB Aurora's shareholders as follows:

- a. first, 100% to all shareholders until they have received their pro-rate interest in the share capital of NB Aurora (i.e. the repayment of the share capital);
- b. then, any available surplus balance as follows:
 - i. 85% to all shareholders in proportion to the Shares in issue; and
 - ii. 15% to the holder(s) of Class B Ordinary Shares.

Following the sell-off and/or cancellation of the Class B Ordinary Shares and the Special Shares in the event of a No Fault Substitution, Fault Substitution or No Fault Termination (each term as defined in the Articles), distributions shall be allocated to all shareholders in proportion to the shares in issue.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

6. Additional Shareholders' Rights (continued)

6.3. Liquidation Rights (continued)

At the end of the liquidation process of NB Aurora, any amounts that have not been claimed by the shareholders will be paid into the *Caisse de Consignation*, which keeps them available for the benefit of the relevant shareholders for the duration provided for by law. After this period, the balance will revert to the State of Luxembourg.

6.4. Information Rights under the RAIF Law

Information in respect of NB Aurora required to be disclosed pursuant to article 41 of the RAIF Law (which refers to article 21 of the Luxembourg law of 12 July 2013 on alternative investment fund managers, as amended, herein after "AIFM Law") will be made available to each shareholder as follows:

- a. the percentage of NB Aurora's assets which are subject to special arrangements arising from their illiquid nature (if any) – in each annual report;
- b. any new arrangements for managing the liquidity of NB Aurora (if any) – in the half-yearly and annual reports;
- c. the current risk profile of NB Aurora and the risk management systems employed by NB Aurora to manage those risks – in each annual report;
- d. any change to the maximum level of leverage which NB Aurora may employ as well as any right of the reuse of collateral or any guarantee granted under the leveraging arrangement (if any) – in each annual report;
- e. the total amount of leverage employed by NB Aurora (if any) – in each annual report; and
- f. any other information required by the AIFM Law and article 38 and following articles of the RAIF Law will be disclosed in accordance with the law.

6.5. No Withdrawal Rights

NB Aurora is a closed-end RAIF and therefore no Shares shall be redeemed.

Class A Ordinary Shares may only be held by professional investors. NB Aurora will refuse to issue and will decline to register any transfer of Shares to any natural person or legal entity when it appears that such issue or transfer may result in any natural person or legal entity, which does not qualify as a professional investor, holding such Shares or if NB Aurora considers that this ownership may violate the laws of Luxembourg or of any other country, or may subject NB Aurora to taxation in a country other than Luxembourg.

6.6. Transferability, Acquisition and Holding of the Class A Ordinary Shares

The Shares are freely transferable. However, Class A Ordinary Shares may only be held by professional investors (within the meaning of MiFID II) including Neuberger and/or certain of its affiliates. The Class B Ordinary Shares and the Special Shares may only be subscribed by Neuberger and/or certain of its affiliates, employees and related persons.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

6. Additional Shareholders' Rights (continued)

6.7. Preferential Subscription Rights

Upon each new issue, existing holders of the Shares will benefit from a preferential subscription right in respect of any such new offering of shares in the same share class.

In the event of a capital increase in cash with issuance of new shares, an existing holder of the Shares has a preferential right to subscribe to the new shares if issued in the same share class as its existing holding, pro-rata to the part of the share capital represented by the class of shares that it already has. The Board of Directors determines the period within which the preferential subscription rights can be exercised. The period during which rights can be traded and exercised may not be less than 14 days.

The start of the exercise period of the preferential subscription rights must be announced by a notice setting out the exercise period published in the RESA (<https://www.lbr.lu>), one Luxembourg newspaper, by use of a media ensuring the effective dissemination of information to the public in the EEA and on NB Aurora's website (www.nbaurora.com).

The preferential subscription rights are transferable throughout the exercise period, and no restrictions may be imposed on such transferability other than those applicable to the class of Shares in respect of which the right arises. Any preferential subscription right not exercised within the given timeframe shall lapse following the close of the subscription period or, if so proposed by the Board of Directors, be unwound in accordance with applicable regulations and listing rules or practices as applicable from time to time.

In addition, an extraordinary General Meeting called upon to resolve, at the conditions prescribed for amendments to the Articles, either upon an increase of capital or upon the authorisation to increase the capital, may limit or withdraw preferential subscription rights or authorise the Board of Directors to do so. Any proposal to that effect must be specifically announced in the convening notice. Detailed reasons therefore must be set out in a report prepared by the Board of Directors and presented to the extraordinary General Meeting dealing, in particular, with the proposed issue price. This report must be made available to the public at NB Aurora's registered office as well as on its website at least 30 days prior to the relevant extraordinary General Meeting of the shareholders. The filing of this report must immediately be announced by means of a notice published in at least one daily newspaper having a national circulation in Italy.

7. Market Abuse Regulation and Treatment of Corporate and Inside Information

The Board of Directors has approved an internal policy for the treatment of inside information.

In line with Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the "Market Abuse Regulation"), the Board of Directors has created a special register of individuals who have access to inside information relating to NB Aurora or its securities, the so-called insider list. The insider list contains the names of the individuals who either regularly or occasionally have access to inside information pursuant to applicable requirements under the Market Abuse Regulation. At the same time, the Board of Directors has implemented a process for entering the names of these individuals into the insider list and for maintaining and storing the insider list.

NB AURORA S.A. SICAF-RAIF
For the year ended 31 December 2018

DIRECTORS' REPORT (CONTINUED)

Corporate Governance Statement (continued)

7. Market Abuse Regulation and Treatment of Corporate and Inside Information (continued)

NB Aurora is subject to the Market Abuse Regulation and hence any information available to or made available to the members of the Board of Directors in the exercise of their mandate will have to be dealt with in accordance with the Market Abuse Regulation and relevant implementing measures.

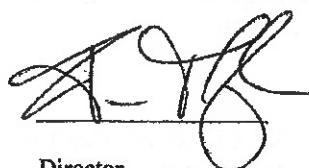
8. Description of the Diversity Policy

As of 31 December 2018, NB Aurora has not adopted a diversity policy yet.

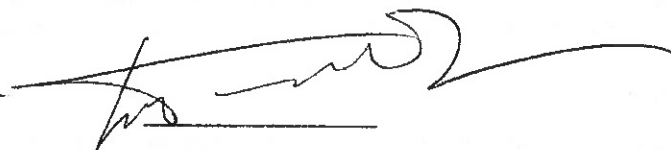
However, it is committed to bring together diverse individuals with different life experiences, gender, background and cultures.

Currently, two out of the five members of the Board of Directors are women. There are also two women amongst the Principals of the Investment Committee. NB Aurora's goal is to continue to increase the number of women in areas where they are underrepresented, if any.

Signed for and on behalf of the Board of Directors on 21 March 2019:



Director



Director



KPMG Luxembourg, Société coopérative
39, Avenue John F. Kennedy
L - 1855 Luxembourg

Tel.: +352 22 51 51 1
Fax: +352 22 51 71
E-mail: info@kpmg.lu
Internet: www.kpmg.lu

To the Shareholders of
NB Aurora S.A. SICAF-RAIF
28-32, Place de la Gare
L-1616 Luxembourg
Grand Duchy of Luxembourg

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of NB Aurora S.A. SICAF-RAIF ("the Fund"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of NB Aurora S.A. SICAF-RAIF as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the financial statements » section of our report. We are also independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the 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 arriving at our audit opinion above, we determined there was one key audit matter as follows:

Valuation of Private Equity investments

a) Why the matter was considered to be one of most significance in our audit of the financial statements of the current period?

Private Equity investments which include direct private equity investments and indirect private equity investments held through the investment in the fund Fondo Italiano di Investimento (hereafter defined as "FII" and together with direct private equity investments "Private Equity investments") are included in the financial statements caption "Non Pledged Financial assets at fair value through profit or loss". Private Equity investments for which no quoted markets prices are available amount to EUR 100.1 million as at 31 December 2018, representing 50.5% of total equity.

Since the Fund meets the definition of an investment entity, it is not required to consolidate its investments and has accounted for its Private Equity investment at fair value through profit or loss ("FVTPL").

The net asset value of FII is calculated in accordance with Italian accounting standards which requires private equity investments to be valued at cost less impairment and thus may not represent the fair value of the Fund's investments in FII. Therefore, the net asset value reported by FII to the Fund requires to be adjusted to reflect the fair value of the investments in FII held as at 31 December 2018 in accordance with the accounting policies of the Fund.

As these Private Equity investments are illiquid by nature (level 3 according to the fair value hierarchy as per IFRS 13), significant judgments and estimates are required to be applied by Management in its assessment of their fair value. Inappropriate judgments made in relation to the methodology and inputs used or the assumptions taken may have a material impact on the valuation of the Private Equity investments. Management has based its valuation of the Private Equity investments on the International Private Equity and Venture Capital Valuations (IPEV) guidelines or, when not applicable, other valuation guidelines complying with IFRS 13.

Key inputs and assumptions used by management in its assessment of the fair value of the Private Equity investments are detailed in Note 4 (i) to the financial statements.

There is the risk that inaccurate judgments made by the Fund's Management in the assessment of fair value, in particular in respect of earnings/EBITDA multiples, the application of liquidity discounts, calculation of discount rates and the estimation of future earnings/cash flows could lead to the incorrect valuation of the Private Equity investments.

b) How the matter was addressed in our audit

Our procedures over the valuation of the Private Equity investments included, but were not limited to:

- We obtained an understanding of Management's processes and controls for determining the fair valuation of Private Equity investments. This included discussing with Management and challenging the valuation governance structure and protocols around their oversight of the valuation process and corroborating our understanding by attending the Valuations Committee meeting.
- We identified key controls in these processes and assessed their design adequacy.
- We compared Management's valuation methodology to IFRS and the IPEV guidelines. We sought explanations from Management where there are judgments applied in their application of the guidelines, discussed and assessed their appropriateness.
- With the assistance of our audit team members specialised in valuations, we inspected the Valuation Committee range for the key assumptions used in the valuation of unquoted Private Equity investments, with reference to the relevant industry and market valuation considerations. We compared the results of our work with the Fund's management's assumptions and discussed our results with both the Fund's management and the Valuations Committee.
- We corroborated key inputs in the valuation models, such as EBITDA and net debt to source data. We also performed the following procedures on key judgments made by Fund's management in the calculation of fair value:
 - assessed the suitability of the comparable companies used in the calculation of the EBITDA multiples;
 - challenged management on the applicability of adjustments made to EBITDA multiples by obtaining rationale and supporting evidence for adjustments made;
 - assessed the appropriateness of discount rates; and
 - discussed with management and challenge the adjustments made to calculate future maintainable earnings and corroborated this to supporting documentation.
- We checked the mathematical accuracy of the valuation models.
- We recalculated the unrealised result on the revaluation of Private Equity investments impacting the statement of comprehensive income.
- We discussed with management the rationale for any differences between the exit prices of Private Equity investments realised during the year and the prior period fair value, to further verify the reasonableness of the current year methodology adopted by Management.

Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report including management report and the Corporate Governance Statement but does not include the financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of Board of Directors of the Fund for the financial statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors of the determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund'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 Board of Directors of the Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'Entreprises agréé" for the audit of the financial statements

The objectives of our audit 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 a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “Réviseur d’Entreprises agréé” by the General Meeting of the Shareholders on 31 March 2018 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 1 year.

The management report is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.

The Corporate Governance Statement is included in the management report. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002(4) on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation No 537/2014 were not provided and that we remained independent of the Company in conducting the audit.

Other matter

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended

Luxembourg, 28 March 2019

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé



M. Tabart

NB AURORA S.A. SICAF-RAIF
For the year ended 31 December 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors are required to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, which give a true and fair view of the state of affairs of the Company at the end of each financial period and of the profit or loss of the Company for the period then ended.

In preparing the financial statements, the Board of Directors should:

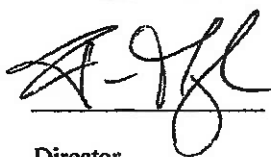
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Board of Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company. This responsibility includes designing, implementing and maintaining such internal control as the Board of Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

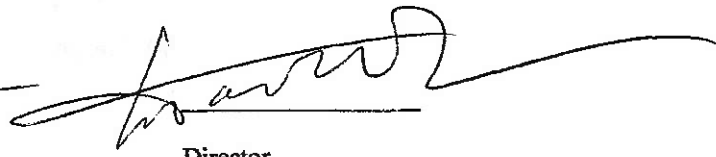
In accordance with Article 3(2) (c) of the Luxembourg law of 11 January 2008 on transparency requirements regarding disclosures of issuers whose securities are admitted to trading on a regulated market (as amended) (the "Transparency Law") the undersigned confirm that to the best of their knowledge, the financial statements for the year ended 31 December 2018, which has been prepared in accordance with IFRS as adopted by the EU, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required under Article 3(2) (c) of the Transparency Law.

Furthermore, the undersigned confirm that to the best of their knowledge, the Directors Report for the year ended 31 December 2018 includes a fair review of important events that have occurred during the current financial year, and their impact on the financial statements, together with a description of the principal risks and uncertainties for the next financial year.

Approved by the Board of Directors on 21 March 2019 and signed on its behalf by:



Director



Director

NB AURORA S.A. SICAF-RAIF
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	For the year ended 31 December 2018 €	From 14 September 2017 (date of incorporation) to 31 December 2017 €
Income			
Realised and change in unrealised gains on financial assets and liabilities at fair value through profit or loss	5(i)	60,253,225	-
Interest income		17,373	-
Total investment income		60,270,598	-
Expenses			
Professional fees	5(ii)	4,713,911	-
Management fees	5(ii)	1,500,473	-
Arrangement fee	4(v)	315,000	-
Directors' fees	7(a)	189,164	-
Administration, custody and transfer agent fees		109,477	34,000
Audit fees		65,111	35,100
Interest on term loan		54,372	-
Market authority fees		25,097	15,000
Other interest		17,895	-
Other expenses	5(ii)	624,405	-
Total expenses		7,614,905	84,100
Total profit/(loss) for the year/period		52,655,693	(84,100)
Other comprehensive income			
Items that will not be reclassified in P&L		-	-
Items that are or may be reclassified subsequently to P&L		-	-
Total comprehensive income/(loss) for the year/period		52,655,693	(84,100)
Earnings per share			
Class A Shares			
Basic		5.225	n/a*
Diluted		5.225	n/a
Class B Shares			
Basic		5.225	n/a
Diluted		5.225	n/a
Special Shares			
Basic		3.464	(1.682)
Diluted		3.464	(1.682)

**Not applicable*

The accompanying notes form an integral part of the financial statements.

NB AURORA S.A. SICAF-RAIF
STATEMENT OF FINANCIAL POSITION
As of 31 December 2018

	Note	As of 31 December 2018 €	As of 31 December 2017 €
Non-current assets			
Non Pledged Financial assets at fair value through profit or loss	4(i)	100,123,821	-
Total non-current assets		100,123,821	-
Current assets			
Cash and cash equivalents	4(ii)	100,302,075	50,000
Total current assets		100,302,075	50,000
Total assets		200,425,896	50,000
Equity			
Share capital	4(iv)	145,465,956	50,000
Retained earnings/(loss)		52,571,593	(84,100)
Total equity		198,037,549	(34,100)
Current liabilities			
Accrued expenses and other payables	4(vi)	2,388,347	84,100
Total current liabilities		2,388,347	84,100
Total equity and liabilities		200,425,896	50,000

The accompanying notes form an integral part of the financial statements.

NB AURORA S.A. SICAF-RAIF
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Note	Share Capital €	Accumulated (Losses)/Gains and other movements €	Total Equity €
As of 14 September 2017		-	-	-
Issuance of shares		50,000	-	50,000
Loss for the period		-	(84,100)	(84,100)
As of 31 December 2017		<u>50,000</u>	<u>(84,100)</u>	<u>(34,100)</u>
Issuance of shares		151,500,000	-	151,500,000
Listing costs	4(iv)	(6,084,044)	-	(6,084,044)
Profit for the year		-	52,655,693	52,655,693
As of 31 December 2018		<u>145,465,956</u>	<u>52,571,593</u>	<u>198,037,549</u>

The accompanying notes form an integral part of the financial statements.

NB AURORA S.A. SICAF-RAIF
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Note	For the year ended 31 December 2018 €	From 14 September 2017 (date of incorporation) to 31 December 2017 €
Cash flows from operating activities			
Profit/(loss) for the year/period		52,655,693	(84,100)
Adjustments for:			
Fair value of financial assets	5(i)	(27,622,175)	-
Interest income		(17,373)	-
Interest charges		72,267	-
Realised gain on financial assets	5(i)	(32,631,050)	-
Listing costs paid		430,186	-
		<u>(59,768,145)</u>	<u>-</u>
Changes in:			
Professional fees payable		975,778	-
IPO costs payable		668,587	-
Administration, custody and transfer agent fees payable		109,477	34,000
Audit fees payable		30,011	35,100
Directors' fees payable		169,161	-
Market authority fees payable		4,972	15,000
Accrued expenses and other payables		346,261	-
		<u>2,304,247</u>	<u>84,100</u>
Interest received		17,373	-
Interest paid		(72,267)	-
Net cash used in operating activities		<u>(4,863,099)</u>	<u>-</u>
Cash flows from investing activities			
Acquisition of investments	4(i)	(108,566,696)	-
Deposit pledged	4(iii)	(31,500,000)	-
Reimbursement of deposit	4(iii)	31,500,000	-
Disposals of investments	4(i)	68,696,100	-
Net cash used in investing activities		<u>(39,870,596)</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from borrowings (net of commission fees)	4(v)	31,500,000	-
Repayment of borrowings (net of commission fees)	4(v)	(31,500,000)	-
Proceeds from issuance of shares (net of listing costs)	4(v)	144,985,770	50,000
Net cash provided by financing activities		<u>144,985,770</u>	<u>50,000</u>
Net increase in cash and cash equivalents for the year/period		100,252,075	50,000
Cash and cash equivalents at the beginning of the year/period		50,000	-
Cash and cash equivalents at the end of the year/period		<u>100,302,075</u>	<u>50,000</u>

The accompanying notes form an integral part of the financial statements.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. GENERAL INFORMATION

Overview

NB Aurora S.A. SICAF-RAIF (the “Company” or “NB Aurora” or the “Fund”) was incorporated on 14 September 2017 as a “fonds d’investissement alternatif réservé” in the form of a “société d’investissement á capital fixe” under the laws of the Grand Duchy of Luxembourg. The Company is incorporated for a maximum of fifty (50) years.

The Company qualifies as an alternative investment fund (“AIF”) within the meaning of the Luxembourg law on alternative investment fund managers.

The Company is registered with the Luxembourg Registre de Commerce et des Sociétés under number B 218101 and has its registered office at 28-32, Place de la Gare, L-1616 Luxembourg, Grand Duchy of Luxembourg.

The Company’s investment objective is to achieve long-term capital appreciation through minority equity investments in a portfolio of small and medium sized and unlisted Italian companies. The target market of the Company is a large number of small mid-caps companies representing the backbone of the Italian economy. Most of these companies possess manufacturing districts in Northern Italy (the largest manufacturing districts in Europe) and are Italian export-driven companies that are more correlated to global growth than Italian growth and domestic product.

The Company appointed Neuberger Berman AIFM Limited as Alternative Investment Fund Manager (“AIFM”). The Board of Directors have delegated certain management, administration and marketing duties related to the Company to the AIFM. The AIFM is authorised by the Financial Conduct Authority (“FCA”) as an Alternative Investment Fund Manager. The AIFM has delegated certain discretionary portfolio management functions and marketing functions to Neuberger Berman Europe Limited (the “Portfolio Manager”).

Listing on Borsa Italiana

On 26 April 2018, NB Aurora announced that the private placement to professional clients only of its Class A Ordinary Shares was closed collecting orders for an amount equal to Euro 150 million. The private placement was aimed at the listing of the Shares on the Investment Vehicles Market - Professional Segment, organised and managed by Borsa Italiana S.p.A..

On 27 April 2018, NB Aurora announced that Luxembourg Financial Sector Supervisory Authority (Commission de Surveillance du Secteur Financier - CSSF) approved the prospectus for the admission to listing of its Class A Ordinary Shares on the Investment Vehicles Market (“MIV”) - Professional Segment organised and managed by Borsa Italiana S.p.A.. The prospectus is available on the website of the Company (www.nbaurora.com), as well on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website of Borsa Italiana S.p.A. (www.borsaitaliana.it).

NB Aurora’s Class A Ordinary Shares (ISIN LU1738384764) are listed since 4 May 2018 (the “Listing Date”) on the MIV. The Company is the first fixed capital vehicle listed on the MIV.

Initial investments

The Company used part of the proceeds of the private placement to acquire 44.55% of the units of Fondo Italiano d’Investimento (“Fondo Italiano”), bought in November 2017 by NB Secondary Opportunities Fund IV LP (“NB SOF”). The transaction was completed on 25 May 2018.

The Company completed its first direct investment on 27 December 2018 by purchasing a minority interest in Club Del Sole S.r.l. The investment was made through a wholly owned subsidiary NB Aurora Holdings S.a r.l (“Aurora Holdings”). Further details of the Company’s portfolio as of 31 December 2018 and activity during the period are included in note 4(i).

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted in the European Union (“EU”) and interpretations issued by the International Accounting Standards Board (“IASB”).

(b) Basis of presentation

The financial statements have been presented for the year ended 31 December 2018 and for the period from 14 September 2017 (date of incorporation) to 31 December 2017.

(c) Basis of measurement

The financial statements are prepared on a historical cost basis except for financial instruments and financial assets and liabilities which are measured at fair value through profit or loss. Other financial assets and liabilities are stated at amortised cost.

(d) Functional and Presentation Currency

The Board of Directors considers Euro (“€” or “EUR” or “Euro”) as the currency that most faithfully represents the economic effects of the underlying transactions, events and condition related to the Company. The financial statements are presented in Euro, which is also the Company’s functional currency.

(e) Use of Judgements and Estimates

In preparing these financial statements, the Board of Directors have made judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 3(a) – Subsidiaries
- Note 3(b) – Structured entities
- Note 3(c) – Classification of financial assets and liabilities

Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2018, is included in note 4(i) and relates to the determination of fair value of financial instruments with significant unobservable inputs.

Going Concern

These financial statements have been prepared on a going concern basis as the Board of Directors anticipate that the Company will continue in business for the foreseeable future. Furthermore, the Board of Directors are not aware of any material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

2. BASIS OF PREPARATION (CONTINUED)

(f) Significant changes in accounting policies

The Company has initially applied IFRS 9, Financial Instruments (“IFRS 9”) from 1 January 2018. A number of other new standards, including IFRS 15, Revenue from Contracts with Customers (“IFRS 15”), are also effective from 1 January 2018 but they do not have a material effect on the Company’s financial statements.

IFRS 15

The Company adopted IFRS 15 on its effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue and established a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. There was no impact of adopting IFRS 15 for the Company.

IFRS 9

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1, Presentation of Financial Statements (“IAS 1”), which require:

- impairment of financial assets to be presented in a separate line item in the Statement of Comprehensive Income. Under IAS 39, impairment was recognised when losses were incurred. The Company did not previously report any incurred losses; and
- separate presentation in the Statement of Comprehensive Income of interest revenue calculated using the effective interest method.

The amendments to IAS 1 did not have an impact on the Company as the financial assets measured at amortised costs are not significant and no impairment has been recognised.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures.

IFRS 9, Financial Instruments (“IFRS 9”) became effective for annual periods beginning on or after 1 January 2018. The Company adopted IFRS 9 on its effective date of 1 January 2018.

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 January 2018, the date of initial application.

(a) Classification and measurement

The Company has assessed the classification of financial instruments as at the date of initial application and has applied such classification retrospectively.

Classification and measurement of financial assets is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A financial asset is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (“SPPI”).

NB AURORA S.A. SICAF-RAIF
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2018

2. BASIS OF PREPARATION (CONTINUED)

(f) Significant changes in accounting policies (continued)

(a) Classification and measurement (continued)

A financial asset is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other financial assets must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income.

The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39.

The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at fair value through profit or loss attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income, unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. The Company has not designated any financial liabilities at fair value through profit or loss. Therefore, this requirement has not had an impact on the Company.

(b) Impairment

IFRS 9 also introduces a new expected credit loss (“ECL”) impairment model. IFRS 9 requires the Company to record ECLs on all financial assets classified at amortised cost, either on a twelve month or lifetime basis. The ECL model replaces the “incurred loss” model under IAS 39. Under IFRS 9 incurred losses are recognised earlier than under IAS 39.

(c) Hedge accounting

The Company has not applied hedge accounting under IAS 39 nor will apply hedge accounting under IFRS 9.

(d) Transition

The following table shows the original measurement categories in accordance with IAS 39 and the new measurements categories under IFRS 9 for the Company’s financial assets and liabilities as of 1 January 2018:

Financial assets 1 January 2018	IAS 39 Classification	IFRS 9 Classification	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets measured at amortised cost	50,000	50,000
Financial liabilities 1 January 2018				
	IAS 39 Classification	IFRS 9 Classification		
Accrued expenses and other payables	Other financial liabilities	Financial liabilities measured at amortised cost	(84,100)	(84,100)

In line with the characteristics of the Company’s financial instruments as well as its approach to their management, the Company neither revoked nor made any new designations on the date of initial application.

NB AURORA S.A. SICAF-RAIF
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2018

2. BASIS OF PREPARATION (CONTINUED)

(f) Significant changes in accounting policies (continued)

(d) Transition (continued)

IFRS 9 has been applied retrospectively by the Company. At 1 January 2018 the Company's financial instruments were not significant and as such there has not been a material impact from adopting IFRS 9 retrospectively.

The adoption of IFRS 9 has not resulted in changes in the carrying amount of the Company's financial instruments due to changes in measurement categories.

At 1 January 2018, the Company did not hold any financial assets or liabilities measured at fair value through profit or loss.

All financial assets that were classified as loans and receivables and measured at amortised cost continue to be. The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to IFRS 9.

In addition, the application of the ECL model under IFRS 9 has had no material difference on the carrying amounts of the Company's amortised cost financial assets. The Company has applied the general approach to ECL model applicable to its financial assets measured at amortised cost.

At 1 January 2018, the Company's financial assets at amortised cost consisted of cash and cash equivalents. The Company cash and cash equivalents were held with counterparties with credit ratings of BBB/Baa or higher and had a short-term settlement period. The Company considered the probability of default within the contractual settlement period to be close to zero as the counterparties had a strong capacity to meet their obligations in the short-term. As a result no allowance was recognised based on 12 month expected credit losses as any such impairment was wholly insignificant to the Company.

(g) New standards, amendments and interpretations effective after 1 January 2018 and have not been early adopted

A number of new standards, amendments to standards and interpretations have been issued to date and are not yet effective for the financial statements of the Company for the year ended 31 December 2018, and have not been applied nor early adopted in preparing these financial statements. The standards, interpretations and amendments issued but not yet effective at the date of the issuance of the Company's financial statements are listed below:

Standard:	Narrative:	Effective date*:
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance contracts	1 January 2021
IFRS 3	Business Combinations; Amendments to clarify the definition of a business	1 January 2020
IFRS 9	Financial Instruments; Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	1 January 2019
IFRS 11	Joint Arrangements; Amendments regarding the remeasurement of previously held interest	1 January 2019
IAS 1	Presentation of Financial Statements; Amendments regarding the definition of materiality	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors; Amendments regarding the definition of materiality	1 January 2020

* Annual periods beginning on or after.

NB AURORA S.A. SICAF-RAIF
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2018

2. BASIS OF PREPARATION (CONTINUED)

(g) New standards, amendments and interpretations effective after 1 January 2018 and have not been early adopted (continued)

Standard:	Narrative:	Effective date*:
IAS 23	Amendments resulting from Annual Improvements 2015-2017 Cycle (borrowing costs eligible for capitalisation)	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IAS 19	Employee Benefits; Amendments regarding plan amendments, curtailments or settlements	1 January 2019
IAS 28	Investments in Associates and Joint Ventures; Amendments regarding long-term interests in associates and joint ventures	1 January 2019

* Annual periods beginning on or after.

None of these are expected to have a material effect on the financial statements of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these financial statements are consistent with those applied by the Company in its last annual financial statements, with the exception of IFRS 9 which became effective from 1 January 2018.

(a) Subsidiary

Subsidiaries' are entities controlled by the Company. The Company controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 contains a special exemption to consolidation for investment entities.

In determining whether the Company meets the definition of an investment entity, the Board of Directors considered the business purpose and structure of the Company as a whole. The business purpose of the Company is to achieve long-term capital appreciation through minority equity investments in a portfolio of small and medium sized and unlisted Italian companies. The Company may hold investments for a medium-term duration but the purpose of each investment is to achieve capital appreciation and as part of the investment process exit strategies for each of the investments are developed. The Company was also formed as limited life company.

The Company has been deemed to meet the definition of an investment entity as the Company obtains funds for the purpose of providing investors with professional investment management services, and manages the investment portfolio on a fair value basis as the Company seeks to invest for capital appreciation and investment income.

IFRS 10 also describes certain typical characteristics of an Investment Entity that should be taken into consideration as part of the assessment of whether an entity should be considered an Investment Entity. These are as follows:

- (a) It has more than one investment;
- (b) It has more than one investor;
- (c) It has investors that are not related parties of the entity; and
- (d) It has ownership interest in the form of equity or similar interests.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Subsidiary (continued)

The absence of any of these typical characteristics does not necessarily disqualify an entity from being classified as an Investment Entity. As of 31 December 2018, the Company has all the above characteristics.

Consequently, the Board of Directors concluded that the Company should not consolidate its investment in Aurora Holdings but measure the investment at fair value through profit or loss.

(b) Structured entity

A structured entity is an entity that has been designed so that the voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks.

The Company considers its investment in Fondo Italiano to be an investment in an unconsolidated structured entity on the basis that the unitholders have limited voting rights and do not have the option to redeem their units and as a result do not have significant influence on the decision making of Fondo Italiano. The relevant activities of Fondo Italiano are managed by Neuberger Berman AIFM Limited by means of a contractual agreement. Also, Fondo Italiano has a narrow and well-defined objective and in its current form its activities are restricted to managing the disinvestment of the underlying investments.

(c) Financial instruments

(i) Recognition

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

A regular way purchase of financial assets is recognised using trade date accounting. From this date any gains or losses arising from changes in fair value of the financial assets or liabilities are recorded in the Statement of Comprehensive Income.

(ii) Initial measurement

Financial assets at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in the Statement of Comprehensive Income.

Financial assets and liabilities (other than those classified as at fair value through profit or loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iii) Classification

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed as follows.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Classification (continued)

Financial assets

The Company classifies its financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial asset.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Company considers all of the relevant information about how the business is managed. This includes the investment strategy; how the performance of the assets is evaluated; the risks associated with the financial assets; sales activity.

The Company has determined that it has two business models.

– Held-to-collect business model: this includes cash and cash equivalents. These financial assets are held to collect contractual cash flow.

– Other business model: this includes the investments in Aurora Holdings and Fondo Italiano. These financial assets are managed and their performance is evaluated, on a fair value basis.

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

The Company's cash and cash equivalents are assessed whether the contractual cash flows are SPPI. The Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category cash and cash equivalents.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iii) Classification (continued)

Financial assets measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are SPPI on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company's equity investments in Aurora Holdings and Fondo Italiano are managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the asset's performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The Company measures its investments at fair value through profit or loss.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition unless the Company were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category short-term payables.

(iv) Subsequent measurement

Subsequent to initial recognition, all financial assets at fair value through profit or loss are re-measured at fair value. Subsequent changes in the fair value of those financial instruments are recorded in realised and change in unrealised gains on financial assets at fair value through profit or loss in the Statement of Comprehensive Income.

Financial assets, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the financial asset is derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised, as well as through the amortisation process.

Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(iv) Subsequent measurement (continued)

Fair value measurement principles (continued)

In accordance with IFRS 13, *Fair Value Measurement* (“IFRS 13”), when available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument.

A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value measurement of the Company’s investments in Fondo Italiano and Aurora Holdings is determined by the AIFM and approved by the Board of Directors in accordance with the International Private Equity and Venture Capital (IPEV) 2018 valuation guidelines.

The AIFM believes the fair value of the investments are reliably measured. However, because of the inherent uncertainty of these valuations, the value of the investments estimated by the AIFM may differ significantly from the values that would have been used had a ready market for these investments existed and such differences could be material to the financial statements. Actual results could differ from those estimates. Further details on the fair value measurement is included in note 4(i).

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Company has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired. The Company uses the specific identification basis method to determine realised gains and losses on derecognition.

(vi) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amounts reported in the Statement of Financial Position, when a current legally enforceable right to offset the recognised amounts exists and there is intent to settle on a net basis or to settle the asset and the liability simultaneously.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments (continued)

(vii) Impairment

Financial assets that are measured at amortised cost are reviewed at each reporting date. The Company applies the general approach in accordance with IFRS 9.

The Company measures the loss allowance at an amount equal to the lifetime ECLs if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless there is reasonable and supportable information that demonstrates that the credit risk has not increased significantly.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions;
- the financial asset is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Company considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per Moody's or BBB- or higher per Standard & Pools.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated to EUR at the foreign currency exchange rate ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to EUR at the foreign currency exchange rates ruling at the dates that the values are determined.

Foreign currency exchange differences arising on translation are recognised in profit or loss as net foreign exchange losses, except for those arising on financial instruments at fair value through profit or loss, which are recognised as a component of net gain from financial instruments at fair value through profit or loss.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments, with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(f) Expenses

All expenses are recognised in the Statement of Comprehensive Income on an accrual basis.

According to IAS 32, transaction costs related to the issuing its own equity instruments are recognised directly in Equity.

(g) Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its Shares. Basic EPS is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of Shares outstanding during the year, adjusted for own Shares held. Diluted EPS is determined by adjusting the profit or loss attributable to shareholders and the weighted average number of Shares outstanding, adjusted for own Shares held, for the effects of all dilutive potential Shares.

(h) Distributions

Distributions to the shareholders are recorded through the Statement of Changes in Equity when they are declared to shareholders.

(i) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's chief operating decision makers and for which discrete financial information is available. The chief operating decision-makers for the Company are the AIFM and the Directors. In considering the segments of the Company, the Company has considered the information reviewed by the Company's Chief Operating Decision-Makers and determined that the Company operates a single segment. Further details are set out under Operating Segments in note 8.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. STATEMENT OF FINANCIAL POSITION INFORMATION

(i) Non Pledged Financial assets at fair value through profit or loss

	As of 31 December 2018 €	As of 31 December 2017 €
Fondo Italiano	66,978,236	-
Aurora Holdings	33,145,585	-
Non pledged financial assets at fair value through profit or loss	<u>100,123,821</u>	<u>-</u>

Fondo Italiano

Fondo Italiano was originally the result of a project shared by the Italian Ministry of Economy and Finance, the Italian Bankers' Association, the Italian Manufacturers' Association, Cassa Depositi e Prestiti S.p.A. ("CDP"), and certain major Italian banks, for the creation of an instrument of financial support to small and medium-sized enterprises. From inception, the interests in Fondo Italiano were held by CDP and major Italian banks.

A sale and purchase agreement was entered into on 8 August 2017, as amended on 30 November 2017 between the holders of the Fondo Italiano Units, as sellers, and NB SOF, as purchaser, for the acquisition, subject to certain conditions, of 100% of the Fondo Italiano Units. Completion of the transaction occurred on 30 November 2017. The price of the acquisition for 100% of the Fondo Italiano Units was set at Euro 310 million and the final adjusted purchase price was set at Euro 264.2 million.

On 29 November 2017, NB SOF and NB Aurora agreed the main terms and conditions, and on 12 February 2018, the Company and NB SOF, also on behalf of its affiliates, entered into a co-investment agreement (the "Co-Investment Agreement"), subsequently amended on 23 March 2018, 4 April 2018 and on 21 May 2018, setting forth the terms and conditions of the envisaged transfer of certain units (44.55%) of Fondo Italiano to NB Aurora.

On 25 May 2018, NB Aurora completed the acquisition of 44.55% of the units of Fondo Italiano. The price paid by the Company, as determined pursuant to the terms of the Co-Investment Agreement, was Euro 75.4 million (excluding transaction costs).

The Company has concluded that its interest in Fondo Italiano meets the definition of an unconsolidated structured entity. This conclusion is based on the following factors:

- Fondo Italiano has a narrow and well-defined objective;
- The activities of the Fondo Italiano are managed by the manager of Fondo Italiano, Neuberger Berman AIFM Limited;
- Fondo Italiano is a closed ended vehicle and will continue until the full divestment of its portfolio; and
- The Company does not have significant influence over the decision making of Fondo Italiano.

The Company's maximum exposure to loss with respect to its investment in Fondo Italiano is the carrying amount of the financial asset. There is no difference between the maximum risk of loss and carrying amounts of the assets and liabilities of Fondo Italiano that relate to the Company's interests. As of 31 December 2018 the carrying amount of the Company's interest in Fondo Italiano is Euro 66,978,236 and is included in non pledged financial assets at fair value through profit or loss in the Statement of Financial Position. The registered office of Fondo Italiano is the AIFM's registered office address of 4th Floor, Lansdowne House, 57 Berkeley Square, London, W1J 6ER, UK. During the year Aurora did not provide financial support to Fondo Italiano and has no intention of providing financial or other support.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. STATEMENT OF FINANCIAL POSITION INFORMATION (CONTINUED)

(i) Non Pledged Financial assets at fair value through profit or loss (continued)

Fondo Italiano (continued)

The below table summarises the financial information of Fondo Italiano as of 31 December 2018. The information is derived from the audited financial statements of Fondo Italiano.

	As of 31 December 2018 €
Net asset value	63,197,951
Result for the year	<u>109,140,927</u>

Aurora Holdings

On 4 December 2018, Aurora Holdings S.á r.l., a wholly owned subsidiary of the Company, was incorporated with an investment from the Company of Euro 33 million (including transaction costs). Aurora Holdings is domiciled in the Luxembourg. The registered office of Aurora Holdings is 28-32, Place de la Gare, L-1616 Luxembourg, Grand Duchy of Luxembourg.

The initial investment in Aurora Holdings consisted of Euro 12,000 for 12,000 Shares of Euro 1 nominal value each. A further Euro 43,000 was invested in the form of share premium with the remaining Euro 33,097,000 invested through special reserve accounts. The below table summarises the financial information of Aurora Holdings as of 31 December 2018. The information is derived from the books and records of Aurora Holdings as audited financial statements are not available.

	As of 31 December 2018 €
Total equity	33,152,000
Result for the period	<u>(6,415)</u>
Total	<u>33,145,585</u>

Aurora Holdings was formed to participate in the acquisition of a minority interest in a private Italian company, Club Del Sole S.r.l..

Aurora Holdings, together with other some co-investors, invested a total of Euro 51 million into a new limited company, First Club S.r.l.. Aurora Holdings contribution amounted to Euro 33 million., First Club S.r.l. acquired a minority interest (39%) in Club Del Sole Holdings which ultimately holds the investments in Club Del Sole S.r.l.. Aurora Holdings proportionate interest in Club Del Sole S.r.l is 26%.

The Company has no commitments or intention to provide financial support to Aurora Holdings. As of 31 December 2018, other than the illiquid nature of the underlying investments, there were no restrictions on the ability of Aurora Holdings to transfer funds to the Company.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. STATEMENT OF FINANCIAL POSITION INFORMATION (CONTINUED)

(i) Non Pledged Financial assets at fair value through profit or loss (continued)

During the year ended 31 December 2018, seven of the underlying investments of Fondo Italiano were divested as follows:

- On 19 July 2018, Fondo Italiano sold its interest in Rigoni di Asiago for a total consideration of Euro 39 million; that means for the pro-rata share owned by Aurora in Fondo Italiano (44.55%) an amount of Euro 17.4 million with a realised capital gain for Aurora of Euro 7.4 million after deduction of transaction costs of Euro 0.5 million.
- On 19 July 2018, Fondo Italiano sold its interest in Sanlorenzo for a total consideration of Euro 21.8 million; that means for the pro-rata share owned by Aurora in Fondo Italiano (44.55%) an amount of Euro 9.7 million with a realised capital gain for Aurora of Euro 3.2 million.
- On 24 July 2018, Fondo Italiano received Euro 3.4 million of receivables from IEN; that means for the pro-rata share owned by Aurora in Fondo Italiano (44.55%) an amount of Euro 1.5 million with a realised capital gain for Aurora of Euro 0.3 million.
- On 6 August 2018, Fondo Italiano sold its interest in Truestar and received Euro 3.0 million of which Euro 1.5 million was a loan repayment and Euro 1.5 million from the sale with a realised capital gain for Aurora of Euro 1.3 million.
- On 11 September July 2018, Fondo Italiano sold its interest in Megadyne S.p.A. for a total consideration of Euro 32.9 million; that means for the pro-rata share owned by Aurora in Fondo Italiano (44.55%) an amount of Euro 14.7 million with a realised capital gain for Aurora of Euro 9.0 million.
- On 1 October 2018, Fondo Italiano sold its interest in Mesgo S.p.A for a total consideration of Euro 38.5 million; that means for the pro-rata share owned by Aurora in Fondo Italiano (44.55%) an amount of Euro 17.2 million with a realised capital gain for Aurora of Euro 9.6 million after deduction of transaction costs of Euro 0.7 million.
- On 15 November 2018, Fondo Italiano sold its interest in General Medical Merate S.p.A. for a total consideration of Euro 18.2 million; that means for the pro-rata share owned by Aurora in Fondo Italiano (44.55%) an amount of Euro 8.1 million with a realised capital gain for Aurora of Euro 1.8 million.

Fair value measurement

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- | | |
|---------|---|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities. |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. |
| Level 3 | Inputs for the asset or liability that are not based on observable market data. |

NB AURORA S.A. SICAF-RAIF
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2018

4. STATEMENT OF FINANCIAL POSITION INFORMATION (CONTINUED)

(i) Non Pledged Financial assets at fair value through profit or loss (continued)

Fair value measurement (continued)

Valuation process

The Company has an established control framework with respect to the measurement of fair values. The fair value of privately held investments have been determined by the Portfolio Manager and approved by a valuation committee (the "Valuation Committee"). The Valuation Committee is required to be functionally independent from the Portfolio Manager, who oversees the fair value measurement, performed by the investment team ("Investment Team"). The Investment Team is composed of senior investment team members of the Portfolio Manager. The Investment Team reports the fair value measurement, including level 3 fair value measurements, to the Board of Directors and regularly review significant unobservable inputs and valuation adjustments.

Valuation methodology

The fair value measurement of the Company's investment in Fondo Italiano and Aurora Holdings is determined by the AIFM in accordance with the International Private Equity and Venture Capital (IPEV) 2018 valuation guidelines. The fair value of the underlying Italian companies are a significant component of the fair value of Fondo Italiano and Aurora Holdings.

With the exception of one underlying company of Fondo Italiano the underlying Italian companies are not quoted in an active market. The fair values of these private companies are therefore estimated using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The Portfolio Manager uses its judgement to select a variety of methods and makes assumptions that are not always supported by observable market prices or rates. The Portfolio Manager uses the best information it has reasonably available to determine or estimate fair value.

In order to determine the fair value measurement of the underlying investments of Fondo Italiano, the Investment Team from one side continues to make reference to the recent acquisition performed by NB SOF at 30 November 2017 and on the other side performs a market-based valuation of each investment held by Fondo Italiano using the comparable company earnings multiple approach, i.e. by reviewing the valuation multiples of comparable companies, both in the public markets and in private transactions.

The acquisition in Club Del Sole S.r.l by Aurora Holdings, was closed on 27 December 2018. As of 31 December 2018 the investment is recognised at its initial fair value which is represented by the transaction price due to the recent transaction.

Fair value hierarchy

The table below analyses, within the fair value hierarchy, the financial assets of the Company measured at fair value through profit or loss as of 31 December 2018:

	Level 1	Level 2	Level 3	Total
	€	€	€	€
As of 31 December 2018				
<i>Non pledged financial assets at fair value through profit or loss</i>				
Fondo Italiano	-	-	66,978,236	66,978,236
Aurora Holdings	-	-	33,145,585	33,145,585

NB AURORA S.A. SICAF-RAIF
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2018

4. STATEMENT OF FINANCIAL POSITION INFORMATION (CONTINUED)

(i) Non Pledged Financial assets at fair value through profit or loss (continued)

Fair value measurement (continued)

Fair value hierarchy (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the AIFM. The AIFM considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The underlying private Italian companies have been classified in level 3 of the fair value hierarchy. The fair value of the underlying private Italian companies are inputs in the net asset value of the Fondo Italiano and Aurora Holdings and consequently they have also been classified in level 3 of the fair value hierarchy.

Transfers

The Company recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred. There were no transfers between levels during the year ended 31 December 2018.

Level 3 reconciliation

	€
As of 1 January 2018	-
Purchases	108,566,696
Disposals	(36,065,050)
Net unrealised gain	27,622,175
As of 31 December 2018	<u>100,123,821</u>

NB AURORA S.A. SICAF-RAIF
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2018

4. STATEMENT OF FINANCIAL POSITION INFORMATION (CONTINUED)

(i) Non Pledged Financial assets at fair value through profit or loss (continued)

Fair value measurement (continued)

Significant unobservable inputs

The fair value represents Fondo Italiano and Aurora Holdings pro-rata interests in private Italian companies. The net asset value of Fondo Italiano is calculated in accordance with Italian Accounting Standards (i.e. cost less impairment), therefore management has determined the fair value of the underlying private Italian companies held by Fondo Italiano to determine the fair value of Fondo Italiano on the pro-rata share held by the Company.

The following table summarises the valuation methodologies and significant unobservable inputs used in the fair value measurement of the underlying private Italian companies held through Fondo Italiano and Aurora Holdings as of 31 December 2018:

Investment	Sector	Valuation Methodologies	Unobservable Inputs			Impact to Valuation from an Increase in Input ²
			Unobservable Input	Value/ Range	Weighted Average ¹	
Fondo Italiano	Services	Market Comparable Multiple	LTM EBITDA Multiple	5.3x - 8.9x	8.4x	Increase
	Industrial	Market Comparable Multiple	LTM EBITDA Multiple	5.9x - 7.1x	6.4x	Increase
	Other	Amortised Cost	n/a	n/a	n/a	n/a
Aurora Holdings	Leisure	Recent Transaction Price	n/a	n/a	n/a	n/a

¹Inputs weighted average is based on fair value of investments in range.

²The “impact to valuation from an increase in input” column represents the directional change in the fair value of level 3 investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in isolation could result in significantly higher or lower fair value measurements.

Significant unobservable inputs are developed as follows:

EBITDA multiples: represent amounts that market participants would use when pricing the investments. EBITDA multiples are selected from comparable public companies based on geographic location, industry, size, target markets and other factors that management considers to be reasonable. The traded multiples for the comparable companies are determined by dividing the enterprise value of the company by its EBITDA or revenue.

Sensitivity of fair value measurement to changes in unobservable inputs

The favourable and unfavourable effects of using reasonable alternative assumptions for the valuation has been calculated by recalibrating the model using a 10% shift in the significant unobservable input of each investment. The most significant unobservable input used in determining fair value is EBITDA multiple. The impact on fair value of the reasonably possible alternative assumptions for the investments as of 31 December 2018 is presented in the following table:

	Favourable	(Unfavourable)
	€	€
Underlying Italian privately held investments	6,470,000	(6,470,000)

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. STATEMENT OF FINANCIAL POSITION INFORMATION (CONTINUED)

(ii) Cash and cash equivalents

As of 31 December 2018, cash and cash equivalents comprise balances held with Société Générale Bank & Trust S.A. of Euro 1,960,729 (Euro 50,000 as of 31 December 2017) and Euro 98,341,346 (Euro Nil as of 31 December 2017) with Intesa Sanpaolo Private Banking S.p.A..

(iii) Pledged deposit

To facilitate the acquisition of the units of Fondo Italiano, the Company used financing for some Euro 31.5 million provided by Intesa Sanpaolo S.p.A.. The Company was obliged to maintain cash pledged on its bank account until the borrowing was fully repaid. On 28 September 2018 the borrowing was fully repaid by the Company and there was no cash pledged as collateral as of 31 December 2018.

(iv) Share capital

Authorised and issued share capital

The Company was incorporated with an initial share capital of Euro 50,000 represented by 50,000 fully paid-up Special Shares without nominal value.

As of the Listing Date Aurora listed 15,000,000 Class A Ordinary Shares for a consideration of Euro 150 million and issued 150,000 Class B Ordinary Shares for a consideration of Euro 1.5 million. As of 31 December 2018, the subscribed capital of the Company is equal to Euro 151,550,000 consisting of 15,200,000 Shares without indication of a par value, all of which will be fully paid up and represented by 15,000,000 Class A Ordinary Shares, 150,000 Class B Ordinary Shares and 50,000 Special Shares, representing Euro 150,000,000 of share capital of the Company for the Class A Ordinary Shares, Euro 1,500,000 of share capital of the Company for the Class B Ordinary Shares and Euro 50,000 of share capital of the Company for the Special Shares.

Class A Ordinary Shares are held by Professional Investors and listed on the MIV. A “Professional Investor” means an investor who is considered to be a professional client or has requested to be treated as a professional client within the meaning of Annex II to Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

Class B Ordinary Shares and Special Shares will be held by the AIFM and/or certain affiliates, employees and related persons.

Ordinary distributions to shareholders shall be allocated *pari passu* to all shareholders. Class B Ordinary Shareholders are entitled to an additional performance distribution (as discussed further below).

Special Shares give holders corporate governance rights where, in appointing Directors by the General Meeting of Shareholders, Directors may be appointed from two lists of candidates, the first list provided by the holders of Special Shares of which the General Meeting may appoint (from that list) up to three candidates, one of which shall qualify as an independent director, and the second list provided by and proposed by the Class A Ordinary Shareholders, of which the General Meeting may appoint (from that list) up to two candidates, both of which qualify as independent directors.

The authorised capital, including the initial share capital and any share premium, is set at Euro 600 million.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. STATEMENT OF FINANCIAL POSITION INFORMATION (CONTINUED)

(iv) Share capital (continued)

Authorised and issued share capital (continued)

Movement in the Class A Shares, Class B Shares and Special Shares during the year ended 31 December 2018 was as follows:

Share Class	As of 31 December 2017	Issued	As of 31 December 2018
Special Shares	50,000	-	50,000
Class A Shares	-	15,000,000	15,000,000
Class B Shares	-	150,000	150,000
Total	50,000	15,150,000	15,200,000

Movement in the Special Shares during the period from 14 September 2017 (date of incorporation) to 31 December 2017 was as follows:

Share Class	As of 14 September 2017	Issued	As of 31 December 2017
Special Shares	50,000	-	50,000
Total	50,000	-	50,000

The Company is a closed-end company and therefore no Class A Shares, Class B Shares and/or Special Shares are subject to redemption.

Listing costs

According to IAS 32, transaction costs on issuance of share capital are recognised directly in equity. As of 31 December 2018, listing costs amounted to Euro 6.08 million and mainly comprises:

- bank placement commission for Euro 3.37 million;
- legal costs for Euro 2.21 million; and
- other consultant costs for Euro 0.50 million.

Voting rights

Each Share holds one vote with no restrictions on voting rights.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. STATEMENT OF FINANCIAL POSITION INFORMATION (CONTINUED)

(iv) Share capital (continued)

Earnings per share

The calculation of basic and diluted earnings per share is presented in the table below. There is no dilutive impact for the year ended 31 December 2018 or the period ended 31 December 2017.

	For the year from 1 January 2018 to 31 December 2018 €	From 14 September 2017 (date of incorporation) to 31 December 2017 €
Class A Shares		
Income for the year/period	51,962,854	n/a*
Weighted average number of shares	9,945,205	n/a
Basic earnings per share	5.225	n/a
Diluted earnings per share	5.225	n/a
Class B Shares		
Income for the year/period	519,629	n/a
Weighted average number of shares	99,452	n/a
Basic earnings per share	5.225	n/a
Diluted earnings per share	5.225	n/a
Special Shares		
Income/(Loss) for the year/period	173,210	(84,100)
Weighted average number of shares	50,000	50,000
Basic earnings per share	3.464	(1.682)
Diluted earnings per share	3.464	(1.682)

**Not applicable*

Capital management

The capital of the Company is represented by the Company's total equity. The Company is a closed-ended fund. The Company's policies for managing capital are:

- to invest the capital in investments meeting the description, risk exposure and expected return indicated in the prospectus;
- to achieve consistent returns while safeguarding capital;
- to maintain sufficient liquidity to meet the expenses of the Company and to meet distribution commitments; and
- to maintain sufficient size to make the operation of the Company cost-efficient.

As of 31 December 2018 the remaining authorised share capital of the Company is Euro 448,450,000. The Board of Directors has authority to issue new Shares within the limits of the authorised share capital and the Articles. Any issuance of new Shares will reduce the available authorised capital accordingly. As of 31 December 2018 the Company has sufficient cash resources to meet the Company's expenses, distribution commitments and potential investment opportunities for the foreseeable future.

The Company is an Alternative Investment Fund ("AIF") and is required under Chapter IV of Luxembourg law of 23 July 2016 on reserved alternative investment funds to maintain its subscribed capital, increased by share premium, at a minimum of Euro 1,250,000.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

4. STATEMENT OF FINANCIAL POSITION INFORMATION (CONTINUED)

(iv) Share capital (continued)

Distributions

Following the publication of the annual audited financial report, the Board of Directors shall make a proposal to the General Meeting of shareholders for a distribution to the shareholders for an amount between 50% and 100% of the excess (if any), between:

- the difference between (i) the acquisition cost of all illiquid assets (including all net capitalised costs and taking into account any write off/write down made on said assets), plus cash (including all the liquid assets valued at their net current value); and (ii) all liabilities of the Company ((i) and (ii) together, the "Adjusted Cost Value"), both as resulting from the last annual audited financial report; and
- the amount equal to the numbers of the Class A Ordinary Shares and Class B Ordinary Shares of the Company multiplied by the respective subscription price of the Ordinary Shares (the "Floor Capital").

Distributions to shareholders shall be allocated *pari passu* as follows:

- 85% to all shareholders in proportion to the Shares in issue; and
- 15% to the holder(s) of the Class B Ordinary Shares.

The articles of association also authorise the Board of Directors to make interim payments of interim dividends for a particular financial year to be deducted from profits or the available reserves. There were no distributions to shareholders declared or paid during the year ended 31 December 2018 or period ended 31 December 2017.

Distributions, if and when declared, will result in an equivalent reduction in value on the net asset value ("NAV") of the Company and the NAV per share of each Share Class.

No distributions have been declared from 1 January 2019 until the date of authorisation to issue these financial statements.

Net asset value

The NAV is determined at a minimum twice a year, and in any event, as of 31 December and 30 June of every year, and published respectively by 30 April of the following year and by 30 September of the same year. The NAV per share is communicated immediately to investors through a press release and on the Company's website (www.nbaurora.com).

NB AURORA S.A. SICAF-RAIF
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2018

4. STATEMENT OF FINANCIAL POSITION INFORMATION (CONTINUED)

(v) Borrowings

The following table presents a reconciliation of the financing activities for the year ended 31 December 2018:

	As of 1 January 2018 €	Cash Inflows €	Cash Outflows €	Non-cash Changes		As of 31 December 2018 €
				Interest and Issue Cost €	Fair Value €	
Loans and Borrowings	-	31,500,000	(31,869,372)	369,372	-	-

The acquisition of the units in Fondo Italiano by the Company was partially funded by the available proceeds raised from the Listing and partially by a bank loan provided by Intesa Sanpaolo S.p.A..

According to the Company's prospectus, the Company is not allowed to invest in excess of 40% of its gross assets in a single undertaking for collective investment. In order to maximise the benefit for the investors of the Company arising from the acquisition of the maximum amount (in accordance with the terms of the Co-Investment Agreement) of the units of Fondo Italiano whilst complying with the aforementioned threshold of 40%, the Company arranged temporary financing provided by Intesa Sanpaolo S.p.A. for an amount of Euro 31,500,000. The Company paid an arrangement fee of Euro 315,000. Interest rate periodicity is 50 bps per annum. The term of the loan was 6 months. On 28 September 2018 the loan was fully repaid by the Company.

(vi) Accrued expenses other payables

Details of accrued expenses and other payables is presented in the table below:

	As of 31 December 2018 €	As of 31 December 2017 €
Professional fees payable	975,778	-
IPO costs payable	668,587	-
Directors' fees payable	169,161	-
Administration, custody and transfer agent fees payable	143,477	34,000
Audit fees payable	65,111	35,100
Market authority fees payable	19,972	15,000
Other payables	346,261	-
Accrued expenses and other payables	2,388,347	84,100

NB AURORA S.A. SICAF-RAIF
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2018

5. STATEMENT OF COMPREHENSIVE INCOME INFORMATION

(i) Income

Net gains/(losses) on financial assets and liabilities at fair value through profit or loss

The following table details the Company's gains/(losses) in Fondo Italiano from the underlying investments during the year ended 31 December 2018:

	For the year ended 31 December 2018	For the period ended 31 December 2017
	€	€
Realised gain	32,631,050	-
Unrealised gain	27,622,175	-
Net realised and unrealised gain	<u>60,253,225</u>	<u>-</u>

The realised gain/(loss) from financial instruments at fair value through profit or loss represents the difference between the transaction price of the Fondo Italiano Investments and the settlement price on disposal of those investments.

The unrealised gain/(loss) mainly represents the difference between transaction price of the Fondo Italiano Investments and the carrying amount at the end of the reporting period.

The investment in Club Del Sole S.r.l. was closed on 27 December 2018. As of 31 December 2018 the investment is recognised at its initial fair value which is represented by the transaction price.

(ii) Expenses

As described previously, transaction costs related to listing of Euro 6.08 million are recognised directly as a reduction in share capital. The remaining costs mainly refer to the Fondo Italiano Units and Aurora Holdings acquisitions.

NB Aurora is charged an annual Management fee payable to the AIFM quarterly in advance, starting from the Listing Date. The Management fee is equal to 1.5% per annum of the Adjusted Cost Value (as defined in the Company's prospectus) determined as of 31 December of each year (except for the first period of activity of the Company, where the Management fee shall be calculated on the Floor Capital (as defined in the Company's prospectus) from the Listing Date until 31 December 2018). As of 31 December 2018, Management fees calculated as described and starting from the Listing Date amount to Euro 1.5 million.

Professional fees mainly include costs related to the acquisition of Fondo Italiano of Euro 4.71 million.

Other expenses are mainly comprised of legal costs, administration providers and liquidity and brokerage fees.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

5. STATEMENT OF COMPREHENSIVE INCOME INFORMATION (CONTINUED)

(iii) Taxation

The Company is not liable to any Luxembourg tax on profits or income. The Company is, however, liable in Luxembourg to a tax of 0.01% per annum of its Net Asset Value, such tax being payable quarterly on the basis of the value of the aggregate net assets of the Company at the end of the relevant calendar quarter. No stamp duty or other tax is payable in Luxembourg on the issue of shares. No Luxembourg tax is payable on the realised capital appreciation of the assets of the Company.

Dividends, interest and capital gains held by the Company, if any, received by a Luxembourg SICAF-RAIF from investments, may be subject to taxes and/or withholding taxes in the countries concerned at varying rates, such (withholding) taxes usually not being recoverable. A Luxembourg SICAF-RAIF may be liable to certain other foreign taxes.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's investment objective is to achieve long-term capital appreciation through minority equity investments in a portfolio of small and medium sized and unlisted Italian companies. The Company's objective in managing risk is the creation and protection of shareholder value.

The target investments of the Company are a large number of small mid-caps companies representing the backbone of the Italian economy. Most of these companies possess manufacturing districts in Northern Italy (the largest manufacturing districts in Europe) and are Italian export-driven companies that are more correlated to global growth than Italian growth and domestic product. The Company may provide financial support – through risk capital investments – in connection with expansion transactions designed to finance the development of existing small and medium sized enterprises in order to promote their geographic and product expansion. The Company primarily selects enterprises operating in the industry, trade, services and tertiary sector in general, with good capital stability.

The Company thus performs growth capital investments in target enterprises meeting the following criteria:

- lower mid-market companies with sales typically between Euro 30 million and Euro 300 million;
- companies operating in all growing industries with strong long-term drivers;
- market leaders in their niche market on a domestic, European or global basis;
- mainly family-owned companies, even with succession issues and/or with fragmented, misaligned and/or stressed shareholder groups;
- limited indebtedness with visible cash-flow projections;
- clear industrial plan, typically through improving operations, strategic acquisitions and international growth;
- strong export attitude;
- significant value-creation potential;
- present and/or future adequate profitability;
- operational efficiency enhancements.

The Company also considers replacement transactions, designed to restructure a company's shareholding structure, where the Company may replace the minority shareholders no longer interested in that company's activity, as well as management buy-in or buy-out transactions designed to support the acquisition of enterprises facing a generational change and to develop possible aggregations, with the involvement of in-house or external managers.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The Company may make investments in other collective investment undertakings having a similar investment objective, such as, amongst others and without limitation, Fondo Italiano. Should the Company invest in collective investment undertakings other than Fondo Italiano, the targeted investment shall always be a collective investment undertaking that has a similar investment strategy to the one adopted by the Company.

While an investment may be sold at any time, the Company invests with a medium to long-term investment horizon from five to nine years, with tailored exit agreements already defined before the investments are made.

The Company's activities expose it to the following primary financial risks: market risk (including market price risk, currency risk and interest rate risk), liquidity risk, credit risk and concentration risk.

Although the Company only has direct exposure to its investments in Fondo Italiano and Aurora Holdings, the risks of its investments reflect those of the underlying investment portfolio. As such, management considers these risks in its risk management processes.

The Company's Board of Directors has delegated the risk management function to the AIFM. Risk is inherent in the Company's activities. The process of risk management is critical to the Company's profitability. The AIFM has established risk management policies to identify and analyse the exposure of the Company's assets to certain risks, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

In relation to the risk management of the Company, the AIFM in particular:

- has set up and regularly updates a risk management procedure in order to identify, measure, manage and monitor on an ongoing basis all risks relevant to the Company's investment strategy and their overall effect on the Company's investments and ensure compliance with all risk limits;
- has set out for each risk it has identified, quantitative and/or qualitative risk limits as required under applicable laws and regulations;
- will identify and analyse the risks to which the Company is exposed and to determine and monitor compliance with the Company's risk limits, in particular market, credit, liquidity and counterparty risks as well as other risks such as operational risks;
- will calculate the leverage of the Company (if any) in accordance with applicable regulation;
- has set up an appropriate liquidity management system and adopted procedures, to monitor the liquidity risk of the Company and to ensure that the liquidity profile of the investments of the Company complies with their underlying obligations;
- ensures that the risk profile of the Company disclosed to the Company's investors are consistent with the size, portfolio structure, investment strategy and objective of the Company, the liquidity profile and the risk limits that have been set; and
- will take all remedial measures and corrective actions where and as required.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
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6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The Company currently does not employ specific hedging techniques to reduce the risks of adverse movements in securities prices, currency exchange rates and interest rates, however, the underlying portfolio company investments may employ such techniques. While hedging techniques may reduce certain risks, such transactions themselves may entail other risks.

Within the context of the Company's investment objective and strategy as set out above the AIFM maintains the following investment restrictions:

- The Company is not allowed to invest more than 20% of its gross assets in securities of the same type issued by a single underlying issuer;
- The Company must not invest more than 20% of its gross assets in undertakings for collective investment ("UCIs") which, in turn, may invest more than 20% of their gross assets in other UCIs. In addition, the Company is not allowed to invest in excess of 40 % of its gross assets in a single UCI. For the avoidance of doubt, when the Company invests in UCIs (including Fondo Italiano) then (x) the compliance with the 20% diversification rule mentioned in the first sentence of the preceding paragraph is made on a "look through" basis taking into consideration the assets owned by said target UCIs and (y) said target UCIs must be subject to risk-diversification requirements substantially comparable to those of the Issuer.
- The Company is not allowed to be exposed to the creditworthiness or solvency of any one counterparty in excess of 20% of its gross assets.
- The Company shall not invest in real estate.

The AIFM believes that it has taken the necessary steps to ensure that risk is properly identified, controlled and managed.

As of 31 December 2017 the Company did not hold any investments and therefore the exposure to risk was not as significant.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, and foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(i) Price risk

Price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether caused by factors specific to an individual investment or its issue or factors affecting all instruments traded in the market.

The Company's exposure to the financial risks below is both direct (through its holdings of assets and liabilities directly subject to these risks) and indirect (through the impact of these risks on the overall valuation of its investments).

The direct risks are a component of overall valuation risk with respect to the Company's investments. Small changes in valuations are typical in the first few years of private equity investments as the investments are held in private non-marketable investments that take several years to mature. A 10.0% shift in the value of the Company's investments would result in an approximately 5% change in net assets value as of 31 December 2018.

Indirect exposure

The Company's underlying portfolio company investments are not traded in an active market but are indirectly exposed to market price risk arising from uncertainties about future values of the investments. The Company's proportionate share of the underlying portfolio company investments and the industry focus for each are listed in note 4(i). These investments represent interests in privately held securities which may be indirectly exposed to market price risk to the extent the valuation of the investment is affected by changes in market prices impacting the issuer of the security or similar financial instruments traded in the market. Additionally, market conditions may affect the ability of the Company to exit certain privately held investments.

The underlying portfolio company investments vary as to type of security held, stage of operations, industry, geographic location, and geographic distribution of operations and size, all of which impact the susceptibility of their valuation to market price risk.

The indirect sensitivity of the valuation of the Company's underlying portfolio company investments due to market price risk in isolation is not possible to quantify but is a component of the overall valuation risk for these investments described above. Valuation risk, in turn, affects the net asset valuations that in part determine the internal rate of return ("IRR"), which is considered by the AIFM as the most relevant measure of performance. IRRs develop over a period of years and are most meaningful after investments have time to mature. The period to period change in the IRR can be volatile. For private equity funds, underlying portfolio company investment valuations are typically not volatile in the early years of the fund. A 10.0% increase in the valuation of the underlying portfolio company investments would result in an approximately 0.3% increase in the inception-to-date IRR. A 10.0% decrease in the valuation of the underlying portfolio company investments would result in an approximately 0.3% decrease in the inception-to-date IRR.

NB AURORA S.A. SICAF-RAIF
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2018

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company may hold financial assets and liabilities and enter into transactions denominated in currencies other than the Euro, which is the functional currency of the Company. Consequently, the Company may be exposed to risk that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Company's assets or liabilities denominated in currencies other than the Euro.

The Company holds only financial assets in Euro, therefore is not exposed to currency risk.

Indirect exposure

The Company may be subject to indirect risks associated with changes in foreign exchange rates due to the fact that its capital is invested in underlying portfolio companies which themselves may be subject to currency risk. As the underlying portfolio companies are domiciled in Italy the risk is not expected to be significant.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The majority of the Company's assets and liabilities are non-interest bearing.

The Company's cash may be invested in short-term fixed deposit accounts that are impacted by interest rate fluctuations as such giving the Company variable cash deposits.

The Company has incurred, and expects to continue to incur, indebtedness to fund its liquidity needs and to potentially leverage certain investments. Due to the forgoing, the Company is, and believes that it will continue to be exposed to risks associated with movements in prevailing interest rates. An increase in interest rates could make it more difficult or expensive to obtain debt financing, could negatively impact the values of debt securities, and could decrease the returns that investments generate or cause them to generate losses.

As discussed in note 4(v) during the year the Company obtained a loan to partially fund the acquisition of units in Fondo Italiano. The loan was a for a term of 6 months and was fully repaid during the year.

The table below summarises the Company's financial assets and liabilities in variable rate instruments as of 31 December 2018 and 2017:

	As of 31 December 2018 €	As of 31 December 2017 €
Variable rate instruments		
Financial assets - cash and cash equivalents	100,302,075	50,000
Total variable rate instruments	<u>100,302,075</u>	<u>50,000</u>

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

(iii) Interest rate risk (continued)

Indirect exposure

The Company is and will continue to be subject to indirect risks associated with changes in prevailing interest rates due to the fact that its capital is invested in underlying portfolio companies whose capital structures may have a significant degree of indebtedness. Investments in leveraged companies are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. A leveraged company's income and net assets also tend to increase or decrease at a greater rate than would be the case if money had not been borrowed. As a result, the risk of loss associated with an investment in a leveraged company is generally greater than for companies with comparably less debt.

The AIFM selects investment opportunities with a view to achieving predetermined target returns on an IRR basis. The underlying investments are therefore structured with a combination of both interest income and principal appreciation matched to these return requirements.

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with its financial liabilities.

The following table shows the remaining contractual, undiscounted cash flows of the Company's liabilities as of 31 December 2018:

	Less than 1 month €	1-12 months €	More than 1 year €
<i>Financial liabilities</i>			
Professional fees payable	975,778	-	-
IPO costs payable	668,587	-	-
Directors' fees payable	-	169,161	-
Administration, custody and transfer agent fees payable	143,477	-	-
Audit fees payable	65,111	-	-
Market authority fees payable	19,972	-	-
Other payables	346,261	-	-
Total	2,219,186	169,161	-

The following table shows the remaining contractual, undiscounted cash flows of the Company's liabilities as of 31 December 2017:

	Less than 1 month €	1-12 months €	More than 1 year €
<i>Financial liabilities</i>			
Audit fees payable	35,100	-	-
Administration, custody and transfer agent fees payable	34,000	-	-
Market authority fees payable	15,000	-	-
Total	84,100	-	-

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

The Company's Prospectus does not provide for the redemption of Shares at the option of the shareholder. The Company is therefore not exposed to the liquidity risk of meeting redemptions from holders of participating Shares.

The AIFM's liquidity management approach is to continuously monitor the Company's assets to ensure that there are sufficient liquid assets to meet the Company's obligations. The Company may utilise short-term and long-term loans to maintain sufficient liquidity.

As of 31 December 2018 and 2017, the Company's liabilities consist of short-term payables of less than one year. There are sufficient cash deposits to meet these obligations.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company.

As of 31 December 2018, the carrying amounts of cash and cash equivalents represent the Company's maximum exposure to the credit risk in relation to the financial assets. For all financial assets to which the impairment requirements have not been applied, the carrying amount represents the maximum exposure to credit loss. The AIFM considers the credit risk associated as minimal as all of the Company's cash balances are held with a reputable financial institution which the AIFM believes is of high credit quality.

The Company has recognised an impairment allowance of €Nil with respect to the cash and cash equivalents. The amount of the allowance has not changed during the year. The Company's cash and cash equivalents are held with counterparties with credit ratings of BBB/Baa or higher which the Company has determined represents a low credit risk. Impairment has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures and the low probability of default.

Concentration risk

Concentration risk arises when financial instruments have similar characteristics and are affected in a similar manner when there are changes in economic or other conditions.

The Company's investments and their respective fair value as a percentage of net assets value as of 31 December 2018 are listed in note 4(i). Although the Company only holds two direct investments, the AIFM believes that the diversified nature of the underlying investment portfolio reduces the level of overall concentration risk of the Company.

The Company's investments are concentrated in Italy and this geographic concentration increases the Company's vulnerability to the risk of adverse social, political or economic events in Italy.

The majority of the Company's cash balances were held with Banca IMI S.p.A. and Société Générale Bank & Trust S.A. as of 31 December 2018, and 2017, respectively.

7. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, *Related Party Disclosures* ("IAS 24"), parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

7. RELATED PARTY TRANSACTIONS (CONTINUED)

The following provides details on the related parties of the Company and transactions with the related parties:

(a) Board of Directors

The listing of the Board of Directors is shown on page 1. For acting as Directors of the Company the Directors are entitled to remuneration as follows (on a pro-rata basis from the appointment date):

- Maria Pierdicchi is entitled to receive remuneration of Euro 15,000 per annum;
- Alessandro Spada and Patrizia Polliotto are entitled to receive remuneration of Euro 15,000 per annum;
- Karl Pardaens is entitled to receive remuneration of Euro 20,000 per annum;
- Roberto Timo (resigned on 23 July 2018) was entitled to receive Euro 20,000; and
- Francesco Moglia does not receive remuneration for acting as a Director of the Company.

The total Directors' fees charged for the year ended 31 December 2018 amounted to Euro 189,164, which also includes Directors' expenses such as insurance costs. The Directors' fees payable are included in accrued expenses and other payables in the Statement of Financial Position and amounted to Euro 169,161 as of 31 December 2018.

(b) AIFM

The Company will be charged an annual Management fee payable to the AIFM quarterly in advance, starting from the Listing Date. The Management fee charged for the year ended 31 December 2018 amounted to Euro 1.5 million. The Management fee payable is included in accrued expenses and other payables in the Statement of Financial Position and amounted to Euro Nil as of 31 December 2018.

The Special Shares of the Company are held by the AIFM and/or their certain affiliates, employees and related persons.

The AIFM also acts as AIFM of Fondo Italiano.

(c) Portfolio Manager

The former senior investment team of Fondo Italiano has joined Neuberger Berman Group LLC and is involved in the investment management of the Company through the Portfolio Manager, more specifically the Portfolio Manager's Italian branch, pursuant to the terms of the Portfolio Management Agreement. The Portfolio Manager is remunerated from the Management Fees payable to the AIFM pursuant to agreement between the AIFM and the Portfolio Manager.

(d) NB Alternative Adviser LLC

NB Alternatives Advisers LLC owns 50,000 fully paid up Special Shares at the end of the year.

(e) NB Aurora Holdings S.à r.l

Aurora Holdings (Club Del Sole S.r.l.) is a wholly owned subsidiary of the Company, incorporated in Luxembourg, with an initial investment from the Company of Euro 33 million.

There were no other related party transactions during the year.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

8. OPERATING SEGMENTS

As required by IFRS 8, Operating Segments, the information provided to the Board of Directors and AIFM, who are the Chief Operating Decision Makers, can be classified into one segment for the financial years ended 31 December 2018 and period ended 31 December 2017.

For the financial years ended 31 December 2018, the Company's primary exposure was to Italian related assets (see note 4(i)).

Major Customers

The Company regards the holders of Shares as customers, because it relies on their funding for continuing operations and meeting its objectives. The Company's shareholding structure is not exposed to a significant shareholder concentration.

9. SUBSEQUENT EVENTS

Following the UK's decision to leave the European Union ("EU"), the outcomes of the developments in the negotiations between the UK and the EU, in the context of the UK's decision to withdraw from the EU, are still uncertain. The Company has no exposure or direct investment in the UK, but its licensed appointed alternative investment fund manager ("AIFM") is based in the UK.

Notwithstanding the UK's decision to leave the EU, the Company has always intended to move its AIFM from Neuberger Berman AIFM Limited to a licensed affiliate of this entity, which will be incorporated in Luxembourg and regulated by the CSSF. Such Luxembourg based affiliate is in the process of being authorised as an AIFM by the CSSF and is expected to be authorised during Q2 2019 following which the Company will take the necessary steps to move its AIFM to this Luxembourg licensed affiliate.

As of today's date, following the announcement of the EU Council after the conclusion of its summit meeting on 21 March 2019, the earliest date that the UK could withdraw from the EU at 11pm (GMT) on 12 April 2019 (the "Brexit Date") without a deal in place, although the political landscape continues to develop such that the UK may not end up withdrawing from the EU on this date or without a deal in place. In the event that the UK withdraws from the EU with an agreed deal in place or the Brexit Date is extended, this should not result in any change or disruption to the Company's current management and operation.

If however, the UK withdraws from the EU without a deal, the Company is aware that temporary permission regimes ("TPRs") should be put in place by the Luxembourg legislator that should temporarily allow UK AIFMs to continue to manage EU AIFs based in Luxembourg. Unfortunately based on the current scope of the TPRs it is currently uncertain whether Luxembourg RAIFs may benefit from such transitory relief, such that the Company may not benefit from this temporary permission. In the event that Luxembourg RAIFs are not captured by the TPR and Neuberger Berman AIFM Limited's Luxembourg affiliate is not granted authorisation by the CSSF prior to the Brexit Date, on the basis of current advice from external legal advisers, the Company will be under a legal obligation to replace Neuberger Berman AIFM Limited within a period of two months from the Brexit Date with an AIFM based in an EU member state. Therefore, in the unlikely event there is a delay in the CSSF authorisation process beyond a period of two months following the Brexit Date, then the Board will need to consider the appointment of a third-party AIFM based in an EU member state as the new and temporary AIFM of the Company before the expiry of such two month period.

NB AURORA S.A. SICAF-RAIF
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

9. SUBSEQUENT EVENTS (CONTINUED)

In this respect, it has been assessed that these events have not materially affected the financial position and performance of the Company as of 31 December 2018, nor have an impact on its going concern for the future.

There were no other events occurring after the reporting date which require disclosure in the financial statements of the Company.

10. APPROVAL OF THE FINANCIAL STATEMENTS

The Board of Directors approved the financial statements on 21 March 2019.

AIFMD DISCLOSURE ADDENDUM TO THE 2018 ANNUAL REPORT (UNAUDITED)

1. Changes to Article 23(1) Disclosures

Directive 2011/61/EU on Alternative Investment Fund Managers (“AIFMD”) requires certain information to be made available to investors in alternative investment funds (“AIFs”) before they invest and requires that material changes to this information be disclosed in the annual report of each AIF.

There have been no material changes (other than those reflected in the financial statements) to this information requiring disclosure.

2. Leverage

For the purposes of this disclosure, leverage is any method by which an AIF’s exposure is increased, whether through borrowing of cash or securities, or leverage embedded in foreign exchange forward contracts or by any other means.

The AIFMD requires that each leverage ratio be expressed as the ratio between an AIF’s exposure and its net asset value (“NAV”), and prescribes two required methodologies, the gross methodology and the commitment methodology, for calculating such exposure. Using the methodologies prescribed under the AIFMD, the leverage of NB Aurora S.A. SICAF-RAIF (the “Fund”) as of 30 September 2018 is disclosed below:

- Leverage calculated pursuant to the gross methodology: 1.01
- Leverage calculated pursuant to the commitment methodology: 1.01

3. Current risk profile

The risk profile of the Fund at 30 September 2018 as reported by Neuberger Berman AIFM Limited (the “AIFM”) to the Financial Conduct Authority (“FCA”) was as follows:

3.1 Market risk profile

The market risk indicators contained in Annex IV regulatory reporting template were not applicable to the Fund.

3.2 Counterparty risk profile

The top five counterparties to which the Fund had the greatest mark-to-market net counterparty credit exposure, measured as a % of the NAV of the Fund are listed in the table below:

Ranking	Name of Counterparty	NAV percentage of the total exposure value of the counterparty
First counterparty exposure	Fondo Italiano di Investimento	62.40%
Second counterparty exposure	Intesa Sanpaolo S.p.A.	54.09%
Third counterparty exposure	Société Générale Bank & Trust S.A.	4.16%

As of 30 September 2018, no entity had a mark-to-market credit exposure to the Fund.

AIFMD DISCLOSURE ADDENDUM TO THE 2018 ANNUAL REPORT (UNAUDITED)
(CONTINUED)

3. Current risk profile (continued)

3.3 Liquidity profile

3.3.1 Portfolio liquidity profile

100 per cent of the portfolio is incapable of being liquidated within 365 days, i.e. it would take more than 365 days to liquidate any or all of the portfolio. The Fund had EUR 100,302,075 unencumbered cash available to it (as of 31 December 2018).

3.3.2 Investor liquidity profile

Investor equity cannot be redeemed within 365 days, i.e. it would take more than 365 days to redeem any or all of the investor equity.

3.3.3 Investor redemption

The Fund does not provide investors with withdrawal or redemption rights in the ordinary course. However, a secondary market is available on the Alternative Milan Stock Exchange which eligible investors may access for liquidity. Liquidity will be dependent on trading volume available and the fund could not guarantee that an investor liquidity would be met.

3.4 Operational Risk

The Fund has a low risk profile in respect of Operational Risk due to the limited day-to-day portfolio activities.

4. Report on remuneration

4.1 Introduction

The AIFM does not have any employees and its board of directors are not remunerated by it. Accordingly, it is not possible to make meaningful remuneration disclosures at the level of the AIFM.

The AIFM has delegated portfolio management and/or risk management for the Fund to Neuberger Berman Europe Limited (“NBEL”).

4.2 General information about compensation practices at the Neuberger Berman Group

The Neuberger Berman Compensation Committee (the “Compensation Committee”) is responsible for the compensation practices within the Neuberger Berman Group, and Neuberger Berman also operates a structure throughout the group to ensure appropriate involvement and oversight of the compensation process, so that compensation within the group rewards success whilst reflecting appropriate behaviours.

Neuberger Berman recognises the need to ensure that compensation arrangements do not give rise to conflicts of interest, and this is achieved through the compensation policies as well as through the operation of specific policies governing conflicts of interests.

AIFMD DISCLOSURE ADDENDUM TO THE 2018 ANNUAL REPORT (UNAUDITED)
(CONTINUED)

4. Report on remuneration (continued)

4.2 General information about compensation practices at the Neuberger Berman Group (continued)

Neuberger Berman's compensation philosophy is one that focuses on rewarding performance and incentivizing employees. Employees at Neuberger Berman may receive compensation in the form of base salary, discretionary bonuses and/or production compensation. Investment professionals receive a fixed salary and are eligible for an annual bonus. The annual bonus for an individual investment professional is paid from a "bonus pool" made available to the portfolio management team with which the investment professional is associated. Once the final size of the available bonus pool is determined, individual bonuses are determined based on a number of factors including the aggregate investment performance of all strategies managed by the individual (including the three-year track record in order to emphasise long-term performance), effective risk management, leadership and team building, and overall contribution to the success of Neuberger Berman.

Neuberger Berman considers a variety of factors in determining fixed and variable compensation for employees, including firm performance, individual performance, overall contribution to the team, collaboration with colleagues across the firm, effective partnering with clients to achieve goals, risk management and the overall investment performance.

Neuberger Berman strives to create a compensation process that is fair, transparent, and competitive with the market. A portion of bonuses may be awarded in the form of contingent or deferred cash compensation, including under the "Contingent Compensation Plan", which serves as a means to further align the interests of employees with the interest of clients, as well as rewarding continued employment. Under the Contingent Compensation Plan a percentage of a participant's compensation is awarded in deferred contingent form. Contingent amounts take the form of a notional investment based on a portfolio of Neuberger Berman investment strategies and/or a contingent equity award, and Neuberger Berman believes that this gives each participant further incentive to operate as a prudent risk manager and to collaborate with colleagues to maximise performance across all business areas. The programs specify vesting and forfeiture terms, including that vesting is normally dependent on continued employment and contingent amounts can be forfeited in cases including misconduct or the participants participating in detrimental activity.

4.3 Compensation practices at NBEL and quantitative disclosures in relation to NBEL staff

NBEL qualifies as a Proportionality Level 3 firm under the Remuneration Code. It is required to disclose certain quantitative and qualitative remuneration items. Due to its size of operations in the UK and the structure of the NB Group, the firm has not established a Remuneration Committee in the UK. However, certain decisions about the remuneration arrangements applicable to the firm are made by the Remuneration Committee of Neuberger Berman LLC, an affiliate of the firm (the Remuneration Committee).

Decisions regarding: (i) the group-wide incentive plans that are applicable to the firm; and (ii) the overall bonus pools: are made by the Remuneration Committee. Any material decisions regarding remuneration applicable to NBEL are ratified by NBEL's Board of Directors.

AIFMD DISCLOSURE ADDENDUM TO THE 2018 ANNUAL REPORT (UNAUDITED)
(CONTINUED)

4. Report on remuneration (continued)

4.3 Compensation practices at NBEL and quantitative disclosures in relation to NBEL staff (continued)

Decisions regarding individual bonus awards applicable to each division within NBEL are made by the Managing Director of that business line. Input is received from NBEL's Managing Director and the Head of Human Capital for the region.

Implementation of NBEL's remuneration policy is reviewed annually by the NBEL's Board of Directors.

4.3.1 Information on the link between pay and performance

The long-term interests of shareholders, investors and other stakeholders are taken into account by ensuring that the remuneration structures in place are designed to (i) reward the successful financial performance of NBEL and the NB Group; and (ii) by ensuring that remuneration is also linked to compliance with appropriate risk-taking behaviours; and (iii) by the deferral mechanisms described in the group's Contingent Compensation Plan.

Remuneration is benchmarked annually in order to ensure that remuneration is competitive, using industry standard salary surveys supplemented with anecdotal evidence taking account of the size of the organisation and its activities. This means that NBEL can attract and retain talent. This is in line with long-term interests of shareholders, investors and other stakeholders.

The remuneration of the control function staff is linked to their success in relation to their control functions (amongst other things). In addition, remuneration is benchmarked to ensure that employees in control functions are remunerated adequately.

Guaranteed bonuses are paid only in line with FCA Guidance, and NBEL did not offer any exceptional or non-standard termination payments to employees in the last year.

4.3.2 Information on Code Staff remuneration

As of 31 December 2018 the company considered 9 members of staff to be Code Staff.

"Code staff" means "BIPRU Remuneration Code staff" of NBEL as defined in the UK Financial Conduct Authority's (the "FCA's") rules and guidance on Senior Management Arrangements, Systems and Controls ("SYSC"). SYSC 19C.3.4 R. states that BIPRU Remuneration Code staff comprises categories of staff including senior management, risk-takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk-takers, whose professional activities have a material impact on the firm's risk profile.

4.3.3 Total remuneration

Code Staff USD 6,100,000.

NB AURORA S.A. SICAF-RAIF
For the year ended 31 December 2018

AIFMD DISCLOSURE ADDENDUM TO THE 2018 ANNUAL REPORT (UNAUDITED)
(CONTINUED)

4. Report on remuneration (continued)

4.4 Quantitative disclosure in relation to senior management and risk takers at NBEL

Remuneration by NBEL to senior management in respect of 2018 was as set out in the table below. The remuneration disclosed for senior management has been apportioned by reference to the AUM of all AIFs in respect of which NB AIFM has delegated portfolio management or risk management to NBEL as a proportion of the total AUM of NBEL.

Remuneration paid to staff of NBEL whose actions had a material impact on risk profile of the Fund is also set out in the table below. The remuneration disclosed for risk takers has been apportioned by reference to the number of AIFs whose risk profile was materially impacted by each individual staff member.

Fund	Compensation to senior managers by NBEL	Compensation to “risk takers”
NB Aurora S.A. SICAF-RAIF	USD 339,485	USD 1,083,689

NB AURORA S.A. SICAF-RAIF
For the year ended 31 December 2018

AIFMD DISCLOSURE ADDENDUM TO THE 2018 ANNUAL REPORT (UNAUDITED)
(CONTINUED)

IMPORTANT INFORMATION FOR INVESTORS IN SWITZERLAND

The principal fund documents of the Fund may be obtained free of charge from the Swiss Representative. In respect of the shares distributed in Switzerland to Qualified Investors, the place of performance and the place of jurisdiction is at the registered office of the Swiss representative. The Fund is a Reserved Alternative Investment Fund in the form of a “*société d'investissement à capital fixe*” incorporated under the laws of the Grand-Duchy of Luxembourg.

Only shares in the Fund may be distributed in Switzerland. Shares in any other fund that may be mentioned in this Annual report is either closed for new investments and/or may not be authorised for distribution to Qualified Investors in Switzerland.

The Swiss paying agent is Helvetische Bank AG located at Seefeldstrasse 215, CH - 8008 Zurich and the Swiss representative is First Independent Fund Services Ltd located at Klausstrasse 33, CH - 8008 Zurich.