

JSC RUSNANO

**International Financial Reporting Standards
Interim Condensed
Consolidated Financial Statements**

Six month ended 30 June 2018

Contents

INDEPENDENT AUDITORS' REPORT ON REVIEW

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Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements

To the Shareholder and Board of Directors of JSC RUSNANO

Introduction

We have reviewed the accompanying interim condensed consolidated statements of financial position of JSC RUSNANO (the "Company") and its subsidiaries (the "Group") as at 30 June 2018, and the related interim condensed consolidated statements of profit or loss, changes in equity, comprehensive income and cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial statements (the "interim condensed consolidated financial statements"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements as at 30 June 2018 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Audited entity: JSC RUSNANO

Registration No. in the Unified State Register of Legal Entities
1117799004333

Moscow, Russia

Independent auditor: JSC "KPMG" a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

Registration No. in the Unified State Register of Legal Entities
1027700125628

Member of the Self-regulated organization of auditors "Russia" Union of auditors' Association. The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 116/3053203



JSC RUSNANO

Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements

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Other matter

The corresponding figures as at 30 June 2017 and for the six-month period then ended were not reviewed.

Kirill Altukhov

JSC "KPMG"

Moscow, Russia

24 August 2018



JSC RUSNANO
Interim Condensed Consolidated Statement of Financial Position

<i>In millions of Russian Roubles</i>	Note	30 June 2018 (unaudited)	31 December 2017
ASSETS			
Non-current assets			
Equity instruments at fair value through profit or loss	6	106,851	97,587
Debt instruments at fair value through profit or loss	6	19,659	20,984
Investments in associate		1,780	1,770
Deferred tax assets		7,039	7,039
Receivables and prepayments		2	1
Property, plant and equipment		2,604	2,699
Other non-current assets		50	55
Total non-current assets		137,985	130,135
Current assets			
Equity instruments at fair value through profit or loss	6	17,870	17,369
Debt instruments at fair value through profit or loss	6	2,381	2,347
Financial assets held for trading	6	-	4,890
Debt instruments at amortised cost	7	10,331	10,374
Receivables and prepayments		747	666
Income tax prepayments		33	10
Cash and cash equivalents		634	2,600
Other current assets		4	4
Total current assets		32,000	38,260
TOTAL ASSETS		169,985	168,395
EQUITY			
Share capital	8, 15	53,742	53,742
Additional paid-in capital		49,629	48,395
Currency translation reserve		30	27
Accumulated loss	8	(8,339)	(6,972)
TOTAL EQUITY		95,062	95,192
LIABILITIES			
Non-current liabilities			
Deferred income tax liability		436	183
Long-term borrowings	9	18,000	38,625
Liabilities on returns on additional paid-in capital	9	24,872	23,242
Total non-current liabilities		43,308	62,050
Current liabilities			
Current portion of long-term borrowings	9	21,706	1,761
Income tax payable		-	24
Payables and accrued expenses		2,245	1,954
Liabilities on returns on additional paid-in capital	9	7,664	7,414
Total current liabilities		31,615	11,153
TOTAL LIABILITIES		74,923	73,203
TOTAL EQUITY AND LIABILITIES		169,985	168,395

Approved for issue and signed on 24 August 2018.

Chubais Anatoly Borisovich
Chairman of the Executive Board
of Management Company "RUSNANO" LLC

JSC RUSNANO
Interim Condensed Consolidated Statement of Profit or Loss

<i>In millions of Russian Roubles</i>	Note	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Income			
Interest income		472	898
Other operating income		178	129
Total income		650	1,027
Operating expenses	10	(2,363)	(2,217)
Net income on financial assets at fair value through profit or loss	11	6,522	1,814
Foreign currency exchange gain/(loss)		579	(239)
Finance costs		(2,946)	(4,473)
Profit/(loss) before income tax		2,442	(4,088)
Income tax		(257)	(344)
PROFIT/(LOSS) FOR THE PERIOD		2,185	(4,432)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

JSC RUSNANO
Interim Condensed Consolidated Statement of Changes in Equity

<i>In millions of Russian Roubles</i>	Note	Share capital	Additional paid-in capital	Retained earnings/ (Accumulated loss)	Currency translation reserve	Total equity
As at 1 January 2017		53,742	43,226	2,464	210	99,642
Total comprehensive income						
Loss for the period		-	-	(4,432)	-	(4,432)
Other comprehensive income	8	-	-	-	(183)	(183)
Total comprehensive income for the period		-	-	(4,432)	(183)	(4,615)
Returns on additional paid-in capital		-	1,727	(1,727)	-	-
Repayment of additional paid-in capital		-	(7,157)	-	-	(7,157)
As at 30 June 2017 (unaudited)		53,742	37,796	(3,695)	27	87,870
As at 1 January 2018		53,742	48,395	(6,972)	27	95,192
Total comprehensive income						
Profit for the period		-	-	2,185	-	2,185
Other comprehensive income	8	-	-	-	3	3
Total comprehensive income for the period		-	-	2,185	3	2,188
Recognition of additional paid-in capital		-	6,205	-	-	6,205
Returns on additional paid-in capital		-	3,015	(3,015)	-	-
Repayment of additional paid-in capital		-	(7,986)	-	-	(7,986)
Dividends	8	-	-	(537)	-	(537)
As at 30 June 2018 (unaudited)		53,742	49,629	(8,339)	30	95,062

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

JSC RUSNANO
Interim Condensed Consolidated Statement of Comprehensive Income

In million of Russian Roubles

Currency translation reserve	
As at 1 January 2017	210
Total comprehensive income	
Foreign currency translation differences	(183)
Loss for the period	(4,432)
Total comprehensive income for the period	(4,615)
Currency translation reserve	
As at 30 June 2017 (unaudited)	27
Currency translation reserve	
As at 1 January 2018	27
Total comprehensive income	
Foreign currency translation differences	3
Profit for the period	2,185
Total comprehensive income for the period	2,188
Currency translation reserve	
As at 30 June 2018 (unaudited)	30

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

JSC RUSNANO
Interim Condensed Consolidated Statement of Cash Flows

<i>In millions of Russian Roubles</i>	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Cash flows from operating activities		
Proceeds from equity instruments at fair value through profit or loss	4,217	1,693
Investments in equity instruments at fair value through profit or loss	(5,895)	(1,800)
Proceeds from debt instruments at fair value through profit or loss	83	691
Investments in debt instruments at fair value through profit or loss	(280)	(2,454)
Proceeds from sale of financial assets held for trading	734	2,803
Acquisition of financial assets held for trading	-	(4,069)
Interest income received	393	820
Operating payments	(2,168)	(1,738)
Income taxes paid	(43)	(239)
Other payments	(238)	-
Net cash used in operating activities	(3,197)	(4,293)
Cash flows from investing activities		
Repayment of debt securities	1,792	3,237
Acquisition of debt securities	(4,258)	(2,437)
Receipts of cash from deposit accounts	17,685	43,321
Placement of cash on deposit accounts	(10,459)	(28,873)
Other payments	(12)	-
Net cash from investing activities	4,748	15,248
Cash flows from financing activities		
Proceeds from loans and borrowings	-	3,618
Repayment of loans and borrowings	(625)	-
Proceeds from additional paid-in capital	11,100	-
Repayment of additional paid-in capital	(7,986)	(7,157)
Returns on additional paid-in capital	(3,015)	(1,727)
Interest paid	(3,001)	(4,657)
Net cash used in financing activities	(3,527)	(9,923)
Net (decrease)/increase in cash and cash equivalents	(1,976)	1,032
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies	10	(366)
Cash and cash equivalents at the beginning of the period	2,600	358
Cash and cash equivalents at the end of the period	634	1,024

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1 RUSNANO Group and Its Operations

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards for the six months ended 30 June 2018 for the Joint-Stock Company RUSNANO (JSC RUSNANO, the “Company”) and its consolidated subsidiaries disclosed in Note 13 (together referred to as the “Group” or the “RUSNANO Group”).

Initially the Russian Corporation of Nanotechnologies (the “Corporation”) was established on 19 September 2007 by the Government of the Russian Federation in accordance with the Federal Law No. 139-FZ “On the Russian Corporation of Nanotechnologies” dated 19 July 2007.

In accordance with Federal Law No. 211-FZ “On Reorganization of the Russian Corporation of Nanotechnologies” adopted on 27 July 2010, the Corporation was reorganized into OJSC RUSNANO and ceased its operations upon the state registration of the Company on 11 March 2011. As the result OJSC RUSNANO assumed all rights and responsibilities of the Corporation under the principle of universal succession.

In 2014 the Group transferred its key operating activities and staff from the Company to its subsidiary Management Company RUSNANO LLC founded in 2013 (Note 13).

In February 2016 the Company changed its legal entity status from Open Joint-Stock Company to Joint-Stock Company.

Principal activity. The Group was formed to implement the policy of the Russian Federation with respect to nanotechnology, to develop an innovative infrastructure for nanotechnology and initiate projects on the creation of advanced nanotechnologies and nano-industry in Russia. The main activity of the Group is to invest funds in line with the above-mentioned State policy.

The Company is an investment entity.

The RUSNANO Group’s investment activity is focused on funding nano-technology projects at the initial stage, when the opportunities to raise funds from other sources are limited due to high risks and market and technological uncertainty. The Group plans to withdraw from projects when certain production criteria are met and other investors are ready to finance the project independently. The return on the Group’s investments in such projects is determined by the terms and conditions stipulated in the investment agreements. Starting 2016 the Group focused its primary activities on investments in newly-founded investment funds.

The subsidiaries of the Group were formed or acquired in line with the main Group’s activities stated above.

Registered address and place of business. The Company’s registered address is: Prospekt 60-letiya Oktyabrya, 10A, Moscow, Russian Federation.

Segment information. Under the IFRS 8 “Operating Segments” operating segments are components of an enterprise on which separate financial information is available and is evaluated regularly by the chief operating decision-maker (further – “CODM”) in deciding how to allocate resources and in assessing performance. The Executive Board of the Group company Management Company RUSNANO LLC has been determined as the CODM. For management purposes, the Group is organised into one main operating segment in accordance with IFRS 8, which invests in equity and debt instruments and related derivatives. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group operates in one industry segment being the investor with respect to developing projects on the creation of advanced nanotechnologies. The financial position and results of this segment as at 30 June 2018 are presented in the interim condensed consolidated statement of financial position, interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income, respectively.

The Group performs most of its activities in the Russian Federation and does not have any significant non-current assets other than financial assets located in foreign countries or any significant income from foreign countries except for gains on financial assets at fair value through profit or loss from foreign projects.

2 Operating Environment of the Group

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent on these reforms and development and the effectiveness of economic, financial and monetary measures undertaken by the government.

While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

The Group's major assets are the financial instruments, i.e. equity or debt instruments, the most of which are not quoted in the active market. The fair values of these financial instruments as 30 June 2018 and 31 December 2017 have been determined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. As the most of the Group's investee shares are not traded in the active market, the fair value calculations are based on transaction prices, valuation models and discounted cash flows prepared by the Group. Determining fair value requires consideration of current market conditions, future business plans of investees, potential liquidity of the market and current credit spreads. The valuation techniques used by management to determine fair values in the absence of an active market include adjusted present value or scenario analysis and utilizes interest rates applicable to similar borrowers on the Russian market.

3 Summary of Significant Accounting Policies

Basis of preparation

The interim condensed consolidated financial statements of the RUSNANO Group have been prepared in accordance with IAS 34 "Interim Financial Reporting". Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2017. These interim condensed consolidated financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for financial assets measured at fair value through profit or loss, that have been measured at fair value.

These consolidated interim condensed financial statements have been prepared on a going concern basis, which assumes that the Group will continue to realize its assets and discharge its obligations and commitments in the normal course of operations.

Except for changes described below the accounting policies of the Group were consistent with those applied in the annual consolidated financial statements for the year ended 31 December 2017.

Several new standards, amendments and interpretations apply for the first time in 2018. Except for changes described below they do not have any material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

Change in accounting policies

Starting 1 January 2018 **IFRS 9 Financial Instruments** is effective. It replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The application of the standard does not result in changes in approach to classification and presentation of financial instruments and it has no any material impact on the Group financial position or performance.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the interim condensed consolidated financial statements and the carrying amounts of assets and liabilities in future. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. The judgements that have the most significant effect on the amounts recognised in the financial statements and the estimates that can cause a significant adjustment in the carrying amount of assets and liabilities in the future are the same as those applied to the consolidated financial statements for the year ended 31 December 2017.

5 Balances and Transactions with Related Parties

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is focused on the substance of the relationship, and not merely the legal form. All related party transactions were made at an arm's length on normal commercial terms and conditions.

Ultimate controlling party

The Group's ultimate controlling party is the Government of the Russian Federation. Hence, all parties related to the Government of the Russian Federation are also related parties of the Group.

Government-related entities

In the normal course of business, the Group enters into multiple transactions with state-related entities, such as placing cash and cash equivalents and bank deposits, paying taxes, purchasing services from utilities and other similar payments. However, not all such transactions have a significant impact on the financial statements of the Group. Management presents hereunder only the balances and transactions with entities in which the government has control, joint control or significant influence, which relate to the core operating activities of the Group.

The tables below present individually significant transactions with government-related entities and the individually insignificant transactions with regard to which it was practicable to identify and report them.

<i>In million of Russian Roubles</i>	30 June 2018 (unaudited)		31 December 2017	
	Russian Government	State-owned entities	Russian Government	State-owned entities
Assets				
Receivables	-	28	-	130
Debt securities	1,921	4,439	-	1,260
Bank deposits	-	742	-	6,956
Cash and cash equivalents	-	36	-	2,380
Liabilities and commitments				
Payables and accrued expenses	-	137	-	217
Liabilities on returns on additional paid-in capital	-	11,806	-	11,907
<i>In millions of Russian Roubles</i>	Six months ended 30 June 2018 (unaudited)		Six months ended 30 June 2017 (unaudited)	
	Russian Government	State-owned entities	Russian Government	State-owned entities
Income				
Interest income	28	168	37	206
Expenses				
Finance costs	-	252	-	830

As at 30 June 2018 and 31 December 2017 contractual interest rates of RUB denominated deposits were 7% and 5%-8% respectively. As at 30 June 2018 and 31 December 2017 there were no deposits denominated in other currencies.

5 Balances and Transactions with Related Parties (continued)

Government-related entities (continued)

As at 30 June 2018 and 31 December 2017 effective interest rates for liabilities on returns on additional paid-in capital were 8%-11%.

Portfolio companies

In the ordinary course of business the Group invests in nano-technology projects. Usually the Group maintains control or significant influence over its investees. So most of financial assets accounted at fair value through profit or loss other than assets held for trading (Note 6) represents investments in related parties.

Balances with subsidiaries accounted at fair value through profit or loss are as follows:

<i>In millions of Russian Roubles</i>	30 June 2018 (Unaudited)	31 December 2017
Equity instruments	24,152	22,561
Debt instruments	2,166	2,724
Equity instruments with embedded options	2,212	199

During the six months ended 30 June 2018 and 2017 Group did not have any material transactions with its portfolio companies other than investment activities.

6 Financial Assets at Fair Value through Profit or Loss

The structure of the Group's investments at fair value through profit or loss is detailed below:

<i>In million of Russian Roubles</i>		30 June 2018 (unaudited)	31 December 2017
	Note	Fair value	Fair value
Current assets			
Equity instruments		17,620	17,369
<i>including equity instruments in investment funds</i>	6.3	-	-
Equity instruments with embedded options		250	-
Total equity instruments at fair value through profit or loss within current assets		17,870	17,369
Non-current assets			
Equity instruments		91,634	84,910
<i>including equity instruments in investment funds</i>	6.3	42,211	38,374
Equity instruments with embedded options		15,217	12,677
Total equity instruments at fair value through profit or loss within non-current assets		106,851	97,587
Total equity instruments at fair value through profit or loss	6.1	124,721	114,956
Current portion of debt instruments		2,381	2,347
Non-current portion of debt instruments		19,659	20,984
Total debt instruments at fair value through profit or loss	6.2	22,040	23,331
Financial assets held for trading	6.4	-	4,890
Total financial assets at fair value through profit or loss		146,761	143,177

6.1 Equity instruments at fair value through profit or loss

Equity investments of the Group at fair value through profit or loss are represented by the equity investments in portfolio companies without embedded options, equity investments with embedded options and shares in investment funds.

Management believes that the financial models used for fair value assessment are reliable, and they have been updated for the facts and circumstances occurred as at 30 June 2018.

6 Financial Assets at Fair Value through Profit or Loss (continued)**6.2 Debt instruments at fair value through profit or loss**

As part of its operating activity, the Group provides loan financing to its portfolio companies. Loans receivable are sometimes secured by collateral (pledged equipment, shares and intangible assets) and bear interest ranging from 7% to 17% p.a.

6.3 Equity instruments in investment funds

The Group invests in funds with activities that are in-line with the Group strategy. Shares in investment funds are carried at fair value through profit or loss and amount to RUB 42,211 million and RUB 38,374 million as at 30 June 2018 and 31 December 2017, respectively.

6.4 Financial assets held for trading

Financial assets held for trading are represented by quoted debt securities, including bonds with a fixed coupon, the majority of which are bonds issued by Russian companies quoted in the open market. The fair value of quoted debt securities is determined by reference to published price quotations in the active market.

The coupon accrued on debt securities was classified as part of fair value gains or losses (Note 11) in the interim condensed consolidated statement of profit or loss.

7 Financial Assets at Amortised Cost

The structure of the Group's financial assets at amortised cost is detailed below:

		30 June 2018 (unaudited)	31 December 2017
<i>In million of Russian Roubles</i>	Note	Amortised cost	Amortised cost
Current assets			
Debt securities	7.1	9,579	2,367
Bank deposits	7.2	752	8,007
Total debt instruments at amortised cost within current assets		10,331	10,374
Cash and cash equivalents		634	2,600
Total financial assets at amortised cost		10,965	12,974

7 Financial Assets at Amortised Cost (continued)**7.1 Debt securities**

Debt securities carried at amortised cost represent bonds quoted within organized financial markets that the Group intends to hold until maturity or offer.

<i>In million of Russian Roubles</i>	Issuer Rating	Currency	30 June 2018 (unaudited)	31 December 2017
<i>Neither past due nor impaired</i>				
Bonds	Ba1**	USD	1,921	-
Bonds	Baa3**	RUB	651	668
Bonds	Baa3**	USD	514	-
Bonds	BB+***	USD	387	-
Bonds	Baa3**	USD	385	-
Bonds	Ba1**	USD	373	-
Bonds	BBB-***	RUB	355	358
Bonds	BB-***	USD	337	-
Bonds	Baa3**	USD	324	-
Bonds	BBB-***	RUB	318	-
Bonds	BB-***	RUB	316	-
Bonds	Baa3**	USD	305	-
Bonds	BB+*	RUB	284	-
Bonds	BBB-*	USD	277	-
Bonds	BB***	RUB	271	737
Bonds	Ba1**	USD	238	-
Bonds	BB+*	USD	212	-
Bonds	Ba2**	USD	198	-
Bonds	Ba2**	USD	196	-
Bonds	Baa3**	USD	195	-
Bonds	BB*	USD	192	-
Bonds	Baa3**	USD	189	-
Bonds	BB-***	RUB	188	-
Bonds	BB-***	USD	188	-
Bonds	BBB-*	RUB	156	156
Bonds	BBB***	RUB	153	-
Bonds	BB***	USD	151	-
Bonds	Baa3**	USD	104	-
Bonds	BB+***	USD	102	-
Bonds	BB***	USD	66	-
Bonds	BB-***	RUB	33	30
Bonds	BBB-***	RUB	-	150
Bonds	BB***	RUB	-	190
Bonds	Baa3**	RUB	-	78
Total debt securities at amortised cost			9,579	2,367

*- Fitch

** - Moody's

***- Standard&Poor's.

As at 30 June 2018 the annual effective interest rates for debt securities are similar to their yield rates at acquisition and amount to 6.2%-9.0% (31 December 2017: 7.6%-9.3%) for debt securities nominated in Russian Roubles, 2.4%-6.8% for debt securities nominated in other currencies. The maturity or offer time frame at acquisition for debt securities is below 12 months.

7 Financial Assets at Amortised Cost (continued)**7.2 Bank deposits**

<i>In million of Russian Roubles</i>	Counterparty rating	Currency	30 June 2018 (unaudited)	31 December 2017
<i>Neither past due nor impaired</i>				
Deposits	BBB-*	RUB	742	6,790
Deposits	B1**	RUB	10	-
Deposits	Baa3**	RUB	-	1,052
Deposits	BB+***	RUB	-	152
Deposits	BB-***	RUB	-	13
Total deposits			752	8,007

* - Fitch's;

** - Moody's;

*** - Standard&Poor's.

As at 30 June 2018 the annual effective interest rates for bank deposits are similar to their contractual rates and amount to 7.2 % for deposits nominated in Russian Roubles (31 December 2017: 4.8-9.1%). The original maturity of bank deposits is below 12 months.

8 Equity**Share capital**

As at 30 June 2018 and 31 December 2017, the share capital of the Company comprises 53,741,700,000 ordinary shares of RUB 1 each.

All issued shares are authorized and fully paid as at 30 June 2018 and 31 December 2017.

Distributions

In June 2018 the Company declared dividends in the amount of RUB 537 million. Dividend per share amounted to RUB 0.01. Dividends were paid in full in July 2018 (Note 17). During the six months ended 30 June 2017 no dividends were paid or declared by the Company.

Additional paid-in capital

Additional paid-in capital include financing under the state guarantees that meet definition of equity. During the six months ended 30 June 2018 and 2017 subject to changes in credit agreements, certain borrowings received under the state guarantees were recognised in equity.

Component of financing under the state guarantees that relates to returns on additional-paid-in-capital and does not meet definition of equity is recognised as financial liabilities (Note 9).

Currency translation reserve

The Group's consolidated financial statements are presented in Russian Roubles. Currency translation reserve is used to record exchange differences arising from the translation of the financial statements of subsidiaries with functional currency other than Russian Roubles into presentation currency.

9 Borrowings

<i>In million of Russian Roubles</i>	Currency	Effective annual interest rate	Due	30 June 2018 (unaudited)	31 December 2017
Bonds (Series 04-05)	RUB	Consumer price index-100%+2.5%	2019	20,206	20 257
Bonds (Series 06-07)	RUB	12.5, 12.75% Key rate of the Russian Central Bank	2022	18,247	18 254
Bank loans	RUB	+1.5%-3%	2018-2019	1,253	1 875
Total borrowings				39,706	40,386
Less					
Current portion of long-term borrowings				(21,706)	(1,761)
Total long-term borrowings				18,000	38,625

The effective interest rate is the market interest rate applicable to the loan at the date of origin for fixed rate loans and the current market rate for floating rate loans. The carrying value of borrowings approximates their fair values.

Changes in borrowings for the six months ended 30 June 2018 and 2017 are presented in the table below.

<i>In million of Russian Roubles</i>	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Borrowings as at 1 January	40 386	73,600
Changes from financing cash flows		
Proceeds from of loans and borrowings	-	3,618
Proceeds from of additional paid-in capital	11,100	-
Repayment of loans and borrowings	(625)	-
Interest paid	(1,774)	(3,836)
Total changes from financing cash flows	8,701	(218)
Other changes		
Recognition of additional paid-in capital	(11,100)	-
Finance costs	1,719	3,651
Total other changes	(9,381)	3,651
Borrowings as at 30 June	39,706	77,033

The Group borrowings in respect of bondholders and creditors are secured by the guarantees issued by the Government of the Russian Federation.

Financing under the state guarantees that meet definition of equity is recognised within additional paid-in capital (Note 8).

Component of financing under the state guarantees that relates to returns on additional-paid-in-capital and does not meet definition of equity is recognised as financial liabilities.

Liabilities on returns on additional paid-in capital as at 30 June 2018 and 31 December 2017 have effective annual interest rates 8-12% and maturity in 2018-2027.

9 Borrowings (continued)

Changes in liabilities on returns on additional-paid-in-capital for the six months ended 30 June 2018 and 2017 are presented in the table below.

<i>In million of Russian Roubles</i>	Six months ended 30 June 2018 (unaudited)	Six months ended 30 June 2017 (unaudited)
Liabilities on returns on additional-paid-in-capital as at 1 January	30,656	13,724
Changes from financing cash flows		
Recognition of liabilities on returns on additional paid-in capital	4,895	-
Returns on additional paid-in capital	(3,015)	(1,727)
Interest paid	(1,227)	(822)
Total changes from financing cash flows	653	(2,549)
Other changes		
Finance costs	1,227	822
Total other changes	1,227	822
Liabilities on returns on additional-paid-in-capital as at 30 June	32,536	11,997

10 Operating Expenses

<i>In millions of Russian Roubles</i>	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Personnel expenses	1,191	1,056
Taxes other than income tax	264	331
Consulting services	162	114
Legal services	97	100
Depreciation	96	125
Office maintenance	79	71
Security	77	98
Business trips and entertainment	34	44
Car rent	30	33
Project expertise	16	4
Amortisation	15	15
Equipment support and telecommunication	12	22
Other expenses	290	208
Total operating expenses	2,363	2,217

11 Net Income on Financial Assets at Fair Value Through Profit or Loss

<i>In millions of Russian Roubles</i>	Note	For the six months ended 30 June 2018 (unaudited)	For the six months ended 30 June 2017 (unaudited)
Change in fair value of equity instruments	16	4,309	(1,022)
Change in fair value of equity instruments with embedded options	16	799	1,187
Change in fair value of debt instruments	16	1,510	1,388
Change in fair value of financial assets held for trading	16	(96)	261
Net income on financial assets at fair value through profit or loss		6,522	1,814

12 Contingencies

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and both internal and external professional advice, management believes that no material losses will be incurred in respect of claims; accordingly, no provisions have been made in these interim condensed consolidated financial statements.

12 Contingencies (continued)

Tax legislation. The Group follows the provisions of the Russian tax legislation, clarifications of the controlling authorities and court practice while performing its business activities. If any difficult questions arise in the sphere of taxation or in case of planning non-typical transactions, the Group's management requests specific clarifications of the controlling authorities in order to officially confirm its position regarding interpretation of the particular provisions of the Russian tax legislation.

Recently the tax legislation was updated by provisions related to additional control of activities of Russian and international groups of companies, including controlled foreign companies rules and transfer pricing rules.

13 Principal Subsidiaries

The principal consolidated subsidiaries as at 30 June 2018 and 31 December 2017:

Name	Country of registration	Primary activities	Percentage of ownership	
			30 June 2018 (unaudited)	31 December 2017
Management Company				
RUSNANO LLC	Russian Federation	Management company	99%	99%
RUSNANO Capital AG	Switzerland	Investment activities	100%	100%
Fonds Rusnano Capital S.A.	Luxembourg	Investment activities	100%	100%
RNI LLC	Russian Federation	Investment activities	100%	100%

The percentage of voting rights in the equity of the subsidiaries in which the Company holds is the same as its percentage of ownership as at 30 June 2018 and 31 December 2017.

As at 30 June 2018 the following subsidiaries were not consolidated and accounted as financial assets at fair value through profit or loss:

	Country of incorporation	% of ownership
Prepreg-SKM JSC	Russia	91%
Plakart JSC	Russia	51%
Plastic Logic JSC	Russia	100%
Profotech JSC	Russia	100%
PHK JSC	Russia	52%
RM Nanotech JSC	Russia	75%
Akrilan LLC	Russia	70%
Hematology Corporation LLC	Russia	81%
Crocus Nanoelectronics LLC	Russia	79%
LED-Energoservis LLC	Russia	100%
Liteko LLC	Russia	100%
Novye Technologii Stroitelstva LLC	Russia	100%
Prepreg-SV LLC	Russia	51%
RusnanoMedInvest LLC	Russia	100%
RU-VEM LLC	Russia	84%
Rusalox LLC	Russia	100%
SIGMA. Novosibirsk LLC	Russia	83%
SIGMA. Tomsk LLC	Russia	90%
Technology Transfer Center LLC	Russia	75%
Energy Solutions LLC	Russia	86%
ESTO-Vacuum LLC	Russia	59%
Advenira Enterprises, Inc.	USA	61%
Compass Networks LTD	Israel	100%
FlexEnable Limited	UK	93%

13 Principal Subsidiaries (continued)

As at 31 December 2017 the following subsidiaries were not consolidated and accounted as financial assets at fair value through profit or loss:

	Country of incorporation	% of ownership
Prepreg-SKM JSC	Russia	91%
Plastic Logic JSC	Russia	100%
Profotech JSC	Russia	100%
PHK JSC	Russia	52%
RM Nanotech JSC	Russia	75%
Akrilan LLC	Russia	70%
Hematology Corporation LLC	Russia	81%
Crocus Nanoelectronics LLC	Russia	79%
LED-Energoservis LLC	Russia	100%
Liteko LLC	Russia	100%
Microbor Nanotech LLC	Russia	100%
Novye Technologii Stroitelstva LLC	Russia	100%
Prepreg-SV LLC	Russia	51%
RusnanoMedInvest LLC	Russia	100%
RU-VEM LLC	Russia	84%
Rusalox LLC	Russia	100%
SIGMA. Novosibirsk LLC	Russia	83%
SIGMA. Tomsk LLC	Russia	90%
Technology Transfer Center LLC	Russia	75%
Energy Solutions LLC	Russia	86%
ESTO-Vacuum LLC	Russia	59%
Advenira Enterprises, Inc.	USA	61%
Compass Networks LTD	Israel	100%
FlexEnable Limited	UK	99%

14 Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2017.

Equity price risk

As at 30 June 2018, the fair value of investments exposed to equity price risk was RUB 109,254 million, (31 December 2017: RUB 102,279 million), the fair value of equity investments with embedded options exposed to equity price risk was RUB 15,467 million (31 December 2017: RUB 12,677 million) but the exposure was limited by the embedded options. Should the market values of these equity instruments, which are not traded in the active market, increase or decrease due to reasonably possible changes in market conditions by 3%, the comprehensive income for the period and equity would increase by RUB 4,341 million or decrease by RUB 2,004 million. The estimate of this sensitivity is based on a reasonably possible changes in the discount rate.

15 Management of Capital

The capital of the Group is represented by equity attributable to the Russian Federation (Note 1).

The Group's capital management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2017.

The Group has no externally imposed capital requirements except for minimum share capital requirements set by Russian corporate law. Its financial policy is aimed at maximising equity while securing liquidity and financial stability.

The amount of capital that the Group managed as at 30 June 2018 was RUB 95,062 million (31 December 2017: RUB 95,192 million).

16 Fair Value of Financial Instruments

Fair value is the price that would be received to sell the financial asset in an orderly transaction between market participants at the measurement date, and is best evidenced by an active quoted market price

16 Fair Value of Financial Instruments (continued)

Financial assets carried at fair value. All financial assets other than traded on active markets are valued using valuation techniques that require significant inputs which are not observable in the financial markets (Level 3 fair value measurement hierarchy). At initial recognition of financial assets the valuation technique is calibrated to ensure that it reflects current market conditions evidenced by transaction price and other factors to be taken into consideration.

Equity investments, equity instruments with embedded options and debt instruments as at 30 June 2018 and 31 December 2017 amounting to RUB 146,761 million and RUB 138,287 million, respectively, are designated at fair value through profit or loss at inception and disclosed in Note 6.

No active market exists for most of these financial instruments. If no active market exists the Group's management determined the fair value of financial instruments using valuation models and discounted cash flows. Inputs to these valuation models require judgement considering the factors specific to the future business plans of the underlying portfolio companies, their assets and liabilities and the impact on the fair value measurement in its entirety. The Group's valuation models for equity instruments and equity instruments with embedded options are the present value of the estimated future cash flows based on the discounted cash flows model for portfolio companies. The annual discount rates applied as at 30 June 2018 were 11%-45% for cash flows on equity instruments (31 December 2017: 11%-45%) and 8%-22% for cash flows on options (31 December 2017: 8%-10%). The Group's valuation models for debt instruments are based on the net present value of future cash flows relating to an instrument. Management determined the discount rate for debt instruments based on comparable loan interest rates available to companies with a similar risk profile on the Russian market from third party banks. The annual discount rates applied for debt instruments as at 30 June 2018 were 5%-15% (31 December 2017: 11%-15%).

As at 30 June 2018 the Group has no financial assets held for trading. As at 31 December 2017 financial assets held for trading amounting to RUB 4,890 million were valued using quoted prices in the active markets for identical assets (Level 1 fair value measurement).

16 Fair Value of Financial Instruments (continued)**Financial assets carried at fair value (continued)**

The following table shows the movements of the financial instruments for the six months ended 30 June 2018 and 2017 by the class of financial instruments and the Level of fair value measurement hierarchy:

<i>In million of Russian Roubles</i>	Level 1		Level 3			Total
	Financial assets held for trading	Equity instruments	Equity instruments	Equity instruments with embedded options	Debt instruments	
1 January 2017	10,051	7,764	82,236	26,810	23,755	150,616
Investments in equity instruments	4,069	-	1,680	120	-	5,869
Investments in debt instruments	-	-	-	-	2,454	2,454
Gains/(losses) recognised in profit or loss for the year	261	(708)	(314)	1,187	1,388	1,814
Disposals	(2,803)	(494)	(959)	(8,240)	(691)	(13,187)
Reclassification	-	-	(80)	80	-	-
30 June 2017 (unaudited)	11,578	6,562	82,563	19,957	26,906	147,566
1 January 2018	4,890	6,007	96,272	12,677	23,331	143,177
Investments in equity instruments	-	-	5,748	147	-	5,895
Investments in debt instruments	-	-	-	-	280	280
Gains/(losses) recognised in profit or loss for the year	(96)	1,321	2,988	799	1,510	6,522
Disposals	(734)	(1,136)	(3,075)	(25)	(83)	(5,053)
Reclassification	-	-	1,129	1,869	(2,998)	-
Other movement	(4,060)	-	-	-	-	(4,060)
30 June 2018 (unaudited)	-	6,192	103,062	15,467	22,040	146,761

17 Events after the Reporting Period

In July 2018 the Company paid declared dividends in the amount of RUB 537 million (Note 8).

In July 2018 the Company realised investments in one of portfolio companies and received cash in the amount of RUB 2,900 million.