

JSC RUSNANO

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

Six month ended 30 June 2019

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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 2019, and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity 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 these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these 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 of interim condensed consolidated financial statements 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.

Reviewed entity: JSC RUSNANO

Registration No. in the Unified State Register of Legal Entities
1117709004333

Moscow, Russia

Audit firm: 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 "Russian Union of auditors" (Association). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 11603053203



JSC RUSNANO

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

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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 2019 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Kirill Altukhov

JSC "KPMG"

Moscow, Russia

23 August 2019

JSC RUSNANO
Interim Condensed Consolidated Statement of Financial Position

<i>In million of Russian Roubles</i>	<i>Note</i>	30 June 2019 (unaudited)	31 December 2018
ASSETS			
Non-current assets			
Equity instruments at fair value through profit or loss	6	106,424	113,169
Debt instruments at fair value through profit or loss	6	21,926	21,902
Investment in associate		1,813	1,786
Deferred tax asset		7,203	7,203
Property, plant and equipment		2,510	2,527
Receivables and prepayments		3	2
Other non-current assets		75	96
Total non-current assets		139,954	146,685
Current assets			
Equity instruments at fair value through profit or loss	6	13,538	16,844
Debt instruments at fair value through profit or loss	6	1,577	1,354
Other debt instruments	7	5,813	18,869
Receivables and prepayments		612	684
Income tax prepayments		9	8
Cash and cash equivalents		668	1,079
Other current assets		7	7
Total current assets		22,214	38,845
TOTAL ASSETS		162,168	185,530
EQUITY			
Share capital	8, 15	53,742	53,742
Additional paid-in capital	8	57,269	53,506
Currency translation reserve	8	(17)	33
Accumulated losses		(25,169)	(7,767)
TOTAL EQUITY		85,825	99,514
LIABILITIES			
Non-current liabilities			
Deferred tax liability		423	382
Long-term borrowings	9	32,488	27,999
Liabilities on returns on additional paid-in capital	9	31,601	25,179
Total non-current liabilities		64,512	53,560
Current liabilities			
Current portion of long-term borrowings	9	540	21,142
Income tax payable		51	38
Payables and accrued expenses		2,330	3,323
Liabilities on returns on additional paid-in capital	9	8,910	7,953
Total current liabilities		11,831	32,456
TOTAL LIABILITIES		76,343	86,016
TOTAL EQUITY AND LIABILITIES		162,168	185,530

Approved for issue and signed on 23 August 2019.

Udaltsov Yuri Arkadevich
 Acting Chairman of the Executive Board
 of Management Company "RUSNANO" LLC



JSC RUSNANO
Interim Condensed Consolidated Statement of Profit or Loss

<i>In million of Russian Roubles</i>	Note	For the six months ended 30 June 2019 (unaudited)	For the six months ended 30 June 2018 (unaudited)
Net financial performance of financial assets at fair value through profit or loss	11	(8,194)	6,522
Interest income		429	472
Other operating income		178	178
Operating expenses	10	(2,285)	(2,363)
Foreign currency exchange (losses)/gains		(278)	579
Operating (loss)/profit		(10,150)	5,388
Finance costs		(3,522)	(2,946)
(Loss)/profit before income tax		(13,672)	2,442
Income tax expense		(229)	(257)
(LOSS)/PROFIT FOR THE PERIOD		(13,901)	2,185

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

JSC RUSNANO**Interim Condensed Consolidated Statement of Comprehensive Income**

<i>In million of Russian Roubles</i>		For the six months ended 30 June 2019 (unaudited)	For the six months ended 30 June 2018 (unaudited)
	Note		
(Loss)/profit for the period		(13,901)	2,185
<i>Other comprehensive income</i>			
Foreign currency translation differences	8	(50)	3
Total comprehensive income for the period		(13,951)	2,188

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>	Note	Share capital	Additional paid-in capital	Accumulated loss	Currency translation reserve	Total equity
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		-	-	(537)	-	(537)
As at 30 June 2018 (unaudited)		53,742	49,629	(8,339)	30	95,062
As at 1 January 2019		53,742	53,506	(7,767)	33	99,514
Total comprehensive income						
Loss for the period		-	-	(13,901)	-	(13,901)
Other comprehensive income	8	-	-	-	(50)	(50)
Total comprehensive income for the period		-	-	(13,901)	(50)	(13,951)
Recognition of additional paid-in capital		-	8,476	-	-	8,476
Returns on additional paid-in capital		-	2,951	(2,951)	-	-
Repayment of additional paid-in capital		-	(7,664)	-	-	(7,664)
Dividends	8	-	-	(550)	-	(550)
As at 30 June 2019 (unaudited)		53,742	57,269	(25,169)	(17)	85,825

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

JSC RUSNANO
Consolidated Interim Condensed Statement of Cash Flows

	For the six months ended 30 June 2019 (unaudited)	For the six months ended 30 June 2018 (unaudited)
<i>In million of Russian Roubles</i>		
Cash flows from operating activities		
Operations with investment portfolio		
Proceeds from equity instruments at fair value through profit or loss	1,511	4,217
Proceeds from debt instruments at fair value through profit or loss	10	83
Investments in equity instruments at fair value through profit or loss	(972)	(5,895)
Investments in debt instruments at fair value through profit or loss	(617)	(280)
	(68)	(1,875)
Other operations		
Proceeds from sale of financial assets held for trading	-	734
Repayment of debt securities	2,675	1,792
Acquisition of debt securities	-	(4,258)
Receipts of cash from deposit accounts	42,718	17,685
Placement of cash on deposit accounts	(32,613)	(10,459)
Interest income received	420	393
Operating payments	(1,899)	(2,168)
Income taxes paid	(171)	(43)
Other payments	(5)	(250)
	11,125	3,426
Net cash from operating activities	11,057	1,551
Cash flows from financing activities		
Proceeds from loans and borrowings	4,494	-
Repayment of loans and borrowings	(20,625)	(625)
Proceeds from of additional paid-in capital	18,806	11,100
Repayment of additional paid-in capital	(7,664)	(7,986)
Returns on additional paid-in capital	(2,951)	(3,015)
Interest paid	(3,504)	(3,001)
Net cash used in financing activities	(11,444)	(3,527)
Net decrease in cash and cash equivalents	(387)	(1,976)
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies	(24)	10
Cash and cash equivalents at the beginning of the period	1,079	2,600
Cash and cash equivalents at the end of the period	668	634

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 2019 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 2019 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 2019 and 31 December 2018 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 2018. 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 related to several new standards, amendments and interpretations applied for the first time in 2019 the accounting policies of the Group were consistent with those applied in the annual consolidated financial statements for the year ended 31 December 2018. Changes in accounting policies related to new standards, amendments and interpretations, including those related to implementation of IFRS 16 "Leases" 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.

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 2018.

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 2019 (unaudited)		31 December 2018	
	Russian Government	State-owned entities	Russian Government	State-owned entities
Assets				
Receivables	-	22	-	28
Debt securities	-	2,136	-	4,004
Bank deposits	-	3,574	-	9,679
Cash and cash equivalents	-	136	-	19
Liabilities and commitments				
Payables and accrued expenses	-	82	-	96
Liabilities on returns on additional paid-in capital	-	11,465	-	13,582

<i>In millions of Russian Roubles</i>	Six months ended 30 June 2019 (unaudited)		Six months ended 30 June 2018 (unaudited)	
	Russian Government	State-owned entities	Russian Government	State-owned entities
Income				
Interest income	-	361	28	168
Expenses				
Finance costs	-	382	-	252

As at 30 June 2019 and 31 December 2018 contractual interest rates of RUB denominated deposits were 5%-8%. As at 30 June 2019 contractual interest rates of deposits denominated in other currencies were 2%. As at 31 December 2018 there were no deposits denominated in other currencies.

As at 30 June 2019 and 31 December 2018 effective interest rates for liabilities on returns on additional paid-in capital were 9%-11%.

5 Balances and Transactions with Related Parties (continued)

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 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 2019 (Unaudited)	31 December 2018
Equity instruments	27,461	28,125
Debt instruments	2,880	2,177
Equity instruments with embedded options	1,723	2,728

Other balances on core investment activities relate primarily to investment operations with associates and joint ventures.

During the six months ended 30 June 2019 and 2018 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 2019 (unaudited)	31 December 2018
	Note	Fair value	Fair value
Current assets			
Equity instruments		13,528	16,048
<i>including equity instruments in investment funds</i>	6.3	-	130
Equity instruments with embedded options		-	796
Total equity instruments at fair value through profit or loss within current assets		13,528	16,844
Non-current assets			
Equity instruments		89,581	95,044
<i>including equity instruments in investment funds</i>	6.3	40,514	42,689
Equity instruments with embedded options		16,843	18,125
<i>including equity instruments with embedded options in investment funds</i>		6,869	6,170
Total equity instruments at fair value through profit or loss within non-current assets		106,424	113,169
Total equity instruments at fair value through profit or loss	6.1	119,952	130,013
Current portion of debt instruments		1,577	1,354
Non-current portion of debt instruments		21,926	21,902
Total debt instruments at fair value through profit or loss	6.2	23,503	23,256
Total financial assets at fair value through profit or loss		143,455	153,269

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 2019.

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 debt financing to its portfolio companies. These debt instruments are sometimes secured by collateral (pledged equipment, shares and intangible assets) and bear interest ranging from 7% to 20% 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 47,383 million and RUB 48,989 million as at 30 June 2019 and 31 December 2018, respectively.

7 Other Debt Instruments

The structure of other debt instruments is detailed below:

<i>In million of Russian Roubles</i>	Note	30 June 2019 (unaudited)	31 December 2018
Current assets			
Deposits	7.2	3,574	13,681
Debt securities	7.1	2,239	5,188
Total other debt instruments		5,813	18,869

7.1 Debt securities

The portfolio structure of debt securities that the Group intends to hold until maturity or offer is presented in the table below.

<i>In million of Russian Roubles</i>	Issuer Rating	Currency	30 June 2019 (unaudited)	31 December 2018
<i>Neither past due nor impaired</i>				
Debt securities	Baa3**	RUB	389	557
Debt securities	BB+***	USD	-	428
Debt securities	Baa3**	USD	-	413
Debt securities	BB***	USD	341	373
Debt securities	Baa2**	USD	-	359
Debt securities	Baa3**	USD	307	338
Debt securities	BB-***	RUB	-	316
Debt securities	BBB-*	USD	280	306
Debt securities	Baa3**	USD	241	264
Debt securities	BB+*	USD	216	235
Debt securities	BB+*	USD	207	284
Debt securities	BBB-*	RUB	156	156
Debt securities	BB+***	USD	102	113
Debt securities	BBB-***	RUB	-	265
Debt securities	Ba1**	USD	-	217
Debt securities	Baa3**	USD	-	210
Debt securities	BB***	USD	-	167
Debt securities	Baa2**	USD	-	115
Debt securities	Baa2**	USD	-	72
Total debt securities			2,239	5,188

*- Fitch

** - Moody's

***- Standard&Poor's.

7 Other Debt Instruments (continued)

7.1 Debt securities (continued)

The actual annual interest rates for debt securities are similar to their yield rates at acquisition. As at 30 June 2019 the actual annual interest rates amount to 7.6%-8.5% for debt securities nominated in Russian Roubles (as at 31 December 2018: 7.3%-8.5%). As at 30 June 2019 the actual annual interest rates for debt securities nominated in other currencies amount to 5.2%-7.5% (as at 31 December 2018: 3.8%-6.3%). The maturity or offer time frame at acquisition for debt securities is below 12 months.

As at 30 June 2019 and 31 December 2018 the carrying value of debt securities approximates their fair value.

7.2 Deposits

The portfolio structure of deposits is presented in the table below.

<i>In million of Russian Roubles</i>	Counterparty rating	Currency	30 June 2019 (unaudited)	31 December 2018
<i>Neither past due nor impaired</i>				
Deposits	BBB*	RUB	3,423	5,666
Deposits	BBB*	USD	125	-
Deposits	BBB-*	RUB	26	12
Deposits	Ba3**	RUB	-	4,002
Deposits	BB-***	RUB	-	4,001
Total deposits			3,574	13,681

* - Fitch's;

** - Moody's;

***- Standard&Poor's.

The actual annual interest rates for deposits are similar to their contractual rates. As at 30 June 2019 the actual annual interest rates amount to 5.3%-7.8% % for deposits nominated in Russian Roubles (31 December 2018: 5.0%-7.8%). As at 30 June 2019 contractual interest rates of deposits denominated in other currencies were 2.0%. As at 31 December 2018 there were no deposits denominated in other currencies. The maturity or offer time frame at acquisition deposits is below 12 months.

8 Equity

Share capital

As at 30 June 2019 and 31 December 2018, 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 2019 and 31 December 2018.

Distributions

In June 2019 the Company declared dividends in the amount of RUB 550 million. Dividend per share amounted to RUB 0.01. Dividends were paid in full in August 2019 (Note 17). During the six months ended 30 June 2018 the Company declared dividends in the amount of RUB 537 million (dividend per share amounted to RUB 0.01).

Additional paid-in capital

Additional paid-in capital include financing under the state guarantees that meet definition of equity. During six months ended 30 June 2019 and 2018 subject to agreed credit terms, 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).

8 Equity (continued)**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 2019 (unaudited)	31 December 2018
Bonds (Series 04-05)	RUB	Consumer price index-100%+2.5%	2019	-	20,251
Bonds (Series 06-07)	RUB	12.5, 12.75%	2022	18,253	18,259
Bonds (Series БО-П01) – unsecured	RUB	Key rate of the Russian Central Bank +2.5%	2023	10,253	10,006
Bonds (Series БО-002P-01) – unsecured	RUB	9.1%	2021	4,522	-
Bank loans	RUB	Key rate of the Russian Central Bank +1.5%-3%	2019	-	625
Total borrowings				33,028	49,141
Less					
Current portion of long-term borrowings				(540)	(21,142)
Total long-term borrowings				32,488	27,999

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 2019 and 2018 are presented in the table below.

<i>In million of Russian Roubles</i>	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Borrowings as at 1 January	49,141	40 386
Changes from financing cash flows		
Proceeds from of loans and borrowings	4,494	-
Proceeds from of additional paid-in capital	18,806	11,100
Repayment of loans and borrowings	(20,625)	(625)
Interest paid	(1,951)	(1,774)
Total changes from financing cash flows	724	8,701
Other changes		
Recognition of additional paid-in capital	(18,806)	(11,100)
Finance costs	1,969	1,719
Total other changes	(16,837)	(9,381)
Borrowings as at 30 June	33,028	39,706

The Group borrowings other than stated as unsecured are secured by the guarantees issued by the Government of the Russian Federation in respect of bondholders and creditors.

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 2019 and 31 December 2018 have effective annual interest rates 9-12% and maturity in 2019-2028.

9 Borrowings (continued)

Changes in liabilities on returns on additional-paid-in-capital for the six months ended 30 June 2019 and 2018 are presented in the table below.

<i>In million of Russian Roubles</i>	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Liabilities on returns on additional-paid-in-capital as at 1 January	33,132	30,656
Changes from financing cash flows		
Recognition of liabilities on returns on additional paid-in capital	10,330	4,895
Returns on additional paid-in capital	(2,951)	(3,015)
Interest paid	(1,553)	(1,227)
Total changes from financing cash flows	5,826	653
Other changes		
Finance costs	1,553	1,227
Total other changes	1,553	1,227
Liabilities on returns on additional-paid-in-capital as at 30 June	40,511	32,536

10 Operating Expenses

<i>In millions of Russian Roubles</i>	For the six months ended 30 June 2019 (unaudited)	For the six months ended 30 June 2018 (unaudited)
Personnel expenses	996	1,191
Taxes other than income tax	311	264
Consulting services	177	162
Legal services	175	97
Security	104	77
Depreciation	91	96
Office maintenance	65	79
Car rent	50	30
Amortisation	45	15
Business trips and entertainment	34	34
Other expenses	237	318
Total operating expenses	2,285	2,363

11 Net Financial Performance of Financial Assets at Fair Value Through Profit or Loss

<i>In millions of Russian Roubles</i>	Note	For the six months ended 30 June 2019 (unaudited)	For the six months ended 30 June 2018 (unaudited)
Change in fair value of equity instruments	16	(8,801)	4,309
Change in fair value of equity instruments with embedded options	16	897	799
Change in fair value of debt instruments	16	(290)	1,510
Change in fair value of financial assets held for trading	16	-	(96)
Net financial performance of financial assets at fair value through profit or loss		(8,194)	6,522

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.

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 2019 and 31 December 2018:

Name	Country of registration	Primary activities	Percentage of ownership	
			30 June 2019 (unaudited)	31 December 2018
Management Company RUSNANO LLC	Russian Federation	Management company	99%	99%
RUSNANO Capital AG in Liquidation	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 2019 and 31 December 2018.

As at 30 June 2019 the following subsidiaries were not consolidated and accounted as financial assets at fair value through profit or loss:

	Country of incorporation	% of ownership
Placart JSC	Russia	100%
Profotech JSC	Russia	100%
PHK JSC	Russia	52%
RM Nanotech JSC	Russia	75%
ELVIS Neo-Tech JSC	Russia	59%
Akrilan LLC	Russia	70%
Hematology Corporation LLC	Russia	81%
Crocus Nanoelectronics LLC	Russia	79%
LED-Energoservis LLC	Russia	100%
Liteko LLC	Russia	100%
MAPPER LLC	Russia	100%
Neophotonics Corporation LLC	Russia	99%
New Rosana LLC	Russia	100%
Novye Technologii Stroitelstva LLC	Russia	100%
Otritech LLC	Russia	53%
Plastic Logic LLC	Russia	100%
RusnanoMedInvest LLC	Russia	100%
RU-VEM LLC	Russia	84%
Rusalox LLC	Russia	100%
SIGMA.Novosibirsk LLC	Russia	83%
SIGMA.Tomsk LLC	Russia	90%
TAT-Advenira LLC	Russia	100%
Technology Transfer Center LLC	Russia	75%
Thermoelectric Innovative Technologies LLC	Russia	64%
Energy Solutions LLC	Russia	86%
ESTO-Vacuum LLC	Russia	59%
Advenira Enterprises, Inc.	USA	61%
FlexEnable Limited	UK	93%

13 Principal Subsidiaries (continued)

As at 31 December 2018 the following subsidiaries were not consolidated and accounted as financial assets at fair value through profit or loss:

	Country of incorporation	% of ownership
Placart JSC	Russia	51%
Plastic Logic JSC	Russia	100%
Profotech JSC	Russia	100%
PHK JSC	Russia	52%
RM Nanotech JSC	Russia	75%
ELVIS Neo-Tech JSC	Russia	59%
Akrilan LLC	Russia	70%
Hematology Corporation LLC	Russia	81%
Crocus Nanoelectronics LLC	Russia	79%
LED-Energoservis LLC	Russia	100%
Liteko LLC	Russia	100%
MAPPER LLC	Russia	100%
New Rosana LLC	Russia	100%
Novye Tekhnologii Stroitelstva LLC	Russia	100%
Otritech LLC	Russia	53%
RusnanoMedInvest LLC	Russia	100%
RU-VEM LLC	Russia	84%
Rusalox LLC	Russia	100%
SIGMA.Novosibirsk LLC	Russia	83%
SIGMA.Tomsk LLC	Russia	90%
TAT-Advenira LLC	Russia	100%
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	73%
FlexEnable Limited	UK	93%

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 2018.

Equity price risk

As at 30 June 2019, the fair value of investments exposed to equity price risk was RUB 119,952 million, (31 December 2018: RUB 116,686 million), the fair value of equity investments with embedded options exposed to equity price risk was RUB 16,843 million (31 December 2018: RUB 19,304 million) but the exposure was limited by the embedded options. Should the market values of 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 3,937 million or decrease by RUB 2,349 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 2018.

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 2019 was RUB 85,825 million (31 December 2018: RUB 99,514 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

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 2019 and 31 December 2018 amounting to RUB 143,455 million and RUB 153,269 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. For cash flows on equity instruments the annual discount rates applied as at 30 June 2019 were 15%-19% (31 December 2018: 16%-21%) for growth investments and 30%-45% (31 December 2018: 30%-40%) for venture investments. For cash flows on options the annual discount rates 9%-23% were applied as at 30 June 2019 (31 December 2018: 8%-23%). Fair value of equity instruments in investment funds is usually based on fair value of fund net assets calculated with reference to fund investments fair value. 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 2019 were 11%-15% (31 December 2018: 11%-15%).

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 2019 and 2018 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 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
1 January 2019	-	2,185	108,907	18,921	23,256	153,269
Investments in equity instruments	-	-	809	163	-	972
Investments in debt instruments	-	-	-	-	617	617
Gains/(losses) recognised in profit or loss for the year	-	(333)	(8,468)	897	(290)	(8,194)
Disposals	-	(740)	(2,279)	(180)	(10)	(3,209)
Reclassification	-	-	3,028	(2,958)	(70)	-
30 June 2019 (unaudited)	-	1,112	101,997	16,843	23,503	143,455

17 Events after the Reporting Period

In August 2019 the Company paid declared dividends in the amount of RUB 550 million (Note 8).

In August 2019 the Company realised investments in one of portfolio companies and received cash in the amount of RUB 2,350 million.