

Hanwha Corporation

**Separate Financial Statements
December 31, 2014 and 2013**

Hanwha Corporation
Index
December 31, 2014 and 2013

	Page(s)
Independent Auditor's Report	1 ~ 2
Separate Financial Statements	
Separate Statements of Financial Position	3
Separate Statements of Comprehensive Income	4
Separate Statements of Changes in Equity	5
Separate Statements of Cash Flows	6
Notes	7 ~ 99
Report of Independent Accountants' Review of Internal Accounting Control System	100
Report on the Operations of the Internal Accounting Control System	101

Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors and Shareholders of
Hanwha Corporation

We have audited the accompanying separate financial statements of Hanwha Corporation (the Company), which comprise the separate statements of financial position as of December 31, 2014 and 2013, and the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of Hanwha Corporation as of December 31, 2014 and 2013, and its financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other Matters

The financial statements of the Company as of and for the year ended December 31, 2013, were audited in accordance with the previous Korean Standards on Auditing.

The accompanying separate financial statements as of and for the years ended December 31, 2014 and 2013, have been translated into US dollars solely for the convenience of the reader and have been translated on the basis set forth in Note 3 to the separate financial statements.

Auditing standards and their application in practice vary among countries. The procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Samil PricewaterhouseCoopers

Seoul, Korea
March 12, 2015

This report is effective as of March 12, 2015, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Hanwha Corporation
Separate Statements of Financial Position
December 31, 2014 and 2013

	Notes	Korean Won		US dollars (Note 3)	
		2014	2013	2014	2013
Assets					
Current assets					
Cash and cash equivalents	9	₩ 48,914,486,419	₩ 94,723,102,517	\$ 44,500,079	\$ 86,174,584
Available-for-sale financial assets	10	2,379,220,919	35,491,108	2,164,502	32,288
Trade and other receivables	11	974,048,417,237	921,849,434,477	886,143,029	838,654,871
Other financial assets	12,13	35,485,647,896	22,845,020,062	32,283,159	20,783,315
Other current assets	14	143,950,610,369	95,665,150,949	130,959,434	87,031,615
Inventories	15	654,471,418,391	503,967,100,105	595,407,040	458,485,353
		<u>1,859,249,801,231</u>	<u>1,639,085,299,218</u>	<u>1,691,457,243</u>	<u>1,491,162,026</u>
Non-current assets					
Available-for-sale financial assets	10	7,706,653,682	8,454,267,262	7,011,148	7,691,291
Trade and other receivables	11	-	-	-	-
Other financial assets	12	41,686,935,060	32,661,281,674	37,924,795	29,713,684
Investments in subsidiaries and associates	16	3,615,193,080,859	3,681,464,257,333	3,288,931,114	3,349,221,486
Investment property	17	32,056,837,863	44,405,540,108	29,163,790	40,398,053
Property, plant and equipment	18	918,810,973,798	771,373,151,769	835,890,624	701,758,690
Intangible assets	19	107,715,340,135	95,085,103,744	97,994,305	86,503,915
Other non-current assets	14	5,817,969,327	4,396,604,424	5,292,913	3,999,822
		<u>4,728,987,790,724</u>	<u>4,637,840,206,314</u>	<u>4,302,208,689</u>	<u>4,219,286,941</u>
Total assets		<u>₩ 6,588,237,591,955</u>	<u>₩ 6,276,925,505,532</u>	<u>\$ 5,993,665,932</u>	<u>\$ 5,710,448,967</u>
Liabilities					
Current liabilities					
Trade and other payables	21	₩ 928,063,622,566	₩ 954,960,661,726	\$ 844,308,244	\$ 868,777,895
Borrowings and debentures	22	818,499,563,721	1,129,359,201,310	744,632,063	1,027,437,410
Other financial liabilities	13,23	50,452,627,814	38,936,894,654	45,899,407	35,422,939
Other current liabilities	24	307,786,152,894	177,217,009,740	280,009,237	161,223,626
Provisions for other liabilities and charges	26	51,690,000,000	6,560,000,000	47,025,109	5,967,977
Current tax income liabilities		31,780,392,268	20,005,049,439	28,912,293	18,199,645
		<u>2,188,272,359,263</u>	<u>2,327,038,816,869</u>	<u>1,990,786,353</u>	<u>2,117,029,492</u>
Non-current liabilities					
Trade and other payables	21	14,048,472,690	12,948,963,143	12,780,634	11,780,352
Borrowings and debentures	22	1,201,908,775,001	871,892,178,447	1,093,439,570	793,206,130
Other financial liabilities	23	3,483,138,916	3,512,259,864	3,168,795	3,195,287
Net defined benefit liabilities	25	236,260,273,417	172,739,651,552	214,938,386	157,150,338
Provisions for other liabilities and charges	26	11,013,546,060	4,133,055,000	10,019,602	3,760,057
Other non-current liabilities	24	5,764,366	-	5,244	-
Deferred tax income liabilities	27	252,368,162,580	250,430,037,265	229,592,579	227,829,364
		<u>1,719,088,133,030</u>	<u>1,315,656,145,271</u>	<u>1,563,944,810</u>	<u>1,196,921,528</u>
Total liabilities		<u>3,907,360,492,293</u>	<u>3,642,694,962,140</u>	<u>3,554,731,163</u>	<u>3,313,951,020</u>
Equity					
Capital stock	28	377,190,145,000	377,190,145,000	343,149,695	343,149,695
Capital surplus	28	337,737,690,216	339,257,038,334	307,257,724	308,639,955
Capital adjustments	29	(20,751,089,414)	(20,751,089,414)	(18,878,356)	(18,878,356)
Accumulated other comprehensive income	30	(669,238,753)	(687,308,967)	(608,842)	(625,281)
Retained earnings	31	1,987,369,592,613	1,939,221,758,439	1,808,014,548	1,764,211,934
Total equity		<u>2,680,877,099,662</u>	<u>2,634,230,543,392</u>	<u>2,438,934,769</u>	<u>2,396,497,947</u>
Total liabilities and equity		<u>₩ 6,588,237,591,955</u>	<u>₩ 6,276,925,505,532</u>	<u>\$ 5,993,665,932</u>	<u>\$ 5,710,448,967</u>

The accompanying notes are an integral part of these separate financial statements.

The US dollars figures are provided for information purposes only and do not form part of the audited financial statements. Refer to Note 3.

Hanwha Corporation
Separate Statements of Comprehensive Income
Years Ended December 31, 2014 and 2013

	Notes	Korean Won		US Dollars (Note 3)	
		2014	2013	2014	2013
Revenue	32	₩ 5,057,047,289,914	₩ 5,340,878,642,018	\$ 4,600,661,654	\$ 4,858,877,949
Cost of sales	32,34	4,627,674,955,587	4,908,055,104,323	4,210,039,079	4,465,115,633
Gross profit		429,372,334,327	432,823,537,695	390,622,575	393,762,316
Selling and administrative expenses	33,34	269,022,545,893	320,774,177,270	244,743,946	291,825,125
Operating profit		160,349,788,434	112,049,360,425	145,878,629	101,937,191
Other gains	35	289,579,882,894	132,791,683,421	263,446,036	120,807,572
Other losses	35	286,800,472,660	187,426,650,522	260,917,461	170,511,873
Finance income	36	49,119,127,955	74,827,295,958	44,686,252	68,074,323
Finance costs	36	80,304,814,602	79,757,345,550	73,057,510	72,559,448
Profit before income tax		131,943,512,021	52,484,343,732	120,035,946	47,747,765
Income tax expense(profit)	27	36,562,314,462	(1,325,810,295)	33,262,659	(1,206,159)
Profit for the year		₩ 95,381,197,559	₩ 53,810,154,027	\$ 86,773,287	\$ 48,953,924
Other comprehensive income					
1. Items that will not be reclassified to profit or loss:					
Remeasurements of the net defined benefit liabilities		(19,386,187,085)	7,786,767,617	(17,636,633)	7,084,032
2. Items that may be reclassified subsequently to profit or loss:					
Change in value of available-for-sale financial assets		18,070,214	(182,880,832)	16,439	(166,376)
Other comprehensive income(loss) for the year, net of tax		(19,368,116,871)	7,603,886,785	(17,620,194)	6,917,656
Total comprehensive income for the year		₩ 76,013,080,688	₩ 61,414,040,812	\$ 69,153,093	\$ 55,871,580
Earnings per share attributable to the equity holders of the Company during the year	37				
Basic earnings per common share		₩ 1,371	₩ 773	\$ 1.25	\$ 0.70
Basic earnings per preferred share		1,421	823	1.29	0.75

The accompanying notes are an integral part of these separate financial statements.
The US dollars figures are provided for information purposes only and do not form part of the audited financial statements. Refer to Note 3.

Hanwha Corporation
Separate Statements of Changes in Equity
Years Ended December 31, 2014 and 2013

	Korean Won					
	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated other Comprehensive Income and expense	Retained Earnings	Total Equity
Balance at January 1, 2013	W 377,190,145,000	W 339,257,038,334	W (20,751,089,414)	W (504,428,135)	W 1,908,949,914,545	W 2,604,141,580,330
Comprehensive income :						
Profit for the year	-	-	-	-	53,810,154,027	53,810,154,027
Change in value of available-for-sale financial assets	-	-	-	(182,880,832)	-	(182,880,832)
Remeasurements of the net defined benefit liabilities	-	-	-	-	7,786,767,617	7,786,767,617
Transactions with equity holders of the Company :						
Dividends	-	-	-	-	(31,325,077,750)	(31,325,077,750)
Balance at December 31, 2013	<u>W 377,190,145,000</u>	<u>W 339,257,038,334</u>	<u>W (20,751,089,414)</u>	<u>W (687,308,967)</u>	<u>W 1,939,221,758,439</u>	<u>W 2,634,230,543,392</u>
Balance at January 1, 2014	<u>W 377,190,145,000</u>	<u>W 339,257,038,334</u>	<u>W (20,751,089,414)</u>	<u>W (687,308,967)</u>	<u>W 1,939,221,758,439</u>	<u>W 2,634,230,543,392</u>
Comprehensive income :						
Profit for the year	-	-	-	-	95,381,197,559	95,381,197,559
Change in value of available-for-sale financial assets	-	-	-	18,070,214	-	18,070,214
Remeasurements of the net defined benefit liabilities	-	-	-	-	(19,386,187,085)	(19,386,187,085)
Capital surplus:						
Others	-	(1,519,348,118)	-	-	-	(1,519,348,118)
Transactions with equity holders of the Company :						
Dividends	-	-	-	-	(27,847,176,300)	(27,847,176,300)
Balance at December 31, 2014	<u>W 377,190,145,000</u>	<u>W 337,737,690,216</u>	<u>W (20,751,089,414)</u>	<u>W (669,238,753)</u>	<u>W 1,987,369,592,613</u>	<u>W 2,680,877,099,662</u>

	US Dollars (Note 3)					
	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated other Comprehensive Income and expense	Retained Earnings	Total Equity
Balance at January 1, 2013	\$ 343,149,695	\$ 308,639,955	\$ (18,878,356)	\$ (458,905)	\$ 1,736,672,047	\$ 2,369,124,436
Comprehensive income :						
Profit for the year	-	-	-	-	48,953,925	48,953,925
Change in value of available-for-sale financial assets	-	-	-	(166,376)	-	(166,376)
Remeasurements of the net defined benefit liabilities	-	-	-	-	7,084,032	7,084,032
Transactions with equity holders of the Company :						
Dividends	-	-	-	-	(28,498,070)	(28,498,070)
Balance at December 31, 2013	<u>\$ 343,149,695</u>	<u>\$ 308,639,955</u>	<u>\$ (18,878,356)</u>	<u>\$ (625,281)</u>	<u>\$ 1,764,211,934</u>	<u>\$ 2,396,497,947</u>
Balance at January 1, 2014	<u>\$ 343,149,695</u>	<u>\$ 308,639,955</u>	<u>\$ (18,878,356)</u>	<u>\$ (625,281)</u>	<u>\$ 1,764,211,934</u>	<u>\$ 2,396,497,947</u>
Comprehensive income :						
Profit for the year	-	-	-	-	86,773,287	86,773,287
Change in value of available-for-sale financial assets	-	-	-	16,439	-	16,439
Remeasurements of the net defined benefit liabilities	-	-	-	-	(17,636,633)	(17,636,633)
Capital surplus:						
Others	-	(1,382,231)	-	-	-	(1,382,231)
Transactions with equity holders of the Company :						
Dividends	-	-	-	-	(25,334,040)	(25,334,040)
Balance at December 31, 2014	<u>\$ 343,149,695</u>	<u>\$ 307,257,724</u>	<u>\$ (18,878,356)</u>	<u>\$ (608,842)</u>	<u>\$ 1,808,014,548</u>	<u>\$ 2,438,934,769</u>

The accompanying notes are an integral part of these separate financial statements.
The US dollars figures are provided for information purposes only and do not form part of the audited financial statements. Refer to Note 3.

Hanwha Corporation
Separate Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	Notes	Korean Won		US Dollars (Note 3)	
		2014	2013	2014	2013
Cash flows from operating activities					
Cash generated from operations	39	₩ 231,767,383,236	₩ 317,711,527,099	\$ 210,850,967	\$ 289,038,871
Income tax refund(paid)		(9,852,048,970)	124,517,465	(8,962,927)	113,280
Net cash generated from operating activities		<u>221,915,334,266</u>	<u>317,836,044,564</u>	<u>201,888,040</u>	<u>289,152,151</u>
Cash flows from investing activities					
Receipt of government grants	20	3,308,687,853	1,636,705,761	3,010,087	1,488,997
Acquisition of property, plant and equipment		(111,860,363,660)	(92,735,368,569)	(101,765,251)	(84,366,238)
Proceeds from disposal of property, plant and equipment		946,497,223	5,329,412,294	861,078	4,848,446
Proceeds from disposal of investment properties		13,856,700,000	2,752,312,250	12,606,168	2,503,923
Acquisition of intangible assets		(12,860,440,948)	(15,059,504,478)	(11,699,819)	(13,700,423)
Proceeds from disposal of intangible assets		967,571,520	703,181,814	880,251	639,721
Acquisition of investments in subsidiaries and associates		(13,167,439,289)	(174,211,278,783)	(11,979,111)	(158,489,155)
Proceeds from disposal of investments in subsidiaries and associates		-	1,050,000,000	-	955,240
Decrease in other financial assets		3,518,951,291	42,798,546,092	3,201,376	38,936,087
Increase in other financial assets		(15,293,271,605)	(33,607,187,187)	(13,913,092)	(30,574,223)
Interest received		4,642,836,572	2,987,580,960	4,223,832	2,717,959
Dividends received		42,610,605,709	68,142,164,707	38,765,107	61,992,508
Deposit received		75,300,000	-	68,504	-
Proceeds from disposal of aviation division		-	20,285,800,186	-	18,455,058
Cash inflow due to business combination	43	5,692,395,212	-	5,178,671	-
Net cash used in investing activities		<u>(77,561,970,122)</u>	<u>(169,927,634,953)</u>	<u>(70,562,199)</u>	<u>(154,592,100)</u>
Cash flows from financing activities					
Increase in borrowings and debentures		1,153,012,372,195	1,002,585,618,055	1,048,955,943	912,104,820
Repayment of borrowings and debentures		(1,237,534,083,535)	(1,016,148,950,120)	(1,125,849,785)	(924,444,096)
Interest paid		(77,887,092,602)	(77,397,792,916)	(70,857,981)	(70,412,839)
Dividends paid		(27,847,176,300)	(31,325,077,750)	(25,334,040)	(28,498,069)
Others		94,000,000	23,000,000	85,517	20,924
Net cash used in financing activities		<u>(190,161,980,242)</u>	<u>(122,263,202,731)</u>	<u>(173,000,346)</u>	<u>(111,229,260)</u>
Net increase(decrease) in cash and cash equivalents		(45,808,616,098)	25,645,206,880	(41,674,505)	23,330,791
Cash and cash equivalents					
Cash and cash equivalents at beginning of year		94,723,102,517	69,077,895,637	86,174,584	62,843,793
Cash and cash equivalents at the end of year		<u>₩ 48,914,486,419</u>	<u>₩ 94,723,102,517</u>	<u>\$ 44,500,079</u>	<u>\$ 86,174,584</u>

The accompanying notes are an integral part of these separate financial statements.
The US dollars figures are provided for information purposes only and do not form part of the audited financial statements. Refer to Note 3.

Hanwha Corporation

Notes

December 31, 2014 and 2013

1. General Information

Hanwha Corporation (the "Company") was established on October 28, 1952, and is engaged in the manufacturing and selling of explosives and trading business. The Company has manufacturing facilities in the cities of Yeosu, Daejeon, Boeun, Gumi and several business offices.

On June 25, 1976, the Company listed its stock on the Korea Exchange. Through numerous times of capital increase, the capital stock of the Company as of December 31, 2014, amounted to ₩377,190 million. As of December 31, 2014, the Company's major shareholders consist of:

	Number of shares	Percentage of ownership
Kim Seung-Youn	16,977,949	22.51%
Kim Dong-Kwan	3,330,000	4.41%
Hanwha S&C Co., Ltd.	1,650,000	2.19%
Cheonan Bukil Institute and others	5,059,748	6.71%
Treasury stock	5,880,000	7.79%
Others	42,540,332	56.39%
	<u>75,438,029</u>	<u>100.00%</u>

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation

The Company maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in accordance with the International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS). The accompanying separate financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, financial performance or cash flows, is not presented in the accompanying separate financial statements.

The separate financial statements of the Company for the annual period beginning on January 1, 2011, have been prepared in accordance with Korean IFRS. These are the standards, subsequent amendments and related interpretations issued by the International Accounting Standards Board ("IASB") that have been adopted by the Republic of Korea.

The preparation of the separate financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in Note 4.

Hanwha Corporation

Notes to Separate Financial Statements

December 31, 2014 and 2013

2.2 Changes in Accounting Policy and Disclosures

(a) New and amended standards adopted by the Company

The Company newly applied the following amended and enacted standards for the annual period beginning on January 1, 2014:

- Enactment of Korean IFRS 2121, *Levies*

Korean IFRS 2121, *Levies*, is applied to a liability to pay a levy imposed by the government in accordance with the legislation. The interpretation requires that the liability to pay a levy is recognized when the activity that triggers the payment of the levy occurs, as identified by the legislation. The application of this interpretation does not have a material impact on the separate financial statements.

- Amendment to Korean IFRS 1102, *Share-based payment*

Korean IFRS 1102, *Share-based payment*, clarifies the definition of 'vesting conditions' such as 'performance condition', 'service condition' and others. This amendment is applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The application of this amendment does not have a material impact on the separate financial statements.

- Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*

Amendment to Korean IFRS 1032, *Financial Instruments: Presentation*, provides that the right to offset must not be contingent on a future event and must be legally enforceable in all of circumstances; and if an entity can settle amounts in a manner such that outcome is, in effect, equivalent to net settlement, the entity will meet the net settlement criterion.

- Amendment to Korean IFRS 1036, *Impairment of Assets*

Amendment to Korean IFRS 1036, *Impairment of Assets*, removed certain disclosures of the recoverable amount of cash-generating units which had been included in this amendment by the issuance of Korean IFRS 1113.

- Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*

Amendment to Korean IFRS 1039, *Financial Instruments: Recognition and Measurement*, allows the continuation of hedge accounting for a derivative that has been designated as a hedging instrument in a circumstance in which that derivative is novated to a central counterparty (CCP) as a consequence of laws or regulations.

(b) New standards and interpretations not yet adopted

The Company expects that new standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2014 and not early adopted would not have a material impact on its separate financial statements.

2.3 Subsidiaries, Associates, and Joint Ventures

The financial statements of the Company are separate financial statements in accordance with Korean IFRS 1027, *Separate Financial Statements*. Investments in subsidiaries, joint ventures, and associates are recognised at cost under the direct equity method. Management applied the carrying amounts under previous K-GAAP at the time of first adoption of Korean IFRS as deemed cost of investments. The Company recognizes dividend income from subsidiaries, joint ventures, and associates in profit or loss when its right to receive dividend is established.

Hanwha Corporation

Notes to Separate Financial Statements

December 31, 2014 and 2013

2.4 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Korean won, which is the Company’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Exchange differences arising on non-monetary financial assets and liabilities such as equity instruments at fair value through profit or loss and available-for-sale equity instruments are recognized in profit or loss and included in other comprehensive income, respectively, as part of the fair value gain or loss.

2.5 Financial Assets

(a) Classification and measurement

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, and held-to-maturity financial assets. Regular purchases and sales of financial assets are recognized on the trade date.

Regular purchases and sales of financial assets are recognized on the trade date. At initial recognition, financial assets are measured at fair value plus, in the case of financial assets not carried at fair value through profit or loss, transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of income. After the initial recognition, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables, and held-to-maturity investments are subsequently carried at amortized cost using the effective interest rate method.

Changes in fair value of financial assets at fair value through profit or loss are recognized in profit or loss and changes in fair value of available-for-sale financial assets are recognized in other comprehensive income. When the available-for-sale financial assets are sold or impaired, the fair value adjustments recorded in equity are reclassified into profit or loss.

(b) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Impairment of loans and receivables is presented as a deduction in an allowance account. Impairment of other financial assets is directly deducted from their carrying amount. The Company writes off financial assets when the assets are determined to be no longer recoverable.

Hanwha Corporation

Notes to Separate Financial Statements

December 31, 2014 and 2013

The objective evidence that a financial asset is impaired includes significant financial difficulty of the issuer or obligor; a delinquency in interest or principal payments during certain period. A significant or prolonged decline in the fair value of an available-for-sale equity instrument from its cost is also objective evidence of impairment.

(c) Derecognition

If the Company transfers a financial asset and the transfer does not result in derecognition because the Company has retained substantially of all risks and rewards of ownership of the transferred asset due to a recourse in the event the debtor defaults, the Company continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The related financial liability is classified as 'borrowings' in the statement of financial position (Note 22).

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.6 Derivative Instruments

Derivatives are initially recognized at fair value on the date when a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives that are not qualified for hedge accounting are recognized in the statement of income within 'other income (expenses)' according to the nature of transactions.

2.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the periodic average method (except for the cost of finished goods and merchandise determined by weighted average method belongs to trading & retails division, and cost of inventories in construction and goods in transit determined by specific identification of cost method).

2.8 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditures that is directly attributable to the acquisition of the items.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between their cost and their residual values over their estimated useful lives, as follows:

	<u>Useful lives</u>
Buildings	10 - 40 years
Structures	10 - 40 years
Machinery	4 - 15 years
Vehicles	5 - 12 years
Tools and equipment	5 - 6 years

Hanwha Corporation

Notes to Separate Financial Statements

December 31, 2014 and 2013

The depreciation method, residual values and useful lives of property, plant and equipment are reviewed at each financial year-end and, if appropriate, accounted for as changes in accounting estimates.

2.9 Borrowing Costs

Borrowing costs incurred in the acquisition or construction of a qualifying asset are capitalized in the period when it is prepared for its intended use, and investment income earned on the temporary investment of borrowings made specifically for the purpose obtaining a qualifying asset is deducted from the borrowing costs eligible for capitalization during the period. Other borrowing costs are recognized as expenses for the period in which they are incurred.

2.10 Government Grants

Government grants are recognized at their fair values when there is reasonable assurance that the grant will be received and the Company will comply with the conditions attaching to it. Government grants related to assets are presented by deducting the grants in arriving at the carrying amount of the assets, and grants related to income are deferred and presented by deducting the related expenses for the purpose of the government grants.

2.11 Intangible Assets

Intangible assets are initially recognized at its historical cost and carried at its cost less accumulated amortization and accumulated impairment losses.

Internally generated development costs are the aggregate costs recognized after meeting the asset recognition criteria, including technical feasibility, and determined to have future economic benefits. Membership rights are regarded as intangible assets with indefinite useful life and not amortized because there is no foreseeable limit to the period over which the assets are expected to be utilized. Intangible assets with definite useful life that are amortized using the straight-line method over their estimated useful lives, are as follows:

	<u>Useful lives</u>
Development costs	3 ~ 5 years
Other intangible assets	5 ~ 30 years

2.12 Investment Property

Property held to earn rentals or for capital appreciation or both is classified as investment property. Investment property is measured initially at its cost. After recognition as an asset, investment property is carried at cost less accumulated depreciation and impairment losses. Investment property, except for land, is depreciated using the straight-line method over their useful lives from 20 to 40 years.

2.13 Impairment of Non-financial Assets

Goodwill or intangible assets with indefinite useful lives are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Hanwha Corporation

Notes to Separate Financial Statements

December 31, 2014 and 2013

2.14 Financial Liabilities

(a) Classification and measurement

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally for the purpose of repurchasing them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

The Company classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'trade payables', 'borrowings', and 'other financial liabilities' in the statement of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is extinguished, for example, when the obligation specified in the contract is discharged, cancelled or expired or when the terms of an existing financial liability are substantially modified.

2.15 Provisions

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation and the increase in the provision due to passage of time is recognized as interest expense.

2.16 Current and Deferred Tax

The tax expense for the period consists of current and deferred tax. Tax is recognized on the profit for the period in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. The tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates tax policies that are applied in tax returns in which applicable tax regulation is subject to interpretation. The Company recognizes current income tax on the basis of the amount expected to be paid to the tax authorities.

Deferred tax is recognized for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as expected tax consequences at the recovery or settlement of the carrying amounts of the assets and liabilities. However, deferred tax assets and liabilities are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, deferred tax asset is recognized for deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

Hanwha Corporation

Notes to Separate Financial Statements

December 31, 2014 and 2013

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Post-employment Benefits

The Company operates defined benefit plans as its pension plan.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation. The remeasurements of the net defined benefit liability are recognized in other comprehensive income.

If any plan amendments, curtailments, or settlements occur, past service costs or any gains or losses on settlement are recognized as profit or loss for the year.

2.18 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or rendering of services arising from the normal activities of the Company. It is stated as net of value added taxes, returns, rebates and discounts, after elimination of intra-company transactions.

The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimate on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Sales of goods*

Revenue from the sale of goods is recognized when products are delivered to the purchaser.

(b) *Rendering of services*

Revenue is recognized according to the percentage of completion. The percentage of completion is measured based on the direct costs to date over the total estimated costs. Any changes in expected revenue, cost or the amount of services rendered are accounted for as changes in estimates. These changes in estimates may bring adjustments to the expected revenue or cost which is recognized in the statement of comprehensive income in the period in which the management recognizes the changes in circumstances.

2.19 Segment Reporting

Information of each operating segment is reported in a manner consistent with the business segment reporting provided to the chief operating decision-maker (Note 42). The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

Hanwha Corporation

Notes to Separate Financial Statements

December 31, 2014 and 2013

2.20 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2014 financial statements of the Company was approved by the Board of Directors on February 25, 2015, which is subject to change with the approval of the shareholders at their annual shareholders' meeting.

3. Presentation of US dollar Amounts

The Company operates primarily in Korean won and its accounting records are maintained in Korean won. The US dollars amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All Korean won amounts including the 2013 Korean won amounts are expressed in US Dollars at US\$ 1: ₩ 1,099.2, the exchange rate in effect on December 31, 2014. Such presentation is not in accordance with Korean IFRS, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in US dollars at this or any other rate.

4. Critical Accounting Estimates and Assumptions

The Company makes estimates and assumptions concerning the future. The estimates and assumptions are continuously evaluated with consideration to factors such as events reasonably predictable in the foreseeable future within the present circumstance according to historical experience. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 6).

(b) Net defined benefit liability

The present value of net defined benefit liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions including the discount rate (Note 25).

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

5. Financial Risk Management

5.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivatives financial instruments to hedge certain risk exposures.

(a) Market risk

a) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Euro and the Japanese yen. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operations. The Company chooses a hedging policy based on the nature of each company's business and the risks of exchange rate fluctuation. In addition, the Company evaluates, manages and reports the risks of exchange rate fluctuation by the managing system of receivables and payables to the managements periodically.

The impact of weakened/strengthened Korean won by 10% against foreign currencies with all variable held constant on the post-tax profit for the year ended December 31, 2014, is as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ (17,461,236)	₩ 17,461,236	\$ (15,885)	\$ 15,885
EUR	(3,656,106)	3,656,106	(3,326)	3,326
JPY	6,881,186	(6,881,186)	6,260	(6,260)

The above sensitivity analysis is performed based on monetary assets and liabilities denominated in a currency that is not the Company's functional currency.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

The Company's financial instruments denominated in major foreign currencies as of December 31, 2014 and 2013, are converted into Korean won as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Cash and cash equivalents				
USD	₩ 330,219	₩ 330,514	\$ 300	\$ 301
EUR	16,743	94,442	15	86
JPY	-	10,355	-	9
	<u>346,962</u>	<u>435,311</u>	<u>315</u>	<u>396</u>
Trade and other receivables				
USD	461,175,769	572,112,175	419,556	520,481
EUR	56,865,708	77,047,784	51,734	70,094
JPY	81,980,924	10,664,826	74,582	9,702
Others	5,159,277	3,225,351	4,694	2,934
	<u>605,181,678</u>	<u>663,050,136</u>	<u>550,566</u>	<u>603,211</u>
Other financial assets				
USD	15,380,837	10,179,029	13,993	9,260
EUR	14,418	3,495	13	3
Others	33,001	-	30	-
	<u>15,428,256</u>	<u>10,182,524</u>	<u>14,036</u>	<u>9,263</u>
Trade and other payables				
USD	548,251,421	586,523,522	498,773	533,591
EUR	69,598,391	52,412,853	63,317	47,683
JPY	12,182,675	12,913,310	11,083	11,748
Others	3,694,513	579,933	3,361	528
	<u>633,727,000</u>	<u>652,429,618</u>	<u>576,534</u>	<u>593,550</u>
Borrowings and debentures				
USD	103,247,761	126,444,198	93,930	115,033
EUR	23,859,537	24,339,011	21,706	22,142
JPY	986,390	-	897	-
Others	970,376	-	883	-
	<u>₩129,064,064</u>	<u>₩150,783,209</u>	<u>\$ 117,416</u>	<u>\$ 137,175</u>

b) Interest rate risk

The Company's interest rate risk mainly arises through borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Also, fixed rate borrowings expose the Company to fair value interest rate risk. The Company analyzes and manages its interest rate exposure through various manners, such as to share excess cash within the Company to minimize external borrowings, to avoid high rate borrowings, to reform capital structure, to manage an appropriate ratio of fixed rate borrowings and variable rates borrowings, to monitor a fluctuation of domestic and foreign interest rate.

The impact of 1% higher/lower of interest rate (on floating rate borrowings) with all other variables held constant on the Company's post-tax profit for the year ended December 31, 2014 would have been ₩ 5,340 million (equivalent to US\$ 4,858 thousand) lower/higher.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. In order to manage credit risk, the Company opens and maintains its business only with customers whose credit qualities exceed a required minimum rating, and periodically reevaluate credit qualities of customers to amend a credit limit, if necessary. As of December 31, 2014, management does not expect any losses from non-performance by counterparties.

The maximum exposure to credit risk as of December 31, 2014 and 2013, is as follows:

<i>(in thousands)</i>	Korean won			
	2014		2013	
Cash and cash equivalents ¹	₩	48,909,486	₩	94,718,103
Available-for-sale financial assets(Current)		2,379,221		35,491
Available-for-sale financial assets(Non-current)		1,231,568		3,118,022
Derivative financial instruments(Current)		9,926,392		3,615,493
Derivative financial instruments(Non-current)		1,025,485		-
Trade and other receivables(Current)		974,048,417		921,849,434
Other financial assets(Current)		25,559,256		19,229,527
Other financial assets(Non-current)		40,661,450		32,661,282
	₩	<u>1,103,741,275</u>	₩	<u>1,075,227,352</u>

<i>(in thousands)</i>	US Dollars (Note 3)			
	2014		2013	
Cash and cash equivalents ¹	\$	44,496	\$	86,170
Available-for-sale financial assets(Current)		2,165		32
Available-for-sale financial assets(Non-current)		1,120		2,837
Derivative financial instruments(Current)		9,031		3,289
Derivative financial instruments(Non-current)		933		-
Trade and other receivables(Current)		886,143		838,655
Other financial assets(Current)		23,253		17,494
Other financial assets(Non-current)		36,992		29,714
	\$	<u>1,004,133</u>	\$	<u>978,191</u>

¹ The difference with "Cash and cash equivalents" in statements of financial position is cash in hand.

The maximum exposure to credit risk relevant to financial guarantee provided to related parties by the Company is ₩ 466,696 million (equivalent to US\$ 424,578 thousand) (Note 41).

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(c) Liquidity risk

The Company monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times. The Company treasury invests surplus cash in time deposits, interest bearing money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room.

Details of the Company's liquidity risk analysis as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won				
	2014				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Bank borrowings ¹	₩ 106,336,912	₩ 427,277,929	₩ 361,596,908	₩ 12,969,699	₩ 908,181,448
Debentures ¹	9,999,769	328,733,981	890,994,514	-	1,229,728,264
Trade and other payables	773,343,125	154,720,498	5,403,389	8,645,084	942,112,096
Other financial liabilities ²	29,514,277	-	3,489,686	-	33,003,963
Derivatives financial instruments	3,474,488	9,950,470	-	-	13,424,958

(in thousands)

	US Dollars (Note 3)				
	2014				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Bank borrowings ¹	\$ 96,740	\$ 388,717	\$ 328,964	\$ 11,799	\$ 826,220
Debentures ¹	9,097	299,067	810,585	-	1,118,749
Trade and other payables	703,551	140,757	4,916	7,865	857,089
Other financial liabilities ²	26,851	-	3,175	-	30,026
Derivatives financial instruments	3,161	9,052	-	-	12,213

(in thousands)

	Korean Won				
	2013				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Bank borrowings ¹	₩ 143,801,230	₩ 312,186,874	₩ 218,816,243	₩ 7,194,089	₩ 681,998,436
Debentures ¹	123,300,250	609,315,250	679,666,250	-	1,412,281,750
Trade and other payables	414,008,967	540,951,695	12,948,963	-	967,909,625
Other financial liabilities ²	29,878,479	-	3,512,260	-	33,390,739
Derivatives financial instruments	1,202,743	769,268	-	-	1,972,011

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	US Dollars (Note 3)				
	2013				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Bank borrowings ¹	\$ 130,824	\$ 284,013	\$ 199,069	\$ 6,545	\$ 620,451
Debentures ¹	112,173	554,326	618,328	-	1,284,827
Trade and other payables	376,646	492,132	11,780	-	880,558
Other financial liabilities ²	27,182	-	3,195	-	30,377
Derivatives financial instruments	1,094	700	-	-	1,794

¹ Included interest expenses.

² Other financial liabilities are cash flows excluding interest expenses from borrowings and derivatives.

5.2 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won	
	2014	2013
Total borrowings	₩ 2,020,408,339	₩ 2,001,251,379
Less: cash and cash equivalents	(48,914,486)	(94,723,103)
Net debt (A)	1,971,493,853	1,906,528,276
Total equity (B)	2,680,877,100	2,634,230,543
Total capital (C=A+B)	4,652,370,953	4,540,758,819
Gearing ratio (A/C) (%)	42.38%	41.99%

(in thousands)

	US Dollars (Note 3)	
	2014	2013
Total borrowings	\$ 1,838,072	\$ 1,820,644
Less: cash and cash equivalents	(44,500)	(86,175)
Net debt (A)	1,793,572	1,734,469
Total equity (B)	2,438,935	2,396,498
Total capital (C=A+B)	4,232,507	4,130,967
Gearing ratio (A/C) (%)	42.38%	41.99%

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

6. Fair Value

(a) Fair Value of Financial Instruments by Category

Carrying amount and fair value of financial instruments by category as of December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won			
	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 48,914,486	₩ 48,914,486	₩ 94,723,103	₩ 94,723,103
Available-for-sale financial assets (Current)	2,379,221	2,379,221	35,491	35,491
Available-for-sale financial assets (Non-current) ¹	1,231,568	1,231,568	3,118,022	3,118,022
Derivative financial instruments (Current)	9,926,392	9,926,392	3,615,493	3,615,493
Derivative financial instruments (Non-current) ³	1,025,485	30,353,013	-	-
Trade and other receivables	974,048,417	974,048,417	921,849,434	921,849,434
Other financial assets(Current) ²	25,559,256	25,559,256	19,229,527	19,229,527
Other financial assets(Non-current)	40,661,450	40,661,450	32,661,282	32,661,282
	<u>₩ 1,103,746,275</u>	<u>₩ 1,133,073,803</u>	<u>₩ 1,075,232,352</u>	<u>₩ 1,075,232,352</u>
Financial liabilities				
Trade and other payables(Current)	₩ 928,063,623	₩ 928,063,623	₩ 954,960,662	₩ 954,960,662
Trade and other payables (Non-current)	14,048,473	14,048,473	12,948,963	12,948,963
Borrowings and debentures (Current)	818,499,564	818,499,564	1,129,359,201	1,129,359,201
Borrowings and debentures (Non-current)	1,201,908,775	1,233,217,936	871,892,178	891,827,945
Derivative financial instruments (Current)	12,987,090	12,987,090	1,931,035	1,931,035
Other financial liabilities(Current) ²	37,465,538	37,465,538	37,005,860	37,005,860
Other financial liabilities(Non-current)	3,483,139	3,483,139	3,512,260	3,512,260
	<u>₩ 3,016,456,202</u>	<u>₩ 3,047,765,363</u>	<u>₩ 3,011,610,159</u>	<u>₩ 3,031,545,926</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	US Dollars (Note 3)			
	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	\$ 44,500	\$ 44,500	\$ 86,175	\$ 86,175
Available-for-sale financial assets (Current)	2,165	2,165	32	32
Available-for-sale financial assets (Non-current) ¹	1,120	1,120	2,837	2,837
Derivative financial instruments (Current)	9,031	9,031	3,289	3,289
Derivative financial instruments (Non-current) ³	933	27,614	-	-
Trade and other receivables	886,143	886,143	838,655	838,655
Other financial assets(Current) ²	23,253	23,253	17,494	17,494
Other financial assets(Non-current)	36,992	36,992	29,714	29,714
	<u>\$ 1,004,137</u>	<u>\$ 1,030,818</u>	<u>\$ 978,196</u>	<u>\$ 978,196</u>
Financial liabilities				
Trade and other payables(Current)	\$ 844,308	\$ 844,308	\$ 868,778	\$ 868,778
Trade and other payables (Non-current)	12,781	12,781	11,780	11,780
Borrowings and debentures (Current)	744,632	744,632	1,027,437	1,027,437
Borrowings and debentures (Non-current)	1,093,440	1,121,923	793,206	811,343
Derivative financial instruments (Current)	11,815	11,815	1,757	1,757
Other financial liabilities(Current) ²	34,084	34,084	33,666	33,666
Other financial liabilities(Non-current)	3,169	3,169	3,195	3,195
	<u>\$ 2,744,229</u>	<u>\$ 2,772,712</u>	<u>\$ 2,739,819</u>	<u>\$ 2,757,956</u>

¹ Equity instruments that do not have a quoted price in an active market are measured at cost because their fair value cannot be measured reliably and excluded from the fair value disclosures.

² Derivative financial instruments are excluded.

³ As derivative financial instruments arising from shareholders' agreement, the difference between transaction price at initial recognition and fair value was not recognized in profit or loss on the transaction date but recognized in deferred income.

(b) Financial Instruments Measured at Cost

Details of financial instruments measured at cost as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won	
	2014	2013
Unlisted equity instruments	₩ 6,475,085	₩ 5,336,245

(in thousands)

	US Dollars (Note 3)	
	2014	2013
Unlisted equity instruments	\$ 5,891	\$ 4,855

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Above financial instruments are not traded in an active market nor their fair value cannot be measured reliably, and therefore they are measured at cost. The Company has no intention to dispose of the aforementioned financial instruments in the near future. These instruments will be measured at fair value when the Company can develop a reliable estimate of the fair value.

(c) Fair Value Hierarchy

Assets measured at fair value or for which the fair value is disclosed are categorized within the fair value hierarchy, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value or its fair value is disclosed as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won			
	2014			
	Level 1	Level 2	Level 3	Total
Financial assets and liabilities that are measured at fair value				
Assets				
Available-for-sale financial assets	₩ -	₩ 3,610,789	₩ -	₩ 3,610,789
Derivative financial instruments	-	9,926,392	30,353,013	40,279,405
	<u>₩ -</u>	<u>₩ 13,537,181</u>	<u>₩ 30,353,013</u>	<u>₩ 43,890,194</u>
Liabilities				
Derivative financial instruments	₩ -	₩ 12,987,090	₩ -	₩ 12,987,090
	<u>₩ -</u>	<u>₩ 12,987,090</u>	<u>₩ -</u>	<u>₩ 12,987,090</u>

(in thousands)

	US Dollars (Note 3)			
	2014			
	Level 1	Level 2	Level 3	Total
Financial assets and liabilities that are measured at fair value				
Assets				
Available-for-sale financial assets	\$ -	\$ 3,285	\$ -	\$ 3,285
Derivative financial instruments	-	9,031	27,614	36,645
	<u>\$ -</u>	<u>\$ 12,316</u>	<u>\$ 27,614</u>	<u>\$ 39,930</u>
Liabilities				
Derivative financial instruments	\$ -	\$ 11,815	\$ -	\$ 11,815
	<u>\$ -</u>	<u>\$ 11,815</u>	<u>\$ -</u>	<u>\$ 11,815</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	Korean Won			
	2013			
	Level 1	Level 2	Level 3	Total
Financial assets and liabilities that are measured at fair value				
Assets				
Available-for-sale financial assets	₩ -	₩ 3,153,513	₩ -	₩ 3,153,513
Derivative financial instruments	-	3,615,493	-	3,615,493
	₩ -	₩ 6,769,006	₩ -	₩ 6,769,006
Liabilities				
Derivative financial instruments	-	₩ 1,931,035	-	₩ 1,931,035
	₩ -	₩ 1,931,035	₩ -	₩ 1,931,035

(in thousands)

	US Dollars (Note 3)			
	2013			
	Level 1	Level 2	Level 3	Total
Financial assets and liabilities that are measured at fair value				
Assets				
Available-for-sale financial assets	\$ -	\$ 2,869	\$ -	\$ 2,869
Derivative financial instruments	-	3,289	-	3,289
	\$ -	\$ 6,158	\$ -	\$ 6,158
Liabilities				
Derivative financial instruments	\$ -	\$ 1,757	\$ -	\$ 1,757
	\$ -	\$ 1,757	\$ -	\$ 1,757

Valuation techniques and inputs used in the recurring, non-recurring fair value measurements and disclosed fair values categorized within Level 2 and Level 3 of the fair value hierarchy as of December 31, 2014, are as follows:

	Korean Won				Range of inputs (weighted average)
	Fair value	Level	Valuation techniques	Inputs (Level 3)	
Available-for-sale financial assets					
Unlisted bonds	₩ 3,379,221	2	Present value technique	Not applicable	Not applicable
Corporate bonds	231,568	2	Market approach	Not applicable	Not applicable
Derivative financial assets					
Commodity futures	3,538,999	2	Market approach	Not applicable	Not applicable
Currency forward exchange contracts	6,387,393	2	Market approach	Not applicable	Not applicable
Shareholders' agreement	30,353,013	3	Option pricing model	Fair value of redeemable convertible preferred stock	Not applicable
Derivative financial liabilities					
Commodity futures	1,039,861	2	Market approach	Not applicable	Not applicable
Currency forward exchange contracts	11,947,229	2	Market approach	Not applicable	Not applicable

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

	US Dollars (Note 3)				
	Fair value	Level	Valuation techniques	Inputs	Range of inputs (weighted average)
Available-for-sale financial assets					
Unlisted bonds	\$ 3,074	2	Present value technique	Not applicable	Not applicable
Corporate bonds	211	2	Market approach	Not applicable	Not applicable
Derivative financial assets					
Commodity futures	3,220	2	Market approach	Not applicable	Not applicable
Currency forward exchange contracts	5,811	2	Market approach	Not applicable	Not applicable
Shareholders' agreement	27,614	3	Option pricing model	Fair value of redeemable convertible preferred stock	Not applicable
Derivative financial liabilities					
Commodity futures	946	2	Market approach	Not applicable	Not applicable
Currency forward exchange contracts	10,869	2	Market approach	Not applicable	Not applicable

(c) Gains and losses on valuation at the transaction date

In the case that the Company values derivative financial instruments using inputs not based on observable market data, and the fair value calculated by the said valuation technique differs from the transaction price, then the fair value of the financial instruments is recognized as the transaction price. The difference between the fair value at initial recognition and the transaction price is deferred and amortized using a straight-line method by maturity of the financial instrument. However, in the case that inputs of the valuation techniques become observable in markets, the remaining deferred difference is immediately recognized in full in profit for the year.

In relation to this, details and changes of the total deferred difference for the year ended December 31, 2014, are as follows:

<i>(in thousands)</i>	Korean Won	US Dollars (Note 3)
I. Beginning balance	₩ -	\$ -
II. New transactions	35,193,034	32,017
III. Increase (Decrease) ((1)+(2))	(5,865,506)	(5,336)
(1) Amortization	(5,865,506)	(5,336)
(2) Settlements	-	-
IV. Ending balance (I +II+III)	29,327,528	26,681

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

7. Financial Instruments by Category

Categorizations of financial assets as of December 31, 2014 and 2013, are as follows:

(in thousands)

Korean Won

	2014				
	Loans and receivables	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Hedging derivative financial instruments	Total
Cash and cash equivalents	₩ 48,914,486	₩ -	₩ -	₩ -	₩ 48,914,486
Available-for-sale financial assets (Current)	-	2,379,221	-	-	2,379,221
Trade and other receivables(Current)	974,048,417	-	-	-	974,048,417
Other financial assets(Current)	25,559,256	-	6,387,393	3,538,999	35,485,648
Available-for-sale financial assets (Non-current)	-	7,706,653	-	-	7,706,653
Other financial assets(Non-current)	40,661,450	-	1,025,485	-	41,686,935
	₩ 1,089,183,609	₩ 10,085,874	₩ 7,412,878	₩ 3,538,999	₩ 1,110,221,360

(in thousands)

US Dollars (Note 3)

	2014				
	Loans and receivables	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Hedging derivative financial instruments	Total
Cash and cash equivalents	\$ 44,500	\$ -	\$ -	\$ -	\$ 44,500
Available-for-sale financial assets (Current)	-	2,165	-	-	2,165
Trade and other receivables(Current)	886,143	-	-	-	886,143
Other financial assets(Current)	23,252	-	5,811	3,220	32,283
Available-for-sale financial assets (Non-current)	-	7,011	-	-	7,011
Other financial assets(Non-current)	36,992	-	933	-	37,925
	\$ 990,887	\$ 9,176	\$ 6,744	\$ 3,220	\$ 1,010,027

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

Korean Won

	2013				
	Loans and receivables	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Hedging derivative financial instruments	Total
Cash and cash equivalents	₩ 94,723,103	₩ -	₩ -	₩ -	₩ 94,723,103
Available-for-sale financial assets (Current)	-	35,491	-	-	35,491
Trade and other receivables(Current)	921,849,434	-	-	-	921,849,434
Other financial assets(Current)	19,229,528	-	2,267,573	1,347,920	22,845,021
Available-for-sale financial assets (Non-current)	-	8,454,267	-	-	8,454,267
Other financial assets(Non-current)	32,661,282	-	-	-	32,661,282
	₩ 1,068,463,347	₩ 8,489,758	₩ 2,267,573	₩ 1,347,920	₩ 1,080,568,598

(in thousands)

US Dollars (Note 3)

	2013				
	Loans and receivables	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Hedging derivative financial instruments	Total
Cash and cash equivalents	\$ 86,175	\$ -	\$ -	\$ -	\$ 86,175
Available-for-sale financial assets (Current)	-	32	-	-	32
Trade and other receivables(Current)	838,655	-	-	-	838,655
Other financial assets(Current)	17,494	-	2,063	1,226	20,783
Available-for-sale financial assets (Non-current)	-	7,691	-	-	7,691
Other financial assets(Non-current)	29,714	-	-	-	29,714
	\$ 972,038	\$ 7,723	\$ 2,063	\$ 1,226	\$ 983,050

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Categorizations of financial liabilities as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won			
	2014			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Hedging derivative financial instruments	Total
Trade and other payables(Current)	₩ 928,063,623	₩ -	₩ -	₩ 928,063,623
Borrowing and debentures(Current)	818,499,564	-	-	818,499,564
Other financial liabilities(Current)	37,465,538	11,947,229	1,039,861	50,452,628
Trade and other payables(Non-current)	14,048,473	-	-	14,048,473
Borrowings and debentures (Non-current)	1,201,908,775	-	-	1,201,908,775
Other financial liabilities(Non-current)	3,483,139	-	-	3,483,139
	<u>₩ 3,003,469,112</u>	<u>₩ 11,947,229</u>	<u>₩ 1,039,861</u>	<u>₩ 3,016,456,202</u>

(in thousands)

	US Dollars (Note 3)			
	2014			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Hedging derivative financial instruments	Total
Trade and other payables(Current)	\$ 844,308	\$ -	\$ -	\$ 844,308
Borrowing and debentures(Current)	744,632	-	-	744,632
Other financial liabilities(Current)	34,084	10,869	946	45,899
Trade and other payables(Non-current)	12,781	-	-	12,781
Borrowings and debentures (Non-current)	1,093,440	-	-	1,093,440
Other financial liabilities(Non-current)	3,169	-	-	3,169
	<u>\$ 2,732,414</u>	<u>\$ 10,869</u>	<u>\$ 946</u>	<u>\$ 2,744,229</u>

(in thousands)

	Korean Won			
	2013			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Hedging derivative financial instruments	Total
Trade and other payables(Current)	₩ 954,960,662	₩ -	₩ -	₩ 954,960,662
Borrowing and debentures(Current)	1,129,359,201	-	-	1,129,359,201
Other financial liabilities(Current)	37,005,860	1,754,137	176,898	38,936,895
Trade and other payables(Non-current)	12,948,963	-	-	12,948,963
Borrowings and debentures (Non-current)	871,892,178	-	-	871,892,178
Other financial liabilities(Non-current)	3,512,260	-	-	3,512,260
	<u>₩ 3,009,679,124</u>	<u>₩ 1,754,137</u>	<u>₩ 176,898</u>	<u>₩ 3,011,610,159</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	US Dollars (Note 3)			
	2013			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Hedging derivative financial instruments	Total
Trade and other payables(Current)	\$ 868,778	\$ -	\$ -	\$ 868,778
Borrowing and debentures(Current)	1,027,437	-	-	1,027,437
Other financial liabilities(Current)	33,666	1,596	161	35,423
Trade and other payables(Non-current)	11,780	-	-	11,780
Borrowings and debentures (Non-current)	793,206	-	-	793,206
Other financial liabilities(Non-current)	3,195	-	-	3,195
	<u>\$ 2,738,062</u>	<u>\$ 1,596</u>	<u>\$ 161</u>	<u>\$ 2,739,819</u>

Net gains or net losses on each category of financial instruments for the years ended December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Loans and receivables				
Gain (loss) on valuation (profit or loss)	₩ (6,770,612)	₩ (15,061,631)	\$ (6,160)	\$ (13,702)
Gain (loss) on transaction (profit or loss)	(4,195,396)	(2,745,574)	(3,817)	(2,498)
Interest income (profit or loss)	6,508,522	6,685,131	5,921	6,082
Available-for-sale financial assets				
Gain (loss) on valuation (other comprehensive income)	23,839	(241,268)	22	(219)
Gain (loss) on transaction (profit or loss)	(5,109)	(90,294)	(5)	(82)
Dividend income (profit or loss)	100,675	4,281	92	4
Financial liabilities at amortized cost				
Interest expenses (profit or loss)	80,304,815	79,757,346	73,058	72,559
Derivative financial instruments				
Gain (loss) on valuation (profit or loss)	(2,688,222)	1,590,972	(2,446)	1,447
Gain (loss) on transaction (profit or loss)	4,469,923	6,680,297	4,067	6,077

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

8. Transfer of Financial Assets

Transferred financial assets that are not derecognized in their entirety as of December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Loans and receivables(Trade receivables)			
	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Book value of assets	₩ 102,363,023	₩ 116,496,675	\$ 93,125	\$ 105,983
Book value of relevant liabilities ¹	(102,363,023)	(116,496,675)	(93,125)	(105,983)

¹ Trade receivables of the Company have been discounted through factoring agreements with banks in 2014 and 2013. In case the customers default, the Company has an obligation to pay the related amounts to the bank. As a result, this transaction, treated as a transaction with recourse, has been accounted for as a collateralized borrowing (Note 22).

9. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won	
	2014	2013
Cash in hand	₩ 5,000	₩ 5,000
Cash at bank	36,257,193	77,954,281
Other cash and cash equivalents	12,652,293	16,763,822
	₩ 48,914,486	₩ 94,723,103

<i>(in thousands)</i>	US Dollars (Note 3)	
	2014	2013
Cash in hand	\$ 5	\$ 5
Cash at bank	32,985	70,919
Other cash and cash equivalents	11,510	15,251
	\$ 44,500	\$ 86,175

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

10. Available-for-sale Financial Assets

Changes in available-for-sale financial assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Beginning balance	₩ 8,489,758	₩ 8,816,067	\$ 7,723	\$ 8,020
Additions	1,589,400	77,571	1,446	71
Evaluation	23,839	(241,268)	22	(219)
Disposals	(566,563)	(162,612)	(515)	(149)
Increase due to business combination(Note 43)	1,000,000	-	910	-
Others	(450,560)	-	(410)	-
Ending balance	10,085,874	8,489,758	9,176	7,723
Less: current	(2,379,221)	(35,491)	(2,165)	(32)
Non-current	₩ 7,706,653	₩ 8,454,267	\$ 7,011	\$ 7,691

Details of available-for-sale financial assets as of December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won	
	2014	2013
Equity securities		
Unlisted equity instruments	₩ 6,475,085	₩ 5,336,245
Beneficiary certificate ¹	231,568	341,684
Debt securities		
Unlisted bonds	3,379,221	2,811,829
	₩ 10,085,874	₩ 8,489,758
Less: current	₩ (2,379,221)	₩ (35,491)
Non-current	7,706,653	8,454,267

<i>(in thousands)</i>	US Dollars (Note 3)	
	2014	2013
Equity securities		
Unlisted equity instruments	\$ 5,891	\$ 4,855
Beneficiary certificate ¹	211	311
Debt securities		
Unlisted bonds	3,074	2,557
	\$ 9,176	\$ 7,723
Less: current	\$ (2,165)	\$ (32)
Non-current	7,011	7,691

¹ The fair value of beneficiary certificate is determined by using valuation techniques performed by independent external valuers.

Available-for-sale financial assets that cannot be reliably measured as either an active market does not exist or the difference between the fair value and the acquisition cost is not material are recognized at acquisition cost.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

None of the available-for-sale financial assets are past due and the impaired assets as of December 31, 2014 and 2013, amount to ₩1,859 million (equivalent to US\$ 1,691 thousand) and ₩1,408 million (equivalent to US\$ 1,281 thousand), respectively.

11. Trade and Other Receivables

Trade and other receivables as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won			
	2014		2013	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 872,365,851	₩ 2,152,842	₩ 897,879,044	₩ 2,206,719
Less: provisions for impairment of trade receivables	(23,857,431)	(2,152,842)	(21,921,499)	(2,206,719)
Other receivables	37,242,775	72,182,339	41,826,737	72,182,339
Less: provisions for impairment of other receivables	(5,401,326)	(72,182,339)	(2,351,315)	(72,182,339)
Unbilled construction	93,698,548	-	6,416,467	-
	<u>₩ 974,048,417</u>	<u>₩ -</u>	<u>₩ 921,849,434</u>	<u>₩ -</u>

(in thousands)

	US Dollars (Note 3)			
	2014		2013	
	Current	Non-current	Current	Non-current
Trade receivables	\$ 793,637	\$ 1,959	\$ 816,848	\$ 2,008
Less: provisions for impairment of trade receivables	(21,704)	(1,959)	(19,943)	(2,008)
Other receivables	33,882	65,668	38,052	65,668
Less: provisions for impairment of other receivables	(4,914)	(65,668)	(2,139)	(65,668)
Unbilled construction	85,242	-	5,837	-
	<u>\$ 886,143</u>	<u>\$ -</u>	<u>\$ 838,655</u>	<u>\$ -</u>

The difference between the book value and the fair value of trade and other receivables is not material for the reasons of its short-term maturities.

Changes in provisions for impairment of trade and other receivables for the years ended December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won			
	2014		2013	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning balance	₩ 24,128,218	₩ 74,533,654	₩ 13,776,095	₩ 73,015,644
Provision for impaired receivables	4,116,037	4,889,921	22,815,728	2,178,854
Reversal of provision for impaired receivables	(2,201,568)	(33,778)	(8,039,933)	(1,893,018)
Written off, others	(1,345,055)	(1,806,132)	(4,423,672)	1,232,174
Increase due to business combination(Note 43)	1,312,641	-	-	-
Ending balance	<u>₩ 26,010,273</u>	<u>₩ 77,583,665</u>	<u>₩ 24,128,218</u>	<u>₩ 74,533,654</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	US Dollars (Note 3)			
	2014		2013	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning balance	\$ 21,951	\$ 67,807	\$ 12,533	\$ 66,426
Provision for impaired receivables	3,745	4,449	20,757	1,982
Reversal of provision for impaired receivables	(2,003)	(31)	(7,314)	(1,722)
Written off, others	(1,224)	(1,643)	(4,025)	1,121
Increase due to business combination(Note 43)	1,194	-	-	-
Ending balance	\$ 23,663	\$ 70,582	\$ 21,951	\$ 67,807

The ageing analysis of the trade and other receivables as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Receivables not past due	₩ 884,578,376	₩ 842,903,549	\$ 804,748	\$ 766,834
Past due but not impaired				
Less than 3 months	36,126,245	50,895,613	32,866	46,302
Between 3 months and 6 months	4,018,663	23,937,595	3,656	21,777
Between 6 months and 1 year	25,488,419	815,761	23,188	742
Over 1 year	20,117,630	25,617	18,302	24
	85,750,957	75,674,586	78,012	68,845
Impaired				
Less than 3 months	4,339,883	-	3,948	-
Between 3 months and 6 months	-	697,994	-	635
Between 6 months and 1 year	20,000	4,221	18	4
Over 1 year	102,953,140	101,230,956	93,662	92,095
	107,313,023	101,933,171	97,628	92,734
	₩1,077,642,356	₩1,020,511,306	\$ 980,388	\$ 928,413

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

12. Other Financial Assets

Details of other financial assets as of December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won			
	2014		2013	
	Current	Non-current	Current	Non-current
Deposits in bank and others	₩ 21,231,645	₩ 4,764,000	₩ 17,084,027	₩ 2,219,000
Loans	4,327,611	10,608,938	2,145,500	12,196,345
Deposits provided	-	25,025,980	-	18,245,937
Derivative financial instruments	9,926,392	1,025,485	3,615,493	-
Long-term accrued income	-	262,532	-	-
	₩ 35,485,648	₩ 41,686,935	₩ 22,845,020	₩ 32,661,282

<i>(in thousands)</i>	US Dollars (Note 3)			
	2014		2013	
	Current	Non-current	Current	Non-current
Deposits in bank and others	\$ 19,315	\$ 4,334	\$ 15,542	\$ 2,019
Loans	3,937	9,652	1,952	11,096
Deposits provided	-	22,767	-	16,599
Derivative financial instruments	9,031	933	3,289	-
Long-term accrued income	-	239	-	-
	\$ 32,283	\$ 37,925	\$ 20,783	\$ 29,714

¹ None of the other financial assets are impaired or past due.

13. Derivative Financial Instruments

Details of derivative financial assets as of December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		
	2014		2013
	Current	Non-current	Current
Currency forward	₩ 6,387,393	₩ -	₩ 2,251,293
Commodity futures	3,538,999	-	1,364,200
Shareholders' agreement (Note 40)	-	1,025,485	-
	₩ 9,926,392	₩ 1,025,485	₩ 3,615,493

<i>(in thousands)</i>	US Dollars (Note 3)		
	2014		2013
	Current	Non-current	Current
Currency forward	\$ 5,811	\$ -	\$ 2,048
Commodity futures	3,220	-	1,241
Shareholders' agreement (Note 40)	-	933	-
	\$ 9,031	\$ 933	\$ 3,289

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Details of derivative financial liabilities as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won	
	2014	2013
	Current	Current
Currency forward	₩ 11,947,229	₩ 1,748,708
Commodity futures	1,039,861	182,327
	₩ 12,987,090	₩ 1,931,035

(in thousands)

	US Dollars (Note 3)	
	2014	2013
	Current	Current
Currency forward	\$ 10,869	\$ 1,591
Commodity futures	946	166
	\$ 11,815	\$ 1,757

14. Other Assets

Details of other assets as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won			
	2014		2013	
	Current	Non-current	Current	Non-current
Advance payments	₩ 127,544,279	₩ -	₩ 75,879,350	₩ -
Prepaid expenses	7,952,667	5,817,969	5,362,560	3,471,626
Prepaid VAT	8,453,664	-	14,423,241	-
Others	-	-	-	924,978
	₩ 143,950,610	₩ 5,817,969	₩ 95,665,151	₩ 4,396,604

(in thousands)

	US Dollars (Note 3)			
	2014		2013	
	Current	Non-current	Current	Non-current
Advance payments	\$ 116,034	\$ -	\$ 69,031	\$ -
Prepaid expenses	7,235	5,293	4,879	3,158
Prepaid VAT	7,690	-	13,122	-
Others	-	-	-	842
	\$ 130,959	\$ 5,293	\$ 87,032	\$ 4,000

None of the other assets are impaired.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

15. Inventories

Inventories as of December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won	
	2014	2013
Finished goods	₩ 66,628,049	₩ 105,282,577
Less: Valuation allowance	(8,234,614)	(1,311,961)
Merchandise	176,977,315	141,163,647
Less: Valuation allowance	(2,769,597)	(2,271,097)
Work in progress	187,857,961	119,155,560
Less: Valuation allowance	(837,144)	(844,447)
Raw materials	132,835,558	89,894,038
Less: Valuation allowance	(2,020,126)	(979,401)
Materials-in-transit	104,034,016	53,878,184
	<u>₩ 654,471,418</u>	<u>₩ 503,967,100</u>

<i>(in thousands)</i>	US Dollars (Note 3)	
	2014	2013
Finished goods	\$ 60,615	\$ 95,781
Less: Valuation allowance	(7,491)	(1,194)
Merchandise	161,006	128,424
Less: Valuation allowance	(2,520)	(2,066)
Work in progress	170,904	108,402
Less: Valuation allowance	(762)	(768)
Raw materials	120,847	81,781
Less: Valuation allowance	(1,838)	(891)
Materials-in-transit	94,646	49,016
	<u>\$ 595,407</u>	<u>\$ 458,485</u>

The Company recognized loss on inventory valuation of ₩ 6,562 million (equivalent to US\$ 5,970 thousand) and ₩ 2,995 million (equivalent to US\$ 2,725 thousand) for the years ended December 31, 2014 and 2013, respectively. The amount of loss on inventory has been included in 'Cost of sales'. In addition, the Company recognized obsolescence loss on inventory included in 'Other expenses' amounting to ₩ 5 million (equivalent to US\$ 5 thousand) and ₩ - million (equivalent to US\$ - thousand) for the years ended December 31, 2014 and 2013, respectively.

The cost of inventories recognized as expense and included in "Cost of sales" amounts to ₩4,501,997 million (equivalent to US\$ 4,095,703 thousand) for the year ended December 31, 2014, and ₩4,736,970 million (equivalent to US\$ 4,309,471 thousand) for the year ended December 31, 2013.

Certain inventories are provided as collateral for borrowings of the Company as of December 31, 2014 (Note 40).

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

16. Investments in Subsidiaries and Associates

Investments in subsidiaries and associates as of December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won	
	2014	2013
Subsidiaries	₩ 3,591,005,402	₩ 3,665,012,484
Associates	24,187,679	16,451,773
	<u>₩ 3,615,193,081</u>	<u>₩ 3,681,464,257</u>

<i>(in thousands)</i>	US Dollars (Note 3)	
	2014	2013
Subsidiaries	\$ 3,266,926	\$ 3,334,254
Associates	22,005	14,967
	<u>\$ 3,288,931</u>	<u>\$ 3,349,221</u>

Changes in investments in subsidiaries and associates for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Beginning balance	₩ 3,681,464,257	₩ 3,531,913,992	\$ 3,349,221	\$ 3,213,168
Acquisitions	13,167,439	174,211,278	11,979	158,489
Impairment loss ¹	(26,523,910)	(23,611,013)	(24,130)	(21,480)
Decrease due to business combination (Note 43)	(57,613,333)	-	(52,414)	-
Others	4,698,628	(1,050,000)	4,275	(956)
Ending balance	<u>₩ 3,615,193,081</u>	<u>₩ 3,681,464,257</u>	<u>\$ 3,288,931</u>	<u>\$ 3,349,221</u>

¹The Company recognized impairment loss on investments in Hanwha Resource (USA) Corporation due to their accumulated losses for the years ended December 31, 2014 and 2013.

Hanwha Corporation

Notes to Separate Financial Statements

December 31, 2014 and 2013

Details of investments in subsidiaries and associates as of December 31, 2014 and 2013, are as follows:

Investments in subsidiaries

(in thousands)

	Location	Percentage of ownership (%)	Korean Won	
			2014	2013
Hanwha Chemical Co., Ltd. ¹	Korea	36.52	₩ 972,076,247	₩ 972,076,247
Hanwha Life Insurance Co.,Ltd ¹	Korea	21.67	1,091,361,527	1,091,361,527
Hanwha Engineering and Construction Corp.	Korea	93.60	1,058,714,142	1,058,714,142
Hanwha Hotels & Resorts Co., Ltd.	Korea	50.62	219,213,158	219,213,158
Hanwha Q CELLS Korea(Formerly, Hanwha Solar Energy Co., Ltd) ¹	Korea	41.00	57,400,000	57,400,000
Hanwha TechM Co., Ltd.	Korea	100.00	25,105,035	82,718,368
Hanwha Eagles Professional Baseball club ^{1,2}	Korea	40.00	-	-
Hanwha Agritech Ltd.	Hong Kong	100.00	973,980	973,980
Hanwha Holdings (USA) Inc. ¹	USA	0.58	1,408,267	1,408,267
Hanwha Hongkong Co.,Ltd.	Hong Kong	100.00	4,277,398	4,277,398
Hanwha Q CELLS Japan Co., Ltd.(Formerly, Hanwha Japan Co., Ltd)	Japan	100.00	43,501,824	43,501,824
Hanwha Europe GmbH	Germany	100.00	17,859,217	17,859,217
Hanwha Machinery Corp.	USA	100.00	44,141,351	44,141,351
Hanwha Resources (Canada) Ltd.	Canada	100.00	3,082,126	4,518,838
Hanwha Resources (Australia) Pty Ltd.	Australia	100.00	15,762,768	15,762,768
Hanwha Resources(USA) Corporation	USA	100.00	19,925,319	42,428,028
Hanwha Internacional do Brasil Intermediacoes de Negocios Ltda.	Brazil	100.00	525,814	525,814
Hanwha Greentech Ltd.	Hong Kong	80.00	918,226	913,077
Hanwha TechM Hungary Zrt.	Hungary	97.21	4,708,446	-
S&P World Networks JLT	UAE	100.00	4,837,920	4,837,920
PT Hanwha Mining Services Indonesia	Indonesia	99.00	2,211,264	2,211,264
Hanwha International India PVT., LT	India	99.99	169,296	169,296
Hanwha Mining Services Australia	Australia	100.00	1,953,772	-
Hanwha Mining Services Peru S.A.C	Peru	99.00	415,702	-
Hanwha Mining Services Chile SPA	Chile	100.00	406,240	-
Hanwha Singapore Pte. Ltd.	Singapore	100.00	56,363	-
Hanwha International (Shanghai) Co., Ltd. ^{1,2}	China	33.33	-	-
			₩ 3,591,005,402	₩ 3,665,012,484

Hanwha Corporation

Notes to Separate Financial Statements

December 31, 2014 and 2013

(in thousands)

	Location	Percentage of ownership (%)	US Dollars (Note 3)	
			2014	2013
Hanwha Chemical Co., Ltd. ¹	Korea	36.52	\$ 884,349	\$ 884,349
Hanwha Life Insurance Co.,Ltd ¹	Korea	21.67	992,869	992,869
Hanwha Engineering and Construction Corp.	Korea	93.60	963,168	963,168
Hanwha Hotels & Resorts Co., Ltd.	Korea	50.62	199,430	199,430
Hanwha Q CELLS Korea(Formerly, Hanwha Solar Energy Co., Ltd) ¹	Korea	41.00	52,220	52,220
Hanwha TechM Co., Ltd.	Korea	100.00	22,839	75,253
Hanwha Eagles Professional Baseball club ^{1,2}	Korea	40.00	-	-
Hanwha Agritech Ltd.	Hong Kong	100.00	886	886
Hanwha Holdings (USA) Inc. ¹	USA	0.58	1,281	1,281
Hanwha Hongkong Co.,Ltd.	Hong Kong	100.00	3,891	3,891
Hanwha Q CELLS Japan Co., Ltd.(Formerly, Hanwha Japan Co., Ltd)	Japan	100.00	39,576	39,576
Hanwha Europe GmbH	Germany	100.00	16,247	16,247
Hanwha Machinery Corp.	USA	100.00	40,158	40,158
Hanwha Resources (Canada) Ltd.	Canada	100.00	2,804	4,111
Hanwha Resources (Australia) Pty Ltd.	Australia	100.00	14,340	14,340
Hanwha Resources(USA) Corporation	USA	100.00	18,127	38,599
Hanwha Internacional do Brasil Intermediacoes de Negocios Ltda.	Brazil	100.00	478	478
Hanwha Greentech Ltd.	Hong Kong	80.00	835	831
Hanwha TechM Hungary Zrt.	Hungary	97.21	4,284	-
S&P World Networks JLT	UAE	100.00	4,401	4,401
PT Hanwha Mining Services Indonesia	Indonesia	99.00	2,012	2,012
Hanwha International India PVT., LT	India	99.99	154	154
Hanwha Mining Services Australia	Australia	100.00	1,777	-
Hanwha Mining Services Peru S.A.C	Peru	99.00	378	-
Hanwha Mining Services Chile SPA	Chile	100.00	370	-
Hanwha Singapore Pte. Ltd.	Singapore	100.00	52	-
Hanwha International (Shanghai) Co., Ltd. ^{1,2}	China	33.33	-	-
			\$ 3,266,926	\$ 3,334,254

¹ Though the Company owns less than 50% of ownership interest of Hanwha Chemical Corporation and Hanwha Life insurance Co. Ltd, ownership interests owned by the Company's subsidiaries and their involvements in stockholder's meetings imply that they have power to govern the financial and operating policies of the entity. Hence, they are included in subsidiaries of the Company. Hanwha International (Shanghai) Co., Ltd., Hanwha Q CELLS Korea, Hanwha Holdings(USA), Inc. and Hanwha Eagles Professional Baseball club are classified as subsidiaries of the Company since the percentage of ownership including the Company's other subsidiaries have exceeds 50%.

² Impairment losses for the entire book value are recognized.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Investments in associates

(in thousands)

	Country	Percentage of ownership (%)	Korean Won	
			December 31, 2014	December 31, 2013
RFtron Co., Ltd.	Korea	29.98	₩ 276,417	₩ 276,417
Shin Young E&P	Korea	20.00	1,500,000	1,500,000
SaltOne Co., Ltd.	Korea	39.00	585,000	585,000
Korea RasLaffan LNG ¹	USA	3.00	1,297,532	1,297,532
Ningbo Zhonghua Jian Hanwha Chemical	China	25.00	551,857	551,857
PT. Nantoy Bara Lestari	Indonesia	45.00	17,421,843	10,650,647
Hulin Yuandongyuanda Biomass Cogeneration Co., Ltd.	China	29.00	1,590,320	1,590,320
Bio Green Technology Sdn Bhd.	Malaysia	36.00	964,710	-
			₩ 24,187,679	₩ 16,451,773

(in thousands)

	Country	Percentage of ownership (%)	US Dollars (Note 3)	
			December 31, 2014	December 31, 2013
RFtron Co., Ltd.	Korea	29.98	\$ 251	\$ 251
Shin Young E&P	Korea	20.00	1,365	1,365
SaltOne Co., Ltd.	Korea	39.00	532	532
Korea RasLaffan LNG ¹	USA	3.00	1,180	1,180
Ningbo Zhonghua Jian Hanwha Chemical	China	25.00	502	502
PT. Nantoy Bara Lestari	Indonesia	45.00	15,850	9,689
Hulin Yuandongyuanda Biomass Cogeneration Co., Ltd.	China	29.00	1,447	1,448
Bio Green Technology Sdn Bhd.	Malaysia	36.00	878	-
			\$ 22,005	\$ 14,967

¹ The Company exercises significant influence and hence applied equity method as the Company has a right to appoint an executive in the associate.

Fair value of marketable investments in subsidiaries as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won			
	2014		2013	
	Book value	Fair value	Book value	Fair value
Hanwha Chemical Co., Ltd.	₩ 972,076,247	₩ 702,642,540	₩ 972,076,247	₩ 1,283,215,82
Hanwha Life Insurance Co., Ltd.	1,091,361,527	1,560,060,240	1,091,361,527	1,428,330,184

(in thousands)

	US Dollars (Note 3)			
	2014		2013	
	Book value	Fair value	Book value	Fair value
Hanwha Chemical Co., Ltd.	\$ 884,349	\$ 639,231	\$ 884,349	\$ 1,167,409
Hanwha Life Insurance Co., Ltd.	992,869	1,419,269	992,869	1,299,427

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

17. Investment Property

Changes in investment properties for the years ended December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won			
	2014			
	Land	Buildings	Structures	Total
Beginning balance	₩ 39,636,039	₩ 4,646,045	₩ 123,456	₩ 44,405,540
Depreciation	-	(225,019)	(25,859)	(250,878)
Disposals	(12,098,502)	-	-	(12,098,502)
Others	678	-	-	678
Ending balance	₩ 27,538,215	₩ 4,421,026	₩ 97,597	₩ 32,056,838
Acquisition cost	₩ 27,538,215	₩ 6,821,697	₩ 429,675	₩ 34,789,587
Accumulated depreciation	-	(2,400,671)	(332,078)	(2,732,749)

(in thousands)

	US Dollars (Note 3)			
	2014			
	Land	Buildings	Structures	Total
Beginning balance	\$ 36,059	\$ 4,227	\$ 112	\$ 40,398
Depreciation	-	(205)	(23)	(228)
Disposals	(11,007)	-	-	(11,007)
Others	1	-	-	1
Ending balance	\$ 25,053	\$ 4,022	\$ 89	\$ 29,164
Acquisition cost	\$ 25,053	\$ 6,206	\$ 391	\$ 31,650
Accumulated depreciation	-	(2,184)	(302)	(2,486)

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

		Korean Won			
		2013			
	Land	Buildings	Structures	Total	
Beginning balance	₩ 41,963,206	₩ 2,012,625	₩ 37,756	₩ 44,013,587	
Depreciation	-	(219,077)	(17,498)	(236,575)	
Disposals	(3,315,198)	-	-	(3,315,198)	
Others	988,031	2,852,497	103,198	3,943,726	
Ending balance	₩ 39,636,039	₩ 4,646,045	₩ 123,456	₩ 44,405,540	
Acquisition cost	₩ 39,636,039	₩ 6,821,697	₩ 429,675	₩ 46,887,411	
Accumulated depreciation	-	(2,175,652)	(306,219)	(2,481,871)	

(in thousands)

		US Dollars (Note 3)			
		2013			
	Land	Buildings	Structures	Total	
Beginning balance	\$ 38,176	\$ 1,831	\$ 34	\$ 40,041	
Depreciation	-	(199)	(16)	(215)	
Disposals	(3,016)	-	-	(3,016)	
Others	899	2,595	94	3,588	
Ending balance	\$ 36,059	\$ 4,227	\$ 112	\$ 40,398	
Acquisition cost	\$ 36,059	\$ 6,206	\$ 391	\$ 42,656	
Accumulated depreciation	-	(1,979)	(279)	(2,258)	

Fair value of land included in investment property as of December 31, 2014, is ₩ 30,119 million (equivalent to US\$ 27,401 thousand) and that as of December 31, 2013, is ₩ 45,062 million (equivalent to US\$ 40,995 thousand). The Company assesses that the difference between fair value and book value of buildings and structures would not have any material impact.

Rent income from investment property for the year ended December 31, 2014, is ₩ 1,206 million (equivalent to US\$ 1,097 thousand) and for the year ended December 31, 2013, is ₩ 1,917 million (equivalent to US\$ 1,744 thousand).

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

18. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won				
	2014				
	Land	Buildings	Structures	Machinery	Vehicles
Beginning balance	₩ 333,291,206	₩ 199,144,070	₩ 65,207,994	₩ 67,055,457	₩ 14,336,925
Acquisitions	4,866	14,455	674,000	-	345,004
Increase due to business combination (Note 43)	22,759,365	30,801,590	2,519,989	26,658,711	517,297
Disposals	(222,393)	(218,057)	(19,966)	(23,321)	(99,520)
Depreciation	-	(8,023,585)	(4,637,093)	(20,339,278)	(2,952,834)
Others	1,078,565	23,914,000	3,468,689	36,711,884	868,843
Ending balance	₩ 356,911,609	₩ 245,632,473	₩ 67,213,613	₩ 110,063,453	₩ 13,015,715
Acquisition cost	₩ 357,689,885	₩ 323,218,671	₩ 136,743,880	₩ 374,865,872	₩ 31,110,087
Accumulated depreciation	-	(77,586,198)	(69,530,267)	(264,801,436)	(18,094,372)
Accumulated impairment losses	-	-	-	-	-
Government grants	(778,276)	-	-	(983)	-

(in thousands)

	Korean Won				
	2014				
	Tools and equipment	Construction in progress	Others	Mining properties in development	Total
Beginning balance	₩ 20,023,915	₩ 70,370,358	₩ 1,943,227	₩ -	₩ 771,373,152
Acquisitions	-	98,980,769	-	-	100,019,094
Increase due to business combination (Note 43)	4,837,217	2,828,201	-	-	90,922,370
Disposals	(4,000)	-	-	-	(587,257)
Depreciation	(8,121,169)	-	-	-	(44,073,959)
Others	8,807,387	(73,691,794)	-	-	1,157,574
Ending balance	₩ 25,543,350	₩ 98,487,534	₩ 1,943,227	₩ -	₩ 918,810,974
Acquisition cost	₩ 107,913,520	₩ 98,487,534	₩ 1,943,227	₩ 12,682,010	₩1,444,654,686
Accumulated depreciation	(82,370,170)	-	-	-	(512,382,443)
Accumulated impairment losses	-	-	-	(12,682,010)	(12,682,010)
Government grants	-	-	-	-	(779,259)

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	US Dollars (Note 3)				
	2014				
	Land	Buildings	Structures	Machinery	Vehicles
Beginning balance	\$ 303,212	\$ 181,172	\$ 59,323	\$ 61,004	\$ 13,043
Acquisitions	4	13	613	-	314
Increase due to business combination (Note 43)	20,705	28,022	2,293	24,253	471
Disposals	(202)	(198)	(18)	(21)	(91)
Depreciation	-	(7,299)	(4,219)	(18,504)	(2,686)
Others	981	21,756	3,156	33,399	790
Ending balance	\$ 324,700	\$ 223,466	\$ 61,148	\$ 100,131	\$ 11,841
Acquisition cost	\$ 325,408	\$ 294,050	\$ 124,403	\$ 341,036	\$ 28,302
Accumulated depreciation	-	(70,584)	(63,255)	(240,903)	(16,461)
Accumulated impairment losses	-	-	-	-	-
Government grants	(708)	-	-	(1)	-

(in thousands)

	US Dollars (Note 3)				
	2014				
	Tools and equipment	Construction in progress	Others	Mining properties in development	Total
Beginning balance	\$ 18,217	\$ 64,019	\$ 1,768	\$ -	\$ 701,758
Acquisitions	-	90,048	-	-	90,992
Increase due to business combination (Note 43)	4,401	2,573	-	-	82,718
Disposals	(4)	-	-	-	(534)
Depreciation	(7,388)	-	-	-	(40,096)
Others	8,012	(67,041)	-	-	1,053
Ending balance	\$ 23,238	\$ 89,599	\$ 1,768	\$ -	\$ 835,891
Acquisition cost	\$ 98,175	\$ 89,599	\$ 1,768	\$ 11,537	\$ 1,314,278
Accumulated depreciation	(74,937)	-	-	-	(466,141)
Accumulated impairment losses	-	-	-	(11,537)	(11,537)
Government grants	-	-	-	-	(709)

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	Korean Won				
	2013				
	Land	Buildings	Structures	Machinery	Vehicles
Beginning balance	₩ 336,804,484	₩ 177,610,405	₩ 58,157,132	₩ 66,038,381	₩ 15,705,354
Acquisitions	20,318	401,654	3,754,049	1,312,896	634,088
Disposals	(3,406,205)	(2,318,244)	(55)	(3,580)	(66,995)
Depreciation	-	(7,289,725)	(4,512,776)	(18,091,225)	(2,875,866)
Impairment loss ¹	-	-	-	-	-
Others	(127,391)	30,739,980	7,809,644	17,798,985	940,344
Ending balance	₩ 333,291,206	₩ 199,144,070	₩ 65,207,994	₩ 67,055,457	₩ 14,336,925
Acquisition cost	₩ 334,069,482	₩ 259,803,968	₩ 128,806,447	₩ 305,425,416	₩ 30,431,025
Accumulated depreciation	-	(60,659,898)	(63,598,453)	(238,368,306)	(16,094,100)
Accumulated impairment losses	-	-	-	-	-
Government grants	(778,276)	-	-	(1,653)	-

(in thousands)

	Korean Won				
	2013				
	Tools and equipment	Construction in progress	Others	Mining properties in development	Total
Beginning balance	₩ 19,217,215	₩ 50,595,375	₩ 6,384,083	₩ 11,814,037	₩ 742,326,466
Acquisitions	1,294,996	97,432,152	2,863,351	519,873	108,233,377
Disposals	(1,955)	-	-	-	(5,797,034)
Depreciation	(6,940,667)	-	-	-	(39,710,259)
Impairment loss ¹	-	-	-	(12,682,010)	(12,682,010)
Others	6,454,326	(77,657,169)	(7,304,207)	348,100	(20,997,388)
Ending balance	₩ 20,023,915	₩ 70,370,358	₩ 1,943,227	₩ -	₩ 771,373,152
Acquisition cost	₩ 86,564,734	₩ 70,370,358	₩ 1,943,227	₩ 12,682,010	₩ 1,230,096,667
Accumulated depreciation	(66,540,819)	-	-	-	(445,261,576)
Accumulated impairment losses	-	-	-	(12,682,010)	(12,682,010)
Government grants	-	-	-	-	(779,929)

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	US Dollars (Note 3)				
	2013				
	Land	Buildings	Structures	Machinery	Vehicles
Beginning balance	\$ 306,409	\$ 161,582	\$ 52,909	\$ 60,079	\$ 14,288
Acquisitions	18	365	3,415	1,194	577
Disposals	(3,099)	(2,109)	-	(3)	(61)
Depreciation	-	(6,632)	(4,106)	(16,459)	(2,616)
Impairment loss ¹	-	-	-	-	-
Others	(116)	27,966	7,105	16,193	855
Ending balance	\$ 303,212	\$ 181,172	\$ 59,323	\$ 61,004	\$ 13,043
Acquisition cost	\$ 303,920	\$ 236,357	\$ 117,182	\$ 277,862	\$ 27,685
Accumulated depreciation	-	(55,185)	(57,859)	(216,856)	(14,642)
Accumulated impairment losses	-	-	-	-	-
Government grants	(708)	-	-	(2)	-

(in thousands)

	US Dollars (Note 3)				
	2013				
	Tools and equipment	Construction in progress	Others	Mining properties in development	Total
Beginning balance	\$ 17,483	\$ 46,029	\$ 5,808	\$ 10,747	\$ 675,334
Acquisitions	1,178	88,639	2,605	473	98,464
Disposals	(2)	-	-	-	(5,274)
Depreciation	(6,314)	-	-	-	(36,127)
Impairment loss ¹	-	-	-	(11,537)	(11,537)
Others	5,872	(70,649)	(6,645)	317	(19,102)
Ending balance	\$ 18,217	\$ 64,019	\$ 1,768	\$ -	\$ 701,758
Acquisition cost	\$ 78,753	\$ 64,019	\$ 1,768	\$ 11,537	\$ 1,119,083
Accumulated depreciation	(60,536)	-	-	-	(405,078)
Accumulated impairment losses	-	-	-	(11,537)	(11,537)
Government grants	-	-	-	-	(710)

¹ The company recognized an impairment loss relating to the asset as a result of withdrawal from the development project of oil blocks in Yemen for the year ended December 31, 2013.

Depreciation expense of ₩ 38,903 million (equivalent to US\$ 35,392 thousand) has been charged to 'Cost of sales', and ₩ 5,171 million (equivalent to US\$ 4,704 thousand) to 'Selling and administrative expenses' for the year ended December 31, 2014. Depreciation expense of ₩ 34,859 million (equivalent to US\$ 31,713 thousand) has been charged to 'Cost of sales', and ₩ 4,851 million (equivalent to US\$ 4,413 thousand) to 'Selling and administrative expenses' for the year ended December 31, 2013.

Certain property, plant and equipment are provided as collateral for borrowings as of December 31, 2014 (Note 40).

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

19. Intangible Assets

Changes in intangible assets for the years ended December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won					
	2014					
	Development costs	Membership rights	Other intangible assets	Development rights	Exploration mining areas	Total
Beginning balance	₩ 28,029,605	₩ 31,631,119	₩ 35,424,380	₩ -	₩ -	₩ 95,085,104
Increase due to business combination (Note 43)	15,386,902	2,405,320	3,387,061	-	-	21,179,283
Acquisitions	7,193,743	1,759	5,664,938	-	-	12,860,440
Disposals	(578,719)	(357,700)	(232,873)	-	-	(1,169,292)
Amortization	(1,551,827)	-	(8,326,042)	-	-	(9,877,869)
Impairment	(7,771,313)	-	(1,407,610)	-	-	(9,178,923)
Other	-	71,547	(1,254,950)	-	-	(1,183,403)
Ending balance	₩ 40,708,391	₩ 33,752,045	₩ 33,254,904	₩ -	₩ -	₩ 107,715,340
Acquisition cost	₩ 87,522,115	₩ 33,752,045	₩ 56,992,835	₩ 3,927,104	₩ 9,856,870	₩ 192,050,969
Accumulated amortization ²	(46,672,339)	-	(23,737,931)	(3,927,104)	(9,856,870)	(84,194,244)
Government grants	(141,385)	-	-	-	-	(141,385)

(in thousands)

	US Dollars (Note 3)					
	2014					
	Development costs	Membership rights	Other intangible assets	Development rights	Exploration mining areas	Total
Beginning balance	\$ 25,500	\$ 28,776	\$ 32,228	\$ -	\$ -	\$ 86,504
Increase due to business combination (Note 43)	13,998	2,188	3,081	-	-	19,267
Acquisitions	6,545	2	5,154	-	-	11,701
Disposals	(526)	(325)	(212)	-	-	(1,063)
Amortization	(1,412)	-	(7,575)	-	-	(8,987)
Impairment	(7,070)	-	(1,281)	-	-	(8,351)
Other	-	65	(1,142)	-	-	(1,077)
Ending balance	\$ 37,035	\$ 30,706	\$ 30,253	\$ -	\$ -	\$ 97,994
Acquisition cost	\$ 79,623	\$ 30,706	\$ 51,849	\$ 3,573	\$ 8,967	\$ 174,718
Accumulated amortization ²	(42,460)	-	(21,596)	(3,573)	(8,967)	(76,596)
Government grants	(128)	-	-	-	-	(128)

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

Korean Won

2013

	Development costs	Membership rights	Other intangible assets	Development rights	Exploration mining areas	Total
Beginning balance	₩ 34,256,244	₩ 32,277,673	₩ 11,866,637	₩ 4,389,339	₩ 8,823,424	₩ 91,613,317
Acquisitions	2,976,550	80,000	11,083,646	-	919,309	15,059,505
Disposals	-	(900,288)	-	-	-	(900,288)
Amortization	(3,451,453)	-	(3,922,336)	-	-	(7,373,789)
Impairment loss ¹	(5,479,825)	-	-	(3,927,104)	(9,856,870)	(19,263,799)
Other	(271,911)	173,734	16,396,433	(462,235)	114,137	15,950,158
Ending balance	₩ 28,029,605	₩ 31,631,119	₩ 35,424,380	₩ -	₩ -	₩ 95,085,104
Acquisition cost	₩ 53,114,182	₩ 31,631,119	₩ 48,713,883	₩ 3,927,104	₩ 9,856,870	₩ 147,243,158
Accumulated amortization ²	(24,037,288)	-	(13,289,503)	(3,927,104)	(9,856,870)	(51,110,765)
Government grants	(1,047,289)	-	-	-	-	(1,047,289)

(in thousands)

US Dollars (Note 3)

2013

	Development costs	Membership rights	Other intangible assets	Development rights	Exploration mining areas	Total
Beginning balance	\$ 31,164	\$ 29,365	\$ 10,796	\$ 3,993	\$ 8,027	\$ 83,345
Acquisitions	2,708	73	10,083	-	836	13,700
Disposals	-	(819)	-	-	-	(819)
Amortization	(3,140)	-	(3,568)	-	-	(6,708)
Impairment loss ¹	(4,985)	-	-	(3,573)	(8,967)	(17,525)
Other	(247)	157	14,917	(420)	104	14,511
Ending balance	\$ 25,500	\$ 28,776	\$ 32,228	\$ -	\$ -	\$ 86,504
Acquisition cost	\$ 48,321	\$ 28,776	\$ 44,318	\$ 3,573	\$ 8,967	\$ 133,955
Accumulated amortization ²	(21,868)	-	(12,090)	(3,573)	(8,967)	(46,498)
Government grants	(953)	-	-	-	-	(953)

¹ The Company recognized an impairment loss relating to the asset which amounts to ₩ 13,784 million (equivalent to US\$12,540 thousand) as a result of withdrawal from the development project of oil blocks in Yemen for the year ended December 31, 2013.

² Accumulated impairment losses are included.

Amortization of ₩ 2,951 million (equivalent to US\$ 2,685 thousand) for the year ended December 31, 2014, and ₩ 5,079 million (equivalent to US\$ 4,621 thousand) for the year ended December 31, 2013, are included in the 'Cost of sales', while ₩ 6,927 million (equivalent to US\$ 6,302 thousand) for the year ended December 31, 2014, and ₩ 2,295 million (equivalent to US\$ 2,088 thousand) for the year ended December 31, 2013, are included in the 'Selling and administrative expenses' in the statement of comprehensive income.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Details of intangible assets with indefinite useful life as of December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Golf membership	₩ 31,596,115	₩ 29,342,335	\$ 28,745	\$ 26,694
Sports membership	2,155,930	2,115,050	1,961	1,924
	₩ 33,752,045	₩ 31,457,385	\$ 30,706	\$ 28,618

Research and development costs for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Cost of goods	₩ 12,992,507	₩ 23,054,758	\$ 11,820	\$ 20,974
Selling and administration costs	14,381,833	5,389,836	13,084	4,903
	₩ 27,374,340	₩ 28,444,594	\$ 24,904	\$ 25,877

20. Government Grants

The Company joined national projects, such as "Simulation Development on the Firework, Display", and received government grants amounting to ₩ 3,309 million (equivalent to US\$ 3,010 thousand) during this year. The Company accounted for the non-repayable grant as a deduction from other financial assets, intangible assets, property, plant and equipment amounting to ₩ 248 million (equivalent to US\$ 226 thousand), ₩ 141 million (equivalent to US\$ 128 thousand) and ₩ 779 million (equivalent to US\$ 709 thousand), respectively, except for the repayable grant amounting to ₩ 5,154 million (equivalent to US\$ 4,689 thousand) in case of successful completion.

21. Trade and Other Payables

Trade and other payables as of December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won			
	2014		2013	
	Current	Non-current	Current	Non-current
Trade payables	₩ 820,462,338	₩ -	₩ 869,608,248	₩ -
Other payables	107,601,285	14,048,473	85,352,414	12,948,963
	₩ 928,063,623	₩ 14,048,473	₩ 954,960,662	₩ 12,948,963

<i>(in thousands)</i>	US Dollars (Note 3)			
	2014		2013	
	Current	Non-current	Current	Non-current
Trade payables	\$ 746,418	\$ -	\$ 791,128	\$ -
Other payables	97,890	12,781	77,650	11,780
	\$ 844,308	\$ 12,781	\$ 868,778	\$ 11,780

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

22. Borrowings and Debentures

Borrowings as of December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won	
	2014	2013
Current		
Bank borrowings	₩ 518,824,885	₩ 439,951,164
Short-term borrowings	386,064,064	437,783,209
Current portion of long-term borrowings	132,760,821	2,167,955
Debentures	300,000,000	690,000,000
Less : Discount on debentures	(325,321)	(591,963)
	<u>818,499,564</u>	<u>1,129,359,201</u>
Non-current		
Bank borrowings	354,255,450	223,874,466
Debentures	850,000,000	650,000,000
Less : Discount on debentures	(2,346,675)	(1,982,288)
	<u>1,201,908,775</u>	<u>871,892,178</u>
	<u>₩ 2,020,408,339</u>	<u>₩ 2,001,251,379</u>
 <i>(in thousands)</i>		
	US Dollars (Note 3)	
	2014	2013
Current		
Bank borrowings	\$ 472,002	\$ 400,247
Short-term borrowings	351,223	398,274
Current portion of long-term borrowings	120,779	1,973
Debentures	272,926	627,729
Less : Discount on debentures	(296)	(539)
	<u>744,632</u>	<u>1,027,437</u>
Non-current		
Bank borrowings	322,285	203,670
Debentures	773,290	591,339
Less : Discount on debentures	(2,135)	(1,803)
	<u>1,093,440</u>	<u>793,206</u>
	<u>\$ 1,838,072</u>	<u>\$ 1,820,643</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Details of short-term bank borrowings as of December 31, 2014 and 2013, are as follows:

(in thousands)

			Korean Won	
	Creditor	Annual interest rate (%)	2014	2013
Collateralized borrowings ¹	Woori Bank and others	0.70 ~ 3.66	₩ 102,363,023	₩ 116,496,675
Usance	Woori Bank and others	0.41 ~ 1.23	26,701,041	34,286,534
General borrowings	Korea Development Bank and others	3.05 ~ 3.98	257,000,000	287,000,000
			₩ 386,064,064	₩ 437,783,209

(in thousands)

			US Dollars (Note 3)	
	Creditor	Annual interest rate (%)	2014	2013
Collateralized borrowings ¹	Woori Bank and others	0.7 ~ 3.66	\$ 93,125	\$ 105,983
Usance	Woori Bank and others	0.41 ~ 1.23	24,291	31,192
General borrowings	Korea Development Bank and others	3.05 ~ 3.98	233,807	261,099
			\$ 351,223	\$ 398,274

¹ The Company transferred trade receivables to banks and collected cash. This transaction is accounted for as a collateralized borrowing.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Details of long-term bank borrowings as of December 31, 2014 and 2013, are as follows:

(in thousands)

Detail	Creditor	Annual interest Rate (%)	Korean Won	
			2014	2013
Loan for industrial facilities	Korea Development Bank and others	1.75 ~ 4.08	₩ 106,700,000	₩ 40,500,000
Defence industry loans		1.00 ~ 2.00	8,627,231	7,279,381
Fund for development of overseas mineral resources	Korea Resources Corporation	0.75	3,261,040	3,585,040
Fund for development of overseas forest	National Forestry Cooperative Federation	1.50	8,428,000	4,678,000
General loan (long-term)	Korea Development Bank	3.97	50,000,000	50,000,000
General loan (long-term)	Hana Bank	3.61 ~ 3.67	90,000,000	90,000,000
General loan (long-term)	Shinhan Bank	3.93	30,000,000	30,000,000
General loan (long-term)	Woori Bank	3.98	100,000,000	-
General loan (long-term)	National Agricultural Cooperation Federation	3.50	40,000,000	-
General loan (long-term)	Kookmin Bank	3.52	50,000,000	-
			487,016,271	226,042,421
	Less: Current		(132,760,821)	(2,167,955)
			₩ 354,255,450	₩ 223,874,466

(in thousands)

Detail	Creditor	Annual interest Rate (%)	US Dollars (Note 3)	
			2014	2013
Loan for industrial facilities	Korea Development Bank and others	1.75 ~ 4.08	\$ 97,071	\$ 36,845
Defence industry loans		1.00 ~ 2.00	7,849	6,622
Fund for development of overseas mineral resources	Korea Resources Corporation	0.75	2,966	3,261
Fund for development of overseas forest	National Forestry Cooperative Federation	1.50	7,666	4,256
General loan (long-term)	Korea Development Bank	3.97	45,488	45,488
General loan (long-term)	Hana Bank	3.61 ~ 3.67	81,878	81,878
General loan (long-term)	Shinhan Bank	3.93	27,293	27,293
General loan (long-term)	Woori Bank	3.98	90,975	-
General loan (long-term)	National Agricultural Cooperation Federation	3.50	36,390	-
General loan (long-term)	Kookmin Bank	3.52	45,488	-
			443,064	205,643
	Less: Current		(120,779)	(1,973)
			\$ 322,285	\$ 203,670

The Company provides property, plant and equipment and others as collateral regarding the above short and long-term borrowings (Note 40).

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Details of debentures as of December 31, 2014 and 2013, are as follows:

(in thousands)

Creditor	Latest maturity date	Annual interest rate (%)	Korean Won	
			2014	2013
199 th Public subscription bond	2014.02.21	-	₩ -	₩ 110,000,000
200 th Public subscription bond	2014.06.21	-	-	200,000,000
201 st Public subscription bond	2014.09.29	-	-	200,000,000
202 nd Public subscription bond	2014.11.17	-	-	180,000,000
203 rd Public subscription bond	2015.07.25	3.45	150,000,000	150,000,000
204 th Public subscription bond	2015.12.12	3.47	150,000,000	150,000,000
205 th Public subscription bond	2016.05.03	3.07	200,000,000	200,000,000
206 th Public subscription bond	2016.10.25	3.79	150,000,000	150,000,000
207 th Private subscription bond	2017.04.17	4.15	50,000,000	-
208 th Public subscription bond	2017.08.29	3.71	200,000,000	-
209 th Private subscription bond	2017.10.01	3.33	150,000,000	-
210 th Public subscription bond	2017.11.13	3.33	100,000,000	-
			1,150,000,000	1,340,000,000
Less: present value discounts			(2,671,996)	(2,574,251)
Less: current portion (including discount on bonds)			(299,674,679)	(689,408,037)
			<u>₩ 847,653,325</u>	<u>₩ 648,017,712</u>

(in thousands)

Creditor	Latest maturity date	Annual interest rate (%)	US Dollars (Note 3)	
			2014	2013
199 th Public subscription bond	2014.02.21	-	\$ -	\$ 100,072
200 th Public subscription bond	2014.06.21	-	-	181,950
201 st Public subscription bond	2014.09.29	-	-	181,951
202 nd Public subscription bond	2014.11.17	-	-	163,755
203 rd Public subscription bond	2015.07.25	3.45	136,463	136,463
204 th Public subscription bond	2015.12.12	3.47	136,463	136,463
205 th Public subscription bond	2016.05.03	3.07	181,951	181,951
206 th Public subscription bond	2016.10.25	3.79	136,463	136,463
207 th Private subscription bond	2017.04.17	4.15	45,488	-
208 th Public subscription bond	2017.08.29	3.71	181,951	-
209 th Private subscription bond	2017.10.01	3.33	136,463	-
210 th Public subscription bond	2017.11.13	3.33	90,974	-
			1,046,216	1,219,068
Less: present value discounts			(2,431)	(2,342)
Less: current portion (including discount on bonds)			(272,630)	(627,190)
			<u>\$ 771,155</u>	<u>\$ 589,536</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Book value and fair value of non-current borrowings as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won			
	2014		2013	
	Book value	Fair value	Book value	Fair value
Bank borrowings	₩ 354,255,450	₩ 336,148,183	₩ 223,874,466	₩ 215,253,307
Debentures	847,653,325	897,069,753	648,017,712	676,574,638
	<u>₩ 1,201,908,775</u>	<u>₩1,233,217,936</u>	<u>₩ 871,892,178</u>	<u>₩ 891,827,945</u>

(in thousands)

	US Dollars (Note 3)			
	2014		2013	
	Book value	Fair value	Book value	Fair value
Bank borrowings	\$ 322,285	\$ 305,812	\$ 203,670	\$ 195,827
Debentures	771,155	816,111	589,536	615,516
	<u>\$ 1,093,440</u>	<u>\$ 1,121,923</u>	<u>\$ 793,206</u>	<u>\$ 811,343</u>

The fair value of current borrowings is the same as the book value as the effect of the discount is not significant. Fair value is calculated from cash flows discounted by borrowing rate of interest of 3.46% (2013: 3.95%).

23. Other Financial Liabilities

Details of other financial liabilities as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won			
	2014		2013	
	Current	Non-current	Current	Non-current
Derivatives financial instruments	₩ 12,987,090	₩ -	₩ 1,931,035	₩ -
Deposits received	142,000	146,113	48,000	66,140
Accrued expenses	37,209,726	-	36,854,941	-
Other	113,812	3,337,026	102,919	3,446,120
	<u>₩ 50,452,628</u>	<u>₩ 3,483,139</u>	<u>₩ 38,936,895</u>	<u>₩ 3,512,260</u>

(in thousands)

	US Dollars (Note 3)			
	2014		2013	
	Current	Non-current	Current	Non-current
Derivatives financial instruments	\$ 11,815	\$ -	\$ 1,757	\$ -
Deposits received	129	133	44	60
Accrued expenses	33,852	-	33,529	-
Other	103	3,036	93	3,135
	<u>\$ 45,899</u>	<u>\$ 3,169</u>	<u>\$ 35,423</u>	<u>\$ 3,195</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

24. Other Liabilities

Details of other liabilities as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won		
	2014		2013
	Current	Non-current	Current
Advanced receivables	₩ 193,439,802	₩ 5,764	₩ 124,845,285
Unearned revenues	1,157,622	-	-
Withholdings	13,508,212	-	12,623,383
Overbilled amount	99,680,517	-	39,748,342
	<u>₩ 307,786,153</u>	<u>₩ 5,764</u>	<u>₩ 177,217,010</u>

(in thousands)

	US Dollars (Note 3)		
	2014		2013
	Current	Non-current	Current
Advanced receivables	\$ 175,982	\$ 5	\$ 113,578
Unearned revenues	1,053	-	-
Withholdings	12,289	-	11,484
Overbilled amount	90,685	-	36,162
	<u>\$ 280,009</u>	<u>\$ 5</u>	<u>\$ 161,224</u>

25. Defined Benefit Liabilities

Details of net defined benefit liabilities recognized in the statements of financial position as of December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won	
	2014	2013
	Present value of funded defined benefit obligations	₩ 250,101,567
Fair value of plan assets	<u>(13,841,294)</u>	<u>(13,886,028)</u>
	<u>₩ 236,260,273</u>	<u>₩ 172,739,652</u>

(in thousands)

	US Dollars (Note 3)	
	2014	2013
	Present value of funded defined benefit obligations	\$ 227,530
Fair value of plan assets	<u>(12,592)</u>	<u>(12,633)</u>
	<u>\$ 214,938</u>	<u>\$ 157,150</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Changes in the defined benefit obligations for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Beginning balance	₩ 186,625,680	₩ 181,755,059	\$ 169,783	\$ 165,352
Current service cost	19,099,307	21,190,900	17,376	19,278
Interest expense	10,188,169	8,641,101	9,269	7,861
Benefits payments	(27,965,871)	(14,985,318)	(25,442)	(13,633)
Remeasurements	25,196,372	(10,543,746)	22,922	(9,592)
Others	(625,316)	567,684	(569)	517
Increase due to business combination (Note 43)	37,583,226	-	34,191	-
Ending balance	₩ 250,101,567	₩ 186,625,680	\$ 227,530	\$ 169,783

Changes in the fair value of plan assets for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Beginning balance	₩ 13,886,028	₩ 15,048,057	\$ 12,633	\$ 13,690
Interest income	731,746	672,511	666	612
Remeasurements	(374,424)	(270,966)	(341)	(247)
Benefits payments	(1,289,462)	(1,563,574)	(1,173)	(1,422)
Increase due to business combination (Note 43)	887,406	-	807	-
Ending balance	₩ 13,841,294	₩ 13,886,028	\$ 12,592	\$ 12,633

The amounts recognized on the statements of income for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Current service cost	₩ 19,099,307	₩ 21,190,900	\$ 17,376	\$ 19,279
Interest expense	10,188,169	8,641,101	9,269	7,861
Interest income	(731,746)	(672,511)	(666)	(612)
Expense included in employee benefit	₩ 28,555,730	₩ 29,159,490	\$ 25,979	\$ 26,528

Out of total expenses, ₩ 22,419 million (equivalent to US\$ 20,396 thousand) and ₩ 20,061 million (equivalent to US\$ 18,251 thousand) are included in 'Cost of goods sold' for the years ended December 31, 2014 and 2013 respectively. In addition, ₩ 6,137 million (equivalent to US\$ 5,583 thousand) and ₩ 9,098 million (equivalent to US\$ 8,277 thousand) are included in 'Selling and administrative expenses' for the years ended December 31, 2014 and 2013, respectively.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

The principal actuarial assumptions as of December 31, 2014 and 2013, are as follows:

	<u>2014</u>	<u>2013</u>
Discount rate	2.75% ~ 4.61%	4.06% ~ 5.55%
Salary growth rate	4.81% ~ 6.09%	4.83% ~ 6.13%

The sensitivity of the defined benefit obligations as of December 31, 2014, to changes in the weighted principal assumptions is:

	<u>Effect on defined benefit obligation</u>		
	<u>Changes in principal assumption</u>	<u>Increase in principal assumption</u>	<u>Decrease in principal assumption</u>
Discount rate	1%	9.6% decrease	11.4% increase
Salary growth rate	1%	11.5% increase	9.8% decrease

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Plan asset as of December 31, 2014 and 2013, consists of:

(in thousands)

	<u>Korean Won</u>			
	<u>2014</u>		<u>2013</u>	
	<u>Amount</u>	<u>Composition</u>	<u>Amount</u>	<u>Composition</u>
Principal guaranteed financial instruments	₩ 12,918,821	93.34%	₩ 12,977,213	93.46%
Transferred to national pension fund	922,473	6.66%	908,815	6.54%
Total	<u>₩ 13,841,294</u>	<u>100.00%</u>	<u>₩ 13,886,028</u>	<u>100.00%</u>

(in thousands)

	<u>US Dollars (Note 3)</u>			
	<u>2014</u>		<u>2013</u>	
	<u>Amount</u>	<u>Composition</u>	<u>Amount</u>	<u>Composition</u>
Principal guaranteed financial instruments	\$ 11,753	93.34%	\$ 11,806	93.46%
Transferred to national pension fund	839	6.66%	827	6.54%
Total	<u>\$ 12,592</u>	<u>100.00%</u>	<u>\$ 12,633</u>	<u>100.00%</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

26. Provisions

Changes in the provisions for other liabilities and charges for the years ended December 31, 2014 and 2013, are as follows:

(in thousands)

	2014					
	Korean Won					
	Provision for product warranties ¹	Provision for long-term performance incentive ²	Provision for construction warranties	Provision for construction losses	Others ³	Total
Beginning balance	₩ 4,133,055	₩ 6,560,000	₩ -	₩ -	₩ -	₩ 10,693,055
Increase due to business combination (Note 43)	1,424,452	-	381,637	-	-	1,806,089
Increase	380,798	-	-	5,183,335	51,690,000	57,254,133
Used during year	(398,692)	(6,220,104)	-	-	-	(6,618,796)
Reversal	-	(339,896)	(91,039)	-	-	(430,935)
Ending balance	₩ 5,539,613	₩ -	₩ 290,598	₩ 5,183,335	₩ 51,690,000	₩ 62,703,546
Current	₩ -	₩ -	₩ -	₩ -	₩ 51,690,000	₩ 51,690,000
Non-current	5,539,613	-	290,598	5,183,335	-	11,013,546

(in thousands)

	2014					
	US Dollars (Note 3)					
	Provision for product warranties ¹	Provision for long-term performance incentive ²	Provision for construction warranties	Provision for construction losses	Others ³	Total
Beginning balance	\$ 3,760	\$ 5,968	\$ -	\$ -	\$ -	\$ 9,728
Increase due to business combination (Note 43)	1,296	-	347	-	-	1,643
Increase	346	-	-	4,716	47,025	52,087
Used during year	(362)	(5,659)	-	-	-	(6,021)
Reversal	-	(309)	(83)	-	-	(392)
Ending balance	\$ 5,040	\$ -	\$ 264	\$ 4,716	\$ 47,025	\$ 57,045
Current	\$ -	\$ -	\$ -	\$ -	\$ 47,025	\$ 47,025
Non-current	5,040	-	264	4,716	-	10,020

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	2013					
	Korean Won			US Dollars (Note 3)		
	Provision for product warranties ¹	Provision for long-term performance incentive ²	Total	Provision for product warranties ¹	Provision for long-term performance incentive ²	Total
Beginning balance	₩ 4,133,055	₩ 5,826,760	₩ 9,959,815	\$ 3,760	\$ 5,301	\$ 9,061
Increase	-	733,240	733,240	-	667	667
Ending balance	₩ 4,133,055	₩ 6,560,000	₩ 10,693,055	\$ 3,760	\$ 5,968	\$ 9,728
Current	₩ -	₩ 6,560,000	₩ 6,560,000	\$ -	\$ 5,968	\$ 5,968
Non-current	4,133,055	-	4,133,055	3,760	-	3,760

¹ The Company sets up the provisions for the estimated cost due to quality warranties, refunds, defect repairs and all related services for the products.

² Provision for long-term performance incentive represents incentives to the executives based on the financial performance and all amounts were paid during the year ended December 31, 2014.

³ The Company recognized the penalty of ₩51.7 billion (equivalent to US \$ 47 million), which is expected to be charged by the Fair Trade Commission in relation to price-fixing, as provisions for the year ended December 31, 2014.

27. Tax Expense and Deferred Income Tax

Income tax expense for the years ended December 31, 2014 and 2013, consists of:

(in thousands)

	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Current tax				
Current tax on profits for the year	₩ 39,450,921	₩ 21,822,415	\$ 35,891	\$ 19,853
Adjustments in respect of prior years	(17,823,530)	3,289,029	(16,215)	2,992
Total current tax	21,627,391	25,111,444	19,676	22,845
Deferred tax				
Origination and reversal of temporary differences	14,934,923	(26,437,254)	13,587	(24,051)
Total deferred tax	14,934,923	(26,437,254)	13,587	(24,051)
Income tax expense(profit)	₩ 36,562,314	₩ (1,325,810)	\$ 33,263	\$ (1,206)

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the entities as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Profit before tax	₩ 131,943,512	₩ 52,484,344	\$ 120,036	\$ 47,748
Tax calculated at domestic tax rates applicable to profits in the respective countries	31,468,330	12,239,211	28,628	11,135
Tax effects of:				
Income not subject to tax	(25,010,991)	(2,642,881)	(22,754)	(2,404)
Expenses not deductible for tax purposes	18,611,735	3,884,817	16,932	3,534
Tax credit and tax reduction	(6,932,649)	(17,820,197)	(6,307)	(16,212)
Adjustment in respect of prior years	18,425,889	3,013,240	16,764	2,741
Income tax expense(profit)	₩ 36,562,314	₩ (1,325,810)	\$ 33,263	\$ (1,206)
Valid tax rate	27.71%	-	27.71%	-

Income tax expense has occurred during this year due to the increase of taxable profit or loss and the decrease of tax credit and tax reduction.

The income tax charged or credited directly to equity for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won			US Dollars (Note 3)		
	December 31, 2014			December 31, 2014		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain(loss) on valuation of available-for-sale financial securities	₩ 23,839	₩ (5,769)	₩ 18,070	\$ 22	\$ (5)	\$ 17
Remeasurements	(25,570,796)	6,184,609	(19,386,187)	(23,263)	5,626	(17,637)
Other capital surplus	-	(1,519,349)	(1,519,349)	-	(1,382)	(1,382)
	₩ (25,546,957)	₩ 4,659,491	₩(20,887,466)	\$ (23,241)	\$ 4,239	\$ (19,002)

<i>(in thousands)</i>	Korean Won			US Dollars (Note 3)		
	December 31, 2013			December 31, 2013		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain(loss) on valuation of available-for-sale financial securities	₩ (241,268)	₩ 58,387	₩ (182,881)	\$ (219)	\$ 53	\$ (166)
Remeasurements	10,272,780	(2,486,013)	7,786,767	9,346	(2,262)	7,084
	₩ 10,031,512	₩ (2,427,626)	₩ 7,603,886	\$ 9,127	\$ (2,209)	\$ 6,918

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

The analysis of deferred tax assets and liabilities as of December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	₩ 107,577,679	₩ 69,574,330	\$ 97,869	\$ 63,295
Deferred tax asset to be recovered within 12 months	28,722,875	43,321,631	26,131	39,412
	<u>136,300,554</u>	<u>112,895,961</u>	<u>124,000</u>	<u>102,707</u>
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months	(388,137,566)	(357,558,149)	(353,109)	(325,289)
Deferred tax liability to be recovered within 12 months	(531,151)	(5,767,849)	(484)	(5,247)
	<u>(388,668,717)</u>	<u>(363,325,998)</u>	<u>(353,593)</u>	<u>(330,536)</u>
Deferred tax assets(liabilities), net	<u>₩ (252,368,163)</u>	<u>₩ (250,430,037)</u>	<u>\$ (229,593)</u>	<u>\$ (227,829)</u>

Changes in deferred income tax account for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Beginning balance	₩ (250,430,037)	₩ (274,439,665)	\$ (227,829)	\$ (249,672)
Deferred income tax charged to Income statement	(14,934,923)	26,437,254	(13,588)	24,052
Tax charged or credited directly to equity	4,659,491	(2,427,626)	4,239	(2,209)
Changes due to business combination(Note 43)	8,337,306	-	7,585	-
Ending balance	<u>₩ (252,368,163)</u>	<u>₩ (250,430,037)</u>	<u>\$ (229,593)</u>	<u>\$ (227,829)</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Changes in deferred income tax assets and liabilities for the years ended December 31, 2014 and 2013, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(in thousands)

	2014				
	Korean Won				
	Beginning	Business combination	Income statement	Equity	Ending
Deferred tax assets					
Gain on real-estate	₩ 2,812,346	₩ -	₩ (897,185)	₩ -	₩ 1,915,161
Provision for performance incentive	4,435,925	-	(2,760,271)	-	1,675,654
Provision for impaired receivables	21,124,327	-	1,097,895	-	22,222,222
Remeasurements	7,020,527	-	-	6,184,609	13,205,136
Indemnity receivables	2,556,308	-	-	-	2,556,308
Government grants	1,742,738	486,062	(706,337)	-	1,522,463
Defined benefit obligation	35,966,569	8,056,979	611,710	-	44,635,258
Others	37,237,221	1,835,887	9,501,013	(5,769)	48,568,352
	<u>₩ 112,895,961</u>	<u>₩ 10,378,928</u>	<u>₩ 6,846,825</u>	<u>₩ 6,178,840</u>	<u>₩ 136,300,554</u>
Deferred tax liabilities					
Interest on construction borrowings	₩ (4,905,068)	₩ (28,897)	₩ 2,405,310	₩ -	₩ (2,528,655)
Investment in subsidiaries and associates	(189,823,404)	-	(33,285,932)	-	(223,109,336)
Revaluation surplus	(50,696,898)	3,449,677	2,427,967	-	(44,819,254)
Gain on business spin-off	(39,052,100)	-	853,968	-	(38,198,132)
Other capital surplus	(34,333,183)	-	-	(1,519,349)	(35,852,532)
Reserve for research and human resource development	(12,100,000)	(5,162,667)	4,693,527	-	(12,569,140)
Others	(32,415,345)	(299,735)	1,123,412	-	(31,591,668)
	<u>₩(363,325,998)</u>	<u>₩ (2,041,622)</u>	<u>₩ (21,781,748)</u>	<u>₩ (1,519,349)</u>	<u>₩(388,668,717)</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	2014				
	US Dollars (Note 3)				
	Beginning	Business combination	Income statement	Equity	Ending
Deferred tax assets					
Gain on real-estate	\$ 2,559	\$ -	\$ (816)	\$ -	\$ 1,743
Provision for performance incentive	4,036	-	(2,511)	-	1,525
Provision for impaired receivables	19,218	-	999	-	20,217
Remeasurements	6,387	-	-	5,626	12,013
Indemnity receivables	2,326	-	-	-	2,326
Government grants	1,585	442	(643)	-	1,384
Defined benefit obligation	32,721	7,330	557	-	40,608
Others	33,875	1,670	8,644	(5)	44,184
	<u>\$ 102,707</u>	<u>\$ 9,442</u>	<u>\$ 6,230</u>	<u>\$ 5,621</u>	<u>\$ 124,000</u>
Deferred tax liabilities					
Interest on construction borrowings	\$ (4,462)	\$ (26)	\$ 2,188	\$ -	\$ (2,300)
Investment in subsidiaries and associates	(172,692)	-	(30,282)	-	(202,974)
Revaluation surplus	(46,122)	3,138	2,209	-	(40,775)
Gain on business spin-off	(35,528)	-	777	-	(34,751)
Other capital surplus	(31,235)	-	-	(1,382)	(32,617)
Reserve for research and human resource development	(11,008)	(4,697)	4,270	-	(11,435)
Others	(29,490)	(273)	1,022	-	(28,741)
	<u>\$ (330,537)</u>	<u>\$ (1,858)</u>	<u>\$ (19,816)</u>	<u>\$ (1,382)</u>	<u>\$ (353,593)</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	2013			
	Korean Won			
	January 1, 2013	Income statement	Equity	December 31, 2013
Deferred tax assets				
Gain on real-estate	₩ 1,764,987	₩ 1,047,359	₩ -	₩ 2,812,346
Provision for performance incentive	4,429,698	6,227	-	4,435,925
Provision for impaired receivables	18,955,242	2,169,085	-	21,124,327
Remeasurements	9,506,540	-	(2,486,013)	7,020,527
Indemnity receivables	2,556,308	-	-	2,556,308
Government grants	1,977,742	(235,004)	-	1,742,738
Defined benefit obligation	32,174,705	3,791,864	-	35,966,569
Others	23,477,161	13,701,673	58,387	37,237,221
	<u>₩ 94,842,383</u>	<u>₩ 20,481,204</u>	<u>₩ (2,427,626)</u>	<u>₩ 112,895,961</u>
Deferred tax liabilities				
Interest on construction borrowings	₩ (4,524,573)	₩ (380,495)	₩ -	₩ (4,905,068)
Investment in subsidiaries and associates	(189,823,404)	-	-	(189,823,404)
Revaluation surplus	(51,477,764)	780,866	-	(50,696,898)
Gain on business spin-off	(39,052,100)	-	-	(39,052,100)
Other capital surplus	(34,333,183)	-	-	(34,333,183)
Reserve for research and human resource development	(16,940,000)	4,840,000	-	(12,100,000)
Others	(33,131,024)	715,679	-	(32,415,345)
	<u>₩ (369,282,048)</u>	<u>₩ 5,956,050</u>	<u>₩ -</u>	<u>₩ (363,325,998)</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	2013			
	US Dollars (Note 3)			
	January 1, 2013	Income statement	Equity	December 31, 2013
Deferred tax assets				
Gain on real-estate	\$ 1,606	\$ 953	\$ -	\$ 2,559
Provision for performance incentive	4,030	6	-	4,036
Provision for impaired receivables	17,245	1,973	-	19,218
Remeasurements	8,649	-	(2,262)	6,387
Indemnity receivables	2,326	-	-	2,326
Government grants	1,799	(214)	-	1,585
Defined benefit obligation	29,271	3,450	-	32,721
Others	21,357	12,465	53	33,875
	<u>\$ 86,283</u>	<u>\$ 18,633</u>	<u>\$ (2,209)</u>	<u>\$ 102,707</u>
Deferred tax liabilities				
Interest on construction borrowings	\$ (4,116)	\$ (346)	\$ -	\$ (4,462)
Investment in subsidiaries and associates	(172,692)	-	-	(172,692)
Revaluation surplus	(46,832)	710	-	(46,122)
Gain on business spin-off	(35,528)	-	-	(35,528)
Other capital surplus	(31,235)	-	-	(31,235)
Reserve for research and human resource development	(15,411)	4,403	-	(11,008)
Others	(30,141)	652	-	(29,489)
	<u>\$ (335,955)</u>	<u>\$ 5,419</u>	<u>\$ -</u>	<u>\$ (330,536)</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

28. Capital stock and Share premium (Capital Surplus)

The Company's number of authorized shares is 200,000,000 shares. Total number of common stocks issued is 75,438,029 shares (2013: 75,438,029), and the par value per share is ₩ 5,000 (equivalent to US\$ 4.5). The preferred stock of 479,294 shares, which is non-cumulative, is eligible to receive cash dividends, if declared, equal to that declared for common shares plus an additional 1%. There is no change in paid-in capital in 2014 and 2013. Capital stock and share premium (capital surplus) as of December 31, 2014, are as follows:

<i>(in thousands)</i>	Korean Won				
	Number of stocks	Common stocks	Preferred stocks	Share premium	Total paid-in capital
Capital stock and capital surplus	75,438,029	₩ 374,793,675	₩ 2,396,470	₩ 79,567,630	₩ 456,757,775

<i>(in thousands)</i>	US Dollars (Note 3)				
	Number of stocks	Common stocks	Preferred stocks	Share premium	Total paid-in capital
Capital stock and capital surplus	75,438,029	\$ 340,970	\$ 2,180	\$ 72,387	\$ 415,537

29. Capital Adjustment

The capital adjustment represents treasury stock. The number of shares and amount of treasury stock as of December 31, 2014 and 2013, are 5,880,000 shares and ₩ 20,751,089 thousand (equivalent to US\$ 18,878 thousand), respectively. Treasury stocks do not have voting rights under the commercial law.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

30. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as of December 31, 2014 and 2013, consists of the following:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Loss on valuation of available-for-sale financial assets	₩ (669,239)	₩ (687,309)	\$ (609)	\$ (625)

Changes in accumulated other comprehensive income for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	2014		
	Korean Won		
	Beginning balance	Increase (Decrease)	Ending balance
Loss on valuation of available-for-sale financial assets	₩ (687,309)	₩ 18,070	₩ (669,239)

<i>(in thousands)</i>	2014		
	US Dollars (Note 3)		
	Beginning balance	Increase (Decrease)	Ending balance
Loss on valuation of available-for-sale financial assets	\$ (626)	\$ 17	\$ (609)

<i>(in thousands)</i>	2013		
	Korean Won		
	Beginning balance	Increase (Decrease)	Ending balance
Loss on valuation of available-for-sale financial assets	₩ (504,428)	₩ (182,881)	₩ (687,309)

<i>(in thousands)</i>	2013		
	US Dollars (Note 3)		
	Beginning balance	Increase (Decrease)	Ending balance
Loss on valuation of available-for-sale financial assets	\$ (460)	\$ (166)	\$ (626)

Changes in accumulated other comprehensive income represent net of tax effect amounts.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

31. Retained Earnings

Retained earnings as of December 31, 2014 and 2013, consists of:

<i>(in thousands)</i>	Korean Won	
	2014	2013
Legal reserves		
Legally appropriated retained earnings ¹	₩ 34,500,000	₩ 31,700,000
Discretionary reserves		
Research and development reserves ²	90,000,000	80,000,000
Other discretionary reserves	1,217,800,000	1,217,800,000
	<u>1,307,800,000</u>	<u>1,297,800,000</u>
Retained earnings before appropriation		
Carry forward reserves	645,069,593	609,721,758
	<u>₩ 1,987,369,593</u>	<u>₩ 1,939,221,758</u>
 <i>(in thousands)</i>		
	US Dollars (Note 3)	
	2014	2013
Legal reserves		
Legally appropriated retained earnings ¹	\$ 31,386	\$ 28,839
Discretionary reserves		
Research and development reserves ²	81,878	72,780
Other discretionary reserves	1,107,897	1,107,897
	<u>1,189,775</u>	<u>1,180,677</u>
Retained earnings before appropriation		
Carry forward reserves	586,854	554,696
	<u>\$ 1,808,015</u>	<u>\$ 1,764,212</u>

¹ The Commercial Code of the Republic of Korea requires the Company to appropriate for each financial period, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued capital stock. The reserve is not available for cash dividends payment, but may be transferred to capital stock or used to reduce accumulated deficit. When the accumulated legal reserves (the sum of capital reserves and earned profit reserves) are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed (in accordance with a resolution of the shareholders' meeting).

² The Company appropriates a certain portion of its retained earnings as reserves for research and development which are provided in order to obtain tax benefits under the Special Tax Treatment Control Law. Among these reserves, the reversed amount according to the terms of related tax laws may be distributed.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

The appropriation of retained earnings for the year ended December 31, 2014, is expected to be appropriated at the shareholders' meeting on March 20, 2015 (Appropriation date for the year ended December 31, 2013, was March 21, 2014):

The appropriation of retained earnings for the years ended December 31, 2014 and 2013, are as follows:

	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Retained earnings before appropriation				
Unappropriated retained earnings carried over from prior year	₩ 569,074,582,139	₩ 548,124,836,795	\$ 517,717,051	\$ 498,657,968
Remeasurements	(19,386,187,085)	7,786,767,617	(17,636,633)	7,084,032
Net income	95,381,197,559	53,810,154,027	86,773,287	48,953,924
	<u>645,069,592,613</u>	<u>609,721,758,439</u>	<u>586,853,705</u>	<u>554,695,924</u>
Transfers such as discretionary reserves				
Research and development reserves	26,666,666,667	30,000,000,000	24,260,068	27,292,576
	<u>26,666,666,667</u>	<u>30,000,000,000</u>	<u>24,260,068</u>	<u>27,292,576</u>
Appropriation of retained earnings				
Legal reserve	3,500,000,000	2,800,000,000	3,184,134	2,547,307
Research and development reserves	-	40,000,000,000	-	36,390,102
Dividends (Cash dividend per share (%): Common stock: ₩ 500 (10%), (2013: ₩ 400 (8%)) Preferred stock: ₩ 550 (11%), (2013: ₩ 450 (9%))	34,802,979,200	27,847,176,300	31,662,099	25,334,040
	<u>38,302,979,200</u>	<u>70,647,176,300</u>	<u>34,846,233</u>	<u>64,271,449</u>
Unappropriated retained earnings to be carried forward	₩ 633,433,280,080	₩ 569,074,582,139	\$ 576,267,540	\$ 517,717,051

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

32. Revenue and Cost of sales

Details of sales for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Finished goods	₩1,198,392,263	₩ 969,163,122	\$ 1,090,240	\$ 881,699
Merchandise	3,661,510,529	4,115,825,642	3,331,069	3,744,383
Real estate	56,450,952	88,917,087	51,356	80,893
Service and others	140,693,546	166,972,791	127,996	151,903
	<u>₩5,057,047,290</u>	<u>₩5,340,878,642</u>	<u>\$ 4,600,661</u>	<u>\$ 4,858,878</u>

Details of cost of sales for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Finished goods	₩ 935,700,452	₩ 721,507,498	\$ 851,256	\$ 656,393
Merchandise	3,511,197,735	3,941,936,870	3,194,321	3,586,187
Real estate	61,660,522	76,520,188	56,096	69,614
Service and others	119,116,247	168,090,548	108,366	152,922
	<u>₩4,627,674,956</u>	<u>₩ 4,908,055,104</u>	<u>\$ 4,210,039</u>	<u>\$ 4,465,116</u>

33. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Salaries ¹	₩ 61,160,696	₩ 64,207,494	\$ 55,641	\$ 58,413
Severance benefits	6,136,972	9,098,181	5,583	8,277
Other employee benefit expense	9,737,283	9,868,278	8,859	8,978
Rental expenses	13,670,517	13,246,499	12,437	12,051
Depreciation expenses	5,170,870	4,850,757	4,704	4,413
Depreciation expenses on investment properties	250,878	236,575	228	215
Amortization expenses	6,926,720	2,295,004	6,302	2,088
Taxes and dues	3,361,585	3,572,876	3,058	3,250
Advertising expenses	8,532,124	7,650,243	7,762	6,960
Outsourcing fees	6,806,206	5,368,723	6,192	4,884
Freight expenses	51,673,289	61,723,454	47,010	56,153
Sales commission expenses	13,099,980	48,930,640	11,918	44,515
Commission expenses	15,178,607	19,926,598	13,809	18,128
Others	67,316,819	69,798,855	61,241	63,500
	<u>₩ 269,022,546</u>	<u>₩ 320,774,177</u>	<u>\$ 244,744</u>	<u>\$ 291,825</u>

¹ Salaries represent the amount after deducting return on compensation of the executive directors amounting to ₩6,932 million (equivalent to US\$ 6,306 thousand) for the year ended December 31, 2014.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

34. Expenses by Nature

Expenses by nature for the years ended December 31, 2014 and 2013, are as follows:

(in thousands)

	Korean Won	
	2014	2013
Changes in inventories ¹	₩ (52,408,293)	₩ 115,720,407
Raw materials used	669,010,286	490,341,935
Merchandise purchased	3,595,596,905	3,887,895,984
Salary and wages	283,484,667	272,283,820
Other employee benefit expenses	44,127,261	37,464,974
Rental expenses	16,775,440	15,434,935
Depreciation	44,073,959	39,710,259
Depreciation on investment properties	250,878	236,575
Amortization	9,877,869	7,373,789
Taxes and dues	5,984,599	8,616,465
Research and development expenses	16,168,005	24,108,723
Other expenses	263,755,925	329,641,416
	<u>₩ 4,896,697,501</u>	<u>₩ 5,228,829,282</u>

(in thousands)

	US Dollars (Note 3)	
	2014	2013
Changes in inventories ¹	\$ (47,679)	\$ 105,277
Raw materials used	608,634	446,090
Merchandise purchased	3,271,103	3,537,023
Salary and wages	257,901	247,711
Other employee benefit expenses	40,145	34,084
Rental expenses	15,261	14,042
Depreciation	40,096	36,127
Depreciation on investment properties	228	215
Amortization	8,986	6,708
Taxes and dues	5,445	7,839
Research and development expenses	14,709	21,933
Other expenses	239,954	299,892
	<u>\$ 4,454,783</u>	<u>\$ 4,756,941</u>

¹ Raw materials were excluded from changes in inventories.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

35. Other Gains and Losses

Details of other gains for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Gain on foreign currency transaction and translation	₩ 133,828,013	₩ 90,773,641	\$ 121,750	\$ 82,582
Gain on valuation of derivatives	10,167,082	3,615,493	9,250	3,289
Gain on transaction of derivatives	41,519,898	32,797,244	37,773	29,837
Gain on disposal of property, plant and equipment	538,669	389,390	490	354
Guarantee fees	1,633,227	1,233,995	1,486	1,123
Gains of disposal of investments in subsidiaries	80,101,866	-	72,873	-
Others	21,791,128	3,981,920	19,824	3,623
	<u>₩ 289,579,883</u>	<u>₩ 132,791,683</u>	<u>\$ 263,446</u>	<u>\$ 120,808</u>

Details of other losses for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Loss on foreign currency transaction and translation	₩ 122,268,033	₩ 90,716,756	\$ 111,234	\$ 82,530
Loss on valuation of derivatives	12,855,304	2,024,521	11,695	1,842
Loss on transaction of derivatives	37,049,975	26,116,947	33,706	23,760
Loss on disposal of loans and receivables	4,195,396	2,745,574	3,817	2,498
Loss on disposal of property, plant and equipment	179,429	857,012	163	780
Impairment loss on property, plant and equipment	-	12,682,010	-	11,537
Impairment loss on intangible assets	9,178,923	19,263,799	8,351	17,525
Impairment loss on investments of subsidiaries and associates	26,523,910	23,611,013	24,130	21,480
Others ¹	74,549,503	9,409,019	67,821	8,560
	<u>₩ 286,800,473</u>	<u>₩ 187,426,651</u>	<u>\$ 260,917</u>	<u>\$ 170,512</u>

¹ The Company recognized the penalty of ₩51.7 billion (equivalent to US\$47,034 thousand), which is expected to be charged by the Fair Trade Commission in relation to price-fixing, as provisions for the year ended December 31, 2014.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

36. Finance Income and Costs

Details of finance income and costs for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Interest income				
Cash and cash equivalents	₩ 3,307,143	₩ 3,011,748	\$ 3,009	\$ 2,740
Loans and receivables	3,201,379	3,673,383	2,912	3,342
Dividend income	42,610,606	68,142,165	38,765	61,992
	₩ 49,119,128	₩ 74,827,296	\$ 44,686	\$ 68,074
<i>(in thousands)</i>				
Interest expense				
Borrowings and debentures	₩ 82,110,210	₩ 83,740,888	\$ 74,700	\$ 76,183
Others	375,932	326,348	342	297
	82,486,142	84,067,236	75,042	76,480
Less: amounts capitalized on qualifying assets ¹	(2,181,327)	(4,309,890)	(1,984)	(3,921)
	₩ 80,304,815	₩ 79,757,346	\$ 73,058	\$ 72,559

¹ Borrowing costs are capitalized at the weighted average rate of 3.46% (2013: 3.87%) for the year ended December 31, 2014.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

37. Earnings per Share

Basic earnings per share for the years ended December 31, 2014 and 2013, are as follows:

	Korean Won			
	2014		2013	
	Common shares	Preferred shares ²	Common shares	Preferred shares ²
Profit attributable to equity holders of the Company	₩ 94,700,167,812	₩ 681,029,747	₩ 53,415,572,186	₩ 394,581,841
Weighted average number of ordinary shares in issue	69,078,735	479,294	69,078,735	479,294
Basic earnings per share ¹	₩ 1,371	₩ 1,421	₩ 773	₩ 823

	US Dollars (Note 3)			
	2014		2013	
	Common shares	Preferred shares ²	Common shares	Preferred shares ²
Profit attributable to equity holders of the Company	\$ 86,153,719	\$ 619,569	\$ 48,594,953	\$ 358,972
Weighted average number of ordinary shares in issue	69,078,735	479,294	69,078,735	479,294
Basic earnings per share ¹	\$ 1.25	\$ 1.29	\$ 0.70	\$ 0.75

¹ Basic earnings per share from continuing operations of 2014 and 2013, are identical to basic earnings per share.

² Preferred shares are issued under the former commercial law before amendments in 1997. These preferred shares hold the same priority as common shares in terms of dividends pay out and distribution of residual properties, thus earnings per share was calculated accordingly.

For the years ended December 31, 2014 and 2013, there was no adjustment for number of ordinary share in issue; thus, the weighted average number of common stocks in issue is identical to the number of issued shares at the beginning.

The Company did not issue potential ordinary shares. Therefore, basic earnings per share are identical to diluted earnings per share.

38. Dividends

A dividend for the prior year was ₩ 27,847 million (equivalent to US\$ 25,334 thousand) (common stock: ₩ 400 per share, preferred stock: ₩ 450 per share). This was paid in April, 2014. A dividend in respect of the year ended December 31, 2014 of ₩ 500 (common stock) per share and ₩ 550 (preferred stock) per share, amounting to a total dividend of ₩ 34,803 million (equivalent to US\$ 31,662 thousand), is to be proposed at the annual general shareholders' meeting on March 20, 2015. These financial statements do not reflect this dividend payable.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

39. Cash Generated from Operations

Details of cash generated from operations for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Profit before income tax	₩ 131,943,512	₩ 52,484,344	\$ 120,036	\$ 47,748
Adjustments for:	147,695,599	160,094,318	134,368	145,646
Interest and dividend income	(49,119,128)	(74,827,296)	(44,686)	(68,074)
Interest expenses	80,304,815	79,757,346	73,058	72,559
Severance benefit	28,555,730	29,159,490	25,979	26,528
Depreciation	44,073,959	39,710,259	40,096	36,127
Loss on valuation of inventories	6,562,048	2,995,207	5,970	2,725
Depreciation of investment property	250,878	236,575	228	215
Amortization	9,877,869	7,373,789	8,986	6,708
Bad debt expenses	1,914,469	14,775,795	1,742	13,442
Loss on foreign currency translation	21,915,334	10,063,951	19,938	9,156
Loss on valuation of derivatives	12,855,304	2,024,521	11,695	1,842
Loss on disposal of property, plant and equipment	179,429	857,012	163	780
Loss on disposal of intangible assets	279,639	207,559	254	189
Impairment loss on property, plant and equipment	-	12,682,010	-	11,537
Impairment loss on intangible assets	9,178,923	19,263,799	8,351	17,525
Impairment loss on investments of associates	26,523,910	23,611,013	24,130	21,480
Gain on disposal of investments of subsidiaries (Note 43)	(80,101,865)	-	(72,873)	-
Gain on foreign currency translation	(19,346,304)	(9,300,666)	(17,600)	(8,461)
Gain on valuation of derivatives	(10,167,082)	(3,615,493)	(9,250)	(3,289)
Gain on disposal of property, plant and equipment	(538,669)	(389,392)	(490)	(354)
Provisions	5,473,094	-	4,979	-
Other	59,023,246	5,508,839	53,698	5,011
Changes in working capital				
Trade receivables	139,940,657	(254,695,841)	127,311	(231,710)
Other receivables	5,328,176	(4,376,649)	4,847	(3,982)
Other assets	(15,598,194)	(31,007,548)	(14,190)	(28,209)
Derivative financial assets	2,575,632	1,890,054	2,343	1,719
Inventories	(68,501,664)	98,377,977	(62,320)	89,500
Trade payables	(133,349,307)	302,804,216	(121,315)	275,477
Other payables	26,460,397	10,760,990	24,072	9,790
Other liabilities	30,222,649	(2,236,994)	27,495	(2,035)
Provisions	(6,618,796)	-	(6,021)	-
Derivative financial liabilities	(1,029,555)	(3,529,280)	(937)	(3,211)
Defined benefit liability	(27,301,723)	(12,854,060)	(24,838)	(11,694)
Cash generated from operations	₩ 231,767,383	₩ 317,711,527	\$ 210,851	\$ 289,039

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

The principal non-cash transactions for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won	
	2014	2013
Changes in Advanced payments and non-trade payables by purchase of property, plant and equipment	(11,841,270)	15,498,009
Changes in net assets due to business combination	(74,409,471)	-

<i>(in thousands)</i>	US Dollars (Note 3)	
	2014	2013
Changes in Advanced payments and non-trade payables by purchase of property, plant and equipment	(10,773)	14,099
Changes in net assets due to business combination	(67,694)	-

40. Commitments and Contingencies

The outstanding borrowing agreements with banks as of December 31, 2014, are as follows:

<i>(in thousands of Korean won and in US dollars)</i>	Limit			
	Korean Won		US Dollars (Note 3)	
Bank overdraft	KRW	13,000,000	USD	11,826,783
Usance related import	USD	787,000,000	USD	787,000,000
D/A, D/P, Local and foreign trade related export	KRW	87,330,000	USD	79,448,690
	USD	490,000,000	USD	490,000,000
Other borrowings	KRW	595,000,000	USD	541,302,766
	USD	100,000,000	USD	100,000,000

As of December 31, 2014, 17 blank promissory notes, 4 blank checks, 7 promissory notes amounting to ₩ 20,015 million (equivalent to US\$ 18,209 thousand) have been provided as collaterals for short-term and long-term debts, agreements for discounting notes receivable, performance guarantees and others.

Payment guarantees provided for others as of December 31, 2014, are as follows:

<i>(in Japanese yen and US dollars)</i>	Breakdown of Guarantee	Amount	
		JPY	USD
Hanwha Q-CELLS Japan Co., Ltd. (Formerly Hanwha Japan Co., Ltd.)	Payment certification of debts	5,700,000,000	(USD) 47,714,683
			USD 18,000,000
			USD 23,000,000
Hanwha Hong Kong Co., Ltd.	Payment certification of debts		USD 60,000,000
Hanwha Int'l(S) Pte Ltd.	Payment certification of debts		USD 30,000,000
Hanwha Europe GmbH	Payment certification of debts		USD 200,000
Hanwha Internacional do Brasil Intermediacoes de Negocios Ltda.	Payment certification of debts		USD 40,000,000
Hanwha Resources (USA) Corporation	Payment certification of debts		USD 110,000,000
S&P World Networks JLT	Payment certification of debts		USD 4,000,000
PT. Hanwha Mining Services Indonesia	Payment certification of debts		USD 1,700,000
Hanwha Machinery America, Inc	Payment certification of debts		

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Assets which are provided as collateral for the Company's liabilities as of December 31, 2014, are as follows:

(in US dollars and in thousands of Korean won)

	Mortgagee	Mortgage amount		Classification
		KRW	19,000,000	
	Korea Development Bank	(USD	17,285,298)	Collateral for borrowing limit
Yeosu Factory		KRW	36,000,000	
	Woori Bank	(USD	32,751,092)	Collateral for borrowing limit
	Woori Bank	USD	4,100,000	
Boeun and Onsan Factory	Korea Development Bank	KRW	150,000,000	Collateral for borrowing limit
		(USD	136,462,882)	
Daejeon Factory	Korea Development Bank	KRW	77,000,000	Collateral for borrowing limit
		(USD	70,050,946)	
Gumi Factory	Korea Development Bank	KRW	20,000,000	Collateral for borrowing limit
		(USD	18,195,051)	
Changwon Factory	Kookmin Bank	KRW	10,300,000	Collateral for borrowing limit
		(USD	9,370,451)	
	Kookmin Bank	USD	3,500,000	
Asan Factory	Woori Bank	KRW	26,000,000	Collateral for borrowing limit
		(USD	23,653,566)	
Investments in associates ¹	Korea Development Bank and others	KRW	561,601,010	Collateral for borrowing limit and performance guarantees
		(USD	510,917,949)	
Fixed deposit	Seoul Guarantee Insurance Co., Ltd.	KRW	140,000	License acquisition
		(USD	127,365)	

¹ 24,131,776 common shares of Hanwha Chemical Co., Ltd. owned by the Company are pledged as collaterals in relation to the issuance of redeemable convertible preferred stocks of Hanwha Engineering and Construction Corp (Note 40(a)).

As of December 31, 2014, the Company has pending lawsuits, 16 cases as a defendant claiming total of ₩ 9,192 million (equivalent to US\$ 8,362 thousand), 7 cases as a plaintiff claiming total ₩ 14,476 million (equivalent to US\$ 13,170 thousand). As of December 31, 2014, the outcome of these cases cannot be reasonably determined.

The Company is involved in a lawsuit with Korea National Oil Corporation in relation to advance compensation of the oil blocks in Yemen. The Company won the first trial in February 2015, and determined that it is probable that the Company will receive a reimbursement of ₩5,979 million (equivalent to US\$ 5,439 thousand). This lawsuit is included in the pending lawsuits described in the above paragraph.

The Hanwha Consortium, which includes the Company, entered into a bilateral Memorandum of Understanding (MOU) with Korea Development Bank on November 14, 2008, to acquire Daewoo Shipbuilding & Marine Engineering Co., Ltd. and paid an execution deposit of ₩ 315 billion (equivalent to US\$ 287 million) on November 19, 2008. The Hanwha Consortium received a notification of MOU cancellation and forfeiture of execution deposit from Korea Development Bank on January 22, 2009. The Company's share of the execution deposit of ₩ 315 billion (equivalent to US\$ 287 million) was settled at ₩ 72 billion (equivalent to US\$ 66 million) in accordance with the 'Consortium Settlement Agreement' between the consortium members (the Company, Hanwha Engineering & Construction Corp. and Hanwha Chemical Corporation) and thereafter, the Hanwha Consortium was dissolved in accordance with the 'Consortium Liquidation Agreement' on May 13, 2009. The Company applied for the return of the execution deposit with

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Seoul Central District Court on June 19, 2009. Due to the failure by Seoul Central District Court to settle the case out of court as per its notice on November 20, 2009, the case became a civil suit.

The case was decided against the Company at the first trial on February 10, 2011. As a result, the Company established a full allowance against long-term other accounts receivable related to the execution deposit. The Company appealed on March 2, 2011 and lost a suit on June 14, 2012, in the High Court. Subsequently, the Company appealed to the Supreme Court on July 3, 2012. As of December 31, 2014, the lawsuit is on-going.

On November 26, 2014, the Company entered into an agreement, acquiring 32.4% equity shares of Samsung Techwin Co., Ltd. held by a Samsung affiliated company, in order to strengthen its market position in the defence business through securing a comprehensive defence portfolio, and to create a synergy in the precision machinery business. The expected acquisition date is June 30, 2015.

The Company entered into shareholders' agreement with Recon Co., Ltd. a preferred stock investor, in relation to the issuance of redeemable convertible preferred stocks of Hanwha Engineering and Construction Corp. during the year. The details of the contract are as follows:

(a) Shareholders' Agreement

Details

Settlement	With respect to the entire shares of the redeemable convertible preferred stocks, the amount equal to the net sale price less the initial issue price will be settled in cash on June 26, 2017. If the settlement amount is positive, the investors make payment to the Company, and if the settlement amount is negative, the Company makes payment to the investors.
Early settlement	The investors can claim a settlement before the settlement date in case the following circumstances arise. The calculation of the settlement amount is the same as the above. <ul style="list-style-type: none"> - Hanwha Engineering and Construction Corp. is unable to pay the dividend determined for the redeemable convertible preferred stock to Recon Co., Ltd. - Rehabilitation, bankruptcy, workout, or at the commencement of other similar proceedings for Hanwha Engineering and Construction Corp. - Credit rating of Hanwha Engineering and Construction Corp. is degraded to a rating equal to or below BBB-
Early appraisal rights	The Company has a right to purchase part of the redeemable convertible preferred stocks owned by the investors at a price equal to the issue price plus 1% additional charge up to 30% of issued redeemable convertible preferred stocks (Notice date: March 25, 2016/ Exercise date: June 27, 2016).
Appraisal rights	The Company has a right to purchase all or part of the redeemable convertible preferred shares held by the investors at the issue price (Notice date: March 24, 2017/ Exercise date: June 26, 2017).
Collateral	24,131,776 shares of Hanwha Chemical Co., Ltd. owned by the Company are provided as collateral for guarantees on performance of the settlement.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(b) Redeemable convertible preferred stocks

Details of the redeemable convertible preferred stocks issued by Hanwha Engineering and Construction Corp. for the year ended December 31, 2014, are as follows:

	Details
Purpose of the issuance	Securing liquidity and improving financial structure
Type of the issued stocks	Non-cumulative non-participating preferred stock
Total number of stocks issued	1,913,800 shares
Issue price per share	₩209,000 (equivalent to US\$ 190)
Voting right	No voting right
Rate of dividend	2014~2017: 2.60%, 6.28%, 9.03%, and 0%, respectively After 2017: average rate of return of Hanwha Engineering and Construction Corp, valued by three private bond assessment institutions +50bp
Redemption right	<p>i) Redemption: Hanwha Engineering and Construction Corp. has a right to request a redemption of all or part of the preferred shares, assuming that distributable income is available (Notice date: March 23, 2017/ Redemption date: June 26, 2017).</p> <p>ii) Early redemption: Hanwha Engineering and Construction Corp. has a right to request of redemption of part of the preferred shares, up to 30% of the total issue price, assuming that distributable income is available (Notice date: March 24, 2016/ Redemption date: June 27, 2016).</p> <p>iii) Redemption after maturity: Hanwha Engineering and Construction Corp. has a right to redeem all or part of the preferred shares every year, assuming that distributable income is available.</p>
Conversion right	<p>i) Conversion right: Preferred shareholders has conversion right</p> <p>ii) Exercise date: June 26, 2017 (Notice date: March 27, 2017)</p> <p>iii) Early conversion: Convertible up to 30% of the issue price (Notice date: March 23, 2016/ Exercise date: June 27, 2016).</p> <p>iv) Conversion after maturity: After June 26, 2017, conversion right can be exercised on June 26 every year until 2024.</p> <p>v) Conversion rate: 5 common shares per 1 preferred share</p>

Hanwha Corporation

Notes to Separate Financial Statements

December 31, 2014 and 2013

41. Related Parties Transactions

The Company has no Parent Company as of December 31, 2014 and 2013.

The subsidiaries as of December 31, 2014 and 2013, are as follows:

Subsidiaries	Percentage of ownership (%)	
	2014	2013
Gyeonggi Hwasung Bio Valley Co.,Ltd.	100.00	100.00
Gimhae Techno Valley Co.,Ltd	80.00	80.00
Agricultural Corporation Company Green Tomorrow	90.00	90.00
Seosan Techno Valley	65.00	65.00
CSPACES	100.00	-
Asan Techno Valley	65.00	65.00
H Compound corporation	100.00	100.00
Eco E&O corporation	100.00	100.00
NHL Development co. ltd	100.00	100.00
Yeosu Sea World Corporation	100.00	100.00
Yeongam Techno Solar Power Corporation	100.00	95.24
Yeongam Haeoreum Solar Power Corporation	100.00	93.75
Ilsan Seaworld,Co.,Ltd	98.00	90.00
Food1st Food Culture Co., Ltd.	100.00	100.00
Hi-pass Solar Corporation	100.00	100.00
The Korean Peninsula Solar Power Corporation	100.00	100.00
Hanwha 63 City Co., Ltd.	100.00	100.00
Hanwha Galleria Co., Ltd.	100.00	100.00
Hanwha Galleria Timeworld Co., Ltd.(Formerly, Hanwha Timeworld Co., Ltd.)	69.45	69.45
Hanwha Engineering and Construction Corp.	100.00	100.00
Hanwha International (Shanghai) Co., Ltd.	100.00	100.00
Hanwha Finance Asset Co., Ltd.	100.00	-
Hanwha TechM (Suzhou) Co., Ltd.	100.00	100.00
Hanwha City Development Co.,Ltd	100.00	100.00
Hanwha Life Asset Co., Ltd. (Formerly, Hanwha Techm Co., Ltd.)	100.00	100.00
Hanwha B&B Co., Ltd.	100.00	100.00
Hanwha Life Insurance Co.,Ltd. ²	48.29	48.29
Hanwha General Insurance Co., Ltd.	52.99	52.99
Hanwha I&A Co., Ltd.	100.00	100.00
Hanwha Solar Global Co., Ltd.	100.00	-
Hanwha Station Development Co., Ltd.	67.25	67.25
Hanwha Eagles Professional Baseball Club	90.00	90.00
Hanwha Asset Management Co., Ltd.	100.00	99.99
Hanwha Savings Bank Co., Ltd.	100.00	100.00
Hanwha Advanced Materials Corporation (Formerly, Hanwha L&C Corporation)	100.00	100.00
Hanwha Chemical Co., Ltd. ²	36.52	42.11

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

	Percentage of ownership (%)	
	2014	2013
Hanwha Chemical Overseas Holdings, Co., Ltd.	100.00	100.00
Hanwha Q CELLS Korea	80.00	80.00
Hanwha TechM Co., Ltd.	100.00	100.00
Hanwha Polydreamer Co.,Ltd.	99.98	99.98
Hanwha Trading (Shanghai) Co., Ltd.	100.00	100.00
Hanwha Hotel & Resort Inc.	99.32	99.32
Hanwha Fine Chemical Co., Ltd.	50.71	-
Hae Sarang Solar Corporation	100.00	-
Environment Facilities	100.00	100.00
Acropark Golf Corp.	100.00	100.00
Amru and Hanwha International	90.00	90.00
Blue Albatross FZE	100.00	-
Chandler LLC.	90.00	90.00
Daiichi Q Solar K.K	100.00	100.00
Daini Q Solar G.K.	100.00	-
Daisan Q Solar G.K.	100.00	-
Daiyon Q Solar G.K.	100.00	-
Eagle Petroleum Corsicana, LLC	100.00	100.00
Eagle Petroleum Monterey, LLC	100.00	100.00
Eagle Petroleum, LLC	100.00	100.00
Garnet Solar Power Generation 1, LLC	100.00	100.00
GK GA Nasukarasuyama	100.00	-
Hale Ali'i Park Association, LLC	100.00	100.00
Hale Ka Lae, LLC	100.00	100.00
Hanwha Advanced Materials America LLC (Formerly, Hanwha L&C Alabama LLC)	100.00	100.00
Hanwha Advanced Materials Beijing Co., Ltd. (Formerly, Hanwha L&C Beijing Co., Ltd.)	100.00	100.00
Hanwha Advanced Materials Europe, s.r.o. (Formerly, Hanwha L&C Czech, s.r.o.)	100.00	100.00
Hanwha Advanced Materials Holdings USA Inc. (Formerly, Hanwha L&C Holdings USA Inc.)	100.00	100.00
Hanwha Advanced Materials Holdings USA LLC (Formerly, Hanwha L&C Holdings USA LLC)	100.00	100.00
Hanwha Advanced Materials Shanghai Co., Ltd. (Formerly, Hanwha L&C Shanghai Co., Ltd.)	100.00	100.00
Hanwha Agritech Ltd.	100.00	100.00
Hanwha America Development Inc.	100.00	100.00
Hanwha America Development LLC.	100.00	100.00
Hanwha Asset Management Pte. Ltd.	100.00	-
Hanwha AZDEL, Inc.	100.00	100.00
Hanwha Canada Development Inc.	100.00	100.00
Hanwha Chandler LLC.	100.00	100.00

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

	Percentage of ownership (%)	
	2014	2013
Hanwha Chemical (Ningbo) Co., Ltd.	100.00	100.00
Hanwha Chemical (Thailand) Co.,Ltd.	99.99	99.99
Hanwha Chemical India Private Limited	99.99	-
Hanwha Chemical Malaysia Sdn. Bhd.	100.00	100.00
Hanwha Chemical USA LLC	100.00	-
Hanwha Development Services LLC.	100.00	100.00
Hanwha Europe GmbH	100.00	100.00
Hanwha Greentech Limited.	80.00	80.00
Hanwha Hawaii LLC	100.00	100.00
Hanwha Holdings(USA), Inc.	100.00	100.00
Hanwha Hong Kong Co., Ltd.	100.00	100.00
Hanwha Internacional do Brasil Intermediacoes de Negocios Ltda.	100.00	100.00
Hanwha International (S) Pte Ltd.	100.00	100.00
Hanwha International Corp.	100.00	100.00
Hanwha International India Pvt., Lt	99.99	99.99
Hanwha International LLC.	100.00	100.00
Hanwha Life Insurance Company Limited. (Vietnam)	100.00	100.00
Hanwha Life Investment (USA) Ltd.	100.00	100.00
Hanwha Machinery Americas, Inc.	100.00	100.00
Hanwha Machinery Corporation	100.00	100.00
Hanwha Mining Services Australia Pty., Ltd	100.00	-
Hanwha Mining Services Chile SpA	100.00	-
Hanwha Mining Services Peru S.A.C.	100.00	-
Hanwha Parcel O LLC	100.00	100.00
Hanwha Property USA LLC	100.00	-
Hanwha PVPLUS LLC	100.00	100.00
Hanwha Q CELLS Americas Holdings. Corp.	100.00	100.00
Hanwha Q CELLS Australia Pty Ltd.	100.00	100.00
Hanwha Q CELLS Canada, Inc	100.00	100.00
Hanwha Q CELLS Chile SpA	100.00	-
Hanwha Q CELLS GmbH	100.00	100.00
Hanwha Q CELLS Investment Co., Ltd.	100.00	100.00
Hanwha Q CELLS Japan Co., Ltd.	100.00	100.00
Hanwha Q CELLS Japan Power Solutions Co.,Ltd.	100.00	-
Hanwha Q CELLS Malaysia Sdn. Bhd.	100.00	100.00
Hanwha Q CELLS Solar Power Sdn. Bhd.	100.00	100.00
Hanwha Q CELLS Til Til Uno SPA (Formerly, E-MANAGEMENT UNO SpA)	100.00	-
Hanwha Q CELLS Turkey	100.00	-
Hanwha Q CELLS USA Corp.	100.00	100.00
Hanwha Resources (Australia) Pty Ltd.	100.00	100.00
Hanwha Resources (Canada) Ltd.	100.00	100.00
Hanwha Resources (USA) Corporation	100.00	100.00
Hanwha Riverside LLC.	100.00	100.00

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

	Percentage of ownership (%)	
	2014	2013
Hanwha Saudi Contracting Co., Ltd.	100.00	100.00
Hanwha Singapore Pte. Ltd.	100.00	-
Hanwha Solar America LLC	100.00	100.00
Hanwha Solar Australia Pty Ltd.	100.00	100.00
Hanwha Solar Canada Inc.	100.00	100.00
Hanwha Solar Electric Power Engineering Co., Ltd.	100.00	100.00
Hanwha Solar Engineering R&D center Co., Ltd.	100.00	100.00
Hanwha Solar Holdings Co.,Ltd	100.00	100.00
Hanwha Solar Power Kitsuki G.K. ³	42.95	62.18
Hanwha SolarOne Co., Ltd. ²	46.04	48.62
Hanwha SolarOne Deutschland GmbH	100.00	100.00
Hanwha SolarOne Hong Kong Limited	100.00	100.00
Hanwha SolarOne Investment Holding Ltd.	100.00	100.00
Hanwha SolarOne Power Generation (Wuxi) Co., Ltd.	100.00	-
Hanwha SolarOne Technology Co., Ltd.	100.00	100.00
Hanwha SolarOne USA Inc.	100.00	100.00
Hanwha SolarOne(Nantong) Co., Ltd.	100.00	100.00
Hanwha SolarOne(Qidong) Co., Ltd.	100.00	100.00
Hanwha SolarOne(Shanghai) Co., Ltd.	100.00	100.00
Hanwha Sonoran LLC.	100.00	100.00
Hanwha TechM Hungary Zrt.	97.21	97.21
Hanwha TechM USA LLC	100.00	100.00
Hanwha Village Market, LLC	100.00	100.00
Hanwha West Properties LLC	100.00	100.00
HQ MEX, LLC	100.00	100.00
HQ MEXICO HOLDINGS S DE RL DE CV	100.00	100.00
HQC Maywood, LLC	100.00	100.00
HQC Panama S DE RL	100.00	-
HSEA HVES, LLC	100.00	100.00
HSEA PR Isla Solar I, LLC	100.00	100.00
HSESM American Union LLC	100.00	100.00
HSESM LeGrandUHS LLC	100.00	100.00
HSESM PlanadaES LLC	100.00	100.00
Kalaeloa Renewable Energy Park, LLC	100.00	100.00
Maxxsol 01 srl.	100.00	100.00
MC2 Engineering and Construction Service, Inc.	100.00	100.00
Nantong Hanwha Import & Export Co., Ltd.	100.00	100.00
Nantong Hanwha PV-Tech Co., Ltd.	100.00	-
PT. Hanwha Life Insurance Indonesia	98.13	95.09
PT. Hanwha Mining Services Indonesia	100.00	100.00
Q Solar Holdings G.K.	100.00	-
S&P World Networks DMCC(Formerly, S&P World Network JLT)	100.00	100.00
Silent Power Inc	58.75	58.75

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

	Percentage of ownership (%)	
	2014	2013
Solar Monkey 1, LLC	100.00	100.00
Solar Monkey 2, LLC	100.00	100.00
Sonoran Vista LLC.	90.00	90.00
Tecsol srl.	100.00	100.00
Think Biotech (Cambodia) Co., Ltd.	100.00	100.00
Tower Hill Farm Ltd., England	100.00	-
Universal Bearings LLC.	100.00	100.00
World corporation	100.00	100.00
Beneficiary certificates		
IBK Private equity investment trust No. 10	100.00	100.00
IBK Private equity investment trust No. 15	100.00	-
KB Dividend Equity Private Investment Trust No.2	100.00	100.00
Dongbu Index Private equity Investment Trust No. 1	100.00	100.00
Midas Private Equity Investment Trust HW-1	100.00	100.00
Mirae Asset Maps Global New Recycling Energy Private special asset Investment Trust No.1	90.00	90.00
Mirae Asset Triumph middle/small investors' Private equity investment Trust No.5	100.00	100.00
Bearings Eagles Private equity investment trust	100.00	-
Bearings Eagles Private equity investment trust No. 2	100.00	-
Bearings Eagles Private equity investment trust No. 3	100.00	-
Shinhan BNPP global solar energy private equity investment Trust	90.00	90.00
Shinhan BNPP Corporate private equity investment Trust No. 29	100.00	-
Shinhan BNPP Corporate private equity investment Trust No. 31	100.00	-
Asset Plus Private equity investment trust No. 13	100.00	-
Asset Plus Private equity investment trust No. 9	100.00	-
Yurie Index Private equity investment trust No. 5	100.00	-
Yurie Index Private equity investment trust No. 6	100.00	-
Yurie Index Private equity investment trust No. 7	100.00	-
Yurie Index Private equity investment trust No. 8	100.00	-
Aegis KORIF Private real estate Trust 11-1	95.90	95.90
Aegis KORIF Private real estate Trust 11-2	95.90	95.90
Aegis KORIF Private real estate Trust 17-1	98.13	98.13
Aegis KORIF Private real estate Trust 17-2	98.13	98.13
Aegis KORIF Private real estate Trust 17-3	98.13	98.13
Aegis KORIF Private real estate Trust 17-4	98.13	98.13
Cosmo Private equity investment trust No. 10	100.00	-
Cosmo Private equity investment trust No. 11	100.00	-
Cosmo Private equity investment trust No. 6	100.00	-
Cosmo Private equity investment trust No. 8	100.00	-
Cosmo Private equity investment trust No. 9	100.00	-
Pine Tree sol Three Private equity investment Trust No.2	100.00	100.00
Pine Tree sol Three Private equity investment Trust No.3	100.00	100.00

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

	Percentage of ownership (%)	
	2014	2013
Pine Tree sol Three Private equity investment Trust No.5	97.09	97.09
Pine Tree sol Three Private equity investment Trust No.6-2	98.00	98.00
Hana HW Landchip Private real estate feeder investment trust No.1	98.00	98.00
Korea Value Private equity investment Trust No. 19	100.00	100.00
Korea Value Private equity investment Trust No. 23	100.00	-
Korea Value Private equity investment Trust No. 24	100.00	-
Korea Value Private equity investment Trust No. 25	100.00	-
Hankook Investment Private equity Global Prestige Securities Trust No.1	100.00	100.00
Hanwha Prudential U.S. Real Estate Debt	95.54	95.54
Hanwha AI Global Choice Private equity investment Trust No.1	99.85	98.85
Hanwha AI Global Choice Private equity investment Trust No.2	99.85	98.85
Hanwha LTI Private special asset investment Trust No.2	84.91	84.91
Hanwha LTI Infra Private special asset investment Trust No.1	90.00	90.00
Hanwha Master Piece private equity real estate No. 7	100.00	100.00
Hanwha Tri-Circle Private real estate Investment Trust No.17	100.00	100.00
Hanwha Tri-Circle Infra Special asset No.1	80.00	80.00
Hanwha Tri-Circle Infra Special asset No.3	80.00	80.00
Hyundai Vessel Private Equity Special asset Investment Trust No.2	95.00	95.00
Hanwha Hotels and Resorts the first Asset Securitization Co., Ltd. ⁴	-	-
Recon Co., Ltd. ⁴	-	-
Kwangju Bank Specified Money Trust ⁵	100.00	-
NH investment & securities Specified Money Trust 1 ⁵	100.00	-
NH investment & securities Specified Money Trust 2 ⁵	100.00	-

¹ According to the amended enforcement regulations of insurance law, the closing date of these companies, including Hanwha Life Insurance Co., Ltd. has changed from March 31 to December 31 for the year ended December 31, 2013.

² Although the percentage of ownership is less than 50%, the Company is considered to have control over these companies, as the remaining shareholders who hold less than 1% are widely dispersed, and the Company was able to exercise the majority voting rights in its decision-making process only with the Controlling Company's ownership interests resulting from the average attendance rate in the general meeting of shareholders for the last five years.

³ Although the percentage of ownership is less than 50%, the Company is considered to have control over Hanwha Solar Power Kitsuki G.K. since the Company is able to exercise the majority voting rights in its decision-making process with its 51% voting rights.

⁴ Although the Company does not have ownership interest, these are included in the scope of consolidation, considering contractual arrangements, exposures to variable returns and others (Note 40).

⁵ Although the beneficiary certificates are in the form of specified money trust, these are included in the scope of consolidation since the substance of the transactions is same that the Company directly manages the trust money.

Hanwha Corporation

Notes to Separate Financial Statements

December 31, 2014 and 2013

Details of associates and other related parties that have sales and other transactions with the Company or have receivables and payables balances as of December 31, 2014 and 2013, are as follows:

Domestic associates and joint venture	SaltOne Co., Ltd Yeochun NCC Co., Ltd.
Overseas associates	Bio Green Technology Sdn Bhd., PT. Nantoy Bara Lestari and others
Other related parties	Hanwha Energy Corp. Hanwha S&C Co., Ltd, etc.

Year-end balances of receivables and payables arising from sales and purchases of goods and services as of December 31, 2014 and 2013, are as follows:

(in thousands)

	2014				
	Korean Won				
	Receivables			Payables	
	Trade Receivables	Loans	Other Receivables	Trade Payables	Other Payables
Subsidiaries and associates					
Hanwha Engineering and Construction Corp.	₩ 419,817	₩ -	₩ 350,850	₩ 27,014,517	₩ 17,243,368
Hanwha International (Shanghai) Co., Ltd. ¹	20,691,664	-	12,261,740	-	-
Hanwha Life Insurance Co., Ltd.	-	-	13,062,301	-	4,193
Hanwha Advanced Materials Corporation (Formerly, Hanwha L&C Corporation)	21,600	-	-	1,673,479	1,000
Hanwha Chemical Co., Ltd.	1,274,876	-	161,424	3,969,535	3,918,315
Hanwha Hotel & Resort Inc.	671,400	-	22,548,103	-	769,011
Yeochun NCC Co., Ltd.	74,032	-	-	20,000,798	-
Hanwha Europe GmbH	30,924,170	-	181,270	3,674,541	6,325
Hanwha Hong Kong Co., Ltd.	2,111,256	-	-	7,859,849	-
Hanwha International (S) Pte Ltd.	4,486,092	-	-	826,452	-
Hanwha International LLC.	5,362,797	-	9,278,717	4,813,028	-
Hanwha Machinery Americas, Inc.	9,701,690	-	-	57,462	-
Hanwha Q CELLS GmbH	28,182,280	-	-	116,304,046	338,651
Hanwha Q CELLS Japan Co., Ltd.	82,352,861	-	1,262,064	1,809,640	1,789
Hanwha Q CELLS Malaysia Sdn. Bhd.	41,993,112	-	-	17,880,032	3,523,427
Hanwha SolarOne Technology Co., Ltd.	8,881,841	-	-	-	-
Hanwha SolarOne(Qidong) Co., Ltd.	43,112,522	-	689,198	-	7,822,342
S&P World Networks DMCC ²	6,788,714	-	-	-	-
Think Biotech (Cambodia) Co., Ltd.	-	14,561,319	1,434,621	-	-
Others	7,143,507	577,080	513,418	1,224,123	1,987,873
Other related parties					
Hanwha Energy Corp.	3,832,783	-	-	-	-
Hanwha S&C Co., Ltd.	36,155	-	38,489	2,355,005	4,697,558
Others	3,973,404	-	-	2,459,319	1,448,561
	<u>₩ 302,036,573</u>	<u>₩ 15,138,399</u>	<u>₩ 61,782,195</u>	<u>₩ 211,921,826</u>	<u>₩ 41,762,413</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	2014				
	US Dollars (Note 3)				
	Receivables			Payables	
	Trade Receivables	Loans	Other Receivables	Trade Payables	Other Payables
Subsidiaries and associates					
Hanwha Engineering and Construction Corp.	\$ 382	\$ -	\$ 319	\$ 24,577	\$ 15,687
Hanwha International (Shanghai) Co., Ltd. ¹	18,824	-	11,155	-	-
Hanwha Life Insurance Co., Ltd.	-	-	11,883	-	4
Hanwha Advanced Materials Corporation (Formerly, Hanwha L&C Corporation)	20	-	-	1,522	1
Hanwha Chemical Co., Ltd.	1,160	-	147	3,611	3,565
Hanwha Hotel & Resort Inc.	611	-	20,513	-	700
Yeochun NCC Co., Ltd.	67	-	-	18,196	-
Hanwha Europe GmbH	28,133	-	165	3,343	6
Hanwha Hong Kong Co., Ltd.	1,921	-	-	7,151	-
Hanwha International (S) Pte Ltd.	4,081	-	-	752	-
Hanwha International LLC.	4,879	-	8,441	4,379	-
Hanwha Machinery Americas, Inc.	8,826	-	-	52	-
Hanwha Q CELLS GmbH	25,639	-	-	105,808	308
Hanwha Q CELLS Japan Co., Ltd.	74,921	-	1,148	1,646	2
Hanwha Q CELLS Malaysia Sdn. Bhd.	38,203	-	-	16,266	3,205
Hanwha SolarOne Technology Co., Ltd.	8,080	-	-	-	-
Hanwha SolarOne(Qidong) Co., Ltd.	39,222	-	627	-	7,116
S&P World Networks DMCC ²	6,176	-	-	-	-
Think Biotech (Cambodia) Co., Ltd.	-	13,247	1,305	-	-
Others	6,499	525	467	1,114	1,808
Other related parties					
Hanwha Energy Corp.	3,487	-	-	-	-
Hanwha S&C Co., Ltd.	33	-	35	2,142	4,274
Others	3,615	-	-	2,237	1,318
	\$ 274,779	\$ 13,772	\$ 56,205	\$ 192,796	\$ 37,994

¹As of December 31, 2014, the Company sets up the provision of ₩ 16,271 million (equivalent to US\$ 14,803 thousand) for the receivables.

² The name of company was changed from S&P World Networks JLT to S&P World Networks DMCC during the year ended December 31, 2014.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	2013				
	Korean Won				
	Receivables			Payables	
	Trade Receivables	Loans	Other Receivables	Trade Payables	Other Payables
Subsidiaries and associates					
Hanwha Engineering and Construction Corp.	₩ 185,878	₩ -	₩ 350,850	₩ 126,692,427	₩ 25,334,500
Hanwha International (Shanghai) Co., Ltd. ¹	8,332,097	-	16,336,320	-	564,238
Hanwha Life Insurance Co., Ltd.	111,350	-	13,160,134	-	2,001
Hanwha Advanced Materials Corporation (Formerly, Hanwha L&C Corporation)	51,354	-	-	9,865,555	-
Hanwha Chemical Co., Ltd.	8,278,973	-	110,631	2,293,917	3,643,215
Hanwha Hotel & Resort Inc.	76,779	-	20,724,833	1,648,876	789,743
Yeochun NCC Co., Ltd.	1,088,344	-	12,606	40,599,103	-
Hanwha Europe GmbH	24,822,219	-	1,679,583	1,334,866	22,414
Hanwha Hong Kong Co., Ltd.	-	-	-	31,646,277	-
Hanwha International (S) Pte Ltd.	131,381,003	-	-	-	-
Hanwha International LLC.	3,711,605	-	8,058,550	4,157,141	-
Hanwha Q CELLS GmbH	37,130,337	-	-	1,312,100	-
Hanwha Q CELLS Japan Co., Ltd.	10,791,703	-	-	2,724,625	1,041
Hanwha Q CELLS Malaysia Sdn. Bhd.	60,079,271	-	-	38,645,716	-
Hanwha SolarOne(Qidong) Co., Ltd.	12,019,134	-	-	-	-
PT. Nantoy Bara Lestari	-	4,437,537	306,561	-	-
S&P World Networks DMCC ²	3,114,893	-	211,060	-	-
Think Biotech (Cambodia) Co., Ltd.	4,129	7,629,331	772,210	-	-
Others	5,238,913	-	3,604,397	1,042,983	304,466
Other related parties					
Hanwha Energy Corp.	173,567	-	-	-	-
Hanwha S&C Co., Ltd.	83,319	-	-	1,652,449	5,707,692
Others	3,170,417	-	-	1,468,840	1,544,018
	<u>₩ 309,845,285</u>	<u>₩ 12,066,868</u>	<u>₩ 65,327,735</u>	<u>₩ 265,084,875</u>	<u>₩ 37,913,328</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	2013				
	US Dollars (Note 3)				
	Receivables			Payables	
	Trade Receivables	Loans	Other Receivables	Trade Payables	Other Payables
Subsidiaries and associates					
Hanwha Engineering and Construction Corp.	\$ 169	\$ -	\$ 319	\$ 115,259	\$ 23,048
Hanwha International (Shanghai) Co., Ltd. ¹	7,580	-	14,862	-	513
Hanwha Life Insurance Co., Ltd.	101	-	11,972	-	2
Hanwha Advanced Materials Corporation (Formerly, Hanwha L&C Corporation)	47	-	-	8,975	-
Hanwha Chemical Co., Ltd.	7,532	-	101	2,087	3,314
Hanwha Hotel & Resort Inc.	70	-	18,854	1,500	718
Yeochun NCC Co., Ltd.	990	-	11	36,935	-
Hanwha Europe GmbH	22,582	-	1,528	1,214	20
Hanwha Hong Kong Co., Ltd.	-	-	-	28,790	-
Hanwha International (S) Pte Ltd.	119,524	-	-	-	-
Hanwha International LLC.	3,377	-	7,331	3,782	-
Hanwha Q CELLS GmbH	33,779	-	-	1,194	-
Hanwha Q CELLS Japan Co., Ltd.	9,818	-	-	2,479	1
Hanwha Q CELLS Malaysia Sdn. Bhd.	54,657	-	-	35,158	-
Hanwha SolarOne(Qidong) Co., Ltd.	10,934	-	-	-	-
PT. Nantoy Bara Lestari	-	4,037	279	-	-
S&P World Networks DMCC ²	2,834	-	192	-	-
Think Biotech (Cambodia) Co., Ltd.	4	6,941	703	-	-
Others	4,766	-	3,279	949	277
Other related parties					
Hanwha Energy Corp.	158	-	-	-	-
Hanwha S&C Co., Ltd.	76	-	-	1,503	5,193
Others	2,884	-	-	1,336	1,405
	<u>\$ 281,882</u>	<u>\$ 10,978</u>	<u>\$ 59,431</u>	<u>\$ 241,161</u>	<u>\$ 34,491</u>

¹As of December 31, 2013, the Company sets up the provision of ₩ 15,864 million (equivalent to US\$ 14,432 thousand) for the receivables.

² The name of company was changed from S&P World Networks JLT to S&P World Networks DMCC during the year ended December 31, 2014.

The Company recognized allowance for trade receivables of certain related parties including Hanwha Machinery America Inc. amounting to ₩266 million (equivalent to US\$ 242 thousand) and ₩– million (equivalent to US\$ - thousand) as of December 31, 2014 and 2013, respectively.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Sales and purchases with related parties for the years ended December 31, 2014 and 2013, are as follows:

(in thousands)

	2014			
	Korean Won			
	Sales, etc.		Purchases, etc.	
	Sales	Others	Purchases	Acquisition of property, plant and equipment
Subsidiaries and associates				
Hanwha Engineering and Construction Corp.	₩ 92,104,691	₩ 6,920,000	₩ 28,694,433	₩ -
Hanwha International (Shanghai) Co., Ltd.	31,851,694	-	-	-
Hanwha Life Insurance Co., Ltd.	1,262,165	-	7,334,207	-
Hanwha L&C Corporation ¹	67,440	-	5,651,611	-
Hanwha Advanced Materials Corporation (Formerly, Hanwha L&C Corporation)	992,725	-	52,213,713	-
Hanwha Chemical Co., Ltd.	72,234,022	-	101,816,370	-
Hanwha TechM Co., Ltd.	803,241	-	2,681,489	-
Hanwha Hotel & Resort Inc.	1,208,756	-	11,397,803	-
Yeochun NCC Co., Ltd.	1,522,528	-	431,310,990	-
Hanwha Chemical (Ningbo) Co., Ltd.	-	-	20,659,088	-
Hanwha Europe GmbH	56,624,013	-	32,760,855	-
Hanwha Hong Kong Co., Ltd.	2,486,533	-	104,008,761	-
Hanwha International (S) Pte Ltd.	339,073,089	-	19,447,318	-
Hanwha International LLC.	18,311,126	-	83,226,211	-
Hanwha Q CELLS GmbH	57,525,638	-	41,500,493	-
Hanwha Q CELLS Japan Co., Ltd.	14,530,394	-	5,166,487	-
Hanwha Q CELLS Malaysia Sdn. Bhd.	251,761,701	-	561,250	-
Hanwha SolarOne Technology Co., Ltd.	20,497,044	-	-	-
Hanwha SolarOne(Qidong) Co., Ltd.	25,702,227	-	-	-
S&P World Networks DMCC ²	24,182,065	-	-	-
Others	12,880,091	771,034	19,606,218	944,759
Other related parties				
Hanwha Energy Corp.	113,855,678	-	1,139,663	-
Hanwha S&C Co., Ltd.	441,044	-	19,328,402	-
Others	6,077,043	-	9,421,980	-
	<u>₩ 1,145,994,948</u>	<u>₩ 7,691,034</u>	<u>₩ 997,927,342</u>	<u>₩ 944,759</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	2014			
	US Dollars (Note 3)			
	Sales, etc.		Purchases, etc.	
	Sales	Others	Purchases	Acquisition of property, plant and equipment
Subsidiaries and associates				
Hanwha Engineering and Construction Corp.	\$ 83,792	\$ 6,295	\$ 26,105	\$ -
Hanwha International (Shanghai) Co., Ltd.	28,977	-	-	-
Hanwha Life Insurance Co., Ltd.	1,148	-	6,672	-
Hanwha L&C Corporation ¹	61	-	5,142	-
Hanwha Advanced Materials Corporation (Formerly, Hanwha L&C Corporation)	903	-	47,502	-
Hanwha Chemical Co., Ltd.	65,715	-	92,628	-
Hanwha TechM Co., Ltd.	731	-	2,439	-
Hanwha Hotel & Resort Inc.	1,100	-	10,369	-
Yeochun NCC Co., Ltd.	1,385	-	392,386	-
Hanwha Chemical (Ningbo) Co., Ltd.	-	-	18,795	-
Hanwha Europe GmbH	51,514	-	29,804	-
Hanwha Hong Kong Co., Ltd.	2,262	-	94,622	-
Hanwha International (S) Pte Ltd.	308,473	-	17,692	-
Hanwha International LLC.	16,659	-	75,715	-
Hanwha Q CELLS GmbH	52,334	-	37,755	-
Hanwha Q CELLS Japan Co., Ltd.	13,219	-	4,700	-
Hanwha Q CELLS Malaysia Sdn. Bhd.	229,041	-	511	-
Hanwha SolarOne Technology Co., Ltd.	18,647	-	-	-
Hanwha SolarOne(Qidong) Co., Ltd.	23,383	-	-	-
S&P World Networks DMCC ²	22,000	-	-	-
Others	11,718	701	17,837	859
Other related parties				
Hanwha Energy Corp.	103,580	-	1,037	-
Hanwha S&C Co., Ltd.	401	-	17,584	-
Others	5,529	-	8,572	-
	<u>\$ 1,042,572</u>	<u>\$ 6,996</u>	<u>\$ 907,867</u>	<u>\$ 859</u>

¹ Hanwha L&C Corp. was established as a result of a spin-off from Hanwha Advanced Materials (formerly Hanwha L&C Corp.) on July 1, 2014, and has been removed from related parties during the year. The disclosed amount above is the amount before the company was excluded from the related parties.

² The name of company was changed from S&P World Networks JLT to S&P World Networks DMCC during the year ended December 31, 2014.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	2013				
	Korean Won				
	Sales, etc.		Purchases, etc.		
	Sales	Others	Purchases	Acquisition of property, plant and equipment	Others
Subsidiaries and associates					
Hanwha Engineering and Construction Corp. ¹	₩ 2,602,566	₩ 120,450	₩ 48,578,173	₩ -	₩ 136,603,500
Hanwha International (Shanghai) Co., Ltd.	2,019,660	-	-	-	-
Hanwha Life Insurance Co., Ltd.	1,860,172	-	8,261,248	-	-
Hanwha Advanced Materials Corporation (Formerly, Hanwha L&C Corporation)	997,880	540	82,317,875	-	-
Hanwha Chemical Co., Ltd.	54,982,721	650	87,701,178	-	-
Hanwha TechM Co., Ltd. ²	396,745	-	6,909,325	-	-
Hanwha Hotel & Resort Inc.	632,867	-	9,699,399	1,680,116	-
Yeochun NCC Co., Ltd.	8,041,727	11,519	884,676,466	-	-
Hanwha Chemical (Ningbo) Co., Ltd.	2,315	-	2,083,955	-	-
Hanwha Europe GmbH	48,437,801	-	22,942,303	-	-
Hanwha Hong Kong Co., Ltd.	176,966	-	55,299,334	-	-
Hanwha International (S) Pte Ltd.	388,392,525	-	415,383	-	-
Hanwha International LLC.	14,925,288	7,314	82,866,208	-	-
Hanwha Q CELLS GmbH	38,031,295	-	210,085	-	-
Hanwha Q CELLS Japan Co., Ltd.	15,534,322	-	6,991,994	-	-
Hanwha Q CELLS Malaysia Sdn. Bhd.	141,820,842	-	281,533	-	-
Hanwha SolarOne(Qidong) Co., Ltd.	29,301,947	-	-	-	-
S&P World Networks DMCC ²	5,661,952	-	-	-	-
Others	3,759,072	1,249,810	12,299,207	-	136,604
Other related parties					
Hanwha Energy Corp.	122,099,147	-	-	-	-
Hanwha S&C Co., Ltd.	615,157	1,960	26,098,553	-	-
Others	6,728,699	-	8,936,153	-	-
	<u>₩ 887,021,666</u>	<u>₩ 1,392,243</u>	<u>₩1,346,568,372</u>	<u>₩ 1,680,116</u>	<u>₩ 136,740,104</u>

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

(in thousands)

	2013				
	US Dollars (Note 3)				
	Sales, etc.		Purchases, etc.		
	Sales	Others	Purchases	Acquisition of property, plant and equipment	Others
Subsidiaries and associates					
Hanwha Engineering and Construction Corp. ¹	\$ 2,368	\$ 110	\$ 44,194	\$ -	\$ 124,275
Hanwha International (Shanghai) Co., Ltd.	1,837	-	-	-	-
Hanwha Life Insurance Co., Ltd.	1,692	-	7,516	-	-
Hanwha Advanced Materials Corporation (Formerly, Hanwha L&C Corporation)	908	-	74,889	-	-
Hanwha Chemical Co., Ltd.	50,021	1	79,786	-	-
Hanwha TechM Co., Ltd. ²	361	-	6,286	-	-
Hanwha Hotel & Resort Inc.	576	-	8,824	1,528	-
Yeochun NCC Co., Ltd.	7,316	10	804,837	-	-
Hanwha Chemical (Ningbo) Co., Ltd.	2	-	1,896	-	-
Hanwha Europe GmbH	44,066	-	20,872	-	-
Hanwha Hong Kong Co., Ltd.	161	-	50,309	-	-
Hanwha International (S) Pte Ltd.	353,341	-	378	-	-
Hanwha International LLC.	13,578	7	75,388	-	-
Hanwha Q CELLS GmbH	34,599	-	191	-	-
Hanwha Q CELLS Japan Co., Ltd.	14,132	-	6,361	-	-
Hanwha Q CELLS Malaysia Sdn. Bhd.	129,022	-	256	-	-
Hanwha SolarOne(Qidong) Co., Ltd.	26,658	-	-	-	-
S&P World Networks DMCC ²	5,151	-	-	-	-
Others	3,420	1,137	11,189	-	124
Other related parties					
Hanwha Energy Corp.	111,080	-	-	-	-
Hanwha S&C Co., Ltd.	560	2	23,743	-	-
Others	6,121	-	8,130	-	-
	<u>\$ 806,970</u>	<u>\$ 1,267</u>	<u>\$ 1,225,045</u>	<u>\$ 1,528</u>	<u>\$ 124,399</u>

¹ Other expenses of the current year is the amount of the payment for the acquisition of the 6,428,400 shares of Hanwha Chemical Co., Ltd. from Hanwha Engineering and Construction Corp.

² The name of company was changed from S&P World Networks JLT to S&P World Networks DMCC during the year ended December 31, 2014.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Changes in loans to related parties for the years ended December 31, 2014 and 2013, are as follows:

(in thousands)

	2014				
	Korean Won				
	Beginning	Increase	Decrease	Others	Ending
Associates					
PT. Nantoy Bara Lestari ¹	₩ 4,744,098	₩ -	₩ -	₩ (4,744,098)	₩ -
Subsidiaries					
Think Biotech (Cambodia) Co., Ltd.	8,401,541	8,205,592	(1,288,403)	677,210	15,995,940
Amru and Hanwha International	-	555,912	-	16,500	572,412
Hanwha Singapore Pte. Ltd.	-	26,576	-	1,138	27,714

(in thousands)

	2014				
	US Dollars (Note 3)				
	Beginning	Increase	Decrease	Others	Ending
Associates					
PT. Nantoy Bara Lestari ¹	\$ 4,316	\$ -	\$ -	\$ (4,316)	\$ -
Subsidiaries					
Think Biotech (Cambodia) Co., Ltd.	7,643	7,465	(1,172)	616	14,552
Amru and Hanwha International	-	506	-	15	521
Hanwha Singapore Pte. Ltd.	-	24	-	1	25

¹ For the year ended December 31, 2014, loans of ₩4,699 million (equivalent to US\$ 4,275 thousand) was converted into equity.

(in thousands)

	2013			
	Korean Won			
	Beginning	Increase	Others	Ending
Associates				
PT. Nantoy Bara Lestari	₩ 3,351,916	₩ 1,532,621	₩ (140,439)	₩ 4,744,098
Think Biotech (Cambodia) Co., Ltd.	4,361,101	4,512,131	(471,691)	8,401,541

(in thousands)

	2013			
	US Dollars (Note 3)			
	Beginning	Increase	Others	Ending
Associates				
PT. Nantoy Bara Lestari	\$ 3,049	\$ 1,394	\$ (128)	\$ 4,316
Think Biotech (Cambodia) Co., Ltd.	3,968	4,105	(429)	7,643

¹ Changes in loans to related parties include accrued interest income.

² No provisions are made for loans to related parties.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Equity contributions in cash with related parties for the years ended December 31, 2014 and 2013, are as follows:

	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Subsidiaries				
Hanwha International (Shanghai) Co., Ltd.	₩ -	₩ 3,817,056	\$ -	\$ 3,473
Hanwha Chemical Co., Ltd.	-	136,603,500	-	124,275
Hanwha Agritech Ltd.	-	973,980	-	886
Hanwha Greentech Limited.	5,149	-	5	-
Hanwha Hong Kong Co., Ltd.	-	7,635,944	-	6,947
Hanwha Internacional do Brasil Intermediacoes de Negocios Ltda.	-	405,685	-	369
Hanwha International India PVT., LT	-	169,296	-	154
Hanwha Mining Services Australia Pty., Ltd	1,953,772	-	1,777	-
Hanwha Mining Services Chile SpA	406,240	-	370	-
Hanwha Mining Services Peru S.A.C.	415,702	-	378	-
Hanwha Q CELLS Japan Co., Ltd.	-	21,658,250	-	19,704
Hanwha Resources (Canada) Ltd.	65,297	14,700	59	13
Hanwha Resources (USA) Corporation	2,519,191	-	2,292	-
Hanwha Singapore Pte. Ltd.	56,363	-	51	-
Hanwha Techm Hungary Zrt.	4,708,446	-	4,284	-
PT. Hanwha Mining Services Indonesia	-	2,211,264	-	2,012
Associates				
SaltOne Co., Ltd	-	585,000	-	532
Bio Green Technology Sdn Bhd.	964,710	-	878	-
PT. Nantoy Bara Lestari ¹	6,771,196	-	6,160	-

¹ The equity contribution in cash includes debt to equity swap amounting to ₩4,699 million (equivalent to US\$ 4,275 thousand).

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Details of payment guarantees provided by the Company for the year ended December 31, 2014 as follows, and no collaterals are provided by the Company for the year ended December 31, 2014:

<i>(in thousands)</i>	2014	
	Remark	Amount
		JPY 5,700,000
Hanwha Q CELLS Japan Co., Ltd.	Borrowings	(USD 47,715)
		USD 18,000
Hanwha Hong Kong Co., Ltd.	Borrowings	USD 23,000
Hanwha Int'l(S) Pte Ltd.	Borrowings	USD 60,000
Hanwha Europe GmbH	Borrowings	USD 30,000
Hanwha Internacional do Brasil Intermediacoes de Negocios Ltda.	Borrowings	USD 200
Hanwha Resources (USA) Corp.	Borrowings	USD 40,000
S&P World Networks DMCC ¹	Borrowings	USD 110,000
PT. Hanwha Mining Services Indonesia	Borrowings	USD 4,000
Think Biotech (Cambodia) Co.,Ltd.	Borrowings	USD 1,700

² The company name was changed from S&P World Networks JLT to S&P World Networks DMCC for the year ended December 31, 2014.

No collaterals and payment guarantees are provided by the related parties.

The key management compensation for the years ended December 31, 2014 and 2013, consists of:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Salaries and other short-term employee benefits ¹	₩ 15,620,750	₩ 23,794,906	\$ 14,211	\$ 21,647
Post-employment benefits	1,448,863	6,020,412	1,318	5,477
Other long-term benefits ²	(339,896)	733,240	(309)	667

¹ Salaries represent the amount after deducting return on compensation of the executive directors amounting to ₩6,932 million (equivalent to US\$ 6,306 thousand) for the year ended December 31, 2014.

² According to the long-term performance-based pay system which pays incentives to the executives based on the financial performance over the next three years from 2011, the expected amount of future payment within the time period is included in provisions for liabilities and charges and all amounts were paid and settled for the year ended December 31, 2014.

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

42. Operating Segment Information

The Company's reportable segments and details are as follows:

Business section	Main business
Explosives & Production	Manufacturing and selling of explosive and machinery
Trading & Retails	Trading and retails

A profit or loss by each segment for the years ended December 31, 2014 and 2013, are as follows:

(in thousands)

Korean Won

	2014			2013		
	Explosive & Production	Trading & Retails	Total	Explosive & Production	Trading & Retails	Total
Total segment revenue	₩ 1,408,298,599	₩ 3,650,290,256	₩ 5,058,588,855	₩1,213,454,767	₩4,133,372,740	₩ 5,346,827,507
Inter-segment revenue	91,429	1,450,136	1,541,565	-	5,948,865	5,948,865
Revenue from external customers	1,408,207,170	3,648,840,120	5,057,047,290	1,213,454,767	4,127,423,875	5,340,878,642
Operating profit of the segments	151,130,576	9,219,212	160,349,788	124,351,657	(12,302,297)	112,049,360
Finance income(loss)	(18,880,897)	(12,304,789)	(31,185,686)	(24,106,866)	19,176,816	(4,930,050)
Profit for the year	121,832,956	(26,451,758)	95,381,198	77,350,433	(23,540,279)	53,810,154

(in thousands)

US Dollars (Note 3)

	2014			2013		
	Explosive & Production	Trading & Retails	Total	Explosive & Production	Trading & Retails	Total
Total segment revenue	\$ 1,281,202	\$ 3,320,861	\$ 4,602,063	\$ 1,103,944	\$ 3,760,346	\$ 4,864,290
Inter-segment revenue	83	1,319	1,402	-	5,412	5,412
Revenue from external customers	1,281,119	3,319,542	4,600,661	1,103,944	3,754,934	4,858,878
Operating profit of the segments	137,492	8,387	145,879	113,129	(11,192)	101,937
Finance income(loss)	(17,177)	(11,194)	(28,371)	(21,931)	17,446	(4,485)
Profit for the year	110,838	(24,065)	86,773	70,370	(21,416)	48,954

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Depreciation and others, and income tax expense(profit) for the years ended December 31, 2014 and 2013, are as follows:

(in thousands)

Korean Won

	2014			2013		
	Explosive & Production	Trading & Retails	Total	Explosive & Production	Trading & Retails	Total
Depreciation & others	₩ 51,804,117	₩ 2,398,589	₩ 54,202,706	₩ 45,283,072	₩ 2,037,551	₩ 47,320,623
Income tax expense(profit)	43,844,074	(7,281,760)	36,562,314	13,939,612	(15,265,422)	(1,325,810)

(in thousands)

US Dollars (Note 3)

	2014			2013		
	Explosive & Production	Trading & Retails	Total	Explosive & Production	Trading & Retails	Total
Depreciation & others	\$ 47,129	\$ 2,182	\$ 49,311	\$ 41,196	\$ 1,854	\$ 43,050
Income tax expense(profit)	39,887	(6,625)	33,262	12,682	(13,888)	(1,206)

Segment Assets and liabilities as of December 31, 2014 and 2013, are as follows:

(in thousands)

Korean Won

	2014			2013		
	Explosive & Production	Trading & Retails	Total	Explosive & Production	Trading & Retails	Total
Total assets	₩ 5,458,313,333	₩1,129,924,259	₩6,588,237,592	₩4,887,046,114	₩1,389,879,392	₩6,276,925,506
Total liabilities	2,766,656,773	1,140,703,719	3,907,360,492	2,741,735,706	900,959,256	3,642,694,962

(in thousands)

US Dollars (Note 3)

	2014			2013		
	Explosive & Production	Trading & Retails	Total	Explosive & Production	Trading & Retails	Total
Total assets	\$ 4,965,715	\$ 1,027,951	\$ 5,993,666	\$ 4,446,003	\$ 1,264,446	\$ 5,710,449
Total liabilities	2,516,973	1,037,758	3,554,731	2,494,301	819,650	3,313,951

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

Details of acquisition costs of non-current asset for the years ended December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Explosive & Production	₩ 230,818,021	₩ 260,252,065	\$ 209,987	\$ 236,765
Trading & Retails	12,029,232	37,252,095	10,944	33,890
	₩ 242,847,253	₩ 297,504,160	\$ 220,931	\$ 270,655

Investments in subsidiaries and associates as of December 31, 2014 and 2013, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Explosive & Production	₩ 3,483,823,248	₩ 3,534,358,661	\$ 3,169,417	\$ 3,215,392
Trading & Retails	131,369,833	147,105,596	119,514	133,830
	₩ 3,615,193,081	₩ 3,681,464,257	\$ 3,288,931	\$ 3,349,222

Breakdown of the revenue of the Company for the years ended December 31, 2014 and 2013, from all geographic areas, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2014	2013	2014	2013
Domestic	₩ 2,516,255,421	₩ 2,344,751,777	\$ 2,289,170	\$ 2,133,144
U.S.A.	119,536,575	102,468,341	108,749	93,221
Asia	2,026,734,898	2,232,940,816	1,843,827	2,031,424
Other	394,520,396	660,717,708	358,915	601,089
	₩ 5,057,047,290	₩ 5,340,878,642	\$ 4,600,661	\$ 4,858,878

Hanwha Corporation
Notes to Separate Financial Statements
December 31, 2014 and 2013

43. Business Combinations

The Company merged the manufacturing business of Hanwha TechM Co., Ltd., a wholly owned subsidiary of the Company, in the form of a simplicity merger on October 1, 2014, to enhance its competitiveness in the manufacturing business and increase efficiency in management by integrating their capabilities in manufacturing.

As a business combination under a common control, the Company measured the merged company's assets and liabilities at their book values on the consolidated financial statements, and the difference with the book value of the eliminated investments in subsidiary is recognized as gain on disposal of investments in subsidiary.

The following table summarizes the consideration paid for Hanwha TechM Co., Ltd., and the book value of assets acquired, liabilities assumed:

<i>(in thousands)</i>	Korean Won	US Dollars (Note 3)
Carrying amount of investments in Hanwha TechM Co., Ltd.	₩ 57,613,333	\$ 52,414
Consideration		
Cash and cash equivalents	₩ 5,692,395	5,179
Other financial assets (current)	5,587,571	5,083
Trade and other receivables	201,366,908	183,194
Other current assets	30,837,239	28,054
Inventories	91,603,290	83,336
Available-for-sale assets (non-current)	1,000,000	910
Other financial assets (non-current)	5,910,395	5,377
Property, plant and equipment	90,922,370	82,717
Intangible assets	21,179,283	19,268
Other non-current assets	283,119	258
Deferred tax assets	8,337,306	7,585
Trade and other payables	(83,876,258)	(76,307)
Borrowings (current)	(56,405,724)	(51,315)
Other financial liabilities (current)	(5,308,952)	(4,830)
Other current liabilities	(95,139,126)	(86,553)
Borrowings (non-current)	(45,000,000)	(40,939)
Other financial liabilities (non-current)	(766,582)	(697)
Provisions	(1,806,089)	(1,643)
Other non-current liabilities	(6,126)	(6)
Net defined benefit liabilities	(36,695,820)	(33,384)
	₩ 137,715,199	\$ 125,287
Acquisition-related costs (reflecting gain on disposal of investments in subsidiaries)	₩ (80,101,866)	\$ (72,873)

**Report of Independent Accountants'
Review of Internal Accounting Control System**

To the President of
Hanwha Corporation

We have reviewed the accompanying management's report on the operations of the Internal Accounting Control System ("IACS") of Hanwha Corporation (the "Company") as of December 31, 2014. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that "based on its assessment of the operations of the IACS as of December 31, 2014, the Company's IACS has been designed and is operating effectively as of December 31, 2014, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association."

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review is to obtain an understanding of a Company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

A Company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean IFRS. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2014, and we did not review management's assessment of its IACS subsequent to December 31, 2014. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

Samil PricewaterhouseCoopers

March 12, 2015

Report on the Operations of the Internal Accounting Control System

To the Audit Committee of
Hanwha Corporation

I, as the Internal Accounting Control Officer (“IACO”) of Hanwha Corporation (“the Company”), assessed the status of the design and operations of the Company’s internal accounting control system (“IACS”) for the year ended December 31, 2014.

The Company’s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of financial reporting and the preparation of financial statements for external purposes. I, as the IACO, applied the IACS standard for the assessment of design and operations of the IACS.

Based on the assessment on the operations of the IACS, the Company’s IACS has been effectively designed and is operating as of December 31, 2014, in all material respects, in accordance with the IACS standards.

February 4, 2015

Sung-il Kim, Internal Accounting Control Officer

Kyung-seop Shim, Chief Executive Officer