

Hanwha Corporation

**Separate Financial Statements
December 31, 2015 and 2014**

Hanwha Corporation
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December 31, 2015 and 2014

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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 financial statements of Hanwha Corporation (the Company), which comprise the separate statements of financial position as of December 31, 2015 and 2014, 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 financial statements present fairly, in all material respects, the financial position of Hanwha Corporation as of December 31, 2015 and 2014, and its financial performance and cash flows for the years then ended in accordance with the Korean IFRS.

Other matters

The accompanying separate financial statements as of and for the years ended December 31, 2015 and 2014, 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.

A handwritten signature in cursive script that reads "Samuel PricewaterhouseCoopers". The signature is written in black ink and is centered on the page.

Seoul, Korea
March 17, 2016

This report is effective as of March 17, 2016, 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 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, 2015 and 2014

	Notes	Korean Won		US dollars (Note 3)	
		2015	2014	2015	2014
Assets					
Current assets					
Cash and cash equivalents	9	₩ 65,742,267,628	₩ 48,914,486,419	\$ 56,094,085	\$ 41,735,910
Available-for-sale financial assets	10	-	2,379,220,919	-	2,030,052
Trade and other receivables	11	1,090,309,861,065	974,048,417,237	930,298,516	831,099,332
Other financial assets	12,13	28,003,899,563	35,485,647,896	23,894,112	30,277,857
Other current assets	14	139,548,210,364	143,950,610,369	119,068,439	122,824,753
Inventories	15	594,187,319,717	654,471,418,391	506,985,768	558,422,712
Assets held-for-sale		13,500,000,000	-	11,518,771	-
		<u>1,931,291,558,337</u>	<u>1,859,249,801,231</u>	<u>1,647,859,691</u>	<u>1,586,390,616</u>
Non-current assets					
Available-for-sale financial assets	10	9,347,854,588	7,706,653,682	7,975,985	6,575,643
Trade and other receivables	11	497,325,646	-	424,339	-
Other financial assets	12	61,898,226,848	41,686,935,060	52,814,187	35,569,057
Investments in subsidiaries and associates	16	4,456,375,452,803	3,615,193,080,859	3,802,368,134	3,084,635,735
Investment property	17	3,893,911,302	32,056,837,863	3,322,450	27,352,251
Property, plant and equipment	18	1,012,977,137,332	918,810,973,798	864,314,964	783,968,408
Intangible assets	19	105,428,230,016	107,715,340,135	89,955,828	91,907,287
Other non-current assets	14	6,589,154,333	5,817,969,327	5,622,146	4,964,138
		<u>5,657,007,292,868</u>	<u>4,728,987,790,724</u>	<u>4,826,798,033</u>	<u>4,034,972,519</u>
Total assets		<u>₩ 7,588,298,851,205</u>	<u>₩ 6,588,237,591,955</u>	<u>\$ 6,474,657,724</u>	<u>\$ 5,621,363,135</u>
Liabilities					
Current liabilities					
Trade and other payables	20	₩ 982,895,920,824	₩ 928,063,622,566	\$ 838,648,396	\$ 791,863,159
Borrowings and debentures	21	1,468,131,823,576	818,499,563,721	1,252,672,204	698,378,467
Other financial liabilities	13,22	59,799,874,152	50,452,627,814	51,023,783	43,048,317
Other current liabilities	23	313,453,058,973	307,786,152,894	267,451,416	262,616,171
Provisions for other liabilities and charges	25	95,917,189	51,690,000,000	81,841	44,104,096
Current tax income liabilities	26	22,503,756,203	31,780,392,268	19,201,157	27,116,376
		<u>2,846,880,350,917</u>	<u>2,188,272,359,263</u>	<u>2,429,078,797</u>	<u>1,867,126,586</u>
Non-current liabilities					
Trade and other payables	20	188,439,743,613	14,048,472,690	160,784,764	11,986,751
Borrowings and debentures	21	1,303,043,143,848	1,201,908,775,001	1,111,811,556	1,025,519,433
Other financial liabilities	13,22	69,195,666,524	3,483,138,916	59,040,671	2,971,962
Net defined benefit liabilities	24	270,158,014,551	236,260,273,417	230,510,251	201,587,264
Provisions for other liabilities and charges	25	32,394,953,868	11,013,546,060	27,640,746	9,397,224
Other non-current liabilities	23	5,696,286	5,764,366	4,860	4,918
Deferred tax income liabilities	26	207,980,314,016	252,368,162,580	177,457,606	215,331,197
		<u>2,071,217,532,706</u>	<u>1,719,088,133,030</u>	<u>1,767,250,454</u>	<u>1,466,798,749</u>
Total liabilities		<u>4,918,097,883,623</u>	<u>3,907,360,492,293</u>	<u>4,196,329,251</u>	<u>3,333,925,335</u>
Equity					
Capital stock	27	377,190,145,000	377,190,145,000	321,834,595	321,834,595
Capital surplus	27	337,737,690,216	337,737,690,216	288,172,091	288,172,091
Capital adjustments	28	(20,751,089,414)	(20,751,089,414)	(17,705,708)	(17,705,708)
Accumulated other comprehensive income	29	(799,525,538)	(669,238,753)	(682,189)	(571,023)
Retained earnings	30	1,976,823,747,318	1,987,369,592,613	1,686,709,684	1,695,707,845
Total equity		<u>2,670,200,967,582</u>	<u>2,680,877,099,662</u>	<u>2,278,328,473</u>	<u>2,287,437,800</u>
Total liabilities and equity		<u>₩ 7,588,298,851,205</u>	<u>₩ 6,588,237,591,955</u>	<u>\$ 6,474,657,724</u>	<u>\$ 5,621,363,135</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, 2015 and 2014

	Notes	Korean Won		US Dollars (Note 3)	
		2015	2014	2015	2014
Revenue	31	₩ 5,098,918,831,811	₩ 5,057,047,289,914	\$ 4,350,613,338	\$ 4,314,886,766
Cost of sales	31,33	4,607,418,811,265	4,627,674,955,587	3,931,244,720	3,948,528,119
Gross profit		491,500,020,546	429,372,334,327	419,368,618	366,358,647
Selling and administrative expenses	32,33	325,624,364,545	269,022,545,893	277,836,489	229,541,421
Operating profit		165,875,656,001	160,349,788,434	141,532,129	136,817,226
Other gains	34	231,500,526,036	289,579,882,894	197,526,046	247,081,811
Other losses	34	333,422,900,765	286,800,472,660	284,490,530	244,710,301
Finance income	35	70,269,754,456	49,119,127,955	59,957,128	41,910,519
Finance costs	35	93,214,089,420	80,304,814,602	79,534,206	68,519,466
Profit before income tax		41,008,946,308	131,943,512,021	34,990,567	112,579,789
Income tax expense(profit)		4,820,147,219	36,562,314,462	4,112,754	31,196,514
Profit for the year		₩ 36,188,799,089	₩ 95,381,197,559	\$ 30,877,813	\$ 81,383,275
Other comprehensive income					
1. Items that will not be reclassified to profit or loss:					
Remeasurements of the net defined benefit liabilities		(11,931,665,184)	(19,386,187,085)	(10,180,602)	(16,541,115)
2. Items that will be reclassified subsequently to profit or loss:					
Change in value of available-for-sale financial assets		(130,286,785)	18,070,214	(111,166)	15,418
Other comprehensive income(loss) for the year, net of tax		(12,061,951,969)	(19,368,116,871)	(10,291,768)	(16,525,697)
Total comprehensive income for the year		₩ 24,126,847,120	₩ 76,013,080,688	\$ 20,586,045	\$ 64,857,578
Earnings per share attributable to the equity holders of the Company during the year	36				
Basic earnings per common share		₩ 520	₩ 1,371	\$ 0.44	\$ 1.17
Basic earnings per preferred share		570	1,421	0.49	1.21

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

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Hanwha Corporation
Separate Statements of Changes in Equity
Years Ended December 31, 2015 and 2014

Korean Won						
	Capital Stock	Capital Surplus	Capital Adjustments	Accumulated other Comprehensive Income and expense	Retained Earnings	Total Equity
Balance at January 1, 2014	W 377,190,145,000	W 339,257,038,334	W (20,751,089,414)	W (687,308,967)	W 1,939,221,758,439	W 2,634,230,543,392
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>
Balance at January 1, 2015	W 377,190,145,000	W 337,737,690,216	W (20,751,089,414)	W (669,238,753)	W 1,987,369,592,613	W 2,680,877,099,662
Comprehensive income :						
Profit for the year	-	-	-	-	36,188,799,089	36,188,799,089
Change in value of available-for-sale financial assets	-	-	-	(130,286,785)	-	(130,286,785)
Remeasurements of the net defined benefit liabilities	-	-	-	-	(11,931,665,184)	(11,931,665,184)
Transactions with equity holders of the Company :						
Dividends	-	-	-	-	(34,802,979,200)	(34,802,979,200)
Balance at December 31, 2015	<u>W 377,190,145,000</u>	<u>W 337,737,690,216</u>	<u>W (20,751,089,414)</u>	<u>W (799,525,538)</u>	<u>W 1,976,823,747,318</u>	<u>W 2,670,200,967,582</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, 2014	\$ 321,834,595	\$ 289,468,463	\$ (17,705,708)	\$ (586,441)	\$ 1,654,626,074	\$ 2,247,636,983
Comprehensive income :						
Profit for the year	-	-	-	-	81,383,274	81,383,274
Change in value of available-for-sale financial assets	-	-	-	15,418	-	15,418
Remeasurements of the net defined benefit liabilities	-	-	-	-	(16,541,115)	(16,541,115)
Capital surplus:						
Others	-	(1,296,372)	-	-	-	(1,296,372)
Transactions with equity holders of the Company :						
Dividends	-	-	-	-	(23,760,388)	(23,760,388)
Balance at December 31, 2014	<u>\$ 321,834,595</u>	<u>\$ 288,172,091</u>	<u>\$ (17,705,708)</u>	<u>\$ (571,023)</u>	<u>\$ 1,695,707,845</u>	<u>\$ 2,287,437,800</u>
Balance at January 1, 2015	\$ 321,834,595	\$ 288,172,091	\$ (17,705,708)	\$ (571,023)	\$ 1,695,707,845	\$ 2,287,437,800
Comprehensive income :						
Profit for the year	-	-	-	-	30,877,815	30,877,815
Change in value of available-for-sale financial assets	-	-	-	(111,166)	-	(111,166)
Remeasurements of the net defined benefit liabilities	-	-	-	-	(10,180,602)	(10,180,602)
Transactions with equity holders of the Company :						
Dividends	-	-	-	-	(29,695,374)	(29,695,375)
Balance at December 31, 2015	<u>\$ 321,834,595</u>	<u>\$ 288,172,091</u>	<u>\$ (17,705,708)</u>	<u>\$ (682,189)</u>	<u>\$ 1,686,709,684</u>	<u>\$ 2,278,328,472</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, 2015 and 2014

	Notes	Korean Won		US Dollars (Note 3)	
		2015	2014	2015	2014
Cash flows from operating activities					
Cash generated from operations	38	₩ 57,012,437,391	₩ 231,767,383,236	\$ 48,645,424	\$ 197,753,740
Income tax refund(paid)		(54,633,718,422)	(9,852,048,970)	(46,615,801)	(8,406,185)
Net cash generated from operating activities		2,378,718,969	221,915,334,266	2,029,623	189,347,555
Cash flows from investing activities					
Receipt of government grants		2,386,146,626	3,308,687,853	2,035,961	2,823,113
Acquisition of property, plant and equipment		(151,184,918,397)	(111,860,363,660)	(128,997,371)	(95,443,996)
Proceeds from disposal of property, plant and equipment		5,297,752,913	946,497,223	4,520,267	807,591
Proceeds from disposal of investment properties		3,272,279,850	13,856,700,000	2,792,048	11,823,123
Acquisition of intangible assets		(18,715,693,713)	(12,860,440,948)	(15,969,022)	(10,973,072)
Proceeds from disposal of intangible assets		692,807,533	967,571,520	591,133	825,573
Proceeds from disposal of assets held-for-sale		9,997,000,000	-	8,529,863	-
Acquisition of investments in subsidiaries and associates		(529,441,054,231)	(13,167,439,289)	(451,741,514)	(11,235,016)
Proceeds from disposal of investments in subsidiaries and associates		15,550,617,300	-	13,268,445	-
Decrease in other financial assets		14,878,791,726	3,518,951,291	12,695,216	3,002,519
Increase in other financial assets		(31,289,524,093)	(15,293,271,605)	(26,697,545)	(13,048,866)
Interest received		4,260,256,628	4,642,836,572	3,635,031	3,961,465
Dividends received		62,366,177,723	42,610,605,709	53,213,462	36,357,172
Deposit received		-	75,300,000	-	64,249
Cash inflow due to business combination	43	-	5,692,395,212	-	4,856,993
Net cash used in investing activities		(611,929,360,135)	(77,561,970,122)	(522,124,026)	(66,179,152)
Cash flows from financing activities					
Increase in borrowings and debentures		1,243,694,256,140	1,153,012,372,195	1,061,172,573	983,798,952
Repayment of borrowings and debentures		(496,030,560,999)	(1,237,534,083,535)	(423,234,267)	(1,055,916,454)
Interest paid		(86,162,177,922)	(77,887,092,602)	(73,517,217)	(66,456,564)
Dividends paid		(34,802,979,200)	(27,847,176,300)	(29,695,375)	(23,760,389)
Others		(320,115,644)	94,000,000	(273,136)	80,205
Net cash generated from (used in) financing activities		626,378,422,375	(190,161,980,242)	534,452,578	(162,254,250)
Net increase(decrease) in cash and cash equivalents		16,827,781,209	(45,808,616,098)	14,358,175	(39,085,847)
Cash and cash equivalents					
Cash and cash equivalents at beginning of year		48,914,486,419	94,723,102,517	41,735,910	80,821,757
Cash and cash equivalents at the end of year		₩ 65,742,267,628	₩ 48,914,486,419	\$ 56,094,085	\$ 41,735,910

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, 2015 and 2014

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, Changwon, Asan 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, 2015, amounted to ₩377,190 million. As of December 31, 2015, 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 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 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 financial statements.

The financial statements of the Company 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 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 financial statements are disclosed in Note 4.

Hanwha Corporation

Notes

December 31, 2015 and 2014

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, 2015:

- Amendment to Korean IFRS 1019, *Employee Benefits*
- Annual Improvements to Korean IFRS 2010-2012 *Cycle*
- Annual Improvements to Korean IFRS 2011-2013 *Cycle*

(b) New and amended 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, 2015 and not early adopted would not have a material impact on its financial statements.

2.3 Subsidiaries, Joint Arrangements and Associates

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.

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.

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Notes

December 31, 2015 and 2014

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 and the 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. 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 8).

(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.

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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:

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

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 to arrive 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.

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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.

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.

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(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 Greenhouse Gas Emissions Rights and Obligations

- Carrying out an obligation of the emissions and Obligations

With Enforcement of Allocation and Trading of Greenhouse Gas Emissions Allowances, allowances that are received free of charge from the government are measured at zero while allowances purchased are measured at acquisition cost and stated net of accumulated impairment loss. Emissions obligations are measured as the sum of the carrying amount of the allocated allowances that will be submitted to the government and the best estimate of expenditure required to settle the obligation at the end of reporting period for any excess emission. The allowances and emissions obligations are classified as 'intangible assets' and 'provisions', respectively, in the statement of financial position.

2.17 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.

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

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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.

2.18 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.

2.19 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.

2.20 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 41). The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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2.21 Approval of Issuance of the Financial Statements

The issuance of the December 31, 2015 financial statements of the Company was approved by the Board of Directors on February 24, 2016, 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 2014 Korean won amounts are expressed in US Dollars at US\$ 1: ₩ 1,172.0, the exchange rate in effect on December 31, 2015. 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) Income taxes

Income taxes of the Company are based on tax laws and interpretations of tax authorities in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

(b) 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).

(C) 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 24).

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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 impacts 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, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015		2014	
	10% increase	10% decrease	10% increase	10% decrease
USD	₩ (3,248,150)	₩ 3,248,150	₩ (17,461,236)	₩ 17,461,236
EUR	(238,167)	238,167	(3,656,106)	3,656,106
JPY	2,094,843	(2,094,843)	6,881,186	(6,881,186)

(in thousands)

	US Dollars (Note 3)			
	2015		2014	
	10% increase	10% decrease	10% increase	10% decrease
USD	\$ (2,771)	\$ 2,771	\$ (14,899)	\$ 14,899
EUR	(203)	203	(3,120)	3,120
JPY	1,787	(1,787)	5,871	(5,871)

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

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The Company's financial instruments denominated in major foreign currencies as of December 31, 2015 and 2014, are converted into Korean won as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Cash and cash equivalents				
USD	₩ 510,675	₩ 330,219	\$ 436	\$ 282
EUR	177,065	16,743	151	14
Trade and other receivables				
USD	530,456,165	461,175,769	452,608	393,495
EUR	30,078,823	56,865,708	25,664	48,520
JPY	22,246,468	81,980,924	18,982	69,950
Other financial assets				
USD	29,125,943	15,380,837	24,852	13,124
EUR	15,513	14,418	13	12
Trade and other payables				
USD	391,030,739	548,251,421	333,644	467,791
EUR	25,366,414	69,598,391	21,643	59,384
JPY	1,298,035	12,182,675	1,108	10,395
Borrowings and debentures				
USD	201,543,545	103,247,761	171,965	88,095
EUR	7,286,652	23,859,537	6,218	20,358
JPY	-	986,390	-	842

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, 2015 would have been ₩ 8,067 million (equivalent to US\$ 6,883 thousand) lower/higher.

(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

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credit qualities of customers to amend a credit limit, if necessary. As of December 31, 2015, management does not expect any losses from non-performance by counterparties.

The maximum exposure to credit risk as of December 31, 2015 and 2014, is as follows:

<i>(in thousands)</i>	Korean won	
	2015	2014
Cash and cash equivalents ¹	₩ 65,737,268	₩ 48,909,486
Available-for-sale financial assets(Current)	-	2,379,221
Available-for-sale financial assets(Non-current)	2,688,139	1,231,568
Derivative financial instruments(Current)	3,753,317	9,926,392
Derivative financial instruments(Non-current)	1,025,485	1,025,485
Trade and other receivables(Current)	1,090,309,861	974,048,417
Trade and other receivables(Non-current)	497,326	-
Other financial assets(Current)	24,250,583	25,559,256
Other financial assets(Non-current)	60,872,742	40,661,450
	<u>₩ 1,249,134,721</u>	<u>₩ 1,103,741,275</u>

<i>(in thousands)</i>	US Dollars (Note 3)	
	2015	2014
Cash and cash equivalents ¹	\$ 56,090	\$ 41,732
Available-for-sale financial assets(Current)	-	2,030
Available-for-sale financial assets(Non-current)	2,294	1,051
Derivative financial instruments(Current)	3,202	8,470
Derivative financial instruments(Non-current)	875	875
Trade and other receivables(Current)	930,299	831,099
Trade and other receivables(Non-current)	424	-
Other financial assets(Current)	20,692	21,808
Other financial assets(Non-current)	51,939	34,694
	<u>\$ 1,065,815</u>	<u>\$ 941,759</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 ₩ 493,017 million (equivalent to US\$ 420,663 thousand) (Note 40).

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(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, 2015 and 2014, are as follows:

(in thousands)

	Korean Won				
	2015				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Bank borrowings ¹	₩ 441,848,533	₩ 703,514,649	₩ 435,299,727	₩ 12,127,684	₩ 1,592,790,593
Debentures ¹	10,981,036	379,374,278	914,938,416	-	1,305,293,730
Trade and other payables	637,765,955	348,253,023	196,061,304	-	1,182,080,282
Other financial liabilities ²	43,497,631	250,322	1,416,344	3,742,092	48,906,389
Derivatives financial instruments	8,014,902	364,565	65,896,790	-	74,276,257

(in thousands)

	US Dollars (Note 3)				
	2015				
	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Total
Bank borrowings ¹	\$ 377,004	\$ 600,268	\$ 371,416	\$ 10,348	\$ 1,359,036
Debentures ¹	9,368	323,698	780,664	-	1,113,732
Trade and other payables	544,169	297,144	167,288	-	1,008,601
Other financial liabilities ²	37,114	214	1,208	3,193	41,729
Derivatives financial instruments	6,839	311	56,226	-	63,376

(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

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(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	\$ 90,731	\$ 364,572	\$ 308,530	\$ 11,066	\$ 774,899
Debentures ¹	8,532	280,490	760,234	-	1,049,256
Trade and other payables	659,850	132,014	4,610	7,376	803,850
Other financial liabilities ²	25,182	-	2,978	-	28,160
Derivatives financial instruments	2,965	8,490	-	-	11,455

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, 2015 and 2014, are as follows:

(in thousands)

	Korean Won	
	2015	2014
Total borrowings	₩ 2,771,174,968	₩ 2,020,408,339
Less: cash and cash equivalents	(65,742,268)	(48,914,486)
Net debt (A)	2,705,432,700	1,971,493,853
Total equity (B)	2,670,200,968	2,680,877,100
Total capital (C=A+B)	₩ 5,375,633,668	₩ 4,652,370,953
Gearing ratio (A/C) (%)	50.33%	42.38%

(in thousands)

	US Dollars (Note 3)	
	2015	2014
Total borrowings	\$ 2,364,484	\$ 1,723,898
Less: cash and cash equivalents	(56,094)	(41,736)
Net debt (A)	2,308,390	1,682,162
Total equity (B)	2,278,328	2,287,438
Total capital (C=A+B)	\$ 4,586,718	\$ 3,969,600
Gearing ratio (A/C) (%)	50.33%	42.38%

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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, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	₩ 65,742,268	₩ 65,742,268	₩ 48,914,486	₩ 48,914,486
Available-for-sale financial assets (Current)	-	-	2,379,221	2,379,221
Available-for-sale financial assets (Non-current) ¹	2,688,140	2,688,140	1,231,568	1,231,568
Derivative financial instruments (Current)	3,753,317	3,753,317	9,926,392	9,926,392
Derivative financial instruments (Non-current) ³	1,025,485	1,025,485	1,025,485	30,353,013
Trade and other receivables(Current)	1,090,309,861	1,090,309,861	974,048,417	974,048,417
Trade and other receivables (Non-current)	497,326	497,326	-	-
Other financial assets(Current) ²	24,250,583	24,250,583	25,559,256	25,559,256
Other financial assets(Non-current) ²	60,872,742	60,872,742	40,661,450	40,661,450
	<u>₩ 1,249,139,722</u>	<u>₩ 1,249,139,722</u>	<u>₩ 1,103,746,275</u>	<u>₩ 1,133,073,803</u>
Financial liabilities				
Trade and other payables(Current)	₩ 982,895,921	₩ 982,895,921	₩ 928,063,623	₩ 928,063,623
Trade and other payables (Non-current)	188,439,744	188,439,744	14,048,473	14,048,473
Borrowings and debentures (Current)	1,468,131,824	1,468,131,824	818,499,564	818,499,564
Borrowings and debentures (Non-current)	1,303,043,144	1,312,176,193	1,201,908,775	1,233,217,936
Derivative financial instruments (Current)	8,119,992	8,119,992	12,987,090	12,987,090
Derivative financial instruments (Non-current) ³	65,896,790	65,896,790	-	-
Other financial liabilities(Current) ²	51,679,882	51,679,882	37,465,538	37,465,538
Other financial liabilities(Non-current) ²	3,298,877	3,298,877	3,483,139	3,483,139
	<u>₩ 4,071,506,174</u>	<u>₩ 4,080,639,223</u>	<u>₩ 3,016,456,202</u>	<u>₩ 3,047,765,363</u>

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(in thousands)

	US Dollars (Note 3)			
	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	\$ 56,094	\$ 56,094	\$ 41,736	\$ 41,736
Available-for-sale financial assets (Current)	-	-	2,030	2,030
Available-for-sale financial assets (Non-current) ¹	2,294	2,294	1,051	1,051
Derivative financial instruments (Current)	3,202	3,202	8,470	8,470
Derivative financial instruments (Non-current) ³	875	875	875	25,899
Trade and other receivables(Current)	930,299	930,299	831,099	831,099
Trade and other receivables (Non-current)	424	424	-	-
Other financial assets(Current) ²	20,692	20,692	21,808	21,808
Other financial assets(Non-current) ²	51,939	51,939	34,694	34,694
	<u>\$ 1,065,819</u>	<u>\$ 1,065,819</u>	<u>\$ 941,763</u>	<u>\$ 966,787</u>
Financial liabilities				
Trade and other payables(Current)	\$ 838,648	\$ 838,648	\$ 791,863	\$ 791,863
Trade and other payables (Non-current)	160,785	160,785	11,988	11,988
Borrowings and debentures (Current)	1,252,672	1,252,672	698,378	698,378
Borrowings and debentures (Non-current)	1,111,812	1,119,604	1,025,519	1,052,234
Derivative financial instruments (Current)	6,928	6,928	11,081	11,081
Derivative financial instruments (Non-current) ³	56,226	56,226	-	-
Other financial liabilities(Current) ²	44,095	44,095	31,967	31,967
Other financial liabilities(Non-current) ²	2,815	2,815	2,972	2,972
	<u>\$ 3,473,981</u>	<u>\$ 3,481,773</u>	<u>\$ 2,573,768</u>	<u>\$ 2,600,483</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.

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(b) Financial Instruments Measured at Cost

Details of financial instruments measured at cost as of December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won			
	2015		2014	
Unlisted equity instruments	₩	6,659,715	₩	6,475,085

<i>(in thousands)</i>	US Dollars (Note 3)			
	2015		2014	
Unlisted equity instruments	\$	5,682	\$	5,525

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, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won			
	2015			
	Level 1	Level 2	Level 3	Total
Financial assets and liabilities that are measured at fair value				
Assets				
Available-for-sale financial assets	₩ -	₩ 2,688,140	₩ -	₩ 2,688,140
Derivative financial instruments	-	3,753,317	1,025,485	4,778,802
	₩ -	₩ 6,441,457	₩ 1,025,485	₩ 7,466,942
Liabilities				
Derivative financial instruments	₩ -	₩ 8,119,992	₩ 65,896,790	₩ 74,016,782
	₩ -	₩ 8,119,992	₩ 65,896,790	₩ 74,016,782

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(in thousands)

	US Dollars (Note 3)			
	2015			
	Level 1	Level 2	Level 3	Total
Financial assets and liabilities that are measured at fair value				
Assets				
Available-for-sale financial assets	\$ -	\$ 2,294	\$ -	\$ 2,294
Derivative financial instruments	-	3,202	875	4,077
	<u>\$ -</u>	<u>\$ 5,496</u>	<u>\$ 875</u>	<u>\$ 6,371</u>
Liabilities				
Derivative financial instruments	\$ -	\$ 6,928	\$ 56,226	\$ 63,154
	<u>\$ -</u>	<u>\$ 6,928</u>	<u>\$ 56,226</u>	<u>\$ 63,154</u>

(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	\$ -	\$ 3,081	\$ -	\$ 3,081
Derivative financial instruments	-	8,470	25,899	34,368
	<u>\$ -</u>	<u>\$ 11,551</u>	<u>\$ 25,899</u>	<u>\$ 37,449</u>
Liabilities				
Derivative financial instruments	\$ -	\$ 11,081	\$ -	\$ 11,081
	<u>\$ -</u>	<u>\$ 11,081</u>	<u>\$ -</u>	<u>\$ 11,081</u>

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Valuation techniques and inputs used in the fair value instruments categorized within Level 2 and Level 3 of the fair value hierarchy as of December 31, 2015, are as follows:

Korean Won					
	Fair value	Level	Valuation techniques	Inputs (Level 3)	Range of inputs (weighted average)
Available-for-sale financial assets					
Unlisted bonds	₩ 2,602,494	2	Present value technique	Not applicable	Not applicable
Corporate bonds	85,646	2	Market approach	Not applicable	Not applicable
Derivative financial assets					
Commodity futures	1,713,914	2	Market approach	Not applicable	Not applicable
Currency forward exchange contracts	2,039,403	2	Market approach	Not applicable	Not applicable
Shareholders' agreement	1,025,485	3	Option pricing model	Fair value of redeemable convertible preferred stock	Not applicable
Derivative financial liabilities					
Commodity futures	210,959	2	Market approach	Not applicable	Not applicable
Currency forward	7,909,033	2	Market approach	Not applicable	Not applicable
Shareholders' agreement	65,896,790	3	Option pricing model	Fair value of redeemable convertible preferred stock	Not applicable

US Dollars (Note 3)					
	Fair value	Level	Valuation techniques	Inputs	Range of inputs (weighted average)
Available-for-sale financial assets					
Unlisted bonds	\$ 2,221	2	Present value technique	Not applicable	Not applicable
Corporate bonds	73	2	Market approach	Not applicable	Not applicable
Derivative financial assets					
Commodity futures	1,462	2	Market approach	Not applicable	Not applicable
Currency forward	1,740	2	Market approach	Not applicable	Not applicable
Shareholders' agreement	875	3	Option pricing model	Fair value of redeemable convertible preferred stock	Not applicable
Derivative financial liabilities					
Commodity futures	180	2	Market approach	Not applicable	Not applicable
Currency forward exchange contracts	6,748	2	Market approach	Not applicable	Not applicable
Shareholders' agreement	56,226	3	Option pricing model	Fair value of redeemable convertible preferred stock	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 as profit for the year.

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In relation to this, details and changes of the total deferred difference for the years ended December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won	
	2015	2014
I . Beginning balance	₩ 29,327,528	₩ -
II . New transactions	-	35,193,034
III . Increase (Decrease) ((1)+(2))	(11,731,011)	(5,865,506)
(1) Amortization	(11,731,011)	(5,865,506)
(2) Settlements	-	-
IV . Ending balance (I +II+III)	17,596,517	29,327,528

(in thousands)

	US Dollars (Note 3)	
	2015	2014
I . Beginning balance	\$ 25,023	\$ -
II . New transactions	-	30,028
III . Increase (Decrease) ((1)+(2))	(10,009)	(5,005)
(1) Amortization	(10,009)	(5,005)
(2) Settlements	-	-
IV . Ending balance (I +II+III)	15,014	25,023

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7. Financial Instruments by Category

Categorizations of financial assets as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won				
	2015				
	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	₩ 65,742,268	₩ -	₩ -	₩ -	₩ 65,742,268
Trade and other receivables(Current)	1,090,309,861	-	-	-	1,090,309,861
Other financial assets(Current)	24,250,583	-	2,039,403	1,713,914	28,003,900
Available-for-sale financial assets (Non-current)	-	9,347,855	-	-	9,347,855
Trade and other receivables(Non-current)	497,326	-	-	-	497,326
Other financial assets (Non-current)	60,872,742	-	1,025,485	-	61,898,227
	<u>₩ 1,241,672,780</u>	<u>₩ 9,347,855</u>	<u>₩ 3,064,888</u>	<u>₩ 1,713,914</u>	<u>₩ 1,255,799,437</u>

(in thousands)

	US Dollars (Note 3)				
	2015				
	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	\$ 56,094	\$ -	\$ -	\$ -	\$ 56,094
Trade and other receivables(Current)	930,299	-	-	-	930,299
Other financial assets(Current)	20,692	-	1,740	1,462	23,894
Available-for-sale financial assets (Non-current)	-	7,976	-	-	7,976
Trade and other receivables(Non-current)	424	-	-	-	424
Other financial assets (Non-current)	51,939	-	875	-	52,814
	<u>\$ 1,059,448</u>	<u>\$ 7,976</u>	<u>\$ 2,615</u>	<u>\$ 1,462</u>	<u>\$ 1,071,501</u>

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(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	\$ 41,736	\$ -	\$ -	\$ -	\$ 41,736
Available-for-sale financial assets (Current)	-	2,030	-	-	2,030
Trade and other receivables(Current)	831,099	-	-	-	831,099
Other financial assets(Current)	21,808	-	5,450	3,020	30,278
Available-for-sale financial assets (Non-current)	-	6,576	-	-	6,576
Other financial assets(Non-current)	34,694	-	875	-	35,569
	\$ 929,337	\$ 8,606	\$ 6,325	\$ 3,020	\$ 947,288

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Categorizations of financial liabilities as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Hedging derivative financial instruments	Total
Trade and other payables(Current)	₩ 982,895,921	₩ -	₩ -	₩ 928,895,921
Borrowing and debentures(Current)	1,468,131,824	-	-	1,468,131,824
Other financial liabilities(Current)	51,679,882	7,909,033	210,959	59,799,874
Trade and other payables(Non-current)	188,439,744	-	-	188,439,744
Borrowings and debentures (Non-current)	1,303,043,144	-	-	1,303,043,144
Other financial liabilities(Non-current)	3,298,877	65,896,790	-	69,195,667
	<u>₩ 3,997,489,392</u>	<u>₩ 73,805,823</u>	<u>₩ 210,959</u>	<u>₩ 4,071,506,174</u>

(in thousands)

	US Dollars (Note 3)			
	2015			
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Hedging derivative financial instruments	Total
Trade and other payables(Current)	\$ 838,648	\$ -	\$ -	\$ 838,648
Borrowing and debentures(Current)	1,252,672	-	-	1,252,672
Other financial liabilities(Current)	44,096	6,748	180	51,024
Trade and other payables(Non-current)	160,785	-	-	160,785
Borrowings and debentures (Non-current)	1,111,812	-	-	1,111,812
Other financial liabilities(Non-current)	2,815	56,226	-	59,041
	<u>\$ 3,410,828</u>	<u>\$ 62,974</u>	<u>\$ 180</u>	<u>\$ 3,473,982</u>

(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>

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(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)	\$ 791,863	\$ -	\$ -	\$ 791,863
Borrowing and debentures(Current)	698,378	-	-	698,378
Other financial liabilities(Current)	31,967	10,194	887	43,048
Trade and other payables(Non-current)	11,988	-	-	11,988
Borrowings and debentures (Non-current)	1,025,519	-	-	1,025,519
Other financial liabilities(Non-current)	2,972	-	-	2,972
	<u>\$ 2,562,687</u>	<u>\$ 10,194</u>	<u>\$ 887</u>	<u>\$ 2,573,768</u>

Net gains or net losses on each category of financial instruments for the years ended December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Loans and receivables				
Gain (loss) on valuation (profit or loss)	₩ (6,361,872)	₩ (6,770,612)	\$ (5,428)	\$ (5,777)
Gain (loss) on transaction (profit or loss)	(1,435,519)	(4,195,396)	(1,225)	(3,580)
Interest income (profit)	7,807,262	5,615,788	6,661	4,792
Available-for-sale financial assets				
Gain (loss) on valuation (other comprehensive income or loss)	(171,882)	23,839	(147)	20
Gain (loss) on transaction (profit or loss)	(5,360)	(5,109)	(5)	(4)
Dividend income (profit)	730	100,675	1	86
Financial liabilities at amortized cost				
Interest expenses (loss)	93,214,089	80,304,815	79,534	68,519
Derivative financial instruments				
Gain (loss) on valuation (profit or loss)	(71,754,169)	(2,688,222)	(61,224)	(2,294)
Gain (loss) on transaction (profit or loss)	(1,799,872)	4,469,923	(1,536)	3,814

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8. Transfer of Financial Assets

Transferred financial assets that are not derecognized in their entirety as of December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Loans and receivables(Trade receivables)			
	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Book value of assets	₩ 51,763,691	₩ 102,363,023	\$ 44,167	\$ 87,341
Book value of associated liabilities ¹	(51,763,691)	(102,363,023)	(44,167)	(87,341)

¹ Trade receivables of the Company have been discounted through factoring agreements with banks in 2015 and 2014. 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 21).

9. Cash and Cash Equivalents

Cash and cash equivalents as of December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won	
	2015	2014
Cash in hand	₩ 5,000	₩ 5,000
Cash at bank	43,445,241	36,257,193
Other cash and cash equivalents	22,292,027	12,652,293
	₩ 65,742,268	₩ 48,914,486

<i>(in thousands)</i>	US Dollars (Note 3)	
	2015	2014
Cash in hand	\$ 4	\$ 4
Cash at bank	37,069	30,936
Other cash and cash equivalents	19,021	10,796
	\$ 56,094	\$ 41,736

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10. Available-for-sale Financial Assets

Changes in available-for-sale financial assets for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Beginning balance	₩ 10,085,874	₩ 8,489,758	\$ 8,606	\$ 7,244
Additions	1,259,050	1,589,400	1,074	1,356
Evaluation	(171,883)	23,839	(147)	20
Disposals	(1,825,186)	(566,563)	(1,557)	(483)
Increase due to business combination(Note 43)	-	1,000,000	-	853
Others	-	(450,560)	-	(384)
Ending balance	9,347,855	10,085,874	7,976	8,606
Less: current	-	(2,379,221)	-	(2,030)
Non-current	₩ 9,347,855	₩ 7,706,653	\$ 7,976	\$ 6,576

Details of available-for-sale financial assets as of December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won	
	2015	2014
Equity securities		
Unlisted equity instruments	₩ 6,659,715	₩ 6,475,085
Beneficiary certificate ¹	85,646	231,568
Debt securities		
Unlisted bonds	2,602,494	3,379,221
	₩ 9,347,855	₩ 10,085,874
Less: current	₩ -	₩ (2,379,221)
Non-current	9,347,855	7,706,653

<i>(in thousands)</i>	US Dollars (Note 3)	
	2015	2014
Equity securities		
Unlisted equity instruments	\$ 5,682	\$ 5,525
Beneficiary certificate ¹	73	198
Debt securities		
Unlisted bonds	2,221	2,883
	\$ 7,976	\$ 8,606
Less: current	\$ -	\$ (2,030)
Non-current	7,976	6,576

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.

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None of the available-for-sale financial assets are past due and the impaired assets as of December 31, 2015 and 2014, amount to ₩1,859 million (equivalent to US\$ 1,586 thousand) and ₩1,859 million (equivalent to US\$ 1,586 thousand), respectively.

11. Trade and Other Receivables

Trade and other receivables as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015		2014	
	Current	Non-current	Current	Non-current
Trade receivables	₩ 935,012,316	₩ 3,159,951	₩ 872,365,851	₩ 2,152,842
Less: discount on trade receivables	-	(49,307)	-	-
Less: provisions for impairment of trade receivables	(27,351,239)	(2,613,318)	(23,857,431)	(2,152,842)
Other receivables	44,555,517	72,182,339	37,242,775	72,182,339
Less: provisions for impairment of other receivables	(6,747,100)	(72,182,339)	(5,401,326)	(72,182,339)
Unbilled construction	144,840,367	-	93,698,548	-
	<u>₩ 1,090,390,861</u>	<u>₩ 497,326</u>	<u>₩ 974,048,417</u>	<u>₩ -</u>

(in thousands)

	US Dollars (Note 3)			
	2015		2014	
	Current	Non-current	Current	Non-current
Trade receivables	\$ 797,792	\$ 2,696	\$ 744,339	\$ 1,837
Less: discount on trade receivables	-	(42)	-	-
Less: provisions for impairment of trade receivables	(23,337)	(2,230)	(20,356)	(1,837)
Other receivables	38,017	61,589	31,777	61,589
Less: provisions for impairment of other receivables	(5,757)	(61,589)	(4,609)	(61,589)
Unbilled construction	123,584	-	79,948	-
	<u>\$ 930,299</u>	<u>\$ 424</u>	<u>\$ 831,099</u>	<u>\$ -</u>

Changes in provisions for impairment of trade and other receivables for the years ended December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015		2014	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning balance	₩ 26,010,273	₩ 77,583,665	₩ 24,128,218	₩ 74,533,654
Provision for impaired receivables	4,783,124	1,941,464	4,116,037	4,889,921
Reversal of provision for impaired receivables	(362,716)	-	(2,201,568)	(33,778)
Written off, others	(466,126)	(595,690)	(1,345,055)	(1,806,132)
Increase due to business combination(Note 43)	-	-	1,312,641	-
Ending balance	<u>₩ 29,964,555</u>	<u>₩ 78,929,439</u>	<u>₩ 26,010,273</u>	<u>₩ 77,583,665</u>

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(in thousands)

	US Dollars (Note 3)			
	2015		2014	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Beginning balance	\$ 22,193	\$ 66,198	\$ 20,587	\$ 63,595
Provision for impaired receivables	4,081	1,657	3,512	4,172
Reversal of provision for impaired receivables	(309)	-	(1,878)	(29)
Written off, others	(398)	(509)	(1,148)	(1,540)
Increase due to business combination(Note 43)	-	-	1,120	-
Ending balance	\$ 25,567	\$ 67,346	\$ 22,193	\$ 66,198

The aging analysis of the trade and other receivables as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Receivables not past due	₩ 877,837,542	₩ 884,578,376	\$ 749,008	\$ 766,834
Past due but not impaired				
Less than 3 months	108,849,233	36,126,245	92,875	30,824
Between 3 months and 6 months	36,221,419	4,018,663	30,906	3,429
Between 6 months and 1 year	28,207,001	25,488,419	23,897	21,748
Over 1 year	36,757,347	20,117,630	31,363	17,165
	209,835,000	85,750,957	179,040	73,166
Impaired				
Less than 3 months	66,220	4,339,883	57	3,703
Between 3 months and 6 months	295,900	-	252	-
Between 6 months and 1 year	6,280,739	20,000	5,359	17
Over 1 year	105,385,782	102,953,140	89,920	87,844
	112,028,641	107,313,023	95,588	91,564
	₩ 1,199,701,183	₩ 1,077,642,356	\$ 1,023,636	\$ 919,490

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12. Other Financial Assets

Details of other financial assets as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015		2014	
	Current	Non-current	Current	Non-current
Deposits in bank and others	₩ 24,250,583	₩ 2,212,076	₩ 21,231,645	₩ 4,764,000
Loans	-	29,021,652	4,327,611	10,608,938
Deposits provided	-	28,188,321	-	25,025,980
Derivative financial instruments	3,753,317	1,025,485	9,926,392	1,025,485
Long-term accrued income	-	1,450,693	-	262,532
	<u>₩ 28,003,900</u>	<u>₩ 61,898,227</u>	<u>₩ 35,485,648</u>	<u>₩ 41,686,935</u>

(in thousands)

	US Dollars (Note 3)			
	2015		2014	
	Current	Non-current	Current	Non-current
Deposits in bank and others	\$ 20,692	\$ 1,887	\$ 18,116	\$ 4,065
Loans	-	24,763	3,692	9,052
Deposits provided	-	24,051	-	21,353
Derivative financial instruments	3,202	875	8,470	875
Long-term accrued income	-	1,238	-	224
	<u>\$ 23,894</u>	<u>\$ 52,814</u>	<u>\$ 30,278</u>	<u>\$ 35,569</u>

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, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015		2014	
	Current	Non-current	Current	Non-current
Currency forward	₩ 2,039,403	₩ -	₩ 6,387,393	₩ -
Commodity futures	1,713,914	-	3,538,999	-
Shareholders' agreement (Note 39)	-	1,025,485	-	1,025,485
	<u>₩ 3,753,317</u>	<u>₩ 1,025,485</u>	<u>₩ 9,926,392</u>	<u>₩ 1,025,485</u>

(in thousands)

	US Dollars (Note 3)			
	2015		2014	
	Current	Non-current	Current	Non-current
Currency forward	\$ 1,740	\$ -	\$ 5,450	\$ -
Commodity futures	1,462	-	3,020	-
Shareholders' agreement (Note 39)	-	875	-	875
	<u>\$ 3,202</u>	<u>\$ 875</u>	<u>\$ 8,470</u>	<u>\$ 875</u>

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Details of derivative financial liabilities as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won		
	2015		2014
	Current	Non-current	Current
Currency forward	₩ 7,909,033	₩ -	₩ 11,947,229
Commodity futures	210,959	-	1,039,861
Shareholders' agreement (Note 39)	-	65,896,790	-
	₩ 8,119,992	₩ 65,896,790	₩ 12,987,090

(in thousands)

	US Dollars (Note 3)		
	2015		2014
	Current	Non-current	Current
Currency forward	\$ 6,748	\$ -	\$ 10,194
Commodity futures	180	-	887
Shareholders' agreement (Note 39)	-	56,226	-
	\$ 6,928	\$ 56,226	\$ 11,081

14. Other Assets

Details of other assets as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015		2014	
	Current	Non-current	Current	Non-current
Advance payments	₩ 131,456,034	₩ -	₩ 127,544,279	₩ -
Prepaid expenses	8,018,176	6,589,154	7,952,667	5,817,969
Prepaid VAT	-	-	8,453,664	-
Others	74,000	-	-	-
	₩ 139,548,210	₩ 6,589,154	₩ 143,950,610	₩ 5,817,969

(in thousands)

	US Dollars (Note 3)			
	2015		2014	
	Current	Non-current	Current	Non-current
Advance payments	\$ 112,164	\$ -	\$ 108,826	\$ -
Prepaid expenses	6,841	5,622	6,786	4,964
Prepaid VAT	-	-	7,213	-
Others	63	-	-	-
	\$ 119,068	\$ 5,622	\$ 122,825	\$ 4,964

None of the other assets are impaired.

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15. Inventories

Inventories as of December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won	
	2015	2014
Finished goods	₩ 63,400,892	₩ 66,628,049
Less: Valuation allowance	(3,986,267)	(8,234,614)
Merchandise	129,996,558	176,977,315
Less: Valuation allowance	(47,844)	(2,769,597)
Work in progress	211,534,415	187,857,961
Less: Valuation allowance	(1,900,233)	(837,144)
Raw materials	127,178,894	132,835,558
Less: Valuation allowance	(3,235,696)	(2,020,126)
Materials-in-transit	71,246,601	104,034,016
	₩ 594,187,320	₩ 654,471,418

<i>(in thousands)</i>	US Dollars (Note 3)	
	2015	2014
Finished goods	\$ 54,096	\$ 56,850
Less: Valuation allowance	(3,401)	(7,026)
Merchandise	110,919	151,005
Less: Valuation allowance	(41)	(2,363)
Work in progress	180,490	160,288
Less: Valuation allowance	(1,621)	(714)
Raw materials	108,514	113,341
Less: Valuation allowance	(2,761)	(1,724)
Materials-in-transit	60,791	88,766
	\$ 506,986	\$ 558,423

The Company recognized reversal of loss on inventory valuation of ₩ 4,691 million (equivalent to US\$ 4,003 thousand) for the year ended December 31, 2015, and recognized loss on inventory valuation of ₩ 6,562 million (equivalent to US\$ 5,599 thousand) for the year ended December 31, 2014. The amount of reversal 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 ₩ 53 million (equivalent to US\$ 45 thousand) and ₩ 5 million (equivalent to US\$ 4 thousand) for the years ended December 31, 2015 and 2014, respectively.

The cost of inventories recognized as expense and included in "Cost of sales" amounts to ₩4,377,732 million (equivalent to US\$ 3,735,266 thousand) for the year ended December 31, 2015, and ₩4,501,997 million (equivalent to US\$ 3,841,294 thousand) for the year ended December 31, 2014.

Certain inventories are provided as collateral for borrowings of the Company as of December 31, 2015 (Note 39).

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16. Investments in Subsidiaries and Associates

Investments in subsidiaries and associates as of December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won	
	2015	2014
Subsidiaries	₩ 4,432,037,774	₩ 3,591,005,402
Associates	24,337,679	24,187,679
	<u>₩ 4,456,375,453</u>	<u>₩ 3,615,193,081</u>

<i>(in thousands)</i>	US Dollars (Note 3)	
	2015	2014
Subsidiaries	\$ 3,781,602	\$ 3,063,998
Associates	20,766	20,638
	<u>\$ 3,802,368</u>	<u>\$ 3,084,636</u>

Changes in investments in subsidiaries and associates for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Beginning balance	₩ 3,615,193,081	₩ 3,681,464,257	\$ 3,084,636	\$ 3,141,181
Acquisitions	875,565,007	13,167,439	747,069	11,235
Disposals	(15,762,768)	-	(13,450)	-
Impairment loss ¹	(18,619,867)	(26,523,910)	(15,887)	(22,631)
Decrease due to business combination (Note 43)	-	(57,613,333)	-	(49,158)
Others	-	4,698,628	-	4,009
Ending balance	<u>₩ 4,456,375,453</u>	<u>₩ 3,615,193,081</u>	<u>\$ 3,802,368</u>	<u>\$ 3,084,636</u>

¹The Company recognized impairment loss on investments in Hanwha Resource (USA) Corporation due to their accumulated losses for the years ended December 31, 2015 and 2014.

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Details of investments in subsidiaries and associates as of December 31, 2015 and 2014, are as follows:

Investments in subsidiaries

(in thousands)

	Location	Percentage of ownership (%)	Korean Won	
			2015	2014
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 ¹	Korea	41.00	57,400,000	57,400,000
Hanwha TechM Co., Ltd.	Korea	100.00	25,105,035	25,105,035
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.	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	3,103,168	3,082,126
Hanwha Resources (Australia) Pty Ltd.	Australia	100.00	-	15,762,768
Hanwha Resources(USA) Corporation	USA	100.00	7,030,952	19,925,319
Hanwha International Brazil LTDA	Brazil	100.00	525,814	525,814
Hanwha Greentech Ltd.	Hong Kong	80.00	921,797	918,226
Hanwha TechM Hungary Zrt.	Hungary	97.21	4,708,446	4,708,446
S&P World Networks DMCC	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	32,266,322	1,953,772
Hanwha Mining Services Peru S.A.C	Peru	99.00	415,702	415,702
Hanwha Mining Services Chile SPA	Chile	100.00	953,840	406,240
Hanwha Singapore Pte. Ltd.	Singapore	100.00	6,657,647	56,363
Hanwha International (Shanghai) Co., Ltd. ^{1,2}	China	33.33	-	-
Hanwha TechM (Suzhou) Co., Ltd.	China	100.00	6,045,394	-
Hanwha Techwin Co., Ltd. ¹	Korea	32.35	825,203,555	-
Hanwha Mining Services Singapore Pte. Ltd.	Singapore	100.00	105,706	-
HSSC Stainless Inc.	USA	50.00	576,300	-
PT. Bara Bumi International	Indonesia	99.60	272,505	-
			₩ 4,432,037,774	₩ 3,591,005,402

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(in thousands)

	Location	Percentage of ownership (%)	US Dollars (Note 3)	
			2015	2014
Hanwha Chemical Co., Ltd. ¹	Korea	36.52	\$ 829,417	\$ 829,417
Hanwha Life Insurance Co., Ltd. ¹	Korea	21.67	931,196	931,196
Hanwha Engineering and Construction Corp.	Korea	93.60	903,340	903,340
Hanwha Hotels & Resorts Co., Ltd.	Korea	50.62	187,042	187,042
Hanwha Q CELLS Korea ¹	Korea	41.00	48,976	48,976
Hanwha TechM Co., Ltd.	Korea	100.00	21,421	21,421
Hanwha Eagles Professional Baseball club ^{1,2}	Korea	40.00	-	-
Hanwha Agritech Ltd.	Hong Kong	100.00	831	831
Hanwha Holdings (USA) Inc. ¹	USA	0.58	1,202	1,202
Hanwha Hongkong Co., Ltd.	Hong Kong	100.00	3,650	3,650
Hanwha Q CELLS Japan Co., Ltd. (Formerly, Hanwha Japan Co., Ltd)	Japan	100.00	37,118	37,118
Hanwha Europe GmbH	Germany	100.00	15,238	15,238
Hanwha Machinery Corp.	USA	100.00	37,663	37,663
Hanwha Resources (Canada) Ltd.	Canada	100.00	2,648	2,630
Hanwha Resources (Australia) Pty Ltd.	Australia	100.00	-	13,449
Hanwha Resources(USA) Corporation	USA	100.00	5,999	17,001
Hanwha International Brazil LTDA	Brazil	100.00	449	449
Hanwha Greentech Ltd.	Hong Kong	80.00	787	783
Hanwha TechM Hungary Zrt.	Hungary	97.21	4,017	4,017
S&P World Networks DMCC	UAE	100.00	4,128	4,128
PT. Hanwha Mining Services Indonesia	Indonesia	99.00	1,887	1,887
Hanwha International India PVT., LT	India	99.99	144	144
Hanwha Mining Services Australia	Australia	100.00	27,531	1,667
Hanwha Mining Services Peru S.A.C	Peru	99.00	355	355
Hanwha Mining Services Chile SPA	Chile	100.00	814	347
Hanwha Singapore Pte. Ltd.	Singapore	100.00	5,681	47
Hanwha International (Shanghai) Co., Ltd. ^{1,2}	China	33.33	-	-
Hanwha TechM (Suzhou) Co., Ltd.	China	100.00	5,157	-
Hanwha Techwin Co., Ltd. ¹	Korea	32.35	704,098	-
Hanwha Mining Services Singapore Pte. Ltd.	Singapore	100.00	90	-
HSSC Stainless Inc.	USA	50.00	491	-
PT. Bara Bumi International	Indonesia	99.60	232	-
			\$ 3,781,602	\$ 3,063,998

¹ Though the Company owns less than 50% of ownership interest of Hanwha Chemical Corporation, Hanwha Life insurance Co. Ltd and Hanwha Techwin 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.

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Investments in associates

(in thousands)

	Country	Percentage of ownership (%)	Korean Won	
			2015	2014
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	17,421,843
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	964,710
Eco Tree Korea Co., Ltd.	Korea	35.00	150,000	-
			₩ 24,337,679	₩ 24,187,679

(in thousands)

	Country	Percentage of ownership (%)	US Dollars (Note 3)	
			2015	2014
RFtron Co., Ltd.	Korea	29.98	\$ 236	\$ 236
Shin Young E&P	Korea	20.00	1,280	1,280
SaltOne Co., Ltd.	Korea	39.00	499	499
Korea RasLaffan LNG ¹	USA	3.00	1,107	1,107
Ningbo Zhonghua Jian Hanwha Chemical	China	25.00	471	471
PT. Nantoy Bara Lestari	Indonesia	45.00	14,865	14,865
Hulin Yuandongyuanda Biomass Cogeneration Co., Ltd.	China	29.00	1,357	1,357
Bio Green Technology Sdn Bhd.	Malaysia	36.00	823	823
Eco Tree Korea Co., Ltd.	Korea	35.00	128	-
			\$ 20,766	\$ 20,638

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, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015		2014	
	Book value	Fair value	Book value	Fair value
Hanwha Chemical Co., Ltd.	₩ 972,076,247	₩ 1,619,650,602	₩ 972,076,247	₩ 702,642,540
Hanwha Life Insurance Co., Ltd.	1,091,361,527	1,390,639,025	1,091,361,527	1,560,060,240
Hanwha Techwin Co., Ltd.	825,203,555	611,090,600	-	-

(in thousands)

	US Dollars (Note 3)			
	2015		2014	
	Book value	Fair value	Book value	Fair value
Hanwha Chemical Co., Ltd.	\$ 829,417	\$ 1,381,954	\$ 829,417	\$ 599,524
Hanwha Life Insurance Co., Ltd.	931,196	1,186,598	931,196	1,331,109
Hanwha Techwin Co., Ltd.	704,099	521,408	-	-

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17. Investment Property

Changes in investment properties for the years ended December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015			
	Land	Buildings	Structures	Total
Beginning balance	₩ 27,538,215	₩ 4,421,026	₩ 97,597	₩ 32,056,838
Depreciation	-	(88,016)	(21,371)	(109,387)
Disposals	(2,923,208)	-	-	(2,923,208)
Others ¹	(23,308,509)	(1,795,476)	(26,347)	(25,130,332)
Ending balance	₩ 1,306,498	₩ 2,257,534	₩ 49,879	₩ 3,893,911
Acquisition cost	₩ 1,306,498	₩ 2,825,497	₩ 103,198	₩ 4,262,193
Accumulated depreciation	-	(314,963)	(53,319)	(368,282)

(in thousands)

	US Dollars (Note 3)			
	2015			
	Land	Buildings	Structures	Total
Beginning balance	\$ 23,497	\$ 3,772	\$ 83	\$ 27,352
Depreciation	-	(75)	(18)	(93)
Disposals	(2,494)	-	-	(2,494)
Others	(19,888)	(1,532)	(22)	(21,442)
Ending balance	\$ 1,115	\$ 2,165	\$ 43	\$ 3,323
Acquisition cost	\$ 1,115	\$ 2,434	\$ 88	\$ 3,637
Accumulated depreciation	-	(269)	(45)	(314)

¹ Investment property amounting ₩ 25,130 million (equivalent to US\$ 21,442 thousand) classified as assets held for sale, of which 10,293 million (equivalent to US\$ 8,782 thousand) was disposed. An impairment charge of 1,337 million (equivalent to US\$ 1,141 thousand) by using fair value arose in the assets held for sale during the course of the 2015, resulting in the carrying amount of the assets held for sale being written down to 13,500 million (equivalent to US\$ 11,519 thousand) from 14,837 million (equivalent to US\$ 12,660 thousand).

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(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	\$ 33,819	\$ 3,964	\$ 105	\$ 37,888
Depreciation	-	(192)	(22)	(214)
Disposals	(10,323)	-	-	(10,323)
Others	1	-	-	1
Ending balance	\$ 23,497	\$ 3,772	\$ 83	\$ 27,352
Acquisition cost	\$ 23,497	\$ 5,820	\$ 367	\$ 29,684
Accumulated depreciation	-	(2,048)	(284)	(2,332)

The Company assesses that the difference between fair value and book value of investment property would not have any material impact.

Rent income from investment property for the year ended December 31, 2015, is ₩ 915 million (equivalent to US\$ 781 thousand) and for the year ended December 31, 2014, is ₩ 1,206 million (equivalent to US\$ 1,029 thousand).

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18. Property, Plant and Equipment

Changes in property, plant and equipment for the years ended December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won				
	2015				
	Land	Buildings	Structures	Machinery	Vehicles
Beginning balance	₩ 356,911,609	₩ 245,632,473	₩ 67,213,613	₩ 110,063,453	₩ 13,015,715
Acquisitions	12,783,686	22,393,186	1,680,689	17,381,507	1,344,555
Disposals	(3,517,607)	(188,894)	(12,359)	(82,695)	(168,545)
Depreciation	-	(9,616,775)	(4,975,218)	(26,366,299)	(2,964,605)
Others	17,542,041	7,620,729	2,532,016	19,869,087	393,712
Ending balance	₩ 383,719,729	₩ 265,840,719	₩ 66,438,741	₩ 120,865,053	₩ 11,620,832
Acquisition cost	₩ 384,498,004	₩ 353,234,155	₩ 140,949,341	₩ 411,082,815	₩ 29,183,984
Accumulated depreciation	-	(87,123,340)	(74,499,622)	(290,217,449)	(17,563,152)
Accumulated impairment losses	-	-	-	-	-
Government grants	(778,275)	(270,096)	(10,978)	(313)	-

(in thousands)

	Korean Won				
	2015				
	Tools and equipment	Construction in progress	Others	Mining properties in development	Total
Beginning balance	₩ 25,543,350	₩ 98,487,534	₩ 1,943,227	₩ -	₩ 918,810,974
Acquisitions	6,364,578	93,220,721	-	-	155,168,922
Disposals	(268,726)	-	-	-	(4,238,826)
Depreciation	(9,786,682)	-	-	-	(53,709,579)
Others	4,212,411	(55,229,902)	5,552	-	(3,054,354)
Ending balance	₩ 26,064,931	₩ 136,478,353	₩ 1,948,779	₩ -	₩1,012,977,137
Acquisition cost	₩ 117,580,631	₩ 136,478,353	₩ 1,948,779	₩ 12,682,010	₩1,587,638,072
Accumulated depreciation	(91,505,115)	-	-	-	(560,908,678)
Accumulated impairment losses	-	-	-	(12,682,010)	(12,682,010)
Government grants	(10,585)	-	-	-	(1,070,247)

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(in thousands)

	US Dollars (Note 3)				
	2015				
	Land	Buildings	Structures	Machinery	Vehicles
Beginning balance	\$ 304,532	\$ 209,584	\$ 57,349	\$ 93,911	\$ 11,106
Acquisitions	10,907	19,107	1,434	14,831	1,147
Disposals	(3,001)	(161)	(11)	(71)	(144)
Depreciation	-	(8,205)	(4,245)	(22,497)	(2,530)
Others	14,968	6,502	2,160	16,953	336
Ending balance	<u>\$ 327,406</u>	<u>\$ 226,827</u>	<u>\$ 56,688</u>	<u>\$ 103,127</u>	<u>\$ 9,915</u>
Acquisition cost	\$ 328,070	\$ 301,394	\$ 120,264	\$ 350,753	\$ 24,901
Accumulated depreciation	-	(74,336)	(63,567)	(247,626)	(14,986)
Accumulated impairment losses	-	-	-	-	-
Government grants	(664)	(231)	(9)	-	-

(in thousands)

	US Dollars (Note 3)				
	2015				
	Tools and equipment	Construction in progress	Others	Mining properties in development	Total
Beginning balance	\$ 21,794	\$ 84,033	\$ 1,658	\$ -	\$ 783,968
Acquisitions	5,431	79,540	-	-	132,397
Disposals	(229)	-	-	-	(3,617)
Depreciation	(8,350)	-	-	-	(45,827)
Others	3,594	(47,124)	5	-	(2,606)
Ending balance	<u>\$ 22,240</u>	<u>\$ 116,449</u>	<u>\$ 1,663</u>	<u>\$ -</u>	<u>\$ 864,315</u>
Acquisition cost	\$ 100,325	\$ 116,449	\$ 1,663	\$ 10,821	\$ 1,354,640
Accumulated depreciation	(78,076)	-	-	-	(478,591)
Accumulated impairment losses	-	-	-	(10,821)	(10,821)
Government grants	(9)	-	-	-	(913)

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(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)

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(in thousands)

	US Dollars (Note 3)				
	2014				
	Land	Buildings	Structures	Machinery	Vehicles
Beginning balance	\$ 284,378	\$ 169,918	\$ 55,638	\$ 57,215	\$ 12,233
Acquisitions	4	12	575	-	295
Increase due to business combination (Note 43)	19,420	26,282	2,150	22,746	441
Disposals	(190)	(186)	(17)	(20)	(85)
Depreciation	-	(6,846)	(3,957)	(17,354)	(2,519)
Others	920	20,404	2,960	31,324	741
Ending balance	\$ 304,532	\$ 209,584	\$ 57,349	\$ 93,911	\$ 11,106
Acquisition cost	\$ 305,196	\$ 275,784	\$ 116,676	\$ 319,851	\$ 26,544
Accumulated depreciation	-	(66,200)	(59,327)	(225,940)	(15,438)
Accumulated impairment losses	-	-	-	-	-
Government grants	(664)	-	-	(1)	-

(in thousands)

	US Dollars (Note 3)				
	2014				
	Tools and equipment	Construction in progress	Others	Mining properties in development	Total
Beginning balance	\$ 17,085	\$ 60,043	\$ 1,658	\$ -	\$ 658,168
Acquisitions	-	84,455	-	-	85,341
Increase due to business combination (Note 43)	4,127	2,413	-	-	77,579
Disposals	(3)	-	-	-	(501)
Depreciation	(6,930)	-	-	-	(37,606)
Others	7,516	(62,877)	-	-	(988)
Ending balance	\$ 21,795	\$ 84,034	\$ 1,658	\$ -	\$ 783,968
Acquisition cost	\$ 92,076	\$ 84,034	\$ 1,658	\$ 10,821	\$ 1,232,641
Accumulated depreciation	(70,281)	-	-	-	(437,186)
Accumulated impairment losses	-	-	-	(10,821)	(10,821)
Government grants	-	-	-	-	(665)

Depreciation expense of ₩ 48,565 million (equivalent to US\$ 41,438 thousand) was charged to 'Cost of sales', and ₩ 5,145 million (equivalent to US\$ 4,390 thousand) to 'Selling and administrative expenses' for the year ended December 31, 2015. Depreciation expense of ₩ 38,903 million (equivalent to US\$ 33,194 thousand) was charged to 'Cost of sales', and ₩ 5,171 million (equivalent to US\$ 4,412 thousand) to 'Selling and administrative expenses' for the year ended December 31, 2014.

Certain property, plant and equipment are provided as collateral for borrowings as of December 31, 2015 (Note 39).

Hanwha Corporation
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19. Intangible Assets

Changes in intangible assets for the years ended December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won					
	2015					
	Development costs	Membership rights	Other intangible assets	Development rights	Exploration mining areas	Total
Beginning balance	₩ 40,708,391	₩ 33,752,045	₩ 33,254,904	₩ -	₩ -	₩ 107,715,340
Acquisitions	4,502,310	81,760	14,131,624	-	-	18,715,694
Disposals	(6,791,273)	(320,824)	(159,487)	-	-	(7,271,584)
Amortization	(6,966,890)	-	(9,012,838)	-	-	(15,979,728)
Impairment	(805,846)	-	-	-	-	(805,846)
Other	5,131,269	-	(2,076,915)	-	-	3,054,354
Ending balance	₩ 35,777,961	₩ 33,512,981	₩ 36,137,288	₩ -	₩ -	₩ 105,428,230
Acquisition cost	₩ 89,570,967	₩ 33,512,981	₩ 68,811,346	₩ 3,927,104	₩ 9,856,870	₩ 205,679,268
Accumulated amortization ¹	(53,643,157)	-	(32,674,058)	(3,927,104)	(9,856,870)	(100,101,189)
Government grants	(149,849)	-	-	-	-	(149,849)

(in thousands)

	US Dollars (Note 3)					
	2015					
	Development costs	Membership rights	Other intangible assets	Development rights	Exploration mining areas	Total
Beginning balance	\$ 34,734	\$ 28,799	\$ 28,374	\$ -	\$ -	\$ 91,907
Acquisitions	3,842	70	12,057	-	-	15,969
Disposals	(5,795)	(274)	(135)	-	-	(6,204)
Amortization	(5,944)	-	(7,691)	-	-	(13,635)
Impairment	(688)	-	-	-	-	(688)
Other	4,378	-	(1,772)	-	-	2,606
Ending balance	\$ 30,527	\$ 28,895	\$ 30,833	\$ -	\$ -	\$ 89,955
Acquisition cost	\$ 76,426	\$ 28,895	\$ 58,713	\$ 3,351	\$ 8,410	\$ 175,495
Accumulated amortization ¹	(45,771)	-	(27,880)	(3,351)	(8,410)	(85,412)
Government grants	(128)	-	-	-	-	(128)

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(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 ¹	(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	\$ 23,916	\$ 26,989	\$ 30,226	\$ -	\$ -	\$ 81,131
Increase due to business combination (Note 43)	13,129	2,052	2,890	-	-	18,071
Acquisitions	6,138	2	4,833	-	-	10,973
Disposals	(494)	(305)	(199)	-	-	(998)
Amortization	(1,324)	-	(7,104)	-	-	(8,428)
Impairment	(6,631)	-	(1,201)	-	-	(7,832)
Other	-	61	(1,071)	-	-	(1,010)
Ending balance	\$ 34,734	\$ 28,799	\$ 28,374	\$ -	\$ -	\$ 91,907
Acquisition cost	\$ 74,678	\$ 28,799	\$ 48,628	\$ 3,351	\$ 8,410	\$ 163,866
Accumulated amortization ¹	(39,823)	-	(20,254)	(3,351)	(8,410)	(71,838)
Government grants	(121)	-	-	-	-	(121)

¹ Accumulated impairment losses are included.

Amortization of ₩ 8,036 million (equivalent to US\$ 6,857 thousand) for the year ended December 31, 2015, and ₩ 2,951 million (equivalent to US\$ 2,518 thousand) for the year ended December 31, 2014, are included in the 'Cost of sales', while ₩ 7,944 million (equivalent to US\$ 6,778 thousand) for the year ended December 31, 2015, and ₩ 6,927 million (equivalent to US\$ 5,910 thousand) for the year ended December 31, 2014, are included in the 'Selling and administrative expenses' in the statement of comprehensive income.

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Details of intangible assets with indefinite useful life as of December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Golf membership	₩ 31,357,051	₩ 31,596,115	\$ 26,755	\$ 26,959
Sports membership	2,155,930	2,155,930	1,840	1,840
	<u>₩ 33,512,981</u>	<u>₩ 33,752,045</u>	<u>\$ 28,595</u>	<u>\$ 28,799</u>

Research and development costs for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Cost of goods	₩ 21,606,675	₩ 12,992,507	\$ 18,436	\$ 11,086
Selling and administration costs	20,733,370	14,381,833	17,691	12,271
	<u>₩ 42,340,045</u>	<u>₩ 27,374,340</u>	<u>\$ 36,126</u>	<u>\$ 23,357</u>

Details of emissions rights in 2015, 2016 and 2017 are as follows:

<i>(in KAU)</i>	Quantity			
	2015	2016	2017	Total
Emissions rights	6,948	6,659	6,543	20,150

20. Trade and Other Payables

Trade and other payables as of December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won			
	2015		2014	
	Current	Non-current	Current	Non-current
Trade payables	₩ 649,801,462	₩ -	₩ 820,462,338	₩ -
Other payables	333,094,459	188,439,744	107,601,285	14,048,473
	<u>₩ 982,895,921</u>	<u>₩ 188,439,744</u>	<u>₩ 928,063,623</u>	<u>₩ 14,048,473</u>

<i>(in thousands)</i>	US Dollars (Note 3)			
	2015		2014	
	Current	Non-current	Current	Non-current
Trade payables	\$ 554,438	\$ -	\$ 700,053	\$ -
Other payables	284,210	160,785	91,810	11,987
	<u>\$ 838,648</u>	<u>\$ 160,785</u>	<u>\$ 791,863</u>	<u>\$ 11,987</u>

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21. Borrowings and Debentures

Borrowings as of December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won	
	2015	2014
Current		
Bank borrowings	₩ 1,118,404,147	₩ 518,824,885
Short-term borrowings	972,830,197	386,064,064
Current portion of long-term borrowings	145,573,950	132,760,821
Debentures	350,000,000	300,000,000
Less : Discount on debentures	<u>(272,323)</u>	<u>(325,321)</u>
	<u>1,468,131,824</u>	<u>818,499,564</u>
Non-current		
Bank borrowings	425,067,760	354,255,450
Debentures	880,000,000	850,000,000
Less : Discount on debentures	<u>(2,024,616)</u>	<u>(2,346,675)</u>
	<u>1,303,043,144</u>	<u>1,201,908,775</u>
	<u>₩ 2,771,174,968</u>	<u>₩ 2,020,408,339</u>

<i>(in thousands)</i>	US Dollars (Note 3)	
	2015	2014
Current		
Bank borrowings	\$ 954,270	\$ 442,683
Short-term borrowings	830,060	329,406
Current portion of long-term borrowings	124,210	113,277
Debentures	298,635	255,973
Less : Discount on debentures	<u>(232)</u>	<u>(278)</u>
	<u>1,252,672</u>	<u>698,378</u>
Non-current		
Bank borrowings	362,686	302,266
Debentures	750,853	725,256
Less : Discount on debentures	<u>(1,727)</u>	<u>(2,002)</u>
	<u>1,111,812</u>	<u>1,025,519</u>
	<u>\$ 2,364,484</u>	<u>\$ 1,723,898</u>

Hanwha Corporation
Notes
December 31, 2015 and 2014

Details of short-term bank borrowings as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Creditor	Annual Interest rate (%)	Korean Won	
			2015	2014
Collateralized borrowings ¹	Woori Bank and others	0.85 ~ 4.26	₩ 51,763,691	₩ 102,363,023
Usance	Woori Bank and others	0.44 ~ 1.12	98,239,704	26,701,041
General borrowings	Korea Development Bank and others	2.39 ~ 3.26	822,826,802	257,000,000
			₩ 972,830,197	₩ 386,064,064

(in thousands)

	Creditor	Annual Interest rate (%)	US Dollars (Note 3)	
			2015	2014
Collateralized borrowings ¹	Woori Bank and others	0.85 ~ 4.26	\$ 44,167	\$ 87,341
Usance	Woori Bank and others	0.44 ~ 1.12	83,822	22,782
General borrowings	Korea Development Bank and others	2.39 ~ 3.26	702,071	219,283
			\$ 830,060	\$ 329,406

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

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Details of long-term bank borrowings as of December 31, 2015 and 2014, are as follows:

(in thousands)

Detail	Creditor	Annual Interest Rate (%)	Korean Won	
			2015	2014
Loan for industrial facilities	Korea Development Bank and others	1.75 ~ 4.08	₩ 101,094,890	₩ 106,700,000
Defence industry loans		1.00 ~ 2.00	25,317,820	8,627,231
Fund for development of overseas mineral resources	Korea Resources Corporation	0.75	2,915,340	3,261,040
Fund for development of overseas forest	National Forestry Cooperative Federation	1.50	11,313,660	8,428,000
General loan (long-term)	Korea Development Bank	-	-	50,000,000
General loan (long-term)	The Export-Import Bank of Korea	3.16	150,000,000	-
General loan (long-term)	Hana Bank	3.20	40,000,000	90,000,000
General loan (long-term)	Shinhan Bank	2.89	30,000,000	30,000,000
General loan (long-term)	Woori Bank	3.47	100,000,000	100,000,000
General loan (long-term)	National Agricultural Cooperation Federation	2.88 ~ 2.98	60,000,000	40,000,000
General loan (long-term)	Kookmin Bank	3.52	50,000,000	50,000,000
			570,641,710	487,016,271
	Less: Current		(145,573,950)	(132,760,821)
			<u>₩ 425,067,760</u>	<u>₩ 354,255,450</u>

(in thousands)

Detail	Creditor	Annual Interest Rate (%)	US Dollars (Note 3)	
			2015	2014
Loan for industrial facilities	Korea Development Bank and others	1.75 ~ 4.08	\$ 86,259	\$ 91,042
Defence industry loans		1.00 ~ 2.00	21,603	7,361
Fund for development of overseas mineral resources	Korea Resources Corporation	0.75	2,487	2,782
Fund for development of overseas forest	National Forestry Cooperative Federation	1.50	9,653	7,191
General loan (long-term)	Korea Development Bank	-	-	42,662
General loan (long-term)	The Export-Import Bank of Korea	3.16	127,986	-
General loan (long-term)	Hana Bank	3.20	34,130	76,792
General loan (long-term)	Shinhan Bank	2.89	25,597	25,597
General loan (long-term)	Woori Bank	3.47	85,324	85,324
General loan (long-term)	National Agricultural Cooperation Federation	2.88 ~ 2.98	51,195	34,130
General loan (long-term)	Kookmin Bank	3.52	42,662	42,662
			486,896	415,543
	Less: Current		(124,210)	(113,277)
			<u>\$ 362,686</u>	<u>\$ 302,266</u>

The Company provides property, plant and equipment and others as collateral regarding the above short and long-term borrowings (Note 39).

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Details of debentures as of December 31, 2015 and 2014, are as follows:

(in thousands)

Creditor	Latest maturity date	Annual Interest rate (%)	Korean Won	
			2015	2014
203 rd Public subscription bond	-	-	₩ -	₩ 150,000,000
204 th Public subscription bond	-	-	-	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	50,000,000
208 th Public subscription bond	2017.08.29	3.71	200,000,000	200,000,000
209 th Private subscription bond	2017.10.01	3.33	150,000,000	150,000,000
210 th Public subscription bond	2017.11.13	3.33	100,000,000	100,000,000
211 th Public subscription bond	2018.01.30	3.69	100,000,000	-
212 th Public subscription bond	2018.02.13	3.21	130,000,000	-
213 th Public subscription bond	2018.12.03	3.32	150,000,000	-
			1,230,000,000	1,150,000,000
Less: present value discounts			(2,296,939)	(2,671,996)
Less: current portion (including discount on bonds)			(349,727,677)	(299,674,679)
			₩ 877,975,384	₩ 847,653,325

(in thousands)

Creditor	Latest maturity date	Annual Interest rate (%)	US Dollars (Note 3)	
			2015	2014
203 rd Public subscription bond	-	-	\$ -	\$ 127,987
204 th Public subscription bond	-	-	-	127,987
205 th Public subscription bond	2016.05.03	3.07	170,649	170,649
206 th Public subscription bond	2016.10.25	3.79	127,986	127,986
207 th Private subscription bond	2017.04.17	4.15	42,662	42,662
208 th Public subscription bond	2017.08.29	3.71	170,648	170,648
209 th Private subscription bond	2017.10.01	3.33	127,986	127,986
210 th Public subscription bond	2017.11.13	3.33	85,324	85,324
211 th Public subscription bond	2018.01.30	3.69	85,324	-
212 th Public subscription bond	2018.02.13	3.21	110,922	-
213 th Public subscription bond	2018.12.03	3.32	127,987	-
			1,049,488	981,229
Less: present value discounts			(1,959)	(2,280)
Less: current portion (including discount on bonds)			(298,403)	(255,695)
			\$ 749,126	\$ 723,254

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December 31, 2015 and 2014

Book value and fair value of non-current borrowings as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015		2014	
	Book value	Fair value	Book value	Fair value
Bank borrowings	₩ 425,067,760	₩ 402,094,649	₩ 354,255,450	₩ 336,148,183
Debentures	877,975,384	910,081,544	847,653,325	897,069,753
	<u>₩ 1,303,043,144</u>	<u>₩1,312,176,193</u>	<u>₩ 1,201,908,775</u>	<u>₩1,233,217,936</u>

(in thousands)

	US Dollars (Note 3)			
	2015		2014	
	Book value	Fair value	Book value	Fair value
Bank borrowings	\$ 362,686	\$ 343,084	\$ 302,265	\$ 286,816
Debentures	749,126	776,520	723,254	765,418
	<u>\$ 1,111,812</u>	<u>\$ 1,119,604</u>	<u>\$ 1,025,519</u>	<u>\$ 1,052,234</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 3.05% (2014: 3.46%).

22. Other Financial Liabilities

Details of other financial liabilities as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015		2014	
	Current	Non-current	Current	Non-current
Derivatives financial instruments	₩ 8,119,992	₩ 65,896,790	₩ 12,987,090	₩ -
Deposits received	196,500	77,491	142,000	146,113
Accrued expenses	51,367,743	-	37,209,726	-
Other	115,639	3,221,386	113,812	3,337,026
	<u>₩ 59,799,874</u>	<u>₩ 69,195,667</u>	<u>₩ 50,452,628</u>	<u>₩ 3,483,139</u>

(in thousands)

	US Dollars (Note 3)			
	2015		2014	
	Current	Non-current	Current	Non-current
Derivatives financial instruments	\$ 6,928	\$ 56,226	\$ 11,081	\$ -
Deposits received	168	66	121	125
Accrued expenses	43,829	-	31,749	-
Other	99	2,749	97	2,847
	<u>\$ 51,024</u>	<u>\$ 59,041</u>	<u>\$ 43,048</u>	<u>\$ 2,972</u>

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December 31, 2015 and 2014

23. Other Liabilities

Details of other liabilities as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015		2014	
	Current	Non-current	Current	Non-current
Advanced receivables	₩ 172,042,353	₩ -	₩ 193,439,802	₩ 5,764
Unearned revenues	1,228,580	5,696	1,157,622	-
Withholdings	22,232,633	-	13,508,212	-
Overbilled amount	117,949,493	-	99,680,517	-
	<u>₩ 313,453,059</u>	<u>₩ 5,696</u>	<u>₩ 307,786,153</u>	<u>₩ 5,764</u>

(in thousands)

	US Dollars (Note 3)			
	2015		2014	
	Current	Non-current	Current	Non-current
Advanced receivables	\$ 146,794	\$ -	\$ 165,050	\$ 5
Unearned revenues	1,048	5	988	-
Withholdings	18,970	-	11,526	-
Overbilled amount	100,639	-	85,052	-
	<u>\$ 267,451</u>	<u>\$ 5</u>	<u>\$ 262,616</u>	<u>\$ 5</u>

24. Defined Benefit Liabilities

Details of net defined benefit liabilities recognized in the statements of financial position as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won	
	2015	2014
	Present value of defined benefit obligations	₩ 282,195,470
Fair value of plan assets	(12,037,455)	(13,841,294)
Liability in the statement of financial position	<u>₩ 270,158,015</u>	<u>₩ 236,260,273</u>

(in thousands)

	US Dollars (Note 3)	
	2015	2014
	Present value of defined benefit obligations	\$ 240,781
Fair value of plan assets	(10,271)	(11,810)
Liability in the statement of financial position	<u>\$ 230,510</u>	<u>\$ 201,587</u>

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Changes in the defined benefit obligations for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Beginning balance	₩ 250,101,567	₩ 186,625,680	\$ 213,397	\$ 159,237
Current service cost	31,479,853	19,099,307	26,860	16,296
Interest expense	10,551,580	10,188,169	9,003	8,693
Remeasurements:				
Actuarial gains and losses arising from changes in demographic assumptions	6,865,592	-	5,858	-
Actuarial gains and losses arising from changes in financial assumptions	11,118,312	23,236,670	9,486	19,827
Actuarial gains and losses arising from experience adjustments	(2,569,536)	1,959,702	(2,192)	1,672
Benefits payments	(20,680,480)	(27,965,871)	(17,645)	(23,862)
Others	(4,671,418)	(625,316)	(3,986)	(534)
Increase due to business combination (Note 43)	-	37,583,226	-	32,068
Ending balance	₩ 282,195,470	₩ 250,101,567	\$ 240,781	\$ 213,397

Changes in the fair value of plan assets for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Beginning balance	₩ 13,841,294	₩ 13,886,028	\$ 11,810	\$ 11,848
Interest income	572,132	731,746	488	624
Remeasurements:				
Return on plan assets (excluding amounts included in interest income)	(326,615)	(374,424)	(279)	(319)
Benefits payments	(1,917,999)	(1,289,462)	(1,637)	(1,100)
Others	(131,357)		(111)	-
Increase due to business combination (Note 43)	-	887,406	-	757
Ending balance	₩ 12,037,455	₩ 13,841,294	\$ 10,271	\$ 11,810

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The amounts recognized on the statements of income for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Current service cost	₩ 31,479,853	₩ 19,099,307	\$ 26,860	\$ 16,296
Interest expense	10,551,580	10,188,169	9,003	8,693
Interest income	(572,132)	(731,746)	(488)	(624)
Expense included in employee benefit	₩ 41,459,301	₩ 28,555,730	\$ 35,375	\$ 24,365

Out of total expenses, ₩ 29,549 million (equivalent to US\$ 25,212 thousand) and ₩ 22,419 million (equivalent to US\$ 19,129 thousand) are included in 'Cost of goods sold' for the years ended December 31, 2015 and 2014 respectively. In addition, ₩ 11,910 million (equivalent to US\$ 10,162 thousand) and ₩ 6,137 million (equivalent to US\$ 5,236 thousand) are included in 'Selling and administrative expenses' for the years ended December 31, 2015 and 2014, respectively.

The principal actuarial assumptions as of December 31, 2015 and 2014, are as follows:

	2015	2014
Discount rate	2.71% ~ 4.11%	2.75% ~ 4.61%
Salary growth rate	4.81% ~ 6.00%	4.81% ~ 6.09%

The sensitivity of the defined benefit obligations as of December 31, 2015, to changes in the weighted principal assumptions is:

<i>(in thousands)</i>	Korean Won		
	Effect on defined benefit obligation		
	Changes in principal assumption	Increase in principal assumption	Decrease in principal assumption
Discount rate	1%	₩ (30,911,279)	₩ 37,413,755
Salary growth rate	1%	37,629,853	(31,612,282)

<i>(in thousands)</i>	US Dollars (Note 3)		
	Effect on defined benefit obligation		
	Changes in principal assumption	Increase in principal assumption	Decrease in principal assumption
Discount rate	1%	\$ (26,375)	\$ 31,923
Salary growth rate	1%	32,107	(26,973)

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.

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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, 2015 and 2014, consists of:

(in thousands)

	Korean Won			
	2015		2014	
	Amount	Composition	Amount	Composition
Principal guaranteed financial instruments	₩ 11,247,457	93.44%	₩ 12,918,821	93.34%
Transferred to national pension fund	789,998	6.56%	922,473	6.66%
Total	₩ 12,037,455	100.00%	₩ 13,841,294	100.00%

(in thousands)

	US Dollars (Note 3)			
	2015		2014	
	Amount	Composition	Amount	Composition
Principal guaranteed financial instruments	\$ 9,597	93.44%	\$ 11,023	93.34%
Transferred to national pension fund	674	6.56%	787	6.66%
Total	\$ 10,271	100.00%	\$ 11,810	100.00%

Expected maturity analysis of undiscounted pension benefits as of December 31, 2015, is as follows:

(in thousands)

	Korean Won			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years
Pension benefits	₩ 34,604,495	₩ 6,566,360	₩ 59,945,310	₩ 135,033,886

(in thousands)

	US Dollars (Note 3)			
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Between 5 and 10 years
Pension benefits	\$ 29,526	\$ 5,603	\$ 51,148	\$ 115,217

The weighted average duration of the defined benefit obligations is 7.78~20.48 years.

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25. Provisions

Changes in the provisions for other liabilities and charges for the years ended December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won				
	2015				
	Provision for product warranties ¹	Provision for construction warranties	Provision for construction losses	Others ²	Total
Beginning balance	₩ 5,539,613	₩ 290,598	₩ 5,183,335	₩ 51,690,000	₩ 62,703,546
Increase	-	46,226	7,554,269	16,078,527	23,679,022
Used during year	(207,179)	-	-	(18,872,199)	(19,079,378)
Reversal	(212,320)	-	-	-	(212,320)
Transferred to other accounts	-	-	-	(34,600,000)	(34,600,000)
Ending balance	₩ 5,120,114	₩ 336,824	₩ 12,737,604	₩ 14,296,328	₩ 32,490,870
Current	₩ -	₩ -	₩ -	₩ 95,917	₩ 95,917
Non-current	5,120,114	336,824	12,737,604	14,200,411	32,394,953

(in thousands)

	US Dollars (Note 3)				
	2015				
	Provision for product warranties ¹	Provision for construction warranties	Provision for construction losses	Others ²	Total
Beginning balance	\$ 4,727	\$ 248	\$ 4,423	\$ 44,104	\$ 53,501
Increase	-	39	6,445	13,719	20,204
Used during year	(177)	-	-	(16,103)	(16,279)
Reversal	(181)	-	-	-	(181)
Transferred to other accounts	-	-	-	(29,522)	(29,522)
Ending balance	\$ 4,369	\$ 287	\$ 10,868	\$ 12,198	\$ 27,723
Current	\$ -	\$ -	\$ -	\$ 82	\$ 82
Non-current	4,369	287	10,868	12,116	27,641

(in thousands)

	Korean Won				
	2014				
	Provision for product warranties ¹	Provision for construction warranties	Provision for construction losses	Others ²	Total
Beginning balance	₩ 4,133,055	₩ -	₩ -	₩ 6,560,000	₩ 10,693,055
Increase due to business combination	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	-	(91,039)	-	(339,896)	(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

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(in thousands)

	US Dollars (Note 3)				
	2014				
	Provision for product warranties ¹	Provision for construction warranties	Provision for construction losses	Others ²	Total
Beginning balance	\$ 3,526	\$ -	\$ -	\$ 5,597	\$ 9,123
Increase due to business combination	1,215	326	-	-	1,541
Increase	325	-	4,423	44,104	48,852
Used during year	(340)	-	-	(5,307)	(5,647)
Reversal	-	(78)	-	(290)	(368)
Ending balance	<u>\$ 4,726</u>	<u>\$ 248</u>	<u>\$ 4,423</u>	<u>\$ 44,104</u>	<u>\$ 53,501</u>
Current	\$ -	\$ -	\$ -	\$ 44,104	\$ 44,104
Non-current	4,726	248	4,423	-	9,397

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 The Company recognized the penalty of ₩51.7 billion (equivalent to US \$ 44 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.

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26. Tax Expense and Deferred Tax

Income tax expense for the years ended December 31, 2015 and 2014, consists of:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Current tax				
Current tax on profits for the year	₩ 41,704,884	₩ 39,450,921	\$ 35,584	\$ 33,661
Adjustments in respect of prior years	3,652,198	(17,823,530)	3,117	(15,208)
Total current tax	<u>45,357,082</u>	<u>21,627,391</u>	<u>38,701</u>	<u>18,453</u>
Deferred tax				
Origination and reversal of temporary differences	(40,536,935)	14,934,923	(34,588)	12,744
Total deferred tax	<u>(40,536,935)</u>	<u>14,934,923</u>	<u>(34,588)</u>	<u>12,744</u>
Income tax expense	<u>₩ 4,820,147</u>	<u>₩ 36,562,314</u>	<u>\$ 4,113</u>	<u>\$ 31,197</u>

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)	
	2015	2014	2015	2014
Profit before tax	₩ 41,008,946	₩ 131,943,512	\$ 34,991	\$ 112,580
Tax calculated at domestic tax rates applicable to profits in the respective countries	9,462,165	31,468,330	8,074	26,850
Tax effects of:				
Income not subject to tax	(7,006,180)	(25,010,991)	(5,978)	(21,340)
Expenses not deductible for tax purposes	5,999,668	18,611,735	5,119	15,880
Tax credit and tax reduction	(5,367,171)	(6,932,649)	(4,579)	(5,915)
Adjustment in respect of prior years	<u>1,731,665</u>	<u>18,425,889</u>	<u>1,478</u>	<u>15,722</u>
Income tax expense	<u>₩ 4,820,147</u>	<u>₩ 36,562,314</u>	<u>\$ 4,113</u>	<u>\$ 31,197</u>
Valid tax rate	11.75%	27.71%	11.75%	27.71%

Income tax expense has reduced during this year due to the decrease of taxable profit.

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The income tax charged or credited directly to equity for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won			US Dollars (Note 3)		
	2015			2015		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain(loss) on valuation of available-for-sale financial securities	₩ (171,883)	₩ 41,596	₩ (130,287)	\$ (147)	\$ 35	\$ (111)
Remeasurements	(15,740,983)	3,809,318	(11,931,665)	(13,431)	3,250	(10,181)
	<u>₩ (15,912,866)</u>	<u>₩ 3,850,914</u>	<u>₩(12,061,952)</u>	<u>\$ (13,578)</u>	<u>\$ 3,286</u>	<u>\$ (10,292)</u>

<i>(in thousands)</i>	Korean Won			US Dollars (Note 3)		
	2014			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	\$ 20	\$ (5)	\$ 15
Remeasurements	(25,570,796)	6,184,609	(19,386,187)	(21,818)	5,277	(16,541)
Other capital surplus	-	(1,519,349)	(1,519,349)	-	(1,296)	(1,296)
	<u>₩ (25,546,957)</u>	<u>₩ 4,659,491</u>	<u>₩(20,887,466)</u>	<u>\$ (21,798)</u>	<u>\$ 3,976</u>	<u>\$ (17,822)</u>

The analysis of deferred tax assets and liabilities as of December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Deferred tax assets				
Deferred tax asset to be recovered after more than 12 months	₩ 94,035,770	₩ 107,577,679	\$ 80,235	\$ 91,790
Deferred tax asset to be recovered within 12 months	74,708,578	28,722,875	63,745	24,508
	<u>168,744,348</u>	<u>136,300,554</u>	<u>143,980</u>	<u>116,297</u>
Deferred tax liabilities				
Deferred tax liability to be recovered after more than 12 months	(374,972,544)	(388,137,566)	(319,942)	(331,175)
Deferred tax liability to be recovered within 12 months	(1,752,118)	(531,151)	(1,495)	(453)
	<u>(376,724,662)</u>	<u>(388,668,717)</u>	<u>(321,437)</u>	<u>(331,629)</u>
Deferred tax assets(liabilities), net	<u>₩ (207,980,314)</u>	<u>₩ (252,368,163)</u>	<u>\$ (177,457)</u>	<u>\$ (215,332)</u>

Changes in deferred income tax account for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Beginning balance	₩ (252,368,163)	₩ (250,430,037)	\$ (215,332)	\$ (213,679)
Deferred income tax charged to				
Income statement	40,536,935	(14,934,923)	34,589	(12,743)
Tax charged or credited directly to equity	3,850,914	4,659,491	3,286	3,976
Changes due to business combination(Note 43)	-	8,337,306	-	7,114
Ending balance	<u>₩ (207,980,314)</u>	<u>₩ (252,368,163)</u>	<u>\$ (177,457)</u>	<u>\$ (215,332)</u>

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Changes in deferred income tax assets and liabilities for the years ended December 31, 2015 and 2014, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(in thousands)

	Korean Won			
	2015			
	Beginning	Income statement	Equity	Ending
Deferred tax assets				
Gain on real-estate	₩ 1,915,161	₩ (1,608,242)	₩ -	₩ 306,919
Provision for performance incentive	1,675,654	5,957,638	-	7,633,292
Provision for impaired receivables	22,222,222	924,804	-	23,147,026
Remeasurements	13,205,136	-	3,809,318	17,014,454
Indemnity receivables	2,556,308	(2,556,308)	-	-
Government grants	1,522,463	(290,561)	-	1,231,902
Defined benefit obligation	44,635,258	3,625,609	-	48,260,867
Others	48,568,352	22,539,940	41,596	71,149,888
	<u>₩ 136,300,554</u>	<u>₩ 28,592,880</u>	<u>₩ 3,850,914</u>	<u>₩ 168,744,348</u>
Deferred tax liabilities				
Interest on construction borrowings	₩ (2,528,655)	₩ 1,123,918	₩ -	₩ (1,404,737)
Investment in subsidiaries and associates	(223,109,336)	(14,363)	-	(223,123,699)
Revaluation surplus	(44,819,254)	2,803,432	-	(42,015,822)
Gain on business spin-off	(38,198,132)	-	-	(38,198,132)
Other capital surplus	(35,852,532)	-	-	(35,852,532)
Reserve for research and human resource development	(12,569,140)	4,501,685	-	(8,067,455)
Others	(31,591,668)	3,529,383	-	(28,062,285)
	<u>₩(388,668,717)</u>	<u>₩ 11,944,055</u>	<u>₩ -</u>	<u>₩(376,724,662)</u>

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(in thousands)

	US Dollars (Note 3)			
	2015			
	Beginning	Income statement	Equity	Ending
Deferred tax assets				
Gain on real-estate	\$ 1,634	\$ (1,372)	\$ -	\$ 262
Provision for performance incentive	1,430	5,083	-	6,513
Provision for impaired receivables	18,961	789	-	19,750
Remeasurements	11,267	-	3,250	14,517
Indemnity receivables	2,181	(2,181)	-	-
Government grants	1,299	(248)	-	1,051
Defined benefit obligation	38,085	3,094	-	41,178
Others	41,441	19,232	36	60,709
	<u>\$ 116,297</u>	<u>\$ 24,397</u>	<u>\$ 3,286</u>	<u>\$ 143,980</u>
Deferred tax liabilities				
Interest on construction borrowings	\$ (2,158)	\$ 959	\$ -	\$ (1,199)
Investment in subsidiaries and associates	(190,366)	(12)	-	(190,379)
Revaluation surplus	(38,242)	2,392	-	(35,850)
Gain on business spin-off	(32,592)	-	-	(32,592)
Other capital surplus	(30,591)	-	-	(30,591)
Reserve for research and human resource development	(10,725)	3,841	-	(6,883)
Others	(26,955)	3,011	-	(23,944)
	<u>\$ (331,629)</u>	<u>\$ 10,191</u>	<u>\$ -</u>	<u>\$ (321,437)</u>

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(in thousands)

	Korean Won				
	2014				
	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>

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(in thousands)

	US Dollars (Note 3)				
	2014				
	Beginning	Business combination	Income statement	Equity	Ending
Deferred tax assets					
Gain on real-estate	\$ 2,440	\$ -	\$ (766)	\$ -	\$ 1,634
Provision for performance incentive	3,785	-	(2,355)	-	1,430
Provision for impaired receivables	18,024	-	937	-	18,961
Remeasurements	5,990	-	-	5,277	11,267
Indemnity receivables	2,181	-	-	-	2,181
Government grants	1,487	415	(603)	-	1,299
Defined benefit obligation	30,688	6,875	522	-	38,085
Others	31,772	1,566	8,107	(5)	41,441
	<u>\$ 96,328</u>	<u>\$ 8,856</u>	<u>\$ 5,842</u>	<u>\$ 5,272</u>	<u>\$ 116,297</u>
Deferred tax liabilities					
Interest on construction borrowings	\$ (4,185)	\$ (25)	\$ 2,052	\$ -	\$ (2,158)
Investment in subsidiaries and associates	(161,965)	-	(28,401)	-	(190,366)
Revaluation surplus	(43,257)	2,943	2,072	-	(38,242)
Gain on business spin-off	(33,321)	-	729	-	(32,592)
Other capital surplus	(29,295)	-	-	(1,296)	(30,591)
Reserve for research and human resource development	(10,324)	(4,405)	4,005	-	(10,725)
Others	(27,658)	(256)	959	-	(26,955)
	<u>\$ (310,005)</u>	<u>\$ (1,742)</u>	<u>\$ (18,585)</u>	<u>\$ (1,296)</u>	<u>\$ (331,629)</u>

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27. 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 (2014: 75,438,029), and the par value per share is ₩ 5,000 (equivalent to US\$ 4.0). 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 2015 and 2014. Capital stock and share premium (capital surplus) as of December 31, 2015, are as follows:

(in thousands)

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

(in thousands)

	Number of stocks	US Dollars (Note 3)			Total paid-in capital
		Common stocks	Preferred stocks	Share premium	
Capital stock and capital surplus	75,438,029	\$ 319,790	\$ 2,045	\$ 67,890	\$ 389,725

28. Capital Adjustment

The capital adjustment represents treasury stock. The number of shares and amount of treasury stock as of December 31, 2015 and 2014, are 5,880,000 shares and ₩ 20,751,089 thousand (equivalent to US\$ 17,706 thousand), respectively. Treasury stocks do not have voting rights under the commercial law.

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29. Accumulated Other Comprehensive Income

Accumulated other comprehensive income as of December 31, 2015 and 2014, consists of:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Loss on valuation of available-for-sale financial assets	₩ (799,526)	₩ (669,239)	\$ (682)	\$ (571)

Changes in accumulated other comprehensive income for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		
	2015		
	Beginning balance	Increase (Decrease)	Ending balance
Loss on valuation of available-for-sale financial assets	₩ (669,239)	₩ (130,287)	₩ (799,526)

<i>(in thousands)</i>	US Dollars (Note 3)		
	2015		
	Beginning balance	Increase (Decrease)	Ending balance
Loss on valuation of available-for-sale financial assets	\$ (571)	\$ (111)	\$ (682)

<i>(in thousands)</i>	Korean Won		
	2014		
	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>	US Dollars (Note 3)		
	2014		
	Beginning balance	Increase (Decrease)	Ending balance
Loss on valuation of available-for-sale financial assets	\$ (586)	\$ 15	\$ (571)

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

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30. Retained Earnings

Retained earnings as of December 31, 2015 and 2014, consists of:

<i>(in thousands)</i>	Korean Won	
	2015	2014
Legal reserves		
Legally appropriated retained earnings ¹	₩ 38,000,000	₩ 34,500,000
Discretionary reserves		
Research and development reserves ²	63,333,333	90,000,000
Other discretionary reserves	<u>1,217,800,000</u>	<u>1,217,800,000</u>
	<u>1,281,133,333</u>	<u>1,307,800,000</u>
Retained earnings before appropriation		
Carry forward reserves	<u>657,690,414</u>	<u>645,069,593</u>
	<u>₩ 1,976,823,747</u>	<u>₩ 1,987,369,593</u>

<i>(in thousands)</i>	US Dollars (Note 3)	
	2015	2014
Legal reserves		
Legally appropriated retained earnings ¹	\$ 32,423	\$ 29,437
Discretionary reserves		
Research and development reserves ²	54,039	76,792
Other discretionary reserves	<u>1,039,078</u>	<u>1,039,078</u>
	<u>1,093,117</u>	<u>1,115,870</u>
Retained earnings before appropriation		
Carry forward reserves	<u>561,169</u>	<u>550,401</u>
	<u>\$ 1,686,710</u>	<u>\$ 1,695,708</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.

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The appropriation of retained earnings for the year ended December 31, 2015, is expected to be appropriated at the shareholders' meeting on March 25, 2016 (Appropriation date for the year ended December 31, 2014, was March 20, 2015):

The appropriation of retained earnings for the years ended December 31, 2015 and 2014, are as follows:

	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Retained earnings before appropriation				
Unappropriated retained earnings carried over from prior year	₩633,433,280,080	₩569,074,582,139	\$ 540,472,082	\$ 517,717,051
Remeasurements	(11,931,665,184)	(19,386,187,085)	(10,180,602)	(17,636,633)
Net income	36,188,799,089	95,381,197,559	30,877,815	86,773,287
	<u>657,690,413,985</u>	<u>645,069,592,613</u>	<u>561,169,295</u>	<u>586,853,705</u>
Transfers such as discretionary reserves				
Research and development reserves	16,666,666,667	26,666,666,667	14,220,705	24,260,068
	<u>16,666,666,667</u>	<u>26,666,666,667</u>	<u>14,220,705</u>	<u>24,260,068</u>
Appropriation of retained earnings				
Legal reserve	3,500,000,000	3,500,000,000	2,986,348	2,986,348
Research and development reserves	-	-	-	-
Dividends				
(Cash dividend per share (%):				
Common stock: ₩ 500 (10%),				
(2014: ₩ 500 (10%))	34,802,979,200	34,802,979,200	29,695,375	29,695,375
Preferred stock: ₩ 550 (11%),				
(2014: ₩ 550 (11%))				
	<u>38,302,979,200</u>	<u>38,302,979,200</u>	<u>32,681,723</u>	<u>32,681,723</u>
Unappropriated retained earnings to be carried forward	<u>₩ 636,054,101,452</u>	<u>₩633,433,280,080</u>	<u>\$ 542,708,278</u>	<u>\$ 540,472,082</u>

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31. Revenue and Cost of sales

Details of sales for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Finished goods	₩1,937,334,637	₩1,198,392,263	\$ 1,653,016	\$ 1,022,519
Merchandise	2,909,858,457	3,661,510,529	2,482,814	3,124,156
Real estate	18,721,936	56,450,952	15,974	48,166
Service and others	233,003,802	140,693,546	198,809	120,046
	<u>₩5,098,918,832</u>	<u>₩5,057,047,290</u>	<u>\$ 4,350,613</u>	<u>\$ 4,314,887</u>

Details of cost of sales for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Finished goods	₩ 1,549,558,394	₩ 935,700,452	\$ 1,322,149	\$ 798,379
Merchandise	2,801,549,060	3,511,197,735	2,390,400	2,995,903
Real estate	21,933,460	61,660,522	18,715	52,611
Service and others	234,377,897	119,116,247	199,981	101,635
	<u>₩4,607,418,811</u>	<u>₩4,627,674,956</u>	<u>\$ 3,931,245</u>	<u>\$ 3,948,528</u>

Changes in the remaining balance of construction contracts for the year ended December 31, 2015, are as follows:

<i>(in thousands)</i>	Korean Won			
	2015			
	Beginning balance	Changes	Recognized construction revenue	Ending balance
Industrial machineries	₩ 227,275,718	₩ 611,120,773	₩ (471,793,389)	₩ 366,603,102
Aircrafts	62,876,747	42,756,971	(40,112,457)	65,621,261
	<u>₩ 290,152,465</u>	<u>₩ 653,877,744</u>	<u>₩ (511,905,846)</u>	<u>₩ 432,124,363</u>

<i>(in thousands)</i>	US Dollars (Note 3)			
	2015			
	Beginning balance	Changes	Recognized construction revenue	Ending balance
Industrial machineries	\$ 193,321	\$ 521,434	\$ (402,554)	\$ 312,801
Aircrafts	53,649	36,482	(34,226)	55,906
	<u>\$ 247,570</u>	<u>\$ 557,916</u>	<u>\$ (436,780)</u>	<u>\$ 368,707</u>

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Details of in-progress construction contracts such as recognized construction profit or loss as of December 31, 2015, are as follows:

<i>(in thousands)</i>	Korean Won			
	2015			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit or loss	Advanced receivables
Industrial machineries	₩ 509,236,812	₩ 455,333,678	₩ 53,953,134	₩ 24,132,689
Aircrafts	66,005,709	60,111,348	5,894,361	14,784,160
	₩ 575,242,521	₩ 515,445,026	₩ 59,797,495	₩ 38,916,849

<i>(in thousands)</i>	US Dollars (Note 3)			
	2015			
	Accumulated construction revenue	Accumulated construction cost	Accumulated profit or loss	Advanced receivables
Industrial machineries	\$ 434,502	\$ 388,510	\$ 45,992	\$ 20,591
Aircrafts	56,319	51,290	5,029	12,614
	\$ 490,821	\$ 439,800	\$ 51,022	\$ 33,206

Details of unbilled and overbilled amounts related to construction as of December 31, 2015, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	Unbilled amount¹	Overbilled amount²	Unbilled amount¹	Overbilled amount²
	Industrial machineries	₩ 130,728,702	₩ 34,908,492	\$ 111,543
Aircrafts	4,885,645	15,674,987	4,169	13,375
	₩135,614,347	₩50,583,479	\$ 115,712	\$ 43,160

¹ Unbilled amounts are recognized as trade and other receivables in the statement of financial position.

² Overbilled amounts are recognized as other current liabilities in the statement of financial position.

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32. Selling and Administrative Expenses

Selling and administrative expenses for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Salaries	₩ 91,804,142	₩ 61,160,696	\$ 78,331	\$ 52,185
Severance benefits	11,910,345	6,136,972	10,162	5,236
Other employee benefit expense	12,553,168	9,737,283	10,711	8,308
Rental expenses	15,590,599	13,670,517	13,303	11,664
Depreciation expenses	5,144,900	5,170,870	4,390	4,412
Depreciation expenses on investment properties	109,387	250,878	93	214
Amortization expenses	7,943,989	6,926,720	6,778	5,910
Taxes and dues	6,350,416	3,361,585	5,418	2,868
Advertising expenses	6,338,955	8,532,124	5,409	7,280
Outsourcing fees	6,774,666	6,806,206	5,780	5,807
Freight expenses	44,418,693	51,673,289	37,900	44,090
Sales commission expenses	15,837,848	13,099,980	13,514	11,177
Commission expenses	22,713,522	15,178,607	19,380	12,951
Others	78,133,735	67,316,819	66,667	57,438
	<u>₩ 325,624,365</u>	<u>₩ 269,022,546</u>	<u>\$ 277,836</u>	<u>\$ 229,541</u>

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33. Expenses by Nature

Expenses by nature for the years ended December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won	
	2015	2014
Changes in inventories ¹	₩ 53,411,864	₩ (52,408,293)
Raw materials used	1,260,828,575	669,010,286
Merchandise purchased	2,724,502,641	3,595,596,905
Salary and wages	388,858,833	283,484,667
Other employee benefit expenses	55,003,761	44,127,261
Rental expenses	20,270,626	16,775,440
Depreciation	53,709,579	44,073,959
Depreciation on investment properties	109,387	250,878
Amortization	15,979,728	9,877,869
Taxes and dues	10,163,324	5,984,599
Research and development expenses	42,340,045	16,168,005
Other expenses	307,864,813	263,755,925
	<u>₩ 4,933,043,176</u>	<u>₩ 4,896,697,501</u>

(in thousands)

	US Dollars (Note 3)	
	2015	2014
Changes in inventories ¹	\$ 45,573	\$ (44,717)
Raw materials used	1,075,792	570,828
Merchandise purchased	2,324,661	3,067,915
Salary and wages	331,791	241,881
Other employee benefit expenses	46,932	37,651
Rental expenses	17,296	14,314
Depreciation	45,827	37,606
Depreciation on investment properties	93	214
Amortization	13,635	8,428
Taxes and dues	8,672	5,106
Research and development expenses	36,126	13,795
Other expenses	262,683	225,047
	<u>\$ 4,209,081</u>	<u>\$ 4,178,069</u>

¹ Raw materials were excluded from changes in inventories.

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34. Other Gains and Losses

Details of other gains for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Gain on foreign currency transaction and translation	₩122,800,516	₩133,828,013	\$ 104,779	\$ 114,188
Gain on valuation of derivatives	3,796,460	10,167,082	3,239	8,675
Gain on transaction of derivatives	82,284,480	41,519,898	70,209	35,427
Gain on disposal of property, plant and equipment	1,432,245	538,669	1,222	460
Guarantee fees	2,428,739	1,633,227	2,072	1,394
Gains of disposal of investments in subsidiaries	2,401,420	80,101,866	2,049	68,346
Others	16,356,666	21,791,128	13,956	18,593
	<u>₩231,500,526</u>	<u>₩289,579,883</u>	<u>\$ 197,526</u>	<u>\$ 247,082</u>

Details of other losses for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Loss on foreign currency transaction and translation	₩128,067,051	₩122,268,033	\$ 109,272	\$ 104,324
Loss on valuation of derivatives	75,550,629	12,855,304	64,463	10,969
Loss on transaction of derivatives	84,084,352	37,049,975	71,744	31,613
Loss on disposal of loans and receivables	1,435,519	4,195,396	1,225	3,580
Loss on disposal of property, plant and equipment	373,318	179,429	319	153
Impairment loss on intangible assets	805,846	9,178,923	688	7,832
Impairment loss on investments of subsidiaries and associates	18,619,867	26,523,910	15,887	22,631
Others ¹	24,486,319	74,549,503	20,893	63,609
	<u>₩333,422,901</u>	<u>₩286,800,473</u>	<u>\$ 284,491</u>	<u>\$ 244,710</u>

¹ The Company recognized the penalty of ₩51.7 billion (equivalent to US\$ 44 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.

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35. Finance Income and Costs

Details of finance income and costs for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Interest income				
Cash and cash equivalents	₩ 3,835,941	₩ 3,307,143	\$ 3,273	\$ 2,822
Loans and receivables	3,971,321	2,308,645	3,388	1,970
Others	96,315	892,734	83	762
Dividend income	62,366,177	42,610,606	53,213	36,357
	<u>₩ 70,269,754</u>	<u>₩ 49,119,128</u>	<u>\$ 59,957</u>	<u>\$ 41,911</u>

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Interest expense				
Borrowings and debentures	₩ 90,836,031	₩ 82,110,210	\$ 77,505	\$ 70,060
Others	5,305,040	375,932	4,526	321
	96,141,071	82,486,142	82,032	70,381
Less: amounts capitalized on qualifying assets ¹	(2,926,982)	(2,181,327)	(2,497)	(1,861)
	<u>₩ 93,214,089</u>	<u>₩ 80,304,815</u>	<u>\$ 79,534</u>	<u>\$ 68,519</u>

¹ Borrowing costs are capitalized at the weighted average rate of 3.11% (2014: 3.46%) for the year ended December 31, 2015.

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36. Earnings per Share

Basic earnings per share for the years ended December 31, 2015 and 2014, are as follows:

	Korean Won			
	2015		2014	
	Common shares	Preferred shares ²	Common shares	Preferred shares ²
Profit attributable to equity holders of the Company	₩35,915,638,309	₩ 273,160,780	₩ 94,700,167,812	₩ 681,029,747
Weighted average number of ordinary shares in issue	69,078,735	479,294	69,078,735	479,294
Basic earnings per share ¹	₩ 520	₩ 570	₩ 1,371	₩ 1,421

	US Dollars (Note 3)			
	2015		2014	
	Common shares	Preferred shares ²	Common shares	Preferred shares ²
Profit attributable to equity holders of the Company	\$ 30,644,743	\$ 233,072	\$ 80,802,191	\$ 581,083
Weighted average number of ordinary shares in issue	69,078,735	479,294	69,078,735	479,294
Basic earnings per share ¹	\$ 0.44	\$ 0.49	\$ 1.17	\$ 1.21

¹ Basic earnings per share from continuing operations of 2015 and 2014, 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, 2015 and 2014, 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.

37. Dividends

The dividends paid in 2015 and 2014 were ₩ 34,803 million (equivalent to US\$ 29,695 thousand) and ₩ 27,847 million (equivalent to US\$ 23,760 thousand), respectively. A dividend in respect of the year ended December 31, 2015 of ₩ 500 (common stock) per share and ₩ 550 (preferred stock) per share, amounting to a total dividend of ₩ 34,803 million (equivalent to US\$ 29,695 thousand), is to be proposed at the annual general shareholders' meeting on March 25, 2016. These financial statements do not reflect this dividend payable.

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38. Cash Generated from Operations

Details of cash generated from operations for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Profit before income tax	₩ 41,008,946	₩ 131,943,512	\$ 34,991	\$ 112,580
Adjustments for:				
Interest and dividend income	(70,269,754)	(49,119,128)	(59,957)	(41,911)
Interest expenses	93,214,089	80,304,815	79,534	68,519
Severance benefit	41,459,300	28,555,730	35,375	24,365
Loss on valuation of inventories	(4,691,440)	6,562,048	(4,003)	5,599
Depreciation	53,709,579	44,073,959	45,827	37,606
Depreciation of investment property	109,387	250,878	93	214
Amortization	15,979,728	9,877,869	13,635	8,428
Bad debt expenses	4,420,408	1,914,469	3,772	1,634
Loss on foreign currency translation	9,397,487	21,915,334	8,018	18,699
Loss on valuation of derivatives	75,550,629	12,855,304	64,463	10,969
Loss on disposal of property, plant and equipment	373,318	179,429	319	153
Loss on disposal of intangible assets	18,496	279,639	16	239
Loss on disposal of assets held-for-sale	1,821,823	-	1,554	-
Impairment loss on intangible assets	805,846	9,178,923	688	7,832
Impairment loss on assets held-for-sale	1,337,262	-	1,141	-
Impairment loss on investments of subsidiaries and associates	18,619,867	26,523,910	15,887	22,631
Loss on disposal of investments of subsidiaries and associates	2,613,571	-	2,230	-
Provisions	23,160,785	5,473,094	19,762	4,670
Gain on foreign currency translation	(21,528,859)	(19,346,304)	(18,369)	(16,507)
Gain on valuation of derivatives	(3,796,460)	(10,167,082)	(3,239)	(8,675)
Gain on disposal of investments of subsidiaries (Note 43)	(2,401,420)	(80,101,865)	(2,049)	(68,346)
Gain on disposal of investment property	(349,072)	(2,335,287)	(298)	(1,993)
Gain on disposal of property, plant and equipment	(1,432,244)	(538,669)	(1,222)	(460)
Gain on disposal of intangible assets	(1,261,999)	(130,384)	(1,077)	(111)
Gain on disposal of assets held-for-sale	(1,525,754)	-	(1,302)	-
Other	(7,864,643)	61,488,917	(6,710)	52,465
	<u>227,469,930</u>	<u>147,695,599</u>	<u>194,087</u>	<u>126,020</u>
Changes in working capital:				
Trade receivables	(97,931,036)	139,940,657	(83,559)	119,403
Other receivables	3,739,659	5,328,176	3,191	4,546
Other assets	3,762,069	(15,598,194)	3,210	(13,309)
Inventories	63,428,944	(68,501,664)	54,120	(58,449)

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<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Trade payables	(165,454,315)	(133,349,307)	(141,173)	(113,779)
Other payables	22,410,542	26,460,397	19,122	22,577
Other liabilities	4,582,967	30,222,649	3,910	25,787
Derivative financial assets	9,969,535	2,575,632	8,506	2,198
Derivative financial liabilities	(12,974,343)	(1,029,555)	(11,070)	(878)
Provisions	(19,079,377)	(6,618,796)	(16,279)	(5,647)
Defined benefit liability	(23,921,084)	(27,301,723)	(20,410)	(23,295)
	<u>(211,466,439)</u>	<u>(47,871,728)</u>	<u>(180,432)</u>	<u>(40,846)</u>
Cash generated from operations	<u>₩ 57,012,437</u>	<u>₩ 231,767,383</u>	<u>\$ 48,645</u>	<u>\$ 197,754</u>

39. Commitments and Contingencies

The outstanding borrowing agreements with banks as of December 31, 2015, are as follows:

<i>(in thousands of Korean won and in US dollars)</i>	Limit			
	Korean Won		US Dollars (Note 3)	
Bank overdraft	KRW	11,000,000	USD	9,385,666
Usance related import	USD	721,900,000	USD	721,900,000
D/A, D/P, Local and foreign trade related export	KRW	145,500,000	USD	124,146,758
	USD	406,700,000	USD	406,700,000
Other borrowings	KRW	530,000,000	USD	452,218,430
	USD	150,000,000	USD	150,000,000

As of December 31, 2015, 17 blank promissory notes, 4 blank checks, 6 promissory notes amounting to ₩ 20,089 million (equivalent to US\$ 17,141 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, 2015, are as follows:

<i>(in Japanese yen, Chinese yuan and US dollars)</i>	Breakdown of Guarantee	Amount	
Hanwha Q-CELLS Japan Co., Ltd.	Payment certification of debts	JPY	16,700,000,000
		(USD	138,503,131)
Hanwha Hong Kong Co., Ltd.	Payment certification of debts	USD	18,000,000
		USD	20,000,000
Hanwha Int'l (S) Pte Ltd.	Payment certification of debts	USD	50,000,000
		USD	30,000,000
Hanwha Europe GmbH	Payment certification of debts	USD	38,000,000
		USD	110,000,000
Hanwha Resources (USA) Corp.	Payment certification of debts	USD	4,000,000
		USD	1,500,000
S&P World Networks DMCC	Payment certification of debts	USD	70,000,000
		(USD	10,783,703)
PT. Hanwha Mining Services Indonesia	Payment certification of debts	USD	4,000,000
		USD	1,500,000
Hanwha Machinery America, Inc	Payment certification of debts	USD	1,500,000
		CNY	70,000,000
Hanwha TechM (Suzhou) Co., Ltd	Payment certification of debts	(USD	10,783,703)

Assets which are provided as collateral for the Company's liabilities as of December 31, 2015, are as follows:

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<i>(in US dollars and in thousands of Korean won)</i>	Mortgagee	Mortgage amount		Classification
		KRW	19,000,000	
	Korea Development Bank	(USD	16,211,604)	
Yeosu Factory		KRW	36,000,000	
	Woori Bank	(USD	30,716,724)	
	Woori Bank	USD	4,100,000	
Boeun and Onsan Factory	Korea Development Bank	KRW	150,000,000	
		(USD	127,986,348)	
Daejeon Factory	Korea Development Bank	KRW	77,000,000	Collateral for borrowing limit
		(USD	65,699,659)	
Gumi Factory	Korea Development Bank	KRW	20,000,000	
		(USD	17,064,846)	
Changwon Factory		KRW	10,300,000	
	Kookmin Bank	(USD	8,788,396)	
	Kookmin Bank	USD	3,500,000	
Asan Factory		KRW	26,000,000	
	Woori Bank	(USD	22,184,300)	
Investments in associates ¹	Korea Development Bank and others	KRW	1,081,573,639	Collateral for borrowing limit and performance guarantees
		(USD	922,844,402)	
Fixed deposit	Seoul Guarantee Insurance Co., Ltd.	KRW	3,543,615	License acquisition
		(USD	3,023,562)	

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 39(a)). 11,173,246 common shares of Hanwha Techwin Co., Ltd. are pledged as collaterals in relation to the payment of stock acquisition of Hanwha Techwin, formerly Samsung Techwin Co., Ltd.

As of December 31, 2015, the Company has pending lawsuits, 30 cases as a defendant claiming total of ₩ 15,152 million (equivalent to US\$ 12,928 thousand), 8 cases as a plaintiff claiming total ₩ 10,858 million (equivalent to US\$ 9,265 thousand). The Company is expecting the results of the litigation will not have a material impact on the financial statements. As of December 31, 2015, the outcome of these cases cannot be reasonably determined.

On June 29, 2015, the Company has acquired 32.35% ownership of Hanwha Techwin Co., Ltd. (formerly Samsung Techwin Co., Ltd.) in long-term deferred payment terms to enhance the market competitiveness of the defense industry and to secure additional profitable foundation for growth. According to the relevant stock purchase agreement, if the Thales International SAS exercises the put option for shares of Hanwha Thales (formerly Samsung Thales) held by Thales International SAS or Hanwha Techwin Co., Ltd. exercises the call option for shares of Hanwha Thales, the time and the amount of payment could be changed.

The Company has entered into a contract to receive brand royalties with pricing based on the sales and advertising expenses for some affiliated companies over the use of 'Hanwha' brand.

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\$ 269 million) on November 19, 2008. The Hanwha Consortium received a notification of MOU cancellation and forfeiture of execution deposit from Korea Development

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Bank on January 22, 2009. The Company's share of the execution deposit of ₩ 315 billion (equivalent to US\$ 269 million) was settled at ₩ 72 billion (equivalent to US\$ 61 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 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, 2015, the lawsuit is on-going.

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. in 2014. 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.

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(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\$ 178)
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>

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40. Related Parties Transactions

The Company has no Parent Company as of December 31, 2015 and 2014.

The subsidiaries as of December 31, 2015 and 2014, are as follows:

Subsidiaries	Percentage of ownership (%)	
	2015	2014
Gyeonggi Yongin Techno Valley Co., Ltd.	80.00	-
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
Shanghai Samsung Techwin Co., Ltd.	100.00	-
Seosan Techno Valley Co., Ltd.	65.00	65.00
CSPACES	100.00	100.00
Asan Techno Valley Co., Ltd.	65.00	65.00
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	100.00
Yeongam Haeoreum Solar Power Corporation	100.00	100.00
Ilsan Seaworld, Co., Ltd	98.00	98.00
Tianjin Samsung Techwin Opto-Electronic Co., Ltd.	95.00	-
Foodist 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	100.00
Hanwha TechM (Suzhou) Co., Ltd.	100.00	100.00
Hanwha Compound corporation (Formerly, Hanwha Next Co. Ltd.) ¹	99.99	99.98
Hanwha City Development Co., Ltd	100.00	100.00
Hanwha Life Asset Co., Ltd.	100.00	100.00
Hanwha B&B Co., Ltd.	100.00	100.00
Hanwha Investment & Consulting (Shanghai)	100.00	-
Hanwha Life Insurance Co., Ltd. ²	48.29	48.29
Hanwha General Insurance Co., Ltd.	53.33	52.99
Hanwha Life Insurance Investigation & Adjusting	100.00	100.00
SnS Ace Co., Ltd.	100.00	-
Hanwha Station Development Co., Ltd.	67.25	67.25
Hanwha Investment Co., Ltd.	97.82	-
Hanwha Techwin Co., Ltd. (Formerly, Samsung Techwin Co., Ltd.) ³	32.35	-

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	Percentage of ownership (%)	
	2015	2014
Hanwha Investment & Securities Co., Ltd. ³	32.65	-
Hanwha Eagles Professional Baseball Club	90.00	90.00
Hanwha Asset Management Co., Ltd.	100.00	100.00
Hanwha Savings Bank Co., Ltd.	100.00	100.00
Hanwha Advanced Materials Corporation	100.00	100.00
Hanwha Chemical Co., Ltd. ³	36.52	36.52
Hanwha Chemical Overseas Holdings, Co., Ltd.	100.00	100.00
Hanwha Q Cell Co., Ltd. (Formerly, Hanwha Solar Global Co., Ltd.)	100.00	100.00
Hanwha Q CELLS Korea	80.00	80.00
Hanwha TechM Co., Ltd.	100.00	100.00
Hanwha Trading (Shanghai) Co., Ltd.	100.00	100.00
Hanwha Hotel & Resort Inc.	99.32	99.32
Hanwha Fine Chemical Co., Ltd. ³	48.54	50.71
Hae Sarang Solar Corporation	100.00	100.00
Environment Facilities	100.00	100.00
Acropark Golf Corp.	100.00	100.00
Amru and Hanwha International	90.00	90.00
Avenir el Divisadero SpA	100.00	-
Blue Albatross FZE	100.00	100.00
Bourton Renewables limited	100.00	-
Chandler LLC.	90.00	90.00
Daini Q Solar G.K.	100.00	100.00
Daiyon Q Solar G.K.	100.00	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
FCHQC Development, LLC	70.00	-
Fenland Renewables Limited	100.00	-
Fotovoltaica Sol del Norte SpA	100.00	-
Fotovoltaica De Los Andes SpA	100.00	-
Garnet Solar Power Generation 1, LLC	100.00	100.00
GK GA Nasukarasuyama	100.00	100.00
Green End Renewables Limited	100.00	-
Hale Ali'i Park Association, LLC	100.00	100.00
Hale Ka Lae, LLC	100.00	100.00
Hanwha Advanced Materials America	100.00	100.00
Hanwha Advanced Materials Beijing Co., Ltd.	100.00	100.00
Hanwha Advanced Materials Chongqing Co., Ltd.	100.00	-
Hanwha Advanced Materials Europe, s.r.o.	100.00	100.00
Hanwha Advanced Materials Germany GmbH	100.00	-
Hanwha Advanced Materials Holdings USA Inc.	100.00	100.00
Hanwha Advanced Materials Holdings USA LLC	100.00	100.00
Hanwha Advanced Materials Mexico S. De R.L. De C.V.	100.00	-

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	Percentage of ownership (%)	
	2015	2014
Hanwha Advanced Materials 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	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 Chemical (Ningbo) Co., Ltd.	100.00	100.00
Hanwha Chemical (Thailand) Co., Ltd.	99.99	99.99
Hanwha Chemical India Private Limited ⁴	99.99	99.99
Hanwha Chemical Malaysia Sdn. Bhd.	100.00	100.00
Hanwha Consulting Services Myanmar Company Limited ⁴	99.99	-
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	100.00
Hanwha Mining Services Chile SpA	100.00	100.00
Hanwha Mining Services Peru S.A.C.	100.00	100.00
Hanwha Mining Services Singapore Pte. Ltd.	100.00	-
Hanwha Parcel O LLC	100.00	100.00
Hanwha Property USA LLC	100.00	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	100.00
Hanwha Q CELLS Co., Ltd. (Formerly, Hanwha SolarOne Co., Ltd.) ⁵	93.56	46.04
Hanwha Q CELLS EPC USA, LLC	100.00	-
Hanwha Q CELLS France SAS	100.00	-
Hanwha Q CELLS GmbH	100.00	100.00

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	Percentage of ownership (%)	
	2015	2014
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	100.00
Hanwha Q CELLS Malaysia Sdn. Bhd.	100.00	100.00
Hanwha Q CELLS Peru S.A.C	99.97	-
Hanwha Q CELLS Servicios Comerciales, S DE RL DE CV	100.00	-
Hanwha Q CELLS Solar Power Sdn. Bhd.	100.00	100.00
Hanwha Q CELLS Til Til Dos SpA	100.00	-
Hanwha Q CELLS Til Til Uno SPA	100.00	100.00
Hanwha Q CELLS Turkey	100.00	100.00
Hanwha Q CELLS USA Corp.	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 Saudi Contracting Co., Ltd.	100.00	100.00
Hanwha Singapore Pte. Ltd.	100.00	100.00
Hanwha Solar America LLC	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. ²	1.00	42.95
Hanwha SolarOne GmbH	100.00	100.00
Hanwha Q CELLS Hong Kong Limited (Formerly, 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	100.00
Hanwha SolarOne Technology Co., Ltd.	100.00	100.00
Hanwha Q CELLS USA Inc. (Formerly, Hanwha SolarOne USA Inc.)	100.00	100.00
Hanwha SolarOne(Laiyang) Co., Ltd.	100.00	-
Hanwha SolarOne(Nantong) Co., Ltd.	100.00	100.00
Hanwha Q CELLS (Qidong) Co., Ltd. (Formerly, Hanwha SolarOne (Qidong) Co., Ltd.)	100.00	100.00
Hanwha SolarOne(Rugao) Co., Ltd.	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 UK Solar 1 limited (Formerly, Fenland Green-End Solar Holding Ltd.)	100.00	-
Hanwha Village Market, LLC	100.00	100.00
Hanwha West Properties LLC	100.00	100.00
Harelaw Renewables limited	100.00	-
High Ercall Renewables limited	100.00	-

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	Percentage of ownership (%)	
	2015	2014
HMS Australia property holdings Pty ltd	100.00	-
Ho'Ohana solar 1, LLC	100.00	-
HQ Mex, LLC	100.00	100.00
HQ Mexico Holdings S DE RL DE CV	100.00	100.00
HQ MEXICO Solar I S DE RL DE CV	100.00	-
HQ Solar Developments Costa Rica, S de RL	100.00	-
HQC Maywood, LLC	100.00	100.00
HQC Panama S DE RL	100.00	100.00
HQC Rock River Solar Holdings, LLC	100.00	-
HQC Rock River Solar Power Generation Station, LLC	100.00	-
HQC Tatanka Wi Solar Power Generation Station, LLC	100.00	-
HQSB Solar I, S. de R.L. de C.V.	65.00	-
HSEA HVES, LLC	100.00	100.00
HSEA PR Isla I, LLC	100.00	100.00
HSEA PR Isla II, LLC	100.00	-
HSEA PR Isla III, LLC	100.00	-
HSEA PR Isla IV, LLC	100.00	-
HSEA PR Isla V, LLC	100.00	-
HSESM American Union LLC	100.00	100.00
HSESM LeGrandUHS LLC	100.00	100.00
HSESM PlanadaES LLC	100.00	100.00
HSSC Stainless Inc.	60.00	-
HW SOLAR POWER 1 G.K.	100.00	-
HW SOLAR POWER 2 G.K.	100.00	-
HW SOLAR POWER 3 G.K.	100.00	-
HW SOLAR POWER 5 G.K.	100.00	-
HW SOLAR POWER 7 G.K.	100.00	-
HW SOLAR POWER 8 G.K. ²	1.02	-
HW SOLAR POWER 13 G.K.	100.00	-
Intermountain Solar Plant, LLC	100.00	-
Kalaeloa Renewable Energy Park, LLC	100.00	100.00
KMPT Solarpark Verwaltung GmbH	100.00	-
LDE HOLDINGS PTY LTD ⁴	100.00	-
LDE Corporation PTY LTD ⁴	100.00	-
LLP Zharyk Zol Company 2007	100.00	-
Lodz Solar Sp. z o.o.	52.00	-
Maxxsol 01 srl.	100.00	100.00
Mazovia Solar 1 Sp. Z o.o. (Formerly, E14 AMB ENERGIA Sp. z o.o.)	52.00	-
Mazovia Solar 2 Sp. Z o.o. (Formerly, E15 AMB ENERGIA Sp. z o.o.)	52.00	-
Mazovia Solar 3 Sp. Z o.o.	52.00	-
Midway Solar, LLC	100.00	-
Nantong Hanwha Import & Export Co., Ltd.	100.00	100.00
PT. Bara Bumi International	100.00	-

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	Percentage of ownership (%)	
	2015	2014
PT. Hanwha Life Insurance Indonesia	98.13	98.13
PT. Hanwha Mining Services Indonesia	100.00	100.00
PV Vallenar Uno SpA	100.00	-
Q Solar B G.K.	100.00	-
Q Solar C G.K.	100.00	-
Q Solar Holdings G.K.	100.00	100.00
Samsung Opto-Electronics America, Inc.	100.00	-
Samsung Techwin Do Brasil Equipamentos De Seguranca Ltda.	100.00	-
Samsung Techwin Europe Ltd.	100.00	-
SFH Solarpark GmbH	100.00	-
Skysol, LLC	100.00	-
Solar Monkey 1, LLC	100.00	100.00
Solar Monkey 2, LLC	100.00	100.00
Solarpark FFT Infrastruktur GmbH & Co. KG	100.00	-
Sonoran Vista LLC.	90.00	90.00
S&P World Networks DMCC	100.00	100.00
TAWASUL AL-EZDIHAR Co., Ltd	100.00	-
Techren Solar LLC	80.00	-
Techwin Engineering Center	100.00	-
Tecsol srl.	100.00	100.00
Think Biotech (Cambodia) Co., Ltd.	100.00	100.00
Tower Hill Farm Ltd., England	100.00	100.00
Universal Bearings LLC.	100.00	100.00
Woodland Solar Power Generation Station, LLC	100.00	-
World corporation	100.00	100.00
WSE Bradley Road Ltd	100.00	-
Beneficiary certificates		
Small Giants New Renewable Energy Innovation Fund	100.00	-
KDB Daewoo Securities Co., LTD's Money Market Trust ⁷	100.00	-
Recon Co., Ltd. ⁶	-	-
Midas Private Equity Investment Trust HW-3	100.00	-
Meritz Korea Private Equity Investment Trust No.4	90.38	-
Meritz Korea Private Equity Investment Trust No.5	83.33	-
Mirae Asset Maps Global New Recycling Energy Private special asset Investment Trust No.1	100.00	100.00
Botanicbiztower Co., Ltd. ⁶	-	-
Samsung Dividend Private Equity Investment Trust No.5	87.05	-
SMART LODER CO., LTD ⁶	-	-
Smart side Co., LTD ⁶	-	-
Smart Yeoksam first Co., Ltd ⁶	-	-
Sparx Private Equity Investment Trust No.15	100.00	-
Shinhan BNPP global solar energy private equity special asset investment Trust	100.00	100.00
Asia Pacific 17 Vessel Investment Co., Ltd. ⁶	-	-

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	Percentage of ownership (%)	
	2015	2014
Asia Pacific 30 Vessel Investment Co., Ltd. ⁶	-	-
Asia Pacific 32 Vessel Investment Co., Ltd. ⁶	-	-
Asia Pacific 38 Vessel Investment Co., Ltd. ⁶	-	-
Asia Pacific 45 Vessel Investment Co., Ltd. ⁶	-	-
IBS 42th Co., Ltd. ⁶	-	-
HCF Co., Ltd. ⁶	-	-
HSF 1st Co., Ltd. ⁶	-	-
HSF 2nd Co., Ltd. ⁶	-	-
HSF 6th Co., Ltd. ⁶	-	-
HSF 8th Co., Ltd. ⁶	-	-
Orange Ocean 1st ⁶	-	-
Aegis KORIF Private real estate Trust 11-1	100.00	100.00
Aegis KORIF Private real estate Trust 11-2	100.00	100.00
Aegis KORIF Private real estate Trust 17-1	100.00	100.00
Aegis KORIF Private real estate Trust 17-2	100.00	100.00
Aegis KORIF Private real estate Trust 17-3	100.00	100.00
Aegis KORIF Private real estate Trust 17-4	100.00	100.00
ChungNam-Hanwha Small & Medium Company Growth Fund	66.67	-
Triumphone1st Co., Ltd. ⁶	-	-
Triumphtwo1st Co., Ltd. ⁶	-	-
Triumphfour2nd Co., Ltd. ⁶	-	-
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
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
Phoenixyeoksam1st Co., Ltd. ⁶	-	-
Hana HW Landchip Private real estate feeder investment trust No.1	98.00	98.00
Hanwha Prudential U.S. Real Estate Debt	100.00	100.00
Hanwha AI Global Choice Private equity investment Trust No.1	100.00	100.00
Hanwha AI Global Choice Private equity investment Trust No.2	100.00	99.85
Hanwha LTI Private special asset investment Trust No.2	90.57	90.57
Hanwha LTI Infra Private special asset investment Trust No.1	100.00	100.00
Hanwha Global Business Fund	100.00	-
Hanwha Master Piece private equity real estate No. 7	100.00	100.00
Hanwha New Growth Engine Fund	80.00	-
Hanwha Tri-Circle Private real estate Investment Trust No.17	100.00	100.00
Hanwha Tri-Circle Infra Special asset No.1	100.00	100.00
Hanwha Tri-Circle Infra Special asset No.3	95.00	100.00
Hanwha Hotels and Resorts the first Asset Securitization Co., Ltd. ⁶	-	-
Hyundai Vessel Private Equity Special asset Investment Trust No.2	95.00	95.00
NH Investment & Securities Co., LTD's Money Market Trust ⁷	100.00	-
SVIC 17 New Technology Business Investment Fund	99.00	-

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¹ Hanwha Polydramer Co., Ltd. was established through a split off of Hanwha Polydramer on 30, March 2015 and the surviving corporation has changed its name to Hanwha Next Co., Ltd. The new Hanwha Polydramer Co., Ltd. has been sold during the year. Hanwha Next has changed the name of the Hanwha Next to Hanwha Compound on 2, October 2015.

² Although the percentage of ownership is less than 50%, the Company is considered to have control over these companies since the Company is able to exercise the majority voting rights in its decision-making process with its 51% voting rights.

³ 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.

⁴ In case that the fiscal year of subsidiary company is different from its dominant company, the financial statements settled as of December 31, 2015 were used.

⁵ The ownership percentage of Hanwha Corporation Group for Hanwha Q Cells Co., Ltd.(Formerly, Hanwha SolarOne Co., Ltd.) has been increased due to the contributions in kind of whole stock of Hanwha Q Cells Co., Ltd. hold by Hanwha Solar Holdings Co., Ltd.

⁶ 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).

⁷ 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.

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, 2015 and 2014, are as follows:

Domestic associates and joint venture	Yeochun NCC Co., Ltd. Hanwha General Chemical 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.

Hanwha Corporation

Notes

December 31, 2015 and 2014

Year-end balances of receivables and payables arising from sales and purchases of goods and services as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won				
	2015				
	Receivables			Payables	
	Trade Receivables	Loans	Other Receivables	Trade Payables	Other Payables
Subsidiaries and associates					
Hanwha Engineering and Construction Corp.	₩ 273,802	₩ -	₩ 267,350	₩ 20,974,811	₩ 20,660,804
Hanwha Life Insurance Co., Ltd.	1,236,447	-	12,326,534	-	15,809
Hanwha Advanced Materials Corporation	739,790	-	-	1,683,938	287,903
Hanwha Chemical Co., Ltd.	162,946	-	-	4,111,339	1,837,353
Hanwha Q Cells Corp.	30,547,533	-	-	-	1,784,309
Hanwha Q Cells Korea	84,799,711	-	-	-	429,016
Hanwha Techwin Co., Ltd.	14,337,463	-	23,020,863	784,746	296,744
Hanwha Total Petrochemical Co., Ltd.	69,392	-	-	3,862,663	2,882
Hanwha Hotel & Resort Inc.	244,139	-	22,697,752	-	799,560
Yeochun NCC Co., Ltd.	132,199	-	-	14,492,906	-
Hanwha International (Shanghai) Co., Ltd. ¹	28,621,706	-	2,509,855	-	-
Hanwha TechM (Suzhou) Co., Ltd.	13,442,382	-	193,464	36,458	1,644,982
Hanwha Chemical (Ningbo) Co., Ltd.	-	-	-	993,282	-
Hanwha Europe GmbH	9,989,219	-	2,012,359	2,838,990	9,268
Hanwha Hong Kong Co., Ltd.	361,351	-	-	3,141,012	78,883
Hanwha International (S) Pte Ltd.	10,219,911	-	1,450	9,130,079	-
Hanwha International LLC.	3,489,723	-	12,813,364	4,583,636	-
Hanwha Machinery Americas, Inc.	10,919,392	-	-	-	75,285
Hanwha Q CELLS GmbH	10,844,539	-	640,432	92,015	781,331
Hanwha Q CELLS Japan Co., Ltd.	21,813,386	-	1,977,557	998,661	-
Hanwha Q CELLS Malaysia Sdn. Bhd.	91,551,516	-	7,828,960	55,956,961	6,115,902
Hanwha SolarOne Hong Kong Limited	2,487	-	-	26,595,706	4,489
Hanwha SolarOne Technology Co., Ltd.	1,563,704	-	-	-	-
Hanwha SolarOne(Qidong) Co., Ltd.	30,022,883	-	73,484	-	525,197
Hanwha TechM USA LLC	32,878,679	-	-	-	4,978,788
S&P World Networks DMCC	11,474,804	-	351,600	-	-
Think Biotech (Cambodia) Co., Ltd.	101,393	27,556,516	1,365,959	68,035	-
Others	6,600,153	1,392,043	1,066,796	685,617	2,461,754
Other related parties					
Hanwha Energy Corp.	3,066,568	-	-	-	477
Hanwha S&C Co., Ltd.	66,728	-	-	1,256,012	2,064,779
Others	363,059	-	-	28,380	356,791
	₩ 419,937,005	₩ 28,948,559	₩ 89,147,779	₩ 152,315,247	₩ 45,212,306

Hanwha Corporation

Notes

December 31, 2015 and 2014

(in thousands)

US Dollars (Note 3)

	2015				
	Receivables			Payables	
	Trade Receivables	Loans	Other Receivables	Trade Payables	Other Payables
Subsidiaries and associates					
Hanwha Engineering and Construction Corp.	\$ 234	\$ -	\$ 228	\$ 17,897	\$ 17,629
Hanwha Life Insurance Co., Ltd.	1,055	-	10,518	-	13
Hanwha Advanced Materials Corporation	631	-	-	1,437	246
Hanwha Chemical Co., Ltd.	139	-	-	3,508	1,568
Hanwha Q Cells Corp.	26,064	-	-	-	1,522
Hanwha Q Cells Korea	72,355	-	-	-	366
Hanwha Techwin Co., Ltd.	12,233	-	19,642	670	253
Hanwha Total Petrochemical Co., Ltd.	59	-	-	3,296	2
Hanwha Hotel & Resort Inc.	208	-	19,367	-	682
Yeochun NCC Co., Ltd.	113	-	-	12,366	-
Hanwha International (Shanghai) Co., Ltd. ¹	24,421	-	2,142	-	-
Hanwha TechM (Suzhou) Co., Ltd.	11,470	-	165	31	1,404
Hanwha Chemical (Ningbo) Co., Ltd.	-	-	-	848	-
Hanwha Europe GmbH	8,523	-	1,717	2,422	8
Hanwha Hong Kong Co., Ltd.	308	-	-	2,680	67
Hanwha International (S) Pte Ltd.	8,720	-	1	7,790	-
Hanwha International LLC.	2,978	-	10,933	3,911	-
Hanwha Machinery Americas, Inc.	9,317	-	-	-	64
Hanwha Q CELLS GmbH	9,253	-	546	79	667
Hanwha Q CELLS Japan Co., Ltd.	18,612	-	1,687	852	-
Hanwha Q CELLS Malaysia Sdn. Bhd.	78,116	-	6,680	47,745	5,218
Hanwha SolarOne Hong Kong Limited	2	-	-	22,693	4
Hanwha SolarOne Technology Co., Ltd.	1,334	-	-	-	-
Hanwha SolarOne(Qidong) Co., Ltd.	25,617	-	63	-	448
Hanwha TechM USA LLC	28,053	-	-	-	4,248
S&P World Networks DMCC	9,791	-	300	-	-
Think Biotech (Cambodia) Co., Ltd.	87	23,512	1,165	58	-
Others	5,632	1,188	910	585	2,100
Other related parties					
Hanwha Energy Corp.	2,617	-	-	-	-
Hanwha S&C Co., Ltd.	57	-	-	1,072	1,762
Others	310	-	-	24	304
	\$ 358,308	\$ 24,700	\$ 76,065	\$ 129,962	\$ 38,577

¹As of December 31, 2015, the Company sets up the provision of ₩ 19,804 million (equivalent to US\$ 16,898 thousand) for the receivables.

Hanwha Corporation
Notes
December 31, 2015 and 2014

(in thousands)

	Korean Won				
	2014				
	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 Life Insurance Co., Ltd.	-	-	13,062,301	-	4,193
Hanwha Advanced Materials 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 International (Shanghai) Co., Ltd. ¹	20,691,664	-	12,261,740	-	-
Hanwha TechM (Suzhou) Co., Ltd.	4,206,045	-	-	12,447	-
Hanwha Chemical (Ningbo) Co., Ltd.	-	-	-	564,127	-
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	2,937,461	577,080	513,418	647,549	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	3,973,405	-	-	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
December 31, 2015 and 2014

(in thousands)

US Dollars (Note 3)

	2014				
	Receivables			Payables	
	Trade Receivables	Loans	Other Receivables	Trade Payables	Other Payables
Subsidiaries and associates					
Hanwha Engineering and Construction Corp.	\$ 358	\$ -	\$ 299	\$ 23,050	\$ 14,713
Hanwha Life Insurance Co., Ltd.	-	-	11,145	-	4
Hanwha Advanced Materials Corporation	18	-	-	1,428	1
Hanwha Chemical Co., Ltd.	1,088	-	138	3,387	3,343
Hanwha Hotel & Resort Inc.	573	-	19,239	-	656
Yeochun NCC Co., Ltd.	63	-	-	17,066	-
Hanwha International (Shanghai) Co., Ltd. ¹	17,655	-	10,462	-	-
Hanwha TechM (Suzhou) Co., Ltd.	3,589	-	-	11	-
Hanwha Chemical (Ningbo) Co., Ltd.	-	-	-	481	-
Hanwha Europe GmbH	26,386	-	155	3,135	5
Hanwha Hong Kong Co., Ltd.	1,801	-	-	6,706	-
Hanwha International (S) Pte Ltd.	3,828	-	-	705	-
Hanwha International LLC.	4,576	-	7,917	4,107	-
Hanwha Machinery Americas, Inc.	8,278	-	-	49	-
Hanwha Q CELLS GmbH	24,046	-	-	99,236	289
Hanwha Q CELLS Japan Co., Ltd.	70,267	-	1,077	1,544	2
Hanwha Q CELLS Malaysia Sdn. Bhd.	35,830	-	-	15,256	3,006
Hanwha SolarOne Technology Co., Ltd.	7,578	-	-	-	-
Hanwha SolarOne(Qidong) Co., Ltd.	36,785	-	588	-	6,674
S&P World Networks DMCC	5,792	-	-	-	-
Think Biotech (Cambodia) Co., Ltd.	-	12,424	1,224	-	-
Others	2,506	492	438	553	1,696
Other related parties					
Hanwha Energy Corp.	3,270	-	-	-	-
Hanwha S&C Co., Ltd.	31	-	33	2,009	4,008
Others	3,390	-	-	2,098	1,236
	<u>\$ 257,710</u>	<u>\$ 12,917</u>	<u>\$ 52,715</u>	<u>\$ 180,821</u>	<u>\$ 35,633</u>

¹As of December 31, 2014, the Company sets up the provision of ₩ 16,271 million (equivalent to US\$ 13,883 thousand) for the receivables.

Hanwha Corporation
Notes
December 31, 2015 and 2014

Sales and purchases with related parties for the years ended December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won					
	2015					
	Sales, etc.			Purchases, etc.		
	Sales	Disposal of property, plant and equipment	Others	Purchases	Acquisition of property, plant and equipment	Others
Subsidiaries and associates						
Hanwha Engineering and Construction Corp. ¹	₩ 20,687,850	₩ -	₩ -	₩ 56,022,849	₩ -	₩ -
Hanwha Life Insurance Co., Ltd.	19,431,294	-	-	8,721,079	-	-
Hanwha Advanced Materials Corporation	1,321,054	-	-	11,984,293	-	-
Hanwha Chemical Co., Ltd.	12,350,493	-	126,591	86,769,472	-	-
Hanwha Q Cells Corp.	44,099,247	-	-	1,588	-	-
Hanwha Q Cells Korea	100,520,961	-	-	773,217	-	-
Hanwha Techwin Co., Ltd.	4,249,086	-	62,060	30,257,838	-	-
Hanwha Total Petrochemical Co., Ltd.	5,486,817	-	-	21,777,067	-	-
Hanwha Hotel & Resort Inc.	2,434,245	-	-	13,532,921	418,728	-
Yeochun NCC Co., Ltd.	1,298,802	-	-	180,666,865	-	-
Hanwha International (Shanghai) Co., Ltd. ¹	22,088,977	-	-	-	-	-
Hanwha TechM (Suzhou) Co., Ltd.	11,732,674	-	-	367,578	-	-
Hanwha Chemical (Ningbo) Co., Ltd.	922	-	-	21,323,178	-	-
Hanwha Europe GmbH	24,778,650	-	-	26,820,196	-	-
Hanwha Hong Kong Co., Ltd.	47,504,197	-	-	69,634,204	-	-
Hanwha International (S) Pte Ltd.	256,121,361	-	-	16,596,650	-	-
Hanwha International LLC.	15,929,305	-	11,667	55,636,799	-	-
Hanwha Machinery Americas, Inc.	17,892,011	-	-	190,404	-	-
Hanwha Q CELLS GmbH	9,405,748	-	631,170	5,990,271	-	-
Hanwha Q CELLS Japan Co., Ltd.	1,436,484	-	632,224	8,115,370	-	-
Hanwha Q CELLS Malaysia Sdn. Bhd.	367,798,075	7,822,280	-	9,428,503	-	-
Hanwha SolarOne Hong Kong Limited	2,327	-	-	8,544,300	-	-
Hanwha SolarOne Technology Co., Ltd.	21,391,586	-	-	-	-	-
Hanwha SolarOne(Qidong) Co., Ltd.	13,901,566	-	-	-	-	-
Hanwha TechM USA LLC	26,076,398	-	-	185,991	-	-
S&P World Networks DMCC	33,400,949	-	-	-	-	-
Think Biotech (Cambodia) Co., Ltd.	546,508	-	1,890,122	231,747	-	-
Others	27,070,431	-	461,435	17,786,811	-	6,075,495
Other related parties						
Hanwha Energy Corp.	95,822,787	-	137,515	-	-	-
Hanwha S&C Co., Ltd.	1,404,508	-	-	23,732,802	-	-
Others	3,185,577	-	-	6,779,715	647,250	-
	<u>₩1,209,370,890</u>	<u>₩7,822,280</u>	<u>₩ 3,952,784</u>	<u>₩ 681,871,708</u>	<u>₩ 1,065,978</u>	<u>₩ 6,075,495</u>

Hanwha Corporation

Notes

December 31, 2015 and 2014

(in thousands)

US Dollars (Note 3)

	2015					
	Sales, etc.			Purchases, etc.		
	Sales	Disposal of property, plant and equipment	Others	Purchases	Acquisition of property, plant and equipment	Others
Subsidiaries and associates						
Hanwha Engineering and Construction Corp. ¹	\$ 17,652	\$ -	\$ -	\$ 47,801	\$ -	\$ -
Hanwha Life Insurance Co., Ltd.	16,580	-	-	7,441	-	-
Hanwha Advanced Materials Corporation	1,127	-	-	10,226	-	-
Hanwha Chemical Co., Ltd.	10,538	-	108	74,035	-	-
Hanwha Q Cells Corp.	37,627	-	-	1	-	-
Hanwha Q Cells Korea	85,769	-	-	660	-	-
Hanwha Techwin Co., Ltd.	3,626	-	53	25,817	-	-
Hanwha Total Petrochemical Co., Ltd.	4,682	-	-	18,581	-	-
Hanwha Hotel & Resort Inc.	2,077	-	-	11,547	357	-
Yeochun NCC Co., Ltd.	1,108	-	-	154,153	-	-
Hanwha International (Shanghai) Co., Ltd. ¹	18,847	-	-	-	-	-
Hanwha TechM (Suzhou) Co., Ltd.	10,011	-	-	314	-	-
Hanwha Chemical (Ningbo) Co., Ltd.	1	-	-	18,194	-	-
Hanwha Europe GmbH	21,142	-	-	22,884	-	-
Hanwha Hong Kong Co., Ltd.	40,533	-	-	59,415	-	-
Hanwha International (S) Pte Ltd.	218,534	-	-	14,161	-	-
Hanwha International LLC.	13,592	-	10	47,472	-	-
Hanwha Machinery Americas, Inc.	15,266	-	-	162	-	-
Hanwha Q CELLS GmbH	8,025	-	539	5,111	-	-
Hanwha Q CELLS Japan Co., Ltd.	1,226	-	539	6,924	-	-
Hanwha Q CELLS Malaysia Sdn. Bhd.	313,821	6,674	-	8,045	-	-
Hanwha SolarOne Hong Kong Limited	2	-	-	7,290	-	-
Hanwha SolarOne Technology Co., Ltd.	18,252	-	-	-	-	-
Hanwha SolarOne(Qidong) Co., Ltd.	11,861	-	-	-	-	-
Hanwha TechM USA LLC	22,249	-	-	159	-	-
S&P World Networks DMCC	28,499	-	-	-	-	-
Think Biotech (Cambodia) Co., Ltd.	466	-	1,613	198	-	-
Others	23,098	-	394	15,176	-	5,184
Other related parties						
Hanwha Energy Corp.	81,760	-	117	-	-	-
Hanwha S&C Co., Ltd.	1,198	-	-	20,250	-	-
Others	2,718	-	-	5,785	552	-
	\$ 1,031,886	\$ 6,674	\$ 3,373	\$ 581,802	\$ 910	\$ 5,184

¹ Purchases from Hanwha Engineering and Construction Corp. includes establishment billing of the construction cost.

² Dividends received from related parties including Hanwha Life Insurance Co., Ltd., Hanwha Chemical Co., Ltd. are 62,365 million (equivalent to US\$ 53,212 thousand) during the year ended December 31, 2015.

Hanwha Corporation
Notes
December 31, 2015 and 2014

(in thousands)

	Korean Won			
	2014			
	Sales, etc.		Purchases, etc.	
	Sales	Others	Purchases	Acquisition of property, plant and equipment
Subsidiaries and associates				
Hanwha Engineering and Construction Corp. ¹	₩ 92,104,691	₩ 6,920,000	₩ 28,694,433	₩ -
Hanwha Life Insurance Co., Ltd.	1,262,165	-	7,334,207	-
Hanwha Advanced Materials Corporation	992,725	-	52,213,713	-
Hanwha Chemical Co., Ltd.	72,234,022	-	101,816,370	-
Hanwha Q Cells Korea	12,050	-	-	-
Hanwha Hotel & Resort Inc.	1,208,756	-	11,397,803	-
Yeochun NCC Co., Ltd.	1,522,528	-	431,310,990	-
Hanwha International (Shanghai) Co., Ltd.	31,851,694	-	-	-
Hanwha TechM (Suzhou) Co., Ltd.	1,152,026	-	12,434	-
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 Machinery Americas, Inc.	4,813,574	-	56,790	-
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 Hong Kong Limited	256,386	-	105,541	-
Hanwha SolarOne Technology Co., Ltd.	20,497,044	-	-	-
Hanwha SolarOne(Qidong) Co., Ltd.	25,702,227	-	-	-
S&P World Networks DMCC	24,182,065	-	-	-
Think Biotech (Cambodia) Co., Ltd.	-	629,500	106,900	-
Others	7,516,736	141,534	27,657,653	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
December 31, 2015 and 2014

(in thousands)

	US Dollars (Note 3)			
	2014			
	Sales, etc.		Purchases, etc.	
	Sales	Others	Purchases	Acquisition of property, plant and equipment
Subsidiaries and associates				
Hanwha Engineering and Construction Corp. ¹	\$ 78,588	\$ 5,904	\$ 24,483	\$ -
Hanwha Life Insurance Co., Ltd.	1,077	-	6,258	-
Hanwha Advanced Materials Corporation	847	-	44,551	-
Hanwha Chemical Co., Ltd.	61,633	-	86,874	-
Hanwha Q Cells Korea	10	-	-	-
Hanwha Hotel & Resort Inc.	1,031	-	9,725	-
Yeochun NCC Co., Ltd.	1,299	-	368,013	-
Hanwha International (Shanghai) Co., Ltd.	27,177	-	-	-
Hanwha TechM (Suzhou) Co., Ltd.	983	-	11	-
Hanwha Chemical (Ningbo) Co., Ltd.	-	-	17,627	-
Hanwha Europe GmbH	48,314	-	27,953	-
Hanwha Hong Kong Co., Ltd.	2,122	-	88,745	-
Hanwha International (S) Pte Ltd.	289,312	-	16,593	-
Hanwha International LLC.	15,624	-	71,012	-
Hanwha Machinery Americas, Inc.	4,107	-	48	-
Hanwha Q CELLS GmbH	49,083	-	35,410	-
Hanwha Q CELLS Japan Co., Ltd.	12,398	-	4,408	-
Hanwha Q CELLS Malaysia Sdn. Bhd.	214,814	-	479	-
Hanwha SolarOne Hong Kong Limited	219	-	90	-
Hanwha SolarOne Technology Co., Ltd.	17,489	-	-	-
Hanwha SolarOne(Qidong) Co., Ltd.	21,930	-	-	-
S&P World Networks DMCC	20,633	-	-	-
Think Biotech (Cambodia) Co., Ltd.	-	537	91	-
Others	6,414	121	23,599	806
Other related parties				
Hanwha Energy Corp.	97,146	-	972	-
Hanwha S&C Co., Ltd.	376	-	16,492	-
Others	5,185	-	8,039	-
	<u>\$ 977,811</u>	<u>\$ 6,562</u>	<u>\$ 851,474</u>	<u>\$ 806</u>

¹ Purchases from Hanwha Engineering and Construction Corp. includes establishment billing of the construction cost.

² Dividends received from related parties including Hanwha Life Insurance Co., Ltd., Hanwha Chemical Co., Ltd. are 42,510 million (equivalent to US\$ 36,271 thousand) during the year ended December 31, 2014.

Hanwha Corporation
Notes
December 31, 2015 and 2014

Changes in loans to related parties for the years ended December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won				
	2015				
	Beginning	Increase	Decrease	Others	Ending
Associates					
Bio Green Technology Sdn Bhd.	₩ -	₩ 734,079	₩ -	₩ 43,254	₩ 777,333
Subsidiaries					
Think Biotech (Cambodia) Co., Ltd.	15,995,940	17,506,984	5,729,728	1,149,279	28,922,475
Amru and Hanwha International	572,412	30,811	-	36,400	639,623
Hanwha Singapore Pte. Ltd.	27,714	937	28,669	18	-
PT. Bara Bumi International	-	58,191	-	1,630	59,821

(in thousands)

	US Dollars (Note 3)				
	2015				
	Beginning	Increase	Decrease	Others	Ending
Associates					
Bio Green Technology Sdn Bhd.	\$ -	\$ 626	\$ -	\$ 37	\$ 663
Subsidiaries					
Think Biotech (Cambodia) Co., Ltd.	13,648	14,938	4,889	981	24,678
Amru and Hanwha International	488	26	-	31	546
Hanwha Singapore Pte. Ltd.	24	1	24	-	-
PT. Bara Bumi International	-	50	-	1	51

(in thousands)

	Korean Won				
	2014				
	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)

	US Dollars (Note 3)				
	2014				
	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

Hanwha Corporation

Notes

December 31, 2015 and 2014

¹ For the year ended December 31, 2014, loans of ₩4,699 million (equivalent to US\$ 4,009 thousand) was converted into equity.

² Changes in loans to related parties include accrued interest income.

³ No provisions are made for loans to related parties.

Equity contributions in cash with related parties for the years ended December 31, 2015 and 2014, are as follows:

	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Subsidiaries				
Hanwha Greentech Limited.	₩ 3,571	₩ 5,149	\$ 3	\$ 4
Hanwha Mining Services Australia Pty., Ltd	30,312,550	417,708	25,864	356
Hanwha Mining Services Chile SpA	547,600	-	467	-
Hanwha Resources (Canada) Ltd.	21,041	65,297	18	56
Hanwha Resources (USA) Corporation	5,725,500	2,519,191	4,885	2,149
Hanwha Singapore Pte. Ltd.	6,601,283	-	5,632	-
Associates				
PT. Nantoy Bara Lestari	-	6,771,196	-	5,777

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Notes

December 31, 2015 and 2014

Details of payment guarantees provided by the Company for the year ended December 31, 2015 as follows, and no collaterals are provided by the Company for the year ended December 31, 2015:

<i>(in thousands)</i>	Remark	2015	
		Amount	
		JPY	16,700,000
Hanwha Q CELLS Japan Co., Ltd.	Borrowings	(USD	138,503)
		USD	18,000
Hanwha Hong Kong Co., Ltd.	Borrowings	USD	20,000
Hanwha Int'l (S) Pte Ltd.	Borrowings	USD	50,000
Hanwha Europe GmbH	Borrowings	USD	30,000
Hanwha Resources (USA) Corp.	Borrowings	USD	38,000
S&P World Networks DMCC	Borrowings	USD	110,000
PT. Hanwha Mining Services Indonesia	Borrowings	USD	4,000
Hanwha Machinery America, Inc	Borrowings	USD	1,500
		CNY	70,000
Hanwha TechM (Suzhou) Co., Ltd.	Borrowings	(USD	10,784)

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

The key management compensation for the years ended December 31, 2015 and 2014, consists of:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Salaries and other short-term employee benefits ¹	₩ 25,811,348	₩ 15,620,750	\$ 22,023	\$ 13,328
Post-employment benefits	5,436,460	1,448,863	4,639	1,236
Other long-term benefits ²	-	(339,896)	-	(290)

¹ Salaries represent the amount after deducting return on compensation of the executive directors amounting to ₩6,932 million (equivalent to US\$ 5,915 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
December 31, 2015 and 2014

41. 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
Machinery & Production	Manufacturing and selling of machine tool and industrial machinery

A profit or loss by each segment for the years ended December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015			
	Explosive & Production	Trading & Retails	Machinery & Production	Total
Total segment revenue	₩ 1,474,911,630	₩2,875,493,343	₩ 761,369,924	₩5,111,774,897
Inter-segment revenue	1,398,107	10,485,169	972,789	12,856,065
Revenue from external customers	1,473,513,523	2,865,008,174	760,397,135	5,098,918,832
Operating profit of the segments	135,793,208	(18,237,280)	48,319,728	165,875,656
Finance income(loss)	(4,623,293)	(8,962,757)	(9,358,285)	(22,944,335)
Profit for the year	₩ 29,828,501	₩ (18,459,625)	₩ 24,819,923	₩ 36,188,799

(in thousands)

	US Dollars (Note 3)			
	2015			
	Explosive & Production	Trading & Retails	Machinery & Production	Total
Total segment revenue	\$ 1,258,457	\$ 2,453,493	\$ 649,633	\$ 4,361,583
Inter-segment revenue	1,193	8,946	830	10,969
Revenue from external customers	1,257,264	2,444,546	648,803	4,350,613
Operating profit of the segments	115,865	(15,561)	41,228	141,532
Finance income(loss)	(3,945)	(7,647)	(7,985)	(19,577)
Profit for the year	\$ 25,451	\$ (15,751)	\$ 21,177	\$ 30,878

Hanwha Corporation
Notes
December 31, 2015 and 2014

(in thousands)

	Korean Won			
	2014			
	Explosive & Production	Trading & Retails	Machinery & Production	Total
Total segment revenue	₩ 1,243,076,563	₩3,650,290,256	₩ 165,222,036	₩5,058,588,855
Inter-segment revenue	-	1,450,136	91,429	1,541,565
Revenue from external customers	1,243,076,563	3,648,840,120	165,130,607	5,057,047,290
Operating profit of the segments	129,509,155	9,219,212	21,621,421	160,349,788
Finance income(loss)	(6,665,754)	(12,304,789)	(12,215,143)	(31,185,686)
Profit for the year	₩ 117,020,342	₩ (26,451,758)	₩ 4,812,614	₩ 95,381,198

(in thousands)

	US Dollars (Note 3)			
	2014			
	Explosive & Production	Trading & Retails	Machinery & Production	Total
Total segment revenue	\$ 1,060,646	\$ 3,114,582	\$ 140,974	\$ 4,316,202
Inter-segment revenue	-	1,237	78	1,315
Revenue from external customers	1,060,646	3,113,345	140,896	4,314,887
Operating profit of the segments	110,503	7,866	18,448	136,817
Finance income(loss)	(5,688)	(10,499)	(10,422)	(26,608)
Profit for the year	\$ 99,847	\$ (22,570)	\$ 4,106	\$ 81,383

Depreciation and others, and income tax expense (profit) for the years ended December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015			
	Explosive & Production	Trading & Retails	Machinery & Production	Total
Depreciation & others	₩ 56,197,801	₩ 2,137,056	₩ 11,463,837	₩ 69,798,694
Income tax expense(profit)	7,851,674	(10,904,426)	7,872,899	4,820,147

(in thousands)

	US Dollars (Note 3)			
	2015			
	Explosive & Production	Trading & Retails	Machinery & Production	Total
Depreciation & others	\$ 47,950	\$ 1,823	\$ 9,781	\$ 59,555
Income tax expense(profit)	6,699	(9,304)	6,717	4,113

Hanwha Corporation
Notes
December 31, 2015 and 2014

(in thousands)

	Korean Won			
	2014			
	Explosive & Production	Trading & Retails	Machinery & Production	Total
Depreciation & others	₩ 49,222,215	₩ 2,398,589	₩ 2,581,902	₩ 54,202,706
Income tax expense(profit)	42,354,057	(7,281,760)	1,490,017	36,562,314

(in thousands)

	US Dollars (Note 3)			
	2014			
	Explosive & Production	Trading & Retails	Machinery & Production	Total
Depreciation & others	\$ 41,998	\$ 2,047	\$ 2,203	\$ 46,248
Income tax expense(profit)	36,138	(6,213)	1,271	31,197

Segment Assets and liabilities as of December 31, 2015 and 2014, are as follows:

(in thousands)

	Korean Won			
	2015			
	Explosive & Production	Trading & Retails	Machinery & Production	Total
Total assets	₩ 6,006,956,823	₩ 913,371,471	₩ 667,970,557	₩ 7,588,298,851
Total liabilities	3,350,107,967	948,095,698	619,894,219	4,918,097,884

(in thousands)

	US Dollars (Note 3)			
	2015			
	Explosive & Production	Trading & Retails	Machinery & Production	Total
Total assets	\$ 5,125,390	\$ 779,327	\$ 569,941	\$ 6,474,658
Total liabilities	2,858,454	808,955	528,920	4,196,329

(in thousands)

	Korean Won			
	2014			
	Explosive & Production	Trading & Retails	Machinery & Production	Total
Total assets	₩ 4,958,612,710	₩1,129,924,259	₩ 499,700,623	₩ 6,588,237,592
Total liabilities	2,292,999,800	1,140,703,719	473,656,973	3,907,360,492

(in thousands)

	US Dollars (Note 3)			
	2014			
	Explosive & Production	Trading & Retails	Machinery & Production	Total
Total assets	\$ 4,230,898	\$ 964,099	\$ 426,366	\$ 5,621,363
Total liabilities	1,956,484	973,297	404,144	3,333,925

Hanwha Corporation

Notes

December 31, 2015 and 2014

Details of acquisition costs of non-current asset for the years ended December 31, 2015 and 2014, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Explosive & Production	₩ 979,339,550	₩ 112,852,592	\$ 835,614	\$ 96,291
Trading & Retails	14,092,424	7,330,605	12,024	6,255
Machinery & Production	56,017,649	5,863,777	47,797	5,003
	₩ 1,049,449,623	₩ 126,046,974	\$ 895,435	\$ 107,549

Breakdown of the revenue of the Company for the years ended December 31, 2015 and 2014, from all geographic areas, are as follows:

<i>(in thousands)</i>	Korean Won		US Dollars (Note 3)	
	2015	2014	2015	2014
Domestic	₩ 2,678,117,582	₩ 2,516,255,421	\$ 2,285,083	\$ 2,146,976
U.S.A.	195,602,462	119,536,575	166,896	101,994
Asia	1,954,772,042	2,026,734,898	1,667,894	1,729,296
Other	270,426,746	394,520,396	230,740	336,621
	₩ 5,098,918,832	₩ 5,057,047,290	\$ 4,350,613	\$ 4,314,887

42. Events After the Reporting Period

The Company has acquired 100% of shares of KAES (Kyongju Aerospace Electrical Systems) Co., Ltd. for ₩ 2,000 million (equivalent to US\$ 1,706 thousand) on January 4, 2016, to strengthen the competitiveness of manufacturing parts of aircraft. The subsidiary has additionally increased capital stock of 9,000 million (equivalent to US\$ 7,679 thousand) on January 7, 2016.

Hanwha Corporation
Notes
December 31, 2015 and 2014

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	\$ 49,158
Consideration		
Cash and cash equivalents	₩ 5,692,395	4,857
Other financial assets (current)	5,587,571	4,768
Trade and other receivables	201,366,908	171,815
Other current assets	30,837,239	26,312
Inventories	91,603,290	78,160
Available-for-sale assets (non-current)	1,000,000	853
Other financial assets (non-current)	5,910,395	5,043
Property, plant and equipment	90,922,370	77,579
Intangible assets	21,179,283	18,071
Other non-current assets	283,119	242
Deferred tax assets	8,337,306	7,114
Trade and other payables	(83,876,258)	(71,567)
Borrowings (current)	(56,405,724)	(48,128)
Other financial liabilities (current)	(5,308,952)	(4,530)
Other current liabilities	(95,139,126)	(81,177)
Borrowings (non-current)	(45,000,000)	(38,396)
Other financial liabilities (non-current)	(766,582)	(654)
Provisions	(1,806,089)	(1,541)
Other non-current liabilities	(6,126)	(5)
Net defined benefit liabilities	(36,695,820)	(31,310)
	<u>₩ 137,715,199</u>	<u>\$ 117,504</u>
Acquisition-related costs (reflecting gain on disposal of investments in subsidiaries)	₩ (80,101,866)	\$ (68,346)

**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, 2015. 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, 2015, the Company's IACS has been designed and is operating effectively as of December 31, 2015, 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, 2015, and we did not review management's assessment of its IACS subsequent to December 31, 2015. 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 17, 2016

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, 2015.

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, 2015, in all material respects, in accordance with the IACS standards.

February 11, 2016

Sung-il Kim, Internal Accounting Control Officer

Jae-hong Park, Chief Executive Officer