

## **[2016 Earnings Release Q&A]**

**Q. As the market expected slow 4Q results, please give us guideline for 1Q 2017. Could the price increase make up the cost increase?**

A. Currently the company is negotiating with the customers on 1Q price and we are discussing on the application of incremented raw material cost. The input cost increase is accepted to the customers who are based in monthly contract, such as re-rollers and home appliance makers. As for customers based on more than quarterly contract, such as automakers, we are negotiating taking both raw material cost and market situation into account, which we are optimistic to be accepted from customers. As for exports, though differ by region, increased the price roughly by U\$100/ton.

As such, we expect 1Q earnings result would likely to improve from 4Q.

**Q. Should we expect more losses coming from overseas business of POSCO E&C? When do you expect POSCO E&C to reach breakeven point?**

A. The company has recognized most of the losses from CSP project. We have taken conservative approach on recognizing possible losses from overseas projects, such as Saudi Arabia Aramco, Abu Dhabi sewage system, hydroelectric power plant in Laos, etc. Moreover, we had to recognize one-off costs from restructuring E&C division. As such, we would be able to see upturn from POSCO E&C by 1Q 2017, or first half year at the latest.

**Q. For the company to decide on FY2016 dividend to be 8,000 KRW per share is a positive signal to the market. Could you give us any guideline for 2017 dividend policy?**

A. During the previous years, POSCO's dividend policy was based on parent

income. POSCO's Board of Directors has continuously discussed that the dividend should be based on consolidated income and applies other elements additionally, such as share price, cash-in-hand, and CAPEX. The basic structure would likely to be payout ratio of 20~30% range based on consolidated earnings, and application of other elements.

Also in order to strengthen shareholders policy, we have introduced quarterly dividend system and paid 2Q16 and 3Q16 dividend. In the future, quarterly dividend amount will not paid by equal amount every quarter. During the year, we will pay quarterly dividend based on each quarter earnings projection and put more weight on year-end dividend.

As for 2016, the company declared to pay 8,000KRW per share as total dividend. As earnings improved in 2016, dividend yield will reach at least 3.1%.

2017 dividend amount would be visible by at least, after 1H 2017.

**Q. Please explain in detail on recognized OP losses in E&C division.**

A. POSCO E&C recognized 181 billion KRW OP loss in 2016, applying loss-making projects under restructuring E&C division. E&C Brazil, which is in charge of construction of CSP project, made 280 billion KRW loss in 2016. In addition, POSCO Engineering recorded 130 billion KRW operating loss due to restructuring and loss-making projects.

**Q. You have been investing in non-steel division to compensate steel business when the market condition turns unfavorable. Could you give us a breakdown on consolidated capex increase?**

A. On a consolidated basis, 1 trillion KRW will increase. Out of the amount, 300

billion KRW will be spent on advancing facilities that are needed to continuously expand production of WP products. Another 300 KRW will be used to strengthen overseas downstream facilities. The rest 400 KRW will be put into new growth businesses to go with steel business. In the mid-term, we will find more profitable businesses than steel to raise consolidated ROE. Cathode and anode materials for Lithium as energy materials, Magnesium and Titanium for light-weight and clean energy sectors are major examples of those lucrative businesses that we will pursue.

As most of losses occurred from POSCO E&C was related to Brazil CSP project and major restructuring cost was recognized from POSCO Engineering restructuring, POSCO E&C division will turn to profit from 2017. Moreover, POSCO Daewoo and POSCO P&S are to merge, the structure will turn more efficient. POSCO ICT also recognized heavy losses and as the company will focus on businesses such as Smart Factory, its profit will normalize as well. As such, from mid-term perspective, POSCO as group level will strengthen its portfolio by turning profit of existing businesses and focusing on new growth businesses, as mentioned before.

**Q. There seems to be a lawsuit on Brazil CSP construction. Are all the expenses recognized or would there be any additional cost?**

A. Let me clarify that there is no lawsuit. Although there were issues related with liquidated damages and claims, we are trying to conclude the case by paying 50:50 with our counterpart. The expense would amount to 80 billion KRW, and there would not be additional expenses recognized from CSP project.

**Q. Could you update on Lithium business?**

A. We are currently talking with companies holding salt lake. We will complete construction of high-purity lithium carbonate plant utilizing our exclusive technology. By improving technology and quality certification, we will increase annual capacity of high-purity lithium carbonate and lithium hydroxide up to 40,000 ton LCE for producing batteries