

PolyOne Investor Presentation

Gabelli Specialty Chemicals Conference

March 2015

The logo for PolyOne, featuring the word "PolyOne" in a serif font. "Poly" is in black and "One" is in red. A red swoosh underline is positioned beneath the "One".

*PolyOne*TM

Collaboration. Innovation. Excellence.

Forward-Looking Statements

- In this presentation, statements that are not reported financial results or other historical information are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. They are based on management’s expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. They use words such as “will,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” and other words and terms of similar meaning in connection with any discussion of future operating or financial performance and/or sales.
- Factors that could cause actual results to differ materially from those implied by these forward-looking statements include, but are not limited to:
 - ✓ The final amount of charges resulting from the planned North American asset realignment and the Company’s ability to realize anticipated savings and operational benefits from the asset realignment;
 - ✓ Our ability to achieve the strategic and other objectives relating to the acquisition of Spartech Corporation, including any expected synergies;
 - ✓ Our ability to successfully integrate Spartech and achieve the expected results of the acquisition, including, without limitation, the acquisition being accretive;
 - ✓ Disruptions, uncertainty or volatility in the credit markets that could adversely impact the availability of credit already arranged and the availability and cost of credit in the future;
 - ✓ The financial condition of our customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability;
 - ✓ The speed and extent of an economic recovery, including the recovery of the housing market;
 - ✓ Our ability to achieve new business gains;
 - ✓ The effect on foreign operations of currency fluctuations, tariffs, and other political, economic and regulatory risks;
 - ✓ Changes in polymer consumption growth rates in the markets where we conduct business;
 - ✓ Changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online;
 - ✓ Fluctuations in raw material prices, quality and supply and in energy prices and supply;
 - ✓ Production outages or material costs associated with scheduled or unscheduled maintenance programs;
 - ✓ Unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters;
 - ✓ An inability to achieve or delays in achieving or achievement of less than the anticipated financial benefit from initiatives related to working capital reductions, cost reductions, employee productivity goals, and an inability to raise or sustain prices for products or services;
 - ✓ An inability to raise or sustain prices for products or services;
 - ✓ An inability to maintain appropriate relations with unions and employees;
 - ✓ The inability to achieve expected results from our acquisition activities;
 - ✓ Our ability to continue to pay cash dividends;
 - ✓ The amount and timing of repurchases of our common shares, if any; and
 - ✓ Other factors affecting our business beyond our control, including, without limitation, changes in the general economy, changes in interest rates and changes in the rate of inflation.
- The above list of factors is not exhaustive.
- We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised to consult any further disclosures we make on related subjects in our reports on Form 10-Q, 8-K and 10-K that we provide to the Securities and Exchange Commission.

Use of Non-GAAP Measures

- This presentation includes the use of both GAAP (generally accepted accounting principles) and non-GAAP financial measures. The non-GAAP financial measures include: adjusted EPS, earnings before interest, tax, depreciation and amortization (EBITDA), adjusted EBITDA, net debt, Specialty platform operating income, Specialty platform gross margin percentage, adjusted operating income, return on invested capital, net debt/ EBITDA, and the exclusion of corporate charges in certain calculations. In certain cases throughout this presentation.
- PolyOne's chief operating decision maker uses these financial measures to monitor and evaluate the ongoing performance of the Company and each business segment and to allocate resources. In addition, operating income before special items and adjusted EPS are components of various PolyOne annual and long-term employee incentive plans.
- A reconciliation of each non-GAAP financial measure with the most directly comparable GAAP financial measure is attached to this presentation which is posted on our website at www.polyone.com.

PolyOne Commodity to Specialty Transformation

2000-2005

2006 - 2009

2010 – 2014

2015 and beyond

- Volume driven, commodity producer
- Heavily tied to cyclical end markets
- Performance largely dependent on non-controlling joint ventures

- Steve Newlin appointed, Chairman, President and CEO
- New leadership team appointed
- Implementation of four pillar strategy
- Focus on value based selling, investment in commercial resources and innovation to drive transformation

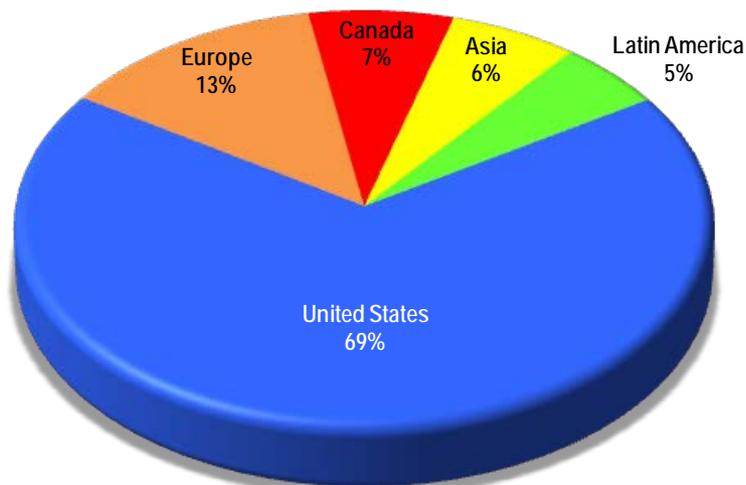
- 21 consecutive quarters of double-digit adjusted EPS growth
- Shift to faster growing, high margin, less cyclical end markets
- Key acquisitions propel current and future growth, as well as margin expansion
- Established aggressive 2015 targets

- Continue specialty transformation
- Vitality index and innovation driving growth and expanding margins
- Specialty business margins have 20+% potential
- Double digit operating income and adjusted EPS growth

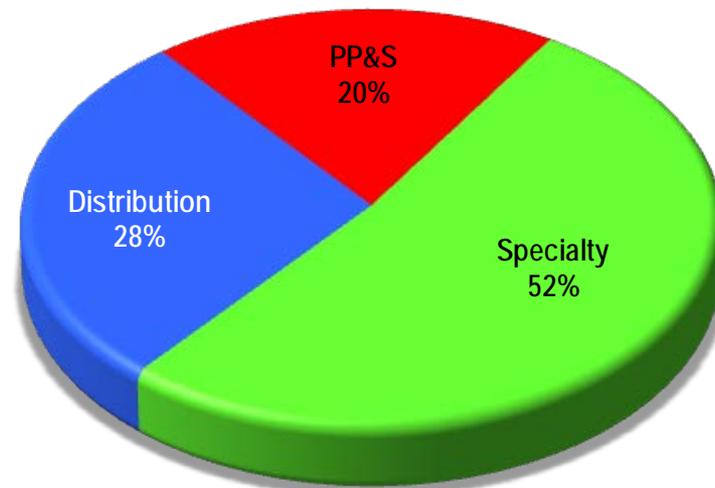
PolyOne

At A Glance

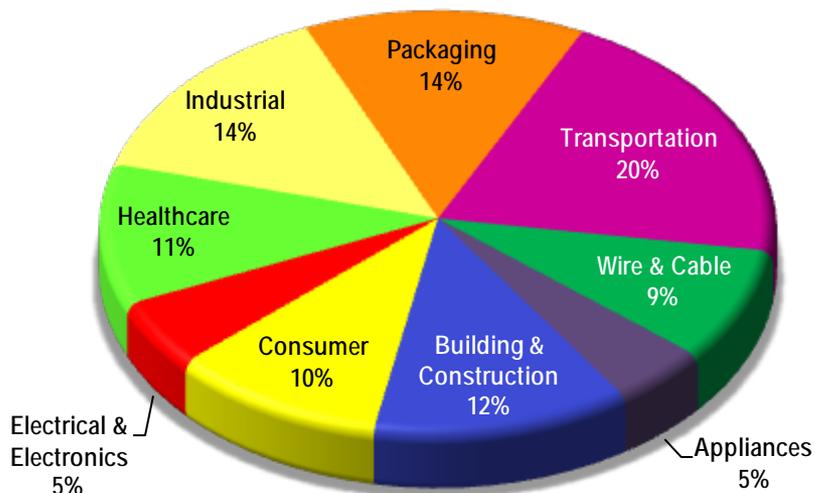
2014 Revenues: \$3.8 Billion



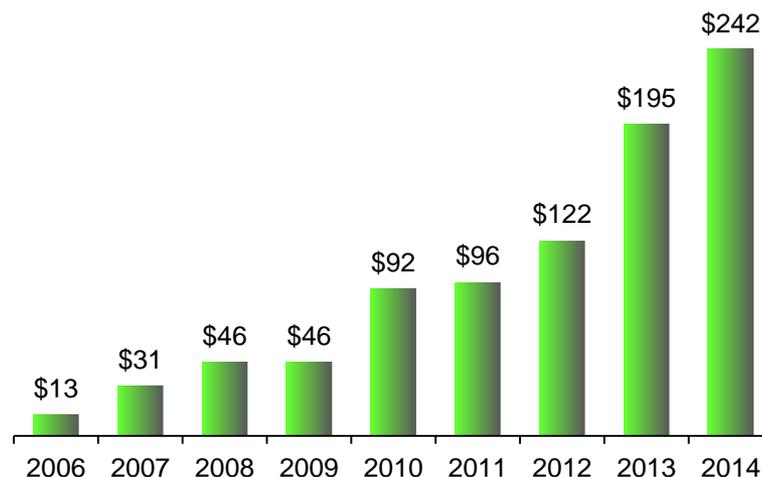
2014 Revenues: \$3.8 Billion



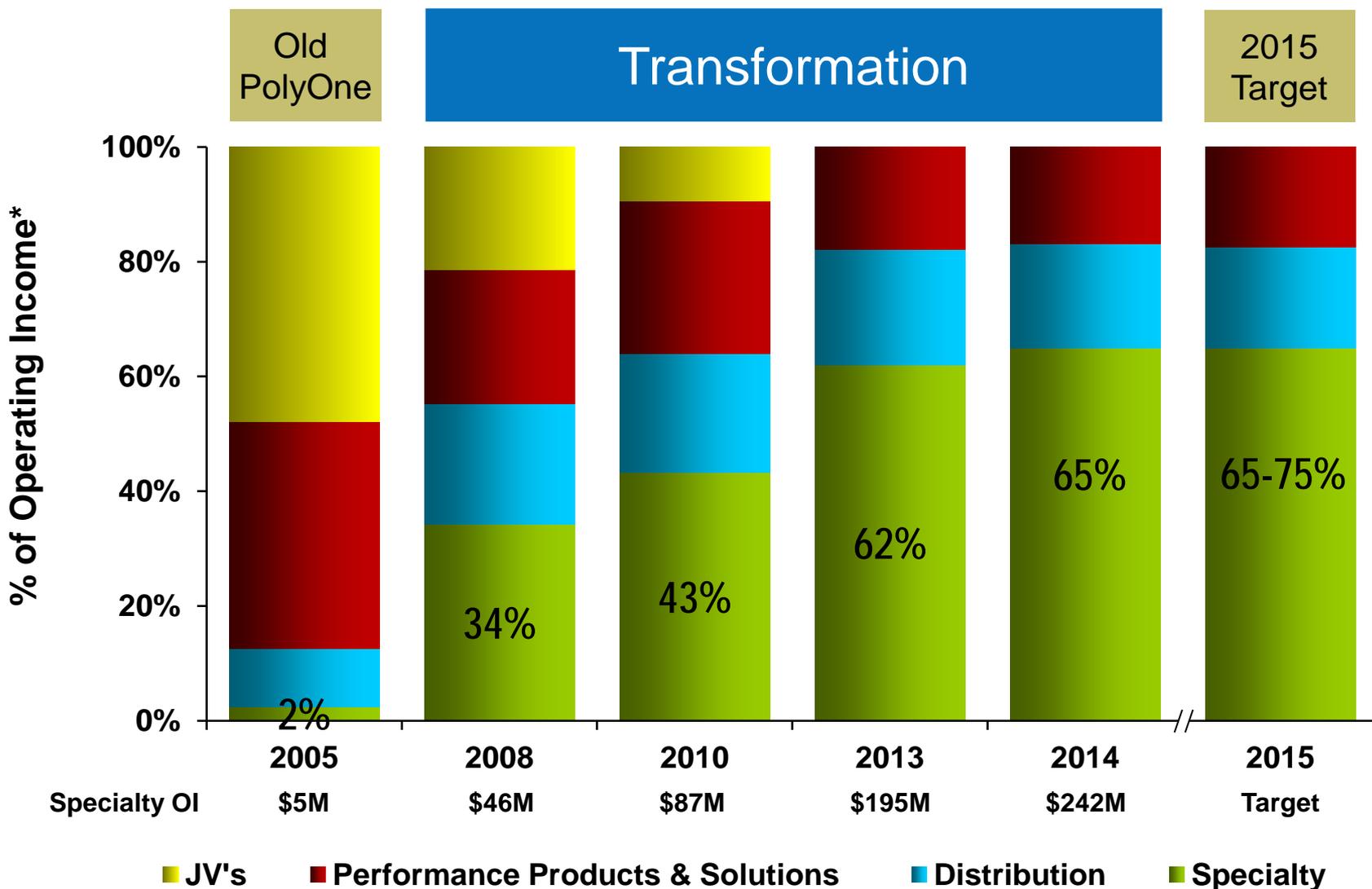
End Markets



Specialty Operating Income (\$M)



Mix Shift Highlights Specialty Transformation



*Operating Income excludes corporate charges and special items

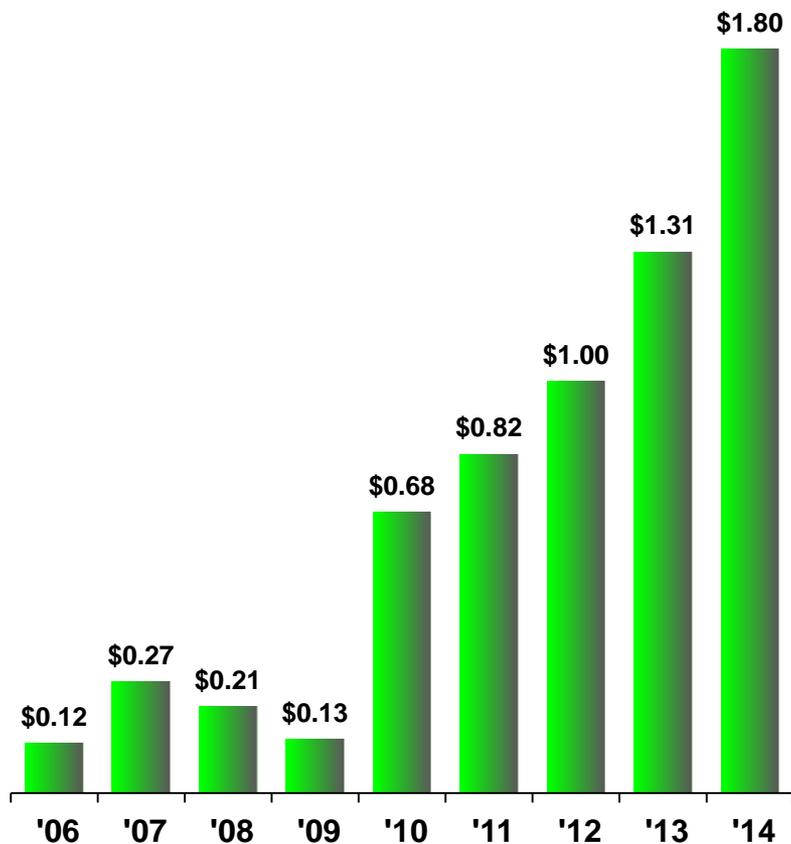
Confirmation of Our Strategy



**The World's Premier Provider of Specialized
Polymer Materials, Services and Solutions**

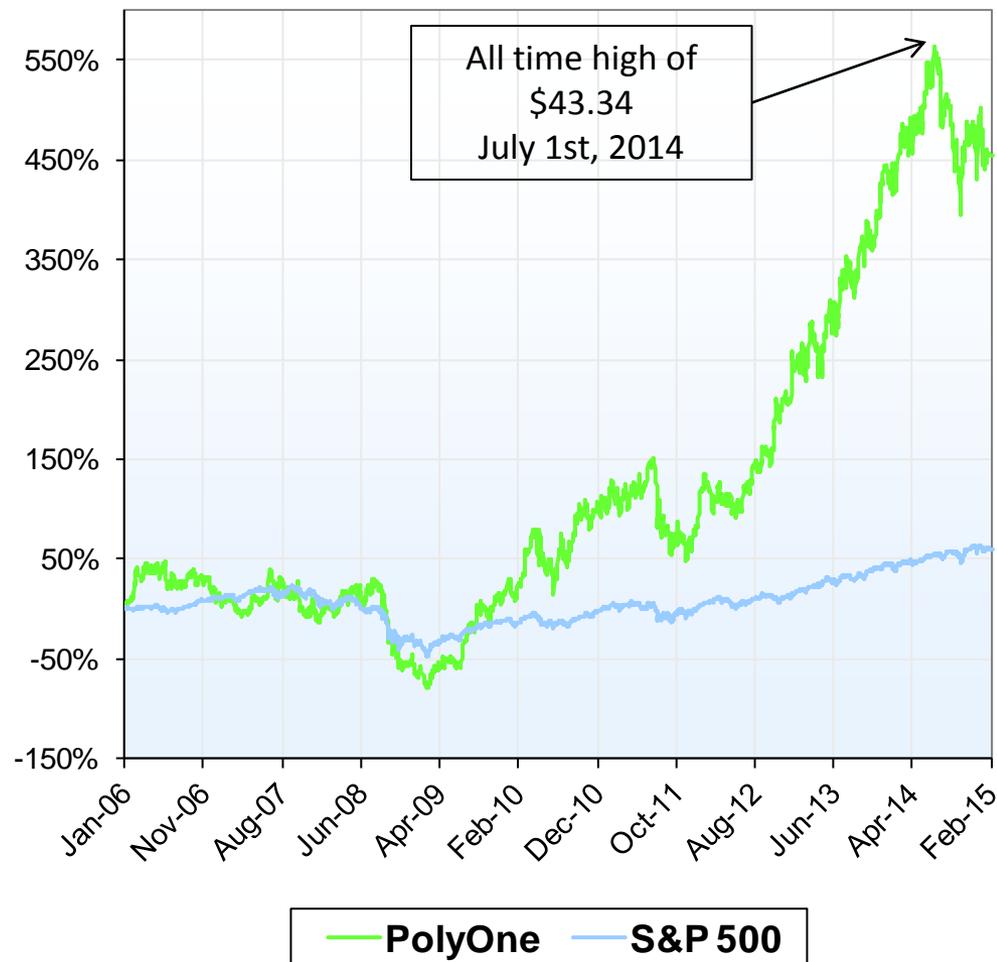
Strategy and Execution Drive Results

EPS



'06-'14 EPS CAGR = 40%

Share Price vs. S&P 500

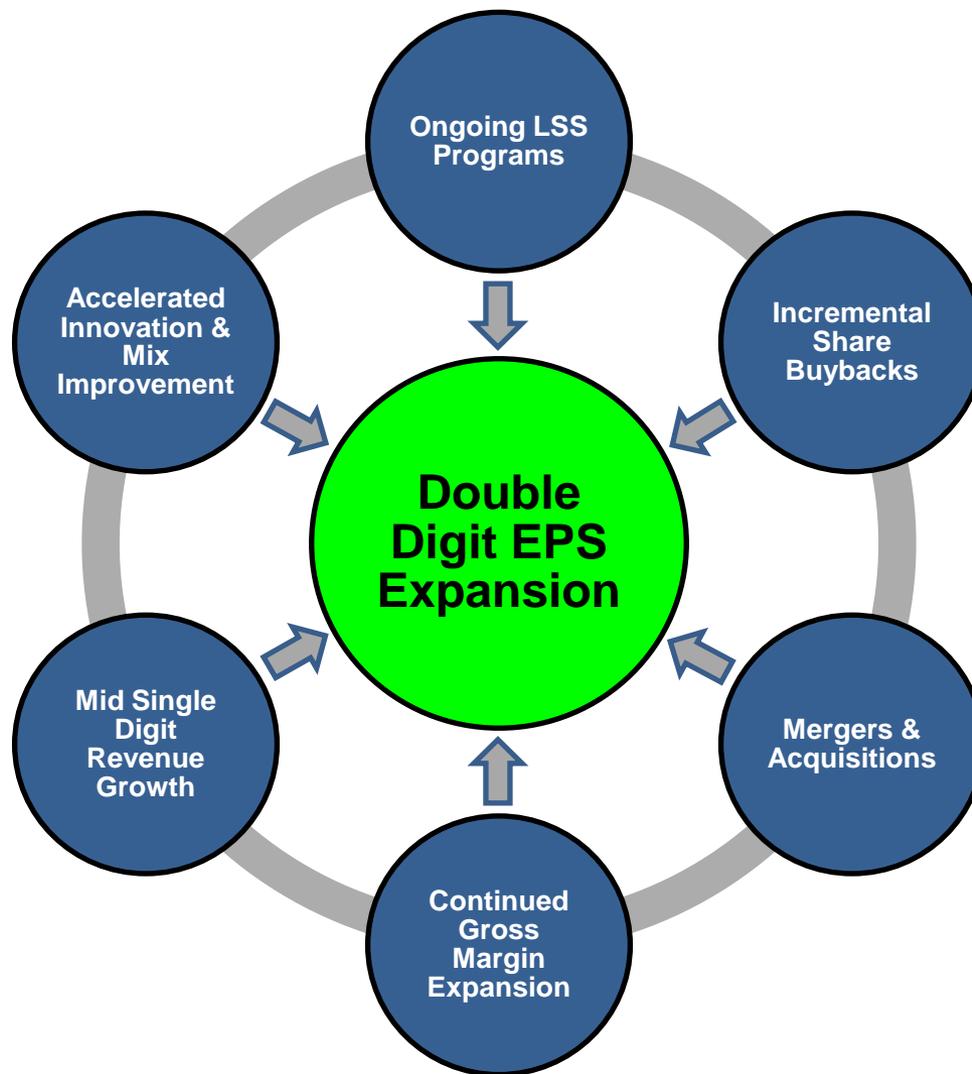


Proof of Performance & 2015 Goals

	2006 “Where we were”	2014 “Where we are”	2015 Target (Est. in 2012)
1) Operating Income %			
Specialty:			
Global Color, Additives & Inks	1.7%	14.7%	12 – 16%
Global Specialty Engineered Materials	1.1%	12.1%	12 – 16%
Designed Structures & Solutions	1.4% (2012)	7.3%	8 – 10%
Performance Products & Solutions	5.5%	7.7%	9 – 12%
Distribution	2.6%	6.1%	6 – 7.5%
2) Specialty Platform % of Operating Income	6.0%	65%	65 – 75%
3) ROIC*	5.0%	11.3%	15%
4) Adjusted EPS Growth	N/A	37%	Double Digit Expansion

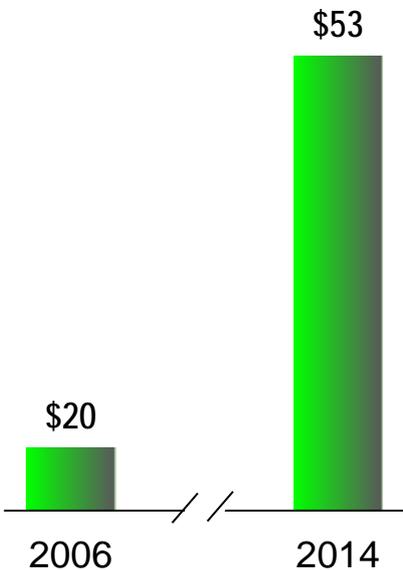
*ROIC is defined as TTM adjusted OI divided by the sum of average debt and equity over a 5 quarter period

Continuing Earnings Growth

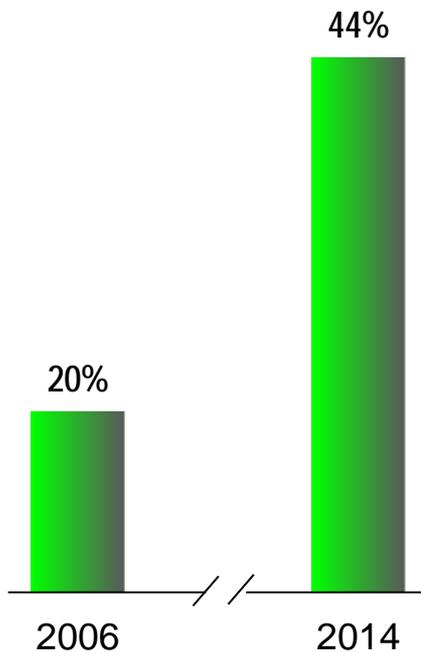


Innovation Drives Earnings Growth

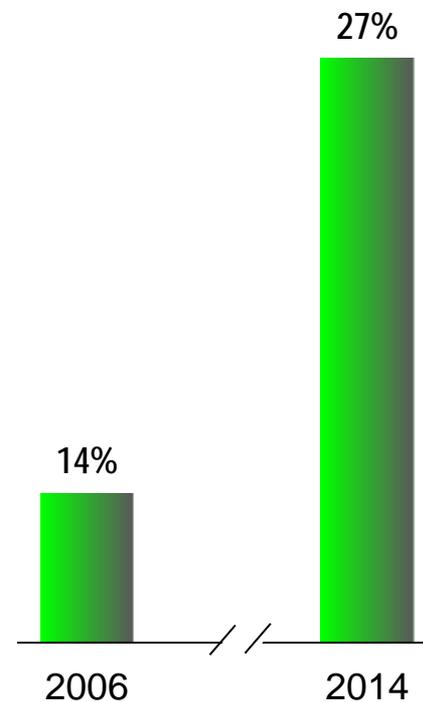
Research & Development Spending
(\$ millions)



Specialty Platform Vitality Index Progression*



Specialty Platform Gross Margin %



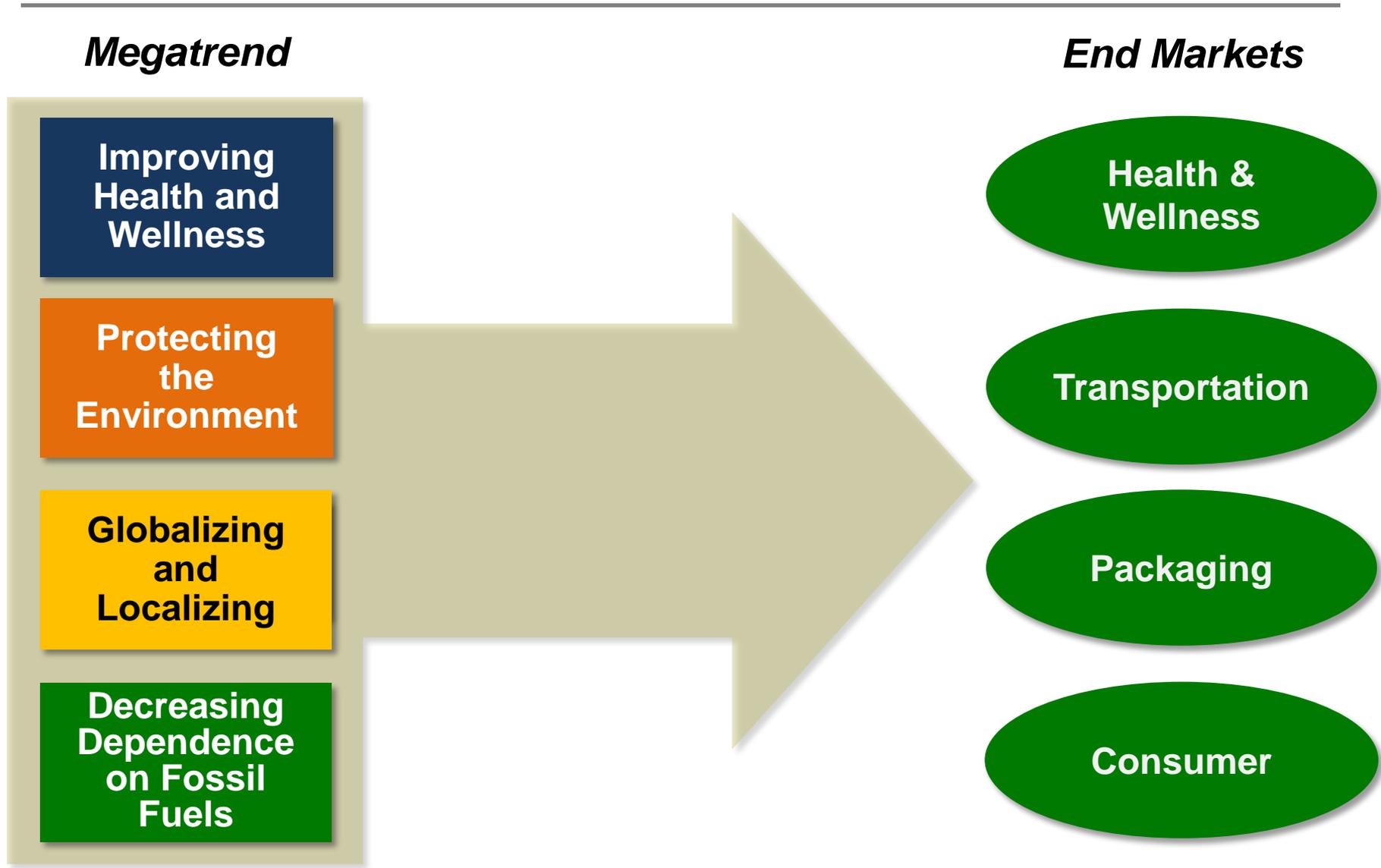
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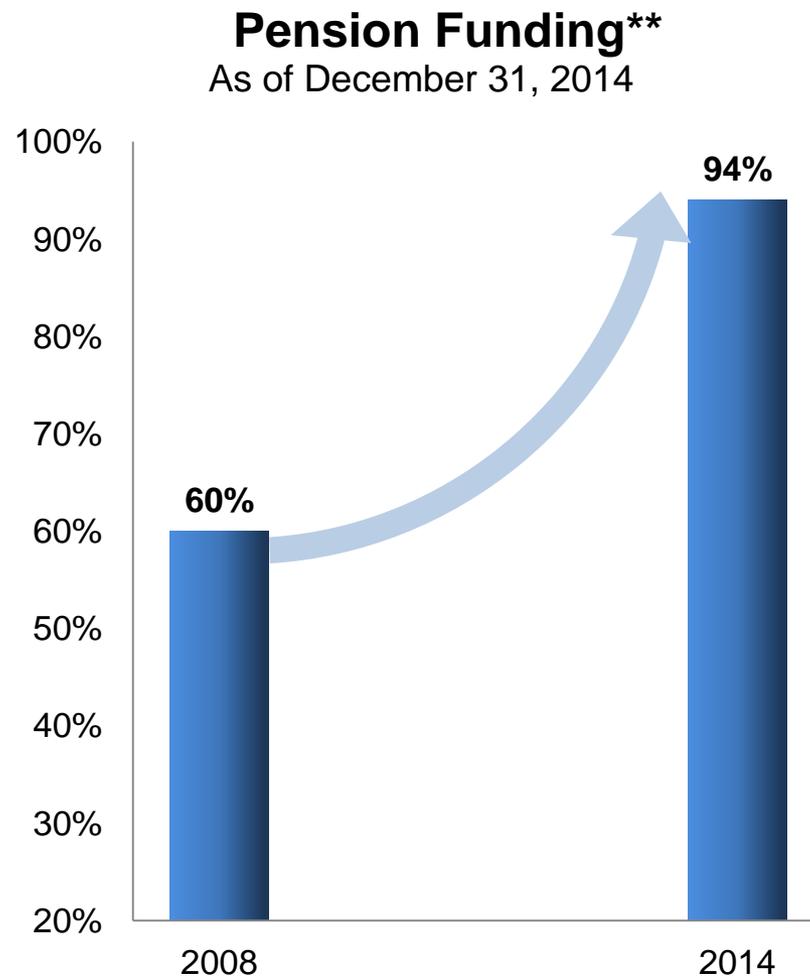
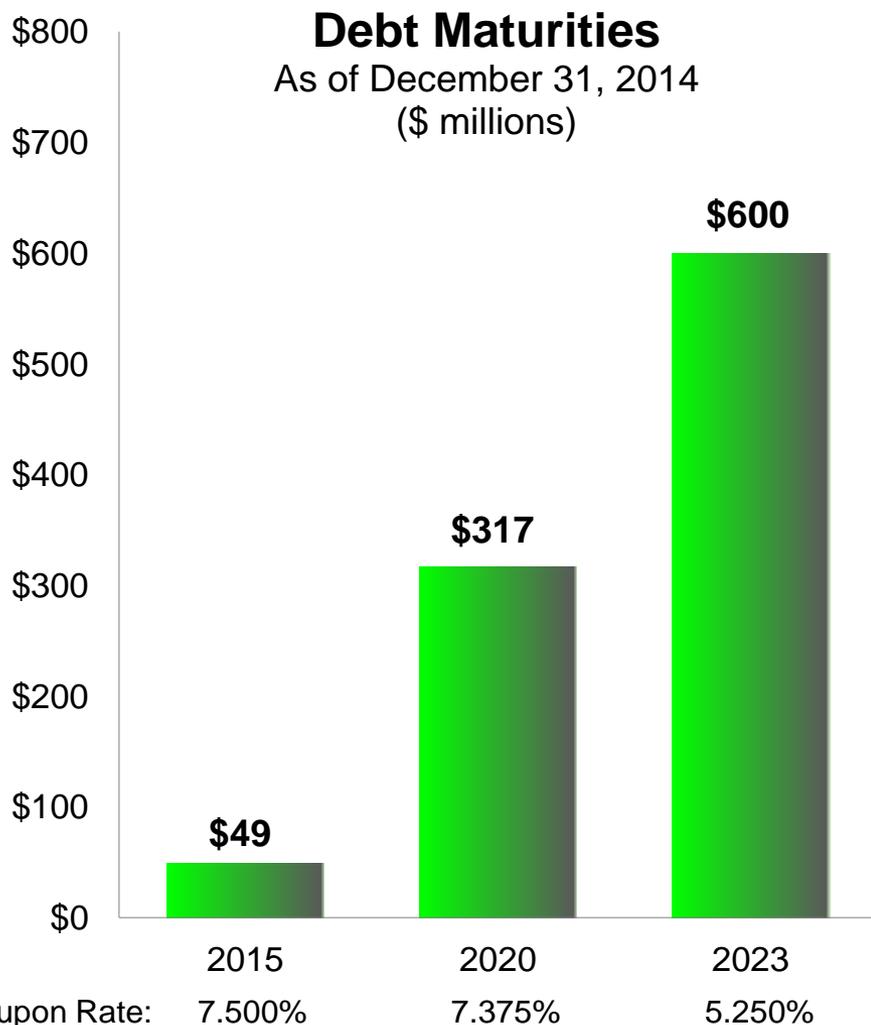
Specialty Vitality Index Target \geq 35%

*Percentage of Specialty Platform revenue from products introduced in last five years

Megatrends Aligned with Key End Markets



Debt Maturities & Pension Funding - 12/31/14



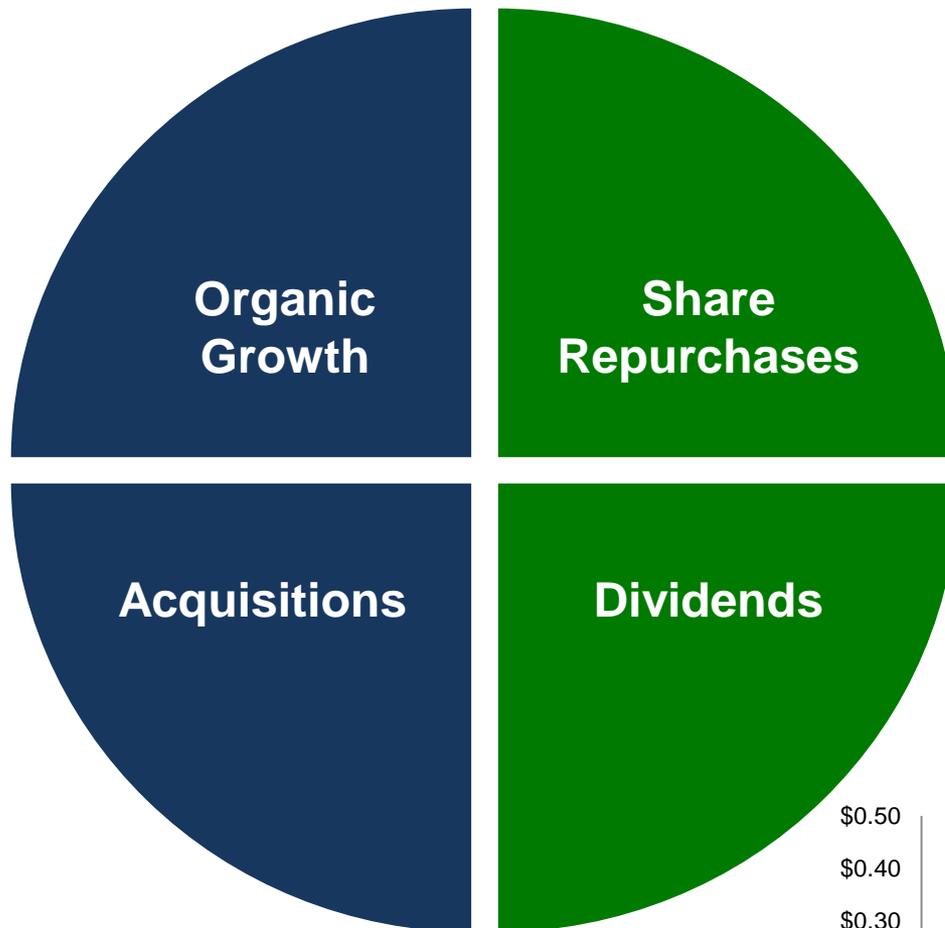
Net Debt / EBITDA* = 1.9x

*TTM 12/31/2014

** includes US-qualified pension plans only

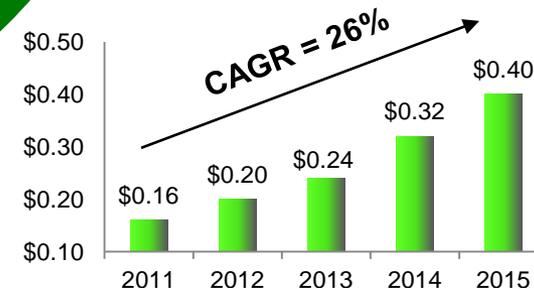
Free Cash Flow and Strong Balance Sheet Fund Investment / Shareholder Return

- Expanding our sales, marketing, and technical capabilities
 - Investing in operational and LSS initiatives (including synergy capture)
 - ~75% of capital expenditures fund growth initiatives
-
- Targets that expand our:
 - Specialty offerings
 - End market presence
 - Geographic breadth
 - Operating Margin
 - Synergy opportunities
 - Adjacent material solutions

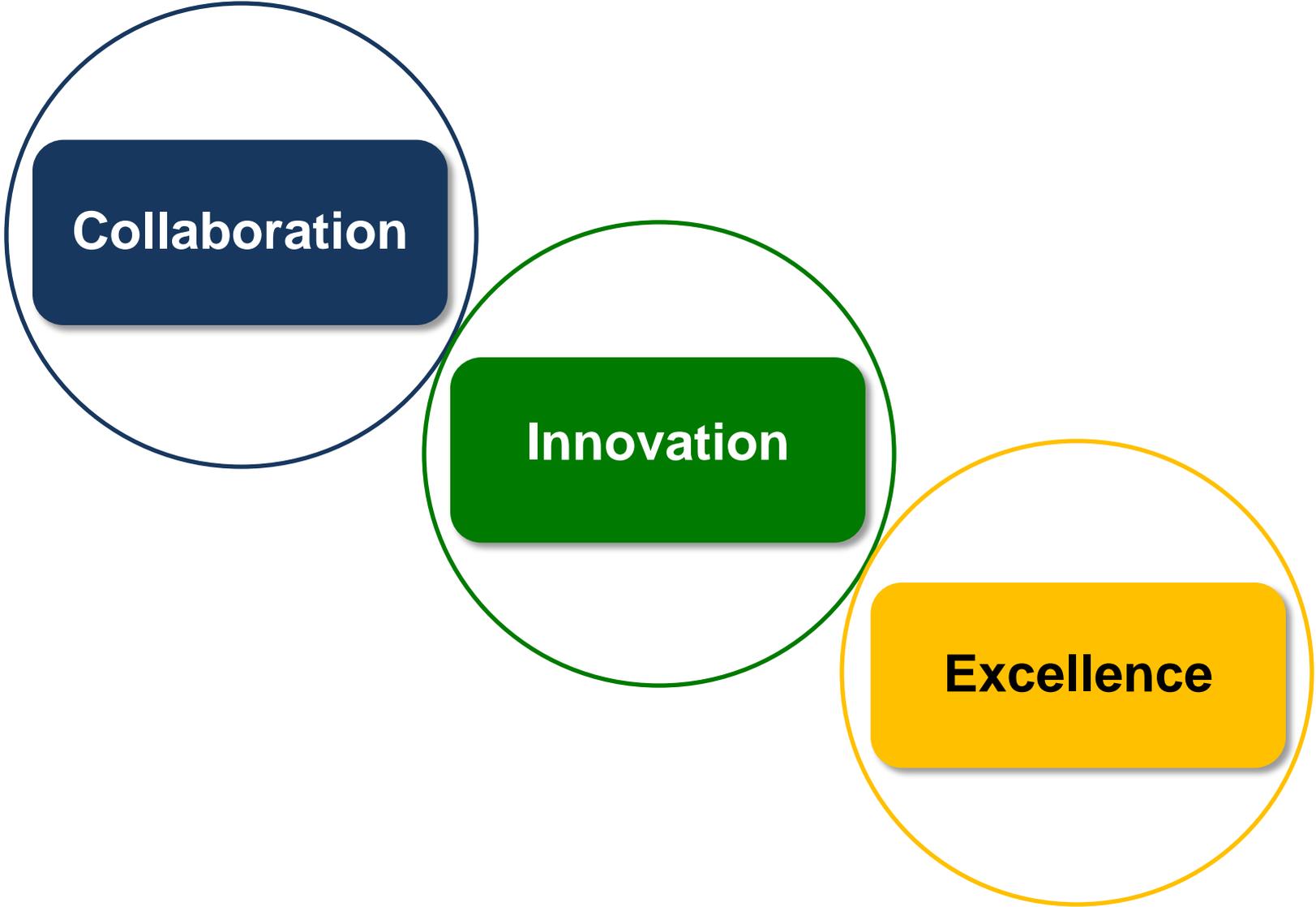


- Repurchased 1.6 million shares in Q4 2014
- Repurchased 11.3 million shares since early 2013
- 8.7 million shares are available for repurchase under the current authorization

Annual Dividend



PolyOne Core Values



The diagram consists of three overlapping circles arranged in a descending staircase pattern from top-left to bottom-right. The first circle on the left is dark blue and contains the word 'Collaboration' in white. The second circle in the middle is green and contains the word 'Innovation' in white. The third circle on the right is yellow and contains the word 'Excellence' in black. Each circle overlaps the one to its right and slightly overlaps the one above it.

Collaboration

Innovation

Excellence

Why Invest In PolyOne?

- Strong performance demonstrates that our strategy and execution are working
- Megatrends and emerging opportunities align with our strengths
- Innovation and services provide differentiation, incremental pricing power, and competitive advantage
- Strong and proven management team driving growth and performance
- Addressable market exceeds \$40 billion

The New PolyOne: A Specialty Growth Company

Appendix

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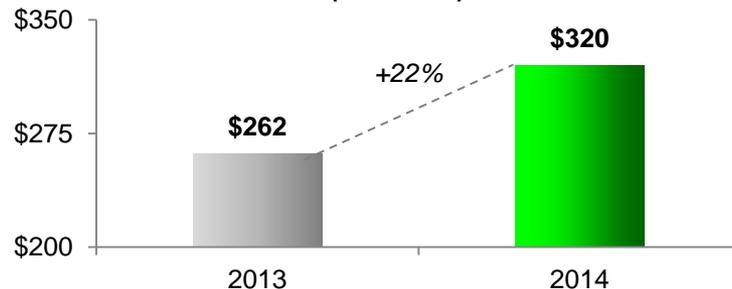
*PolyOne*TM

Collaboration. Innovation. Excellence.

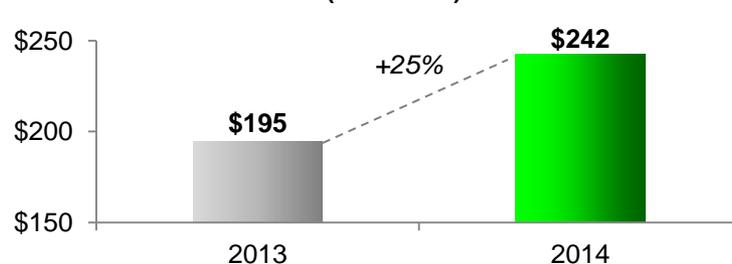
2014 Financial Highlights

- All of our segments delivered both operating income and margin expansion during the year
- Our specialty businesses achieved record levels of profits and profitability this year
- Achieved 21st consecutive quarter, or over five years, of strong, double-digit adjusted EPS growth

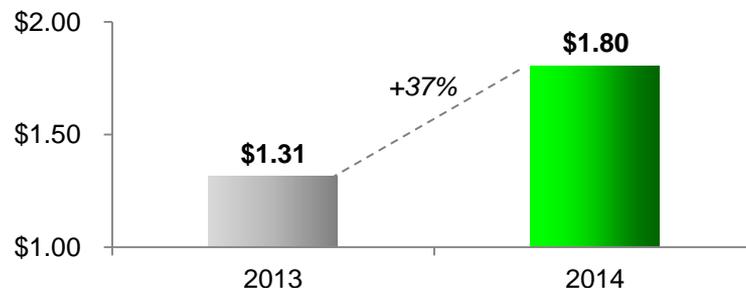
Adjusted Operating Income
(in millions)



Specialty Operating Income
(in millions)



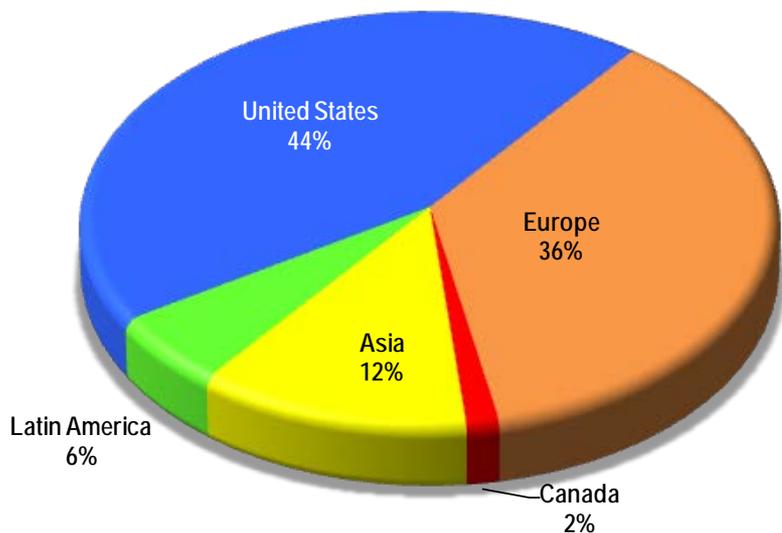
Adjusted EPS



At a Glance

Global Color, Additives and Inks

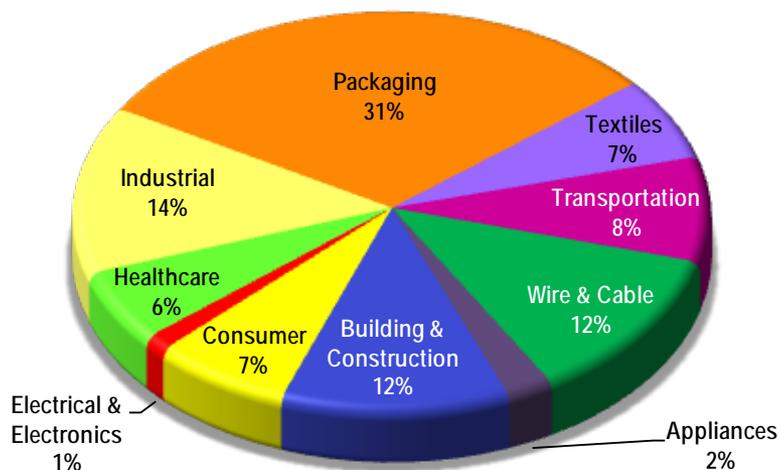
2014 Revenues: \$0.9 Billion



Solutions

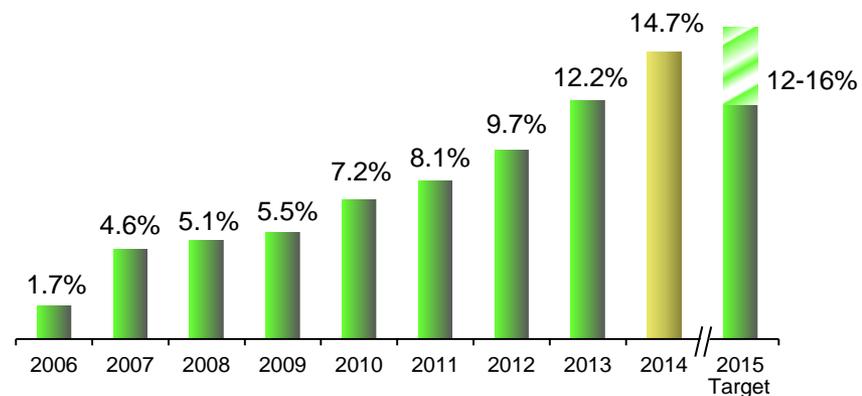


2014 Revenue by Industry Segment



Expanding Profits

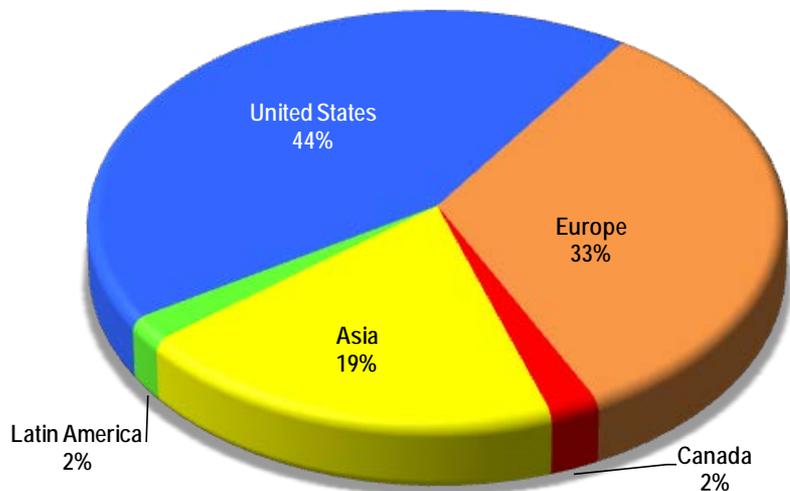
Operating Income % of Sales



At a Glance

Global Specialty Engineered Materials

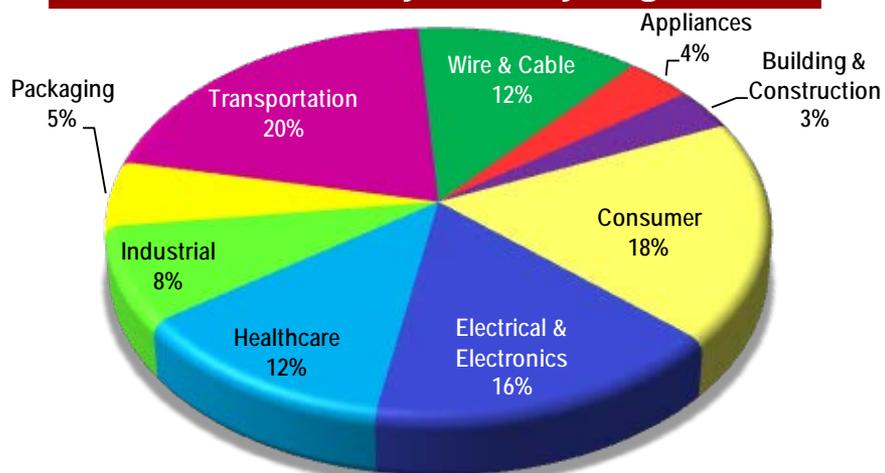
2014 Revenues: \$0.6 Billion



Solutions

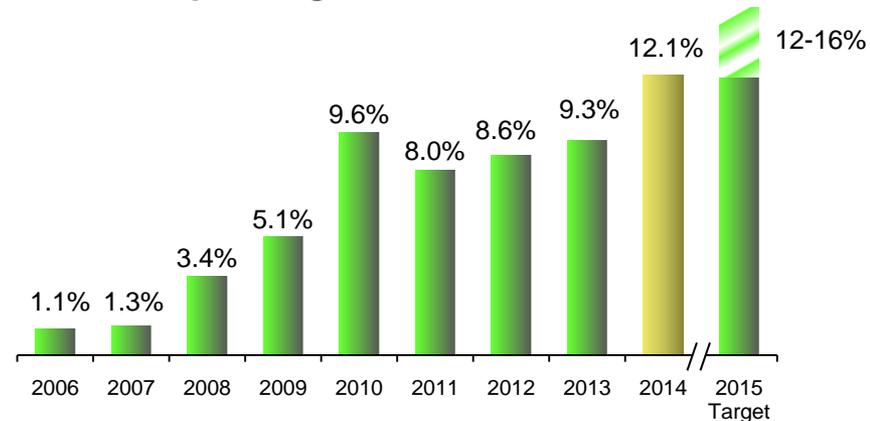


2014 Revenue by Industry Segment



Expanding Profits

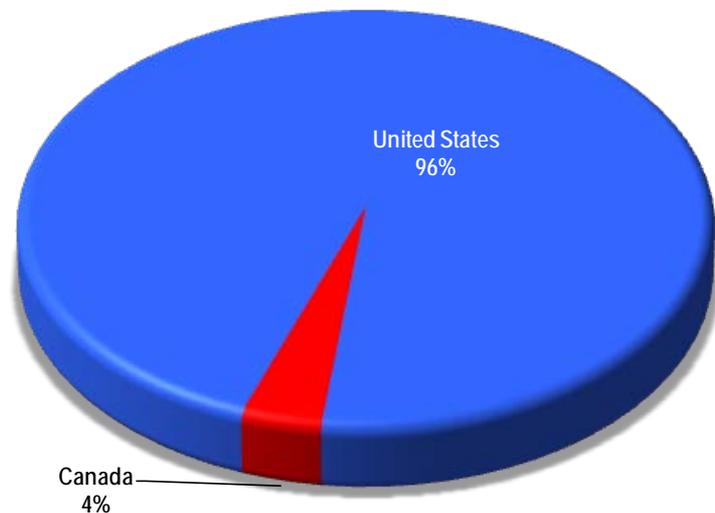
Operating Income % of Sales



At a Glance

Designed Structures and Solutions

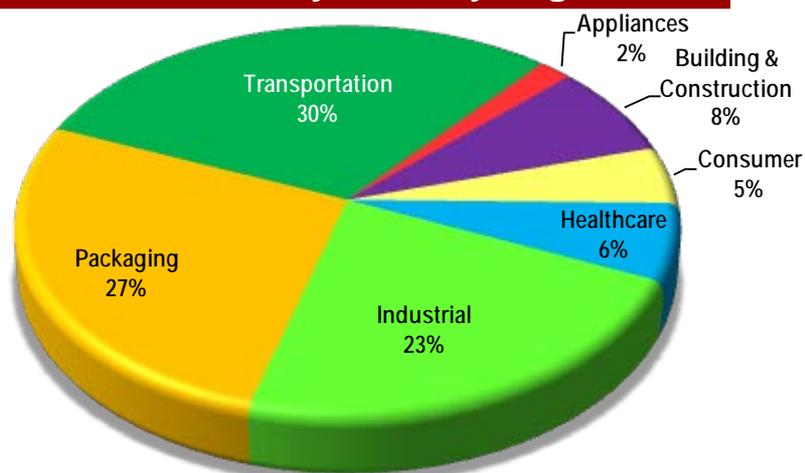
2014 Revenues: \$0.6 Billion



Solutions

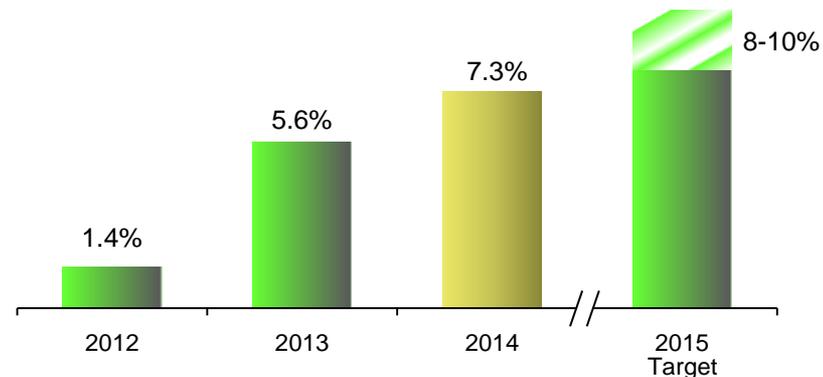


2014 Revenue by Industry Segment



Expanding Profits

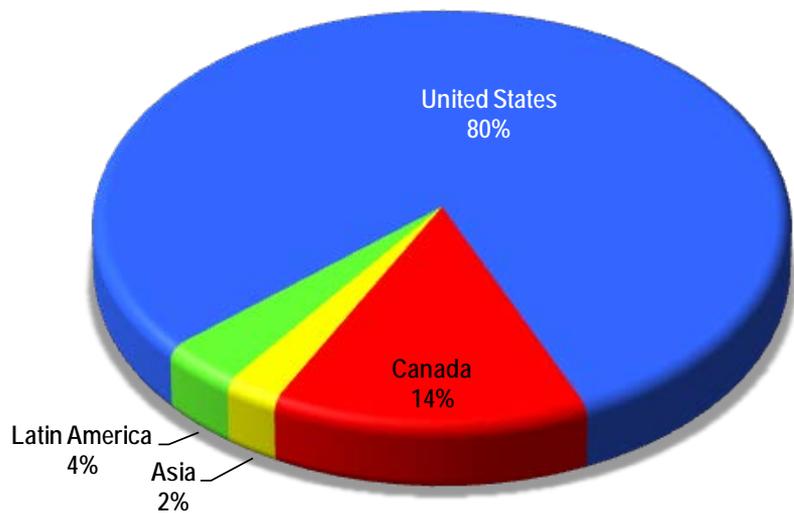
Operating Income % of Sales



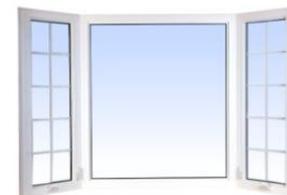
At a Glance

Performance Products and Solutions

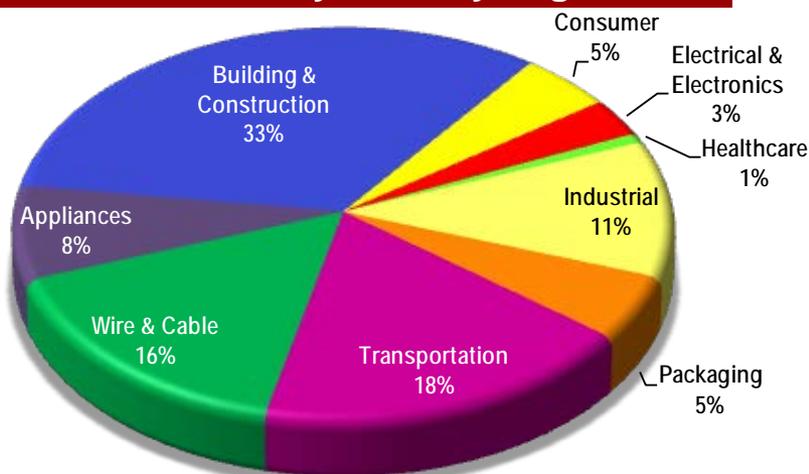
2014 Revenues: \$0.8 Billion



Solutions

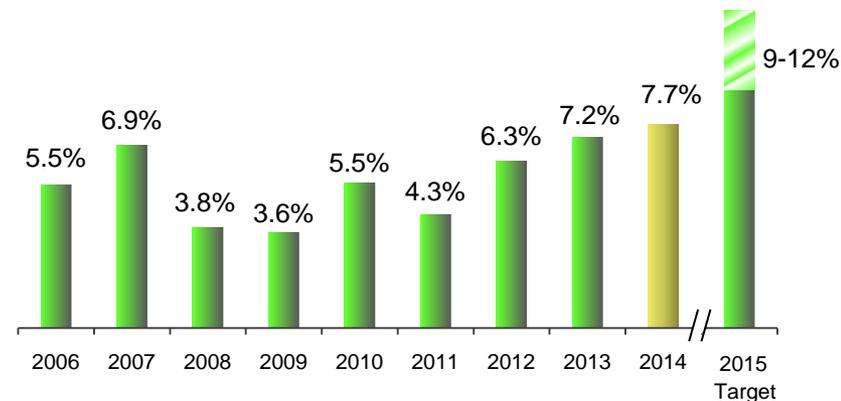


2014 Revenue by Industry Segment



Expanding Profits

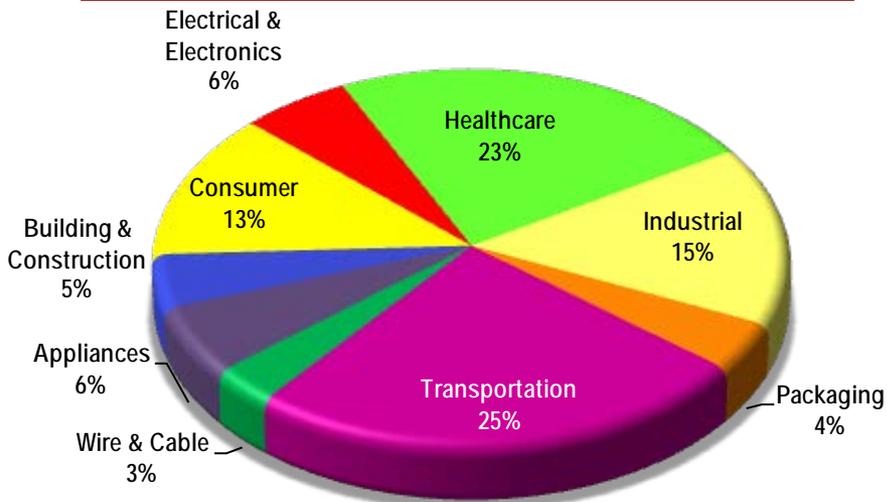
Operating Income % of Sales



At a Glance

Distribution

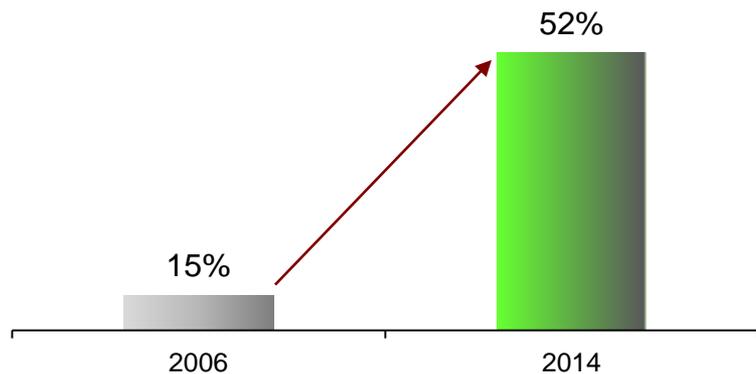
2014 Revenues: \$1.1 Billion



Key Suppliers



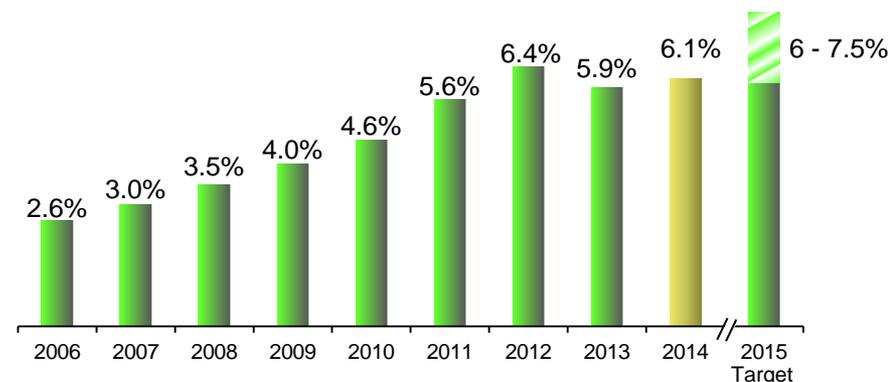
ROIC*



*ROIC is defined as TTM adjusted OI divided by the sum of average debt and equity over a 5 quarter period

Expanding Profits

Operating Income % of Sales



Plastics: Key to Future Sustainable Development

2 lbs Plastic
=
3 lbs aluminum
or
8 lbs steel
or
27 lbs glass

Requires **91% less energy** to
recycle a pound of plastic versus
a pound of paper

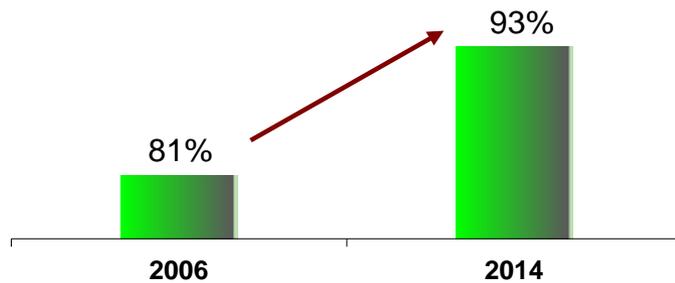
33% less material by weight
than aluminum
75% less material by weight
than steel
93% less material by weight
than glass



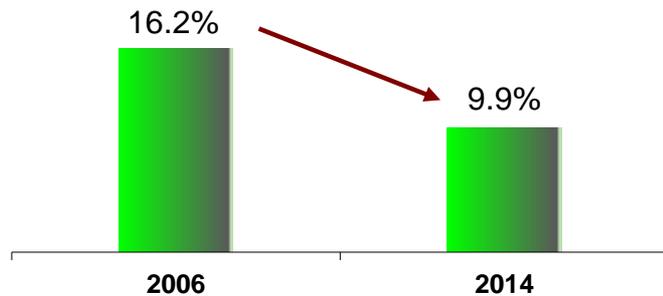
PolyOne
Sustainable
Solutions

Commitment to Operational Excellence

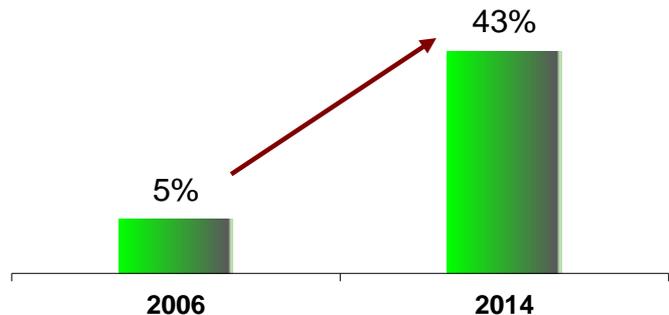
On-Time Delivery



Working Capital % of Sales



Percent of Associates Trained in LSS



World's Best Start-up Program for Lean Six Sigma Deployment in 2009*



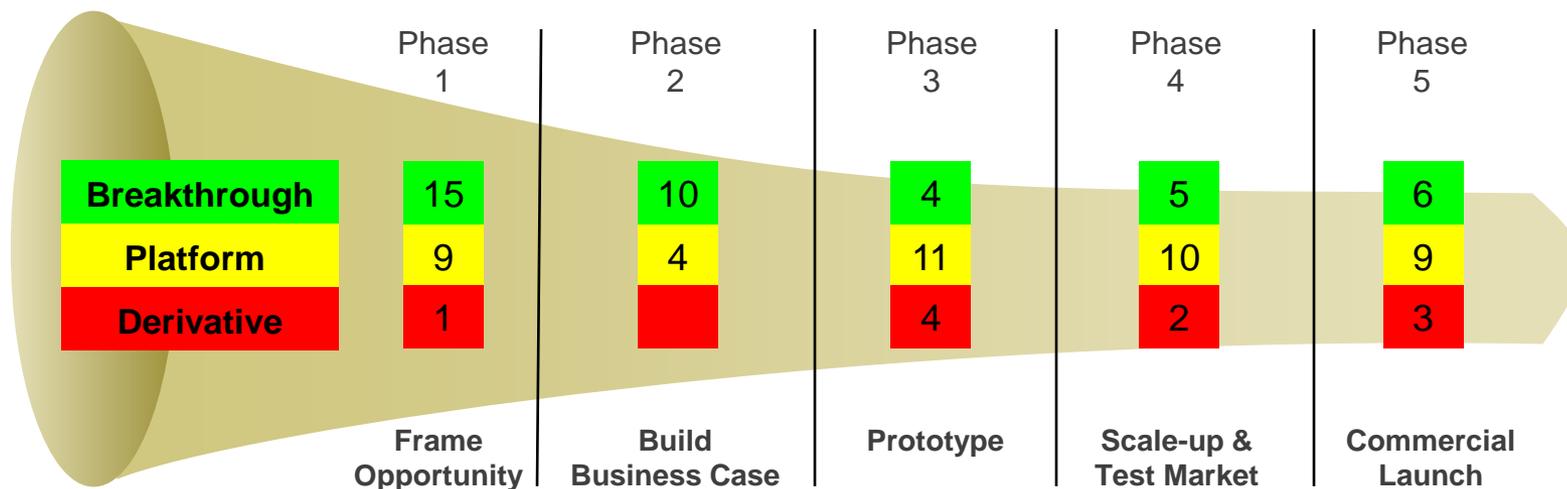
World's Best Business Process Excellence Program in 2012*



- Four consecutive years – *CFO Magazine* Best Working Capital Management in the chemical industry
- 103 trained Black Belts
- 247 trained Green Belts
- 127 trained Kaizen Leaders

*Both awards received from International Quality and Productivity Center

A Rich Pipeline of Opportunity



Number of Projects	25	14	19	17	18	93
Addressable Market (\$ millions)	TBD	TBD	\$800	\$450	\$450	\$1,700

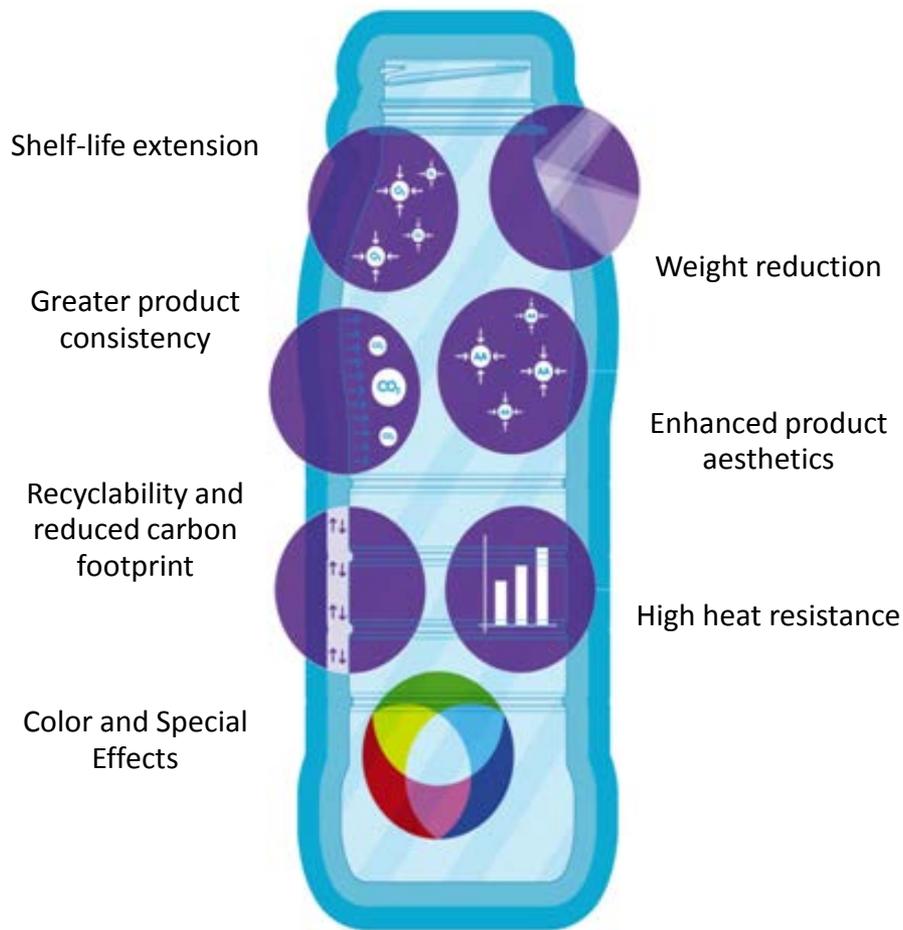
Application Examples

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PolyOne[™]

Collaboration. Innovation. Excellence.

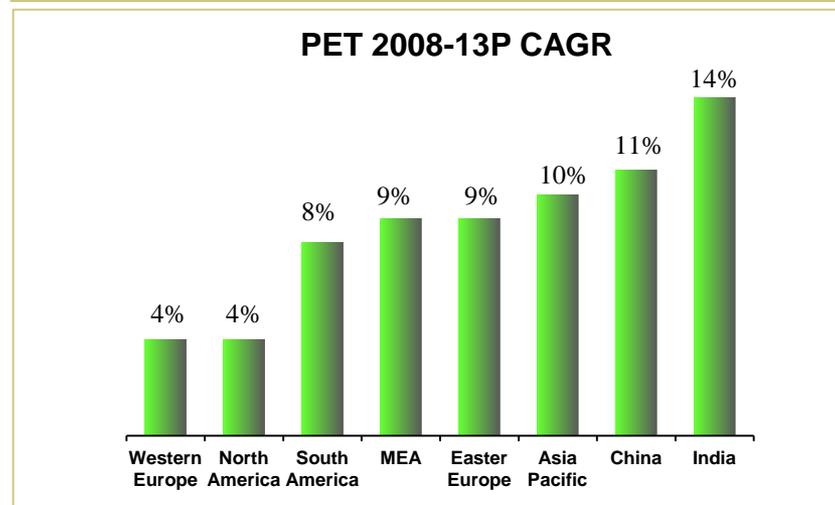
PET Bottling Technology



Market Opportunity

- \$1.5 billion attractive, growing market
- Additives improve performance and reduce cost through light-weighting, reduced waste, faster cycle times, and extended shelf life of finished product
- Aligned with megatrend of protecting the environment:
 - ✓ Sustainability benefits include lower package weight and improved recyclability of package at end of use

Leading Global Supplier of Additives In Fast Growing PET Market



Authentication Technology



- Includes formulation and consultative services to assist manufacturers and brand owners in positively identifying their finished goods
- Protects brand equity & consumer welfare
- Reduces exposure to unwarranted recall expenses
- Secures supply chain integrity – support for safe expansion into new geographies



Range Rover Evoque Interior



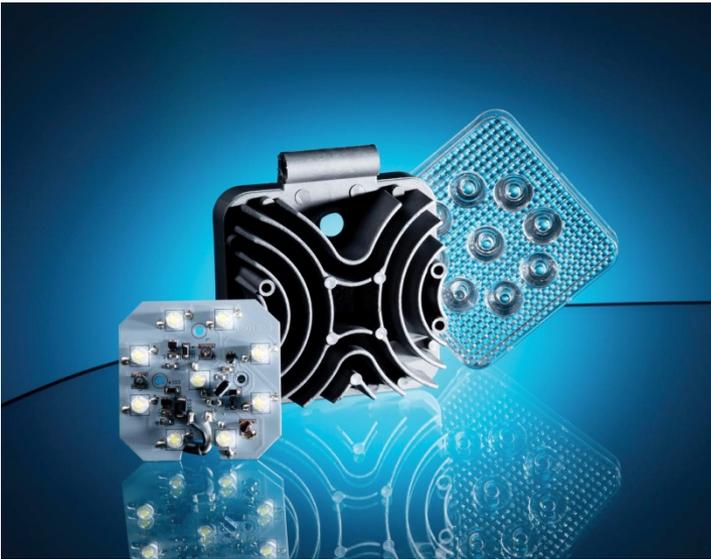
- Color harmonization across 15 unique color-and-polymer combinations
- Eliminated need for multiple pre-colored materials
- Reduced Land Rover's working capital

CT Scanner



- Reduced health and environmental impact
- System cost reduction
- Radiation-shielding performance
- Parts consolidation
- Design freedom

Metal Replacement Solutions



- Replaces metal in LED lighting
- Extends LED durability and life span eliminating hot spots
- Greater design flexibility with fewer parts
- Weight reduction
- Simplifies manufacturing and lowers total production cost

Next Generation Solar Charger



PolyOne
Sustainable
SolutionSM

- Ginkgo Solar Tree charger utilizing our unique reSound™ material
- reSound™ is a durable material consisting of 50% bio-derived plastic and 50% traditional petroleum-based plastic
- Use of reSound™ reduced the carbon footprint for this product by 35%
- reSound™ Is classified as a PolyOne Sustainable SolutionSM

High-Barrier Packaging Containers



- Capability to extrude up to 13 layers
- Strong oxygen and moisture vapor transmission protection
- Can be made symmetrical or asymmetrical to meet customized needs of broad variety of applications
- Barrier protection and superior organoleptic properties

Aerospace Applications



- Leading provider of specialty materials for the aerospace industry
- Typical applications
 - ✓ Mil-spec aircraft windows, canopies, windscreens, instrument panels, wingtip lenses
 - ✓ Interior – gallery furnishings, tray tables, arm rests, trim strips, joint/edge coverings
- Benefits:
 - ✓ High impact strength
 - ✓ Resistant to UV rays
 - ✓ Flame and smoke compliance
 - ✓ Easy to clean with aggressive cleaners; anti-microbial grades available
 - ✓ Range of sizes, thicknesses, colors, etc.

Reconciliation of Non-GAAP Financial Measures (Unaudited)

(Dollars in millions, except per share data)

Below is a reconciliation of non-GAAP financial measures to the most directly comparable measures calculated and presented in accordance with U.S. GAAP. Senior management uses adjusted operating income, adjusted EPS, and working capital to assess performance and allocate resources because senior management believes that these measures are useful in understanding current profitability levels and that current levels may serve as a base for future performance.

Platform operating income mix percentage

	2005Y*	2008Y*	2010Y*	2013Y	2014Y
Global Color, Additives and Inks	\$ 4.3	\$ 28.1	\$ 37.7	\$ 104.0	\$ 124.9
Global Specialty Engineered Materials	0.4	17.6	49.7	57.2	72.4
Designed Structures and Solutions	-	-	-	33.4	45.1
Specialty Platform	\$ 4.7	\$ 45.7	\$ 87.4	\$ 194.6	\$ 242.4
Performance Products and Solutions	75.7	31.3	54.0	56.0	63.1
Distribution	19.5	28.1	42.0	63.3	68.2
Joint ventures	91.9	28.6	18.9	-	-
Corporate and eliminations	(51.5)	(425.1)	(27.7)	(82.4)	(218.6)
Operating income (loss) GAAP	\$ 140.3	\$ (291.4)	\$ 174.6	\$ 231.5	\$ 155.1
Less: Corporate operating expense	51.5	425.1	27.7	82.4	218.6
Operating income excluding Corporate	\$ 191.8	\$ 133.7	\$ 202.3	\$ 313.9	\$ 373.7
Specialty platform operating mix percentage	2%	34%	43%	62%	65%

* Historical results include the Resin and Specialty Coatings businesses within the Performance Products and Solutions segment.

Adjusted EPS	2006Y*	2007Y*	2008Y*	2009Y*	2010Y	2011Y	2012Y	2013Y	2014Y
Net income attributable to PolyOne common shareholders	\$ 130.9	\$ 40.9	\$ (417.0)	\$ 106.7	\$ 152.5	\$ 153.4	\$ 53.3	\$ 94.0	\$ 78.0
Joint venture equity earnings, after tax	(68.5)	(26.1)	(20.8)	(19.0)	(14.7)	(3.7)	-	-	-
Special items, after tax	(21.2)	41.4	310.0	(31.0)	15.8	(30.5)	35.7	30.4	101.0
Tax adjustments	(30.0)	(30.7)	147.2	(44.9)	(88.3)	(42.3)	0.5	2.2	(10.5)
Adjusted net income	\$ 11.2	\$ 25.5	\$ 19.4	\$ 11.8	\$ 65.3	\$ 76.9	\$ 89.5	\$ 126.6	\$ 168.5
Diluted shares	92.8	93.1	92.7	93.4	96.0	94.3	89.8	96.5	93.5
Adjusted EPS	\$ 0.12	\$ 0.27	\$ 0.21	\$ 0.13	\$ 0.68	\$ 0.82	\$ 1.00	\$ 1.31	\$ 1.80

* Historical results are shown as presented in prior filings and have not been updated to reflect subsequent changes in accounting principal or discontinued operations.