



PolyOne Investor Presentation
Goldman Sachs
Basic Materials Conference
May 21, 2014



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 manufacturing 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.

- 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.
- PolyOne's chief operating decision makers use 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 *PolyOne*[™]

2000-2005

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

2006 - 2009

- 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

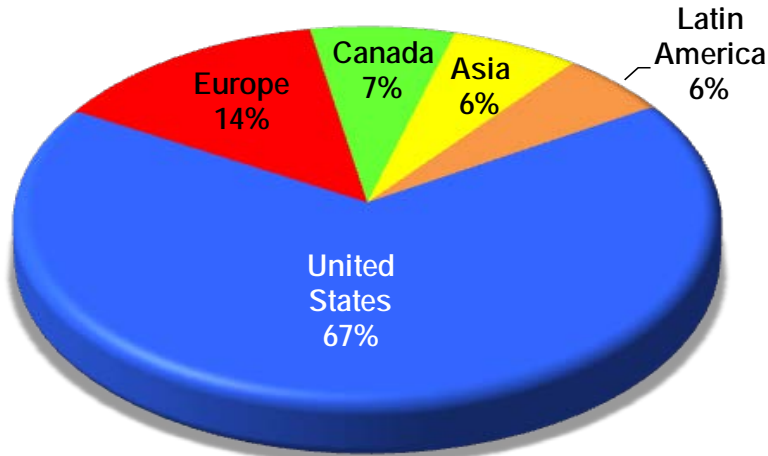
2010 – 2014

- 18 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

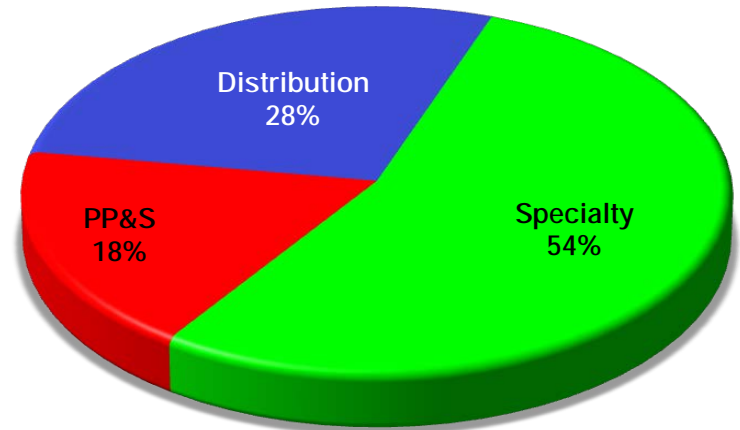
2015 and beyond

- Continue specialty transformation
- Targeting \$2.50 Adjusted EPS by 2015, nearly double 2013 EPS
- Drive double digit operating income and adjusted EPS growth

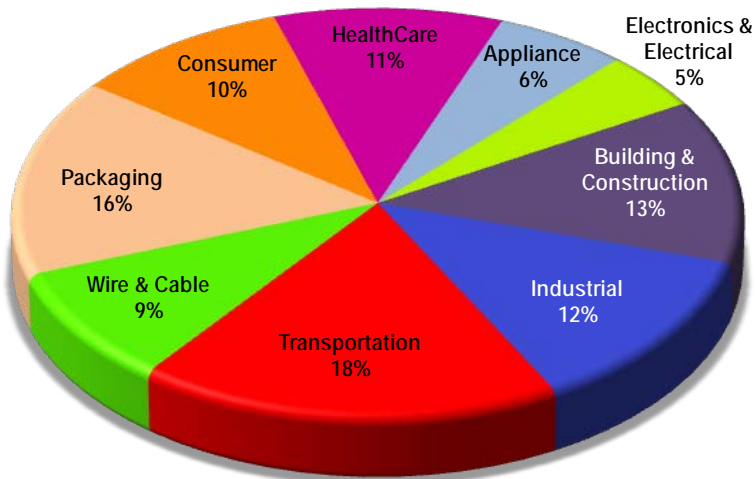
2013 Revenues: \$3.8 Billion



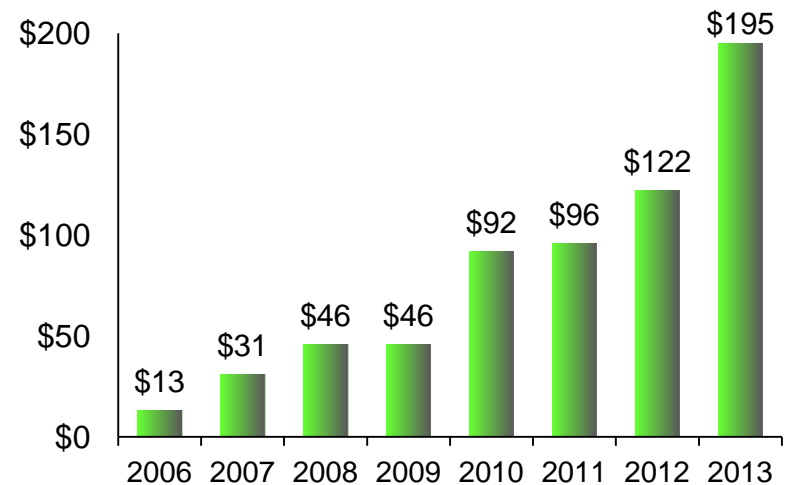
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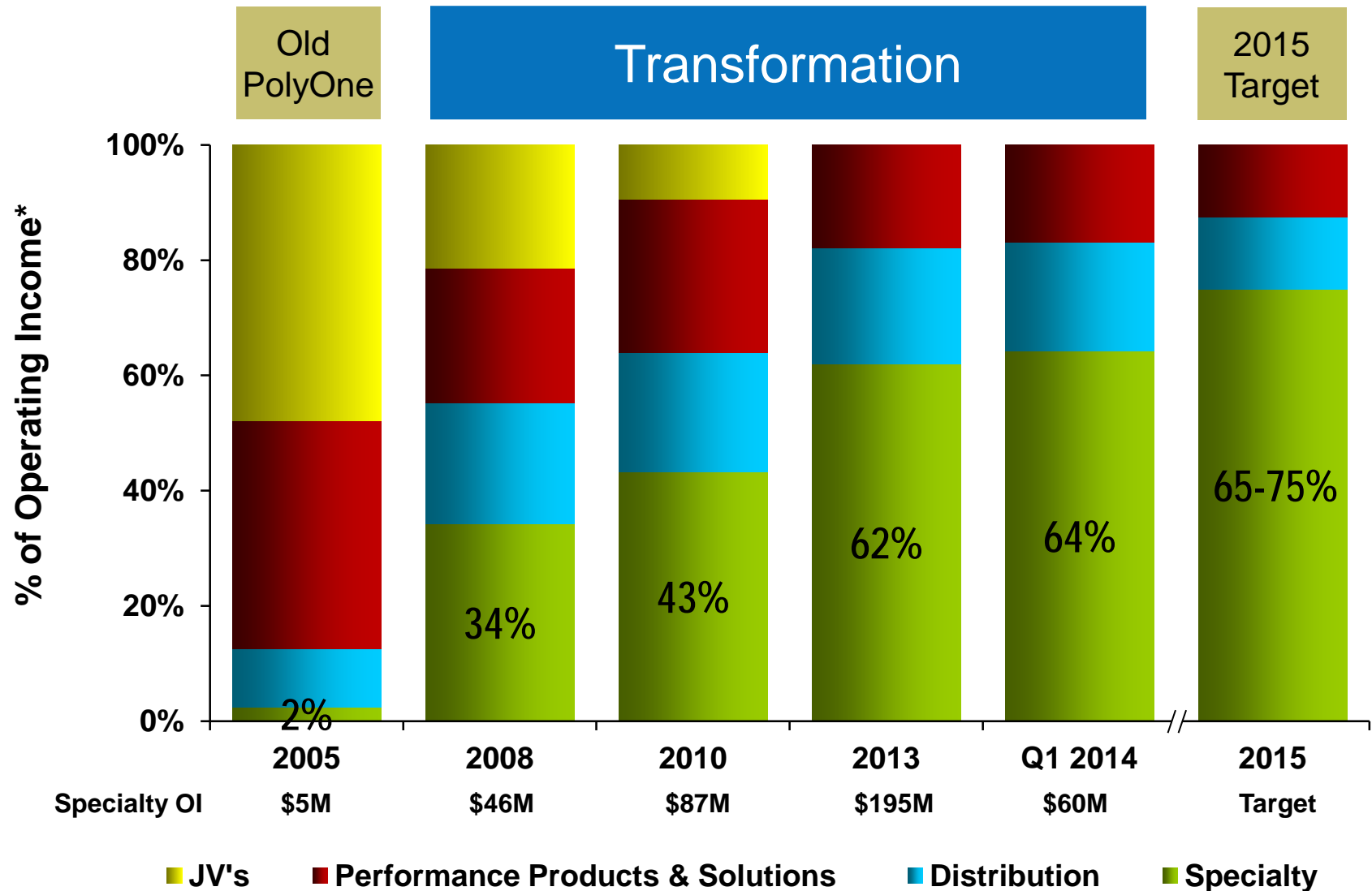
End Markets



Specialty Operating Income



Mix Shift Highlights Specialty Transformation



*Operating Income excludes corporate charges and special items

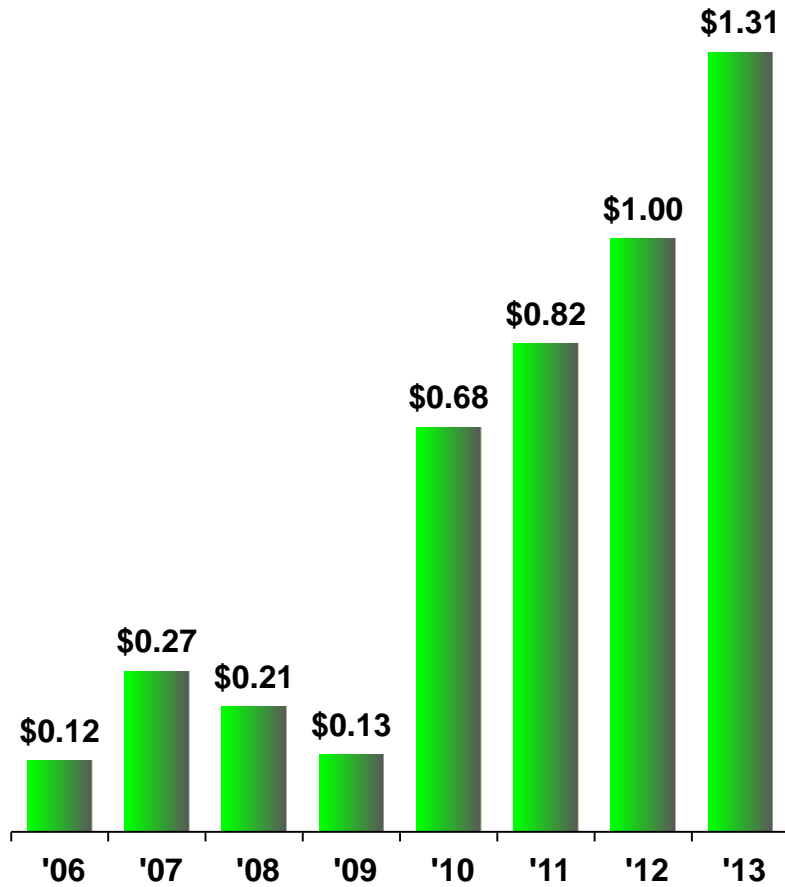


**The World's Premier Provider of Specialized
Polymer Materials, Services and Solutions**

Strategy and Execution Drive Results

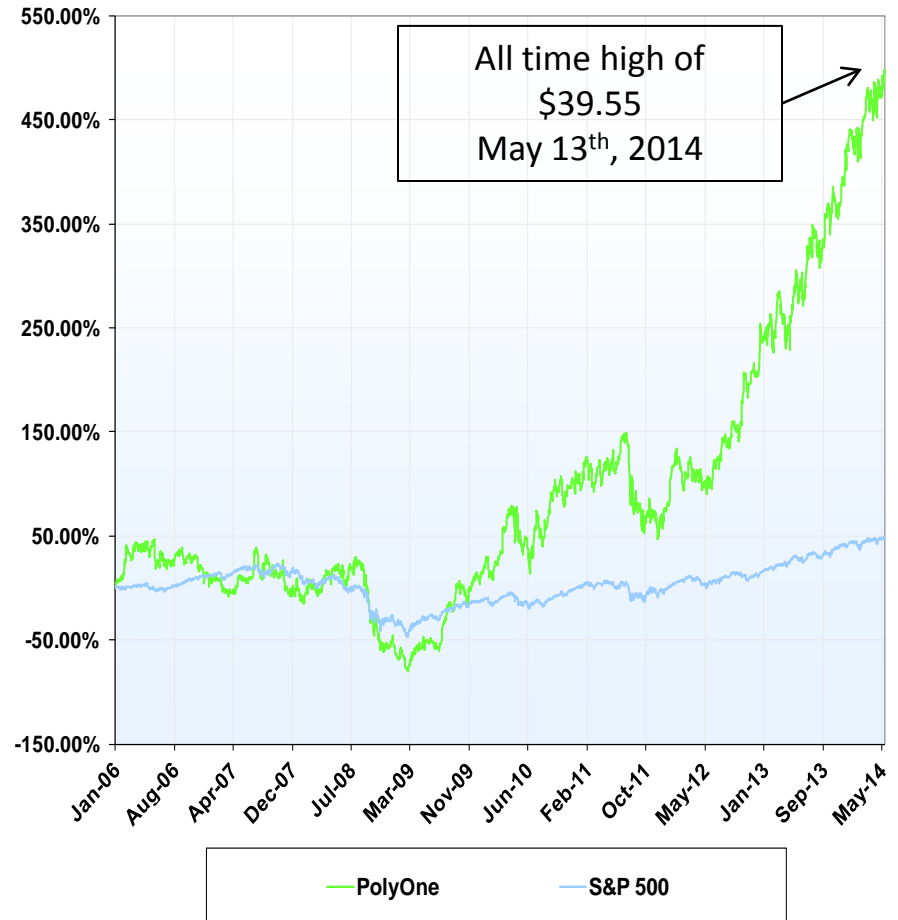


EPS



'06-'13 EPS CAGR = 41%

Share Price vs. S&P 500

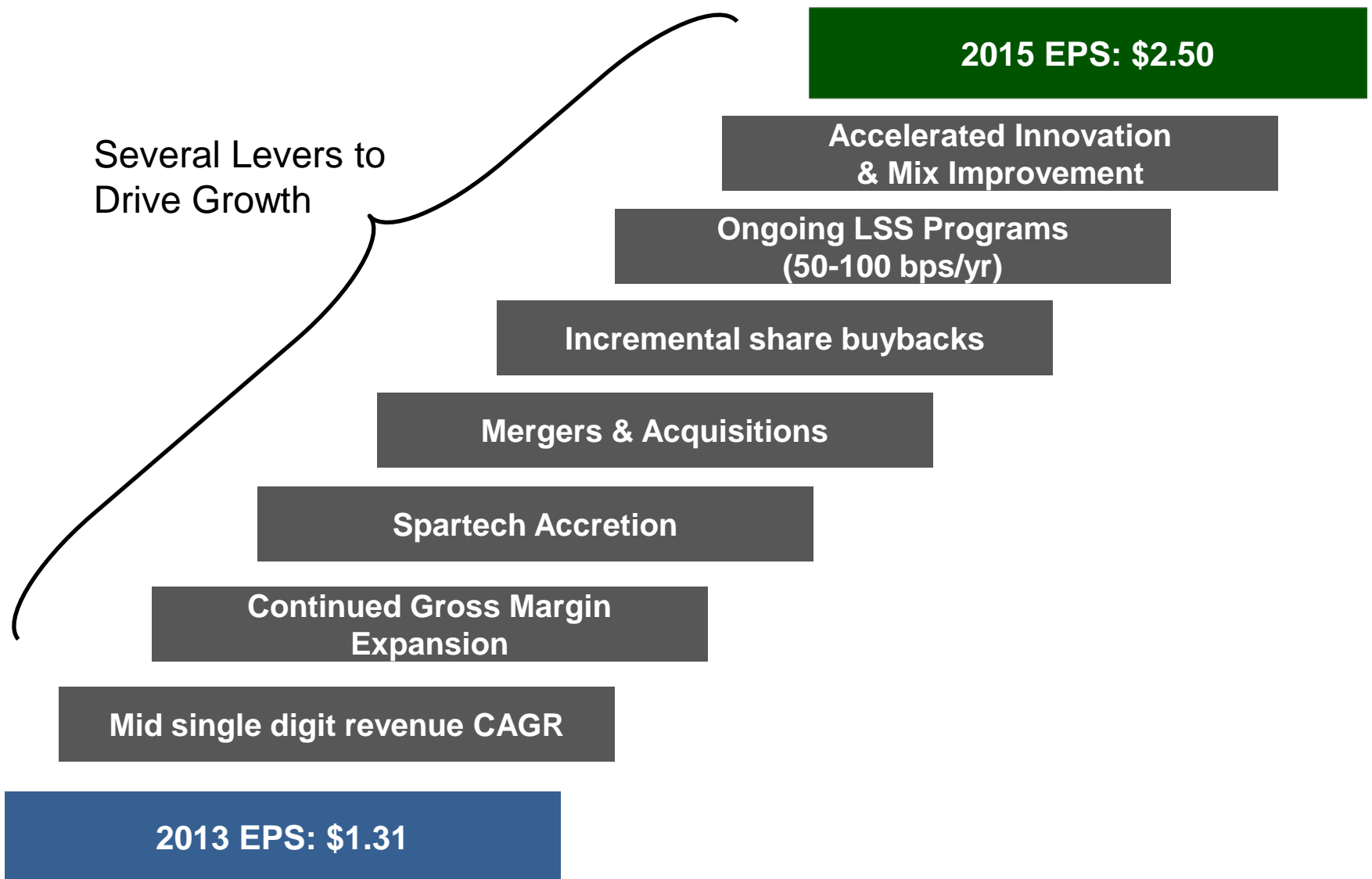


Proof of Performance & 2015 Goals

	2006 “Where we were”	Q1 2014 “Where we are”	2015 Target
1) Operating Income %			
Specialty:			
Global Color, Additives & Inks	1.7%	13.8%	12 – 16%
Global Specialty Engineered Materials	1.1%	11.6%	12 – 16%
Designed Structures & Solutions	--	6.5%	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%	64%	65 – 75%
3) ROIC*	5.0%	9.4%	15%
4) Adjusted EPS Growth	N/A	42%	Double Digit Expansion

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

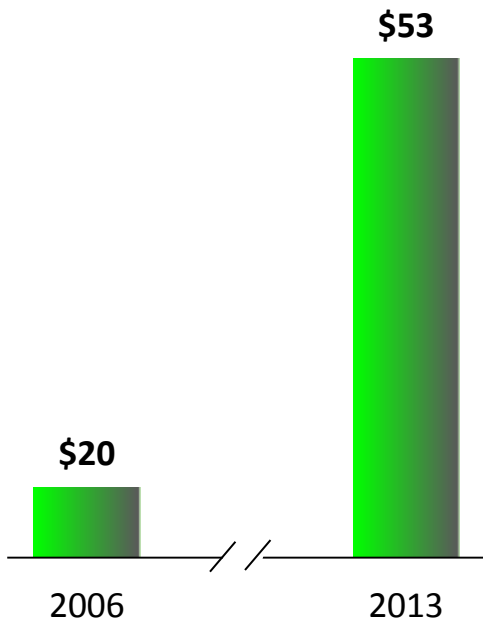
Bridge to \$2.50 Adjusted EPS by 2015



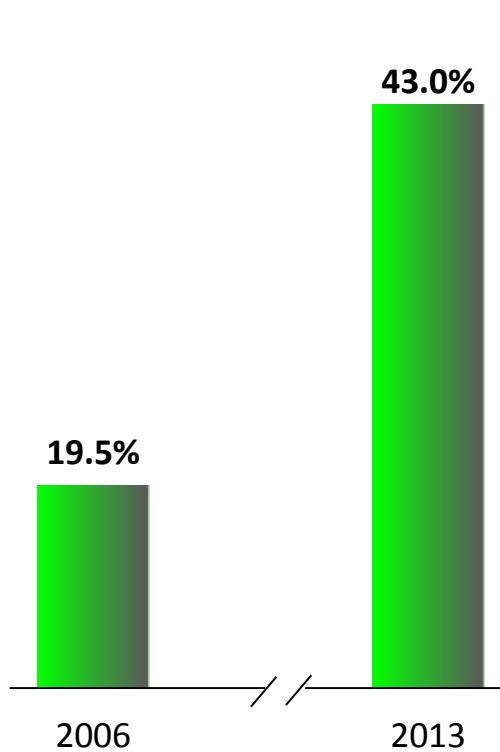
Innovation Drives Earnings Growth



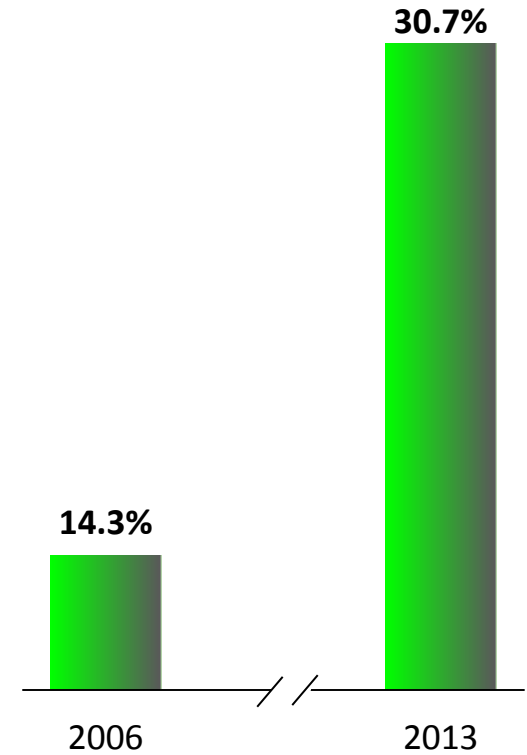
**Research & Development
Spending**
(\$ millions)



**Specialty Platform
Vitality Index Progression***



**Specialty Platform
Gross Margin %**



+ **=**

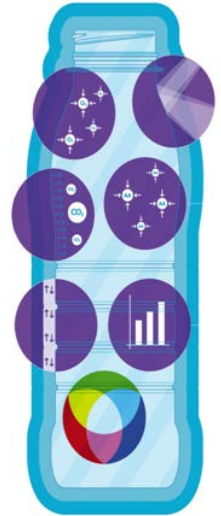
*Percentage of Specialty Platform revenue from products introduced in last five years

Unique and Innovative Solutions

Healthcare



Packaging and Additive Technology



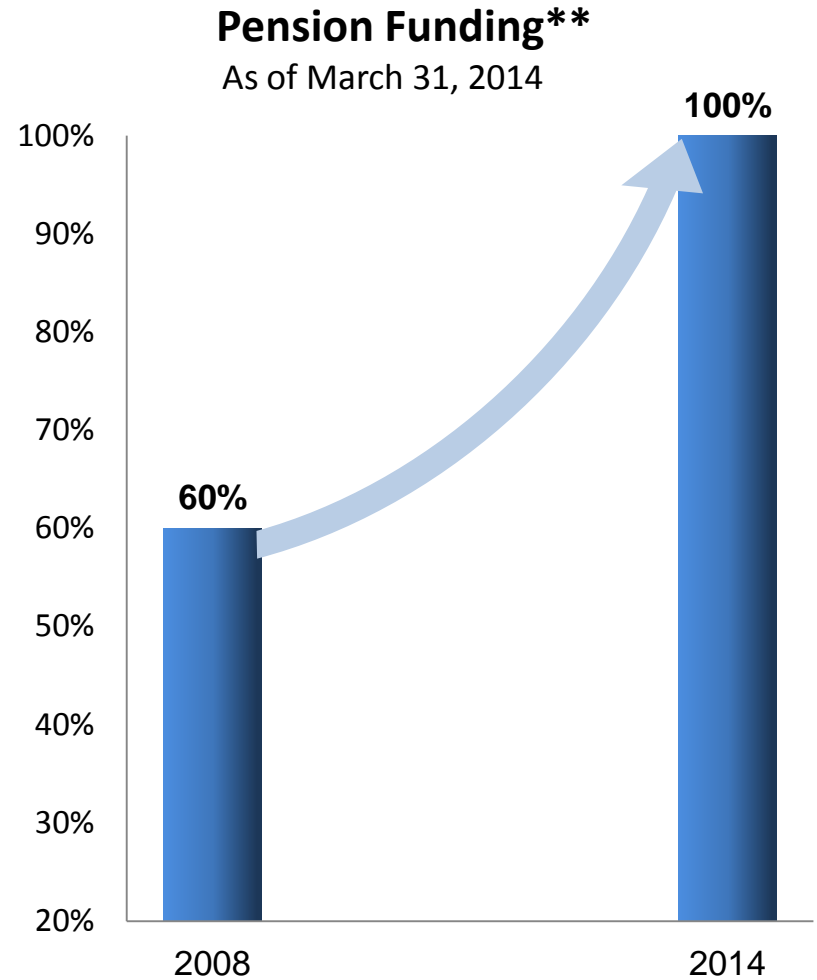
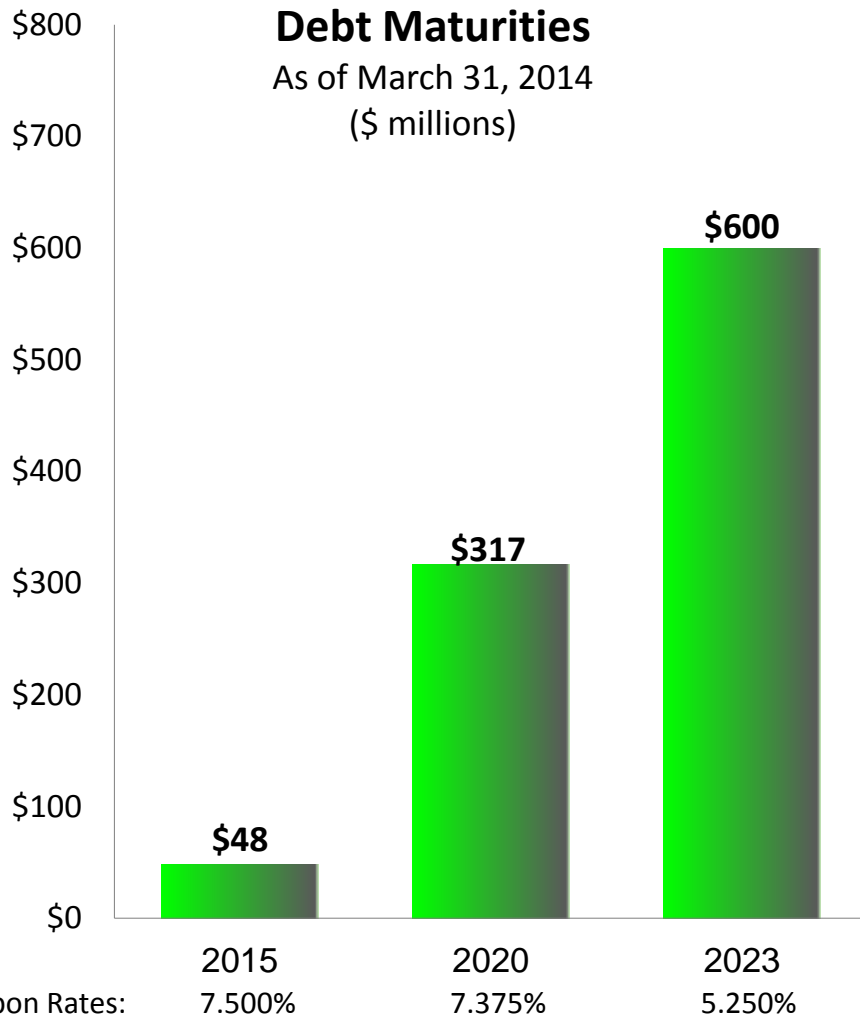
Consumer



Transportation



Debt Maturities & Pension Funding – 3/31/14

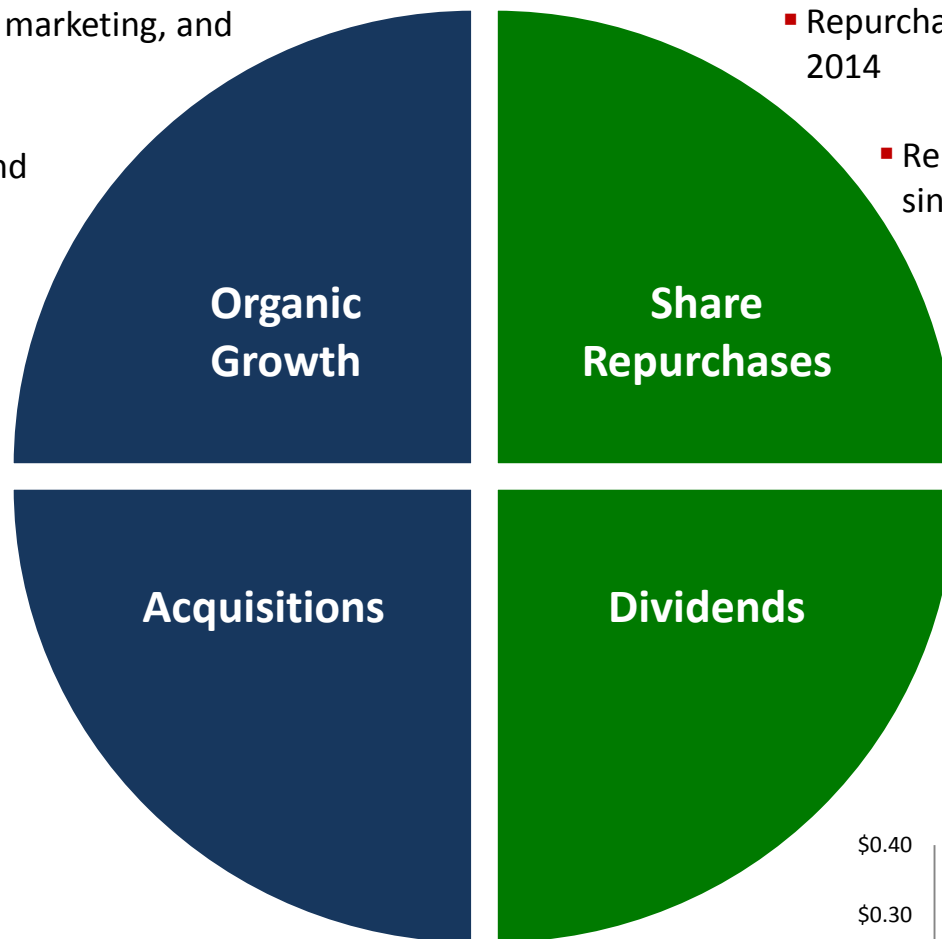


Net Debt / EBITDA* = 1.9x

*TTM 3/31/2014

** includes US-qualified pension plans only

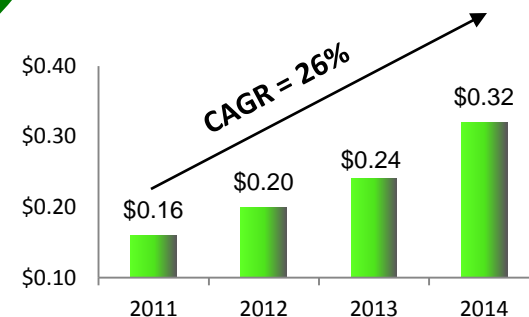
Free Cash Flow and Strong Balance Sheet Fund Investment / Shareholder Return



- Expanding our sales, marketing, and technical capabilities
- Investing in operational and LSS initiatives (including synergy capture)
- Manufacturing alignment
- Targets that expand our:
 - Specialty offerings
 - End market presence
 - Geographic footprint
 - Operating Margin
- Synergy opportunities
- Adjacent material solutions

- Repurchased 1.4 million shares in Q1 2014
- Repurchased 6.4 million shares since April 2013
- 13.6 million shares are available for repurchase under the current authorization

Annual Dividend



Why Invest In PolyOne?



- ✓ Strong past 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

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	2014 Q1
Global Specialty Engineered Materials	\$ 0.4	\$ 17.6	\$ 49.7	\$ 57.2	\$ 18.3
Global Color, Additives and Inks	4.3	28.1	37.7	104.0	30.4
Designed Structures and Solutions	-	-	-	33.4	11.2
Specialty Platform	\$ 4.7	\$ 45.7	\$ 87.4	\$ 194.6	\$ 59.9
Performance Products and Solutions	75.7	31.3	54.0	56.0	16.0
Distribution	19.5	28.1	42.0	63.3	17.2
SunBelt Joint venture	91.9	28.6	18.9	-	-
Corporate	(51.5)	(425.1)	(27.7)	(82.4)	(36.7)
Operating income (loss) GAAP	\$ 140.3	\$ (291.4)	\$ 174.6	\$ 231.5	\$ 56.4
Less: Corporate operating expense	51.5	425.1	27.7	82.4	36.7
Operating income excluding Corporate	\$ 191.8	\$ 133.7	\$ 202.3	\$ 313.9	\$ 93.1

Specialty platform operating mix percentage	2%	34%	43%	62%	64%
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* 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
Net Income attributable to PolyOne common shareholders	\$ 130.9	\$ 40.9	\$ (417.0)	\$ 106.7	\$ 152.5	\$ 153.4	\$ 53.3	\$ 94.0
SunBelt 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
Tax adjustments	(30.0)	(30.7)	147.2	(44.9)	(88.3)	(42.3)	0.5	2.2
Adjusted net income	\$ 11.2	\$ 25.5	\$ 19.4	\$ 11.8	\$ 65.3	\$ 76.9	\$ 89.5	\$ 126.6
Diluted shares	92.8	93.1	92.7	93.4	96.0	94.3	89.8	96.5
Adjusted EPS	\$ 0.12	\$ 0.27	\$ 0.21	\$ 0.13	\$ 0.68	\$ 0.82	\$ 1.00	\$ 1.31

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