

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2008
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____.

Commission file number 1-16091

POLYONE CORPORATION

(Exact name of registrant as specified in its charter)

Ohio

*(State or other jurisdiction
of incorporation or organization)*

34-1730488

(I.R.S. Employer Identification No.)

33587 Walker Road, Avon Lake, Ohio
(Address of principal executive offices)

44012
(Zip Code)

Registrant's telephone number, including area code: **(440) 930-1000**

Former name, former address and former fiscal year, if changed since last report: **Not Applicable**

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of outstanding shares of the registrant's common stock, \$0.01 par value, as of May 2, 2008 was 93,272,926.

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PolyOne Corporation and Subsidiaries
Condensed Consolidated Statements of Income (Unaudited)
(In millions, except per share data)

	Three Months Ended	
	March 31,	
	2008	2007
Sales	\$ 713.7	\$ 657.8
Operating costs and expenses:		
Cost of sales	617.4	563.6
Selling and administrative	68.5	60.1
Depreciation and amortization	15.8	14.1
Income from equity affiliates and minority interest	8.1	6.5
Operating income	20.1	26.5
Interest expense	(9.2)	(15.3)
Interest income	0.8	0.9
Other expense, net	(2.0)	(0.9)
Income before income taxes	9.7	11.2
Income tax expense	(3.2)	(3.8)
Net income	<u>\$ 6.5</u>	<u>\$ 7.4</u>
Basic and diluted earnings per common share	\$ 0.07	\$ 0.08
Weighted average shares used to compute earnings per common share:		
Basic	92.9	92.6
Diluted	93.3	93.0
Dividends declared per share of common stock	\$ —	\$ —

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements

PolyOne Corporation and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)
(In millions)

	<u>March 31,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 59.2	\$ 79.4
Accounts receivable, net	324.6	340.8
Inventories	273.5	223.4
Deferred income tax assets	20.5	20.4
Other current assets	22.3	19.8
Total current assets	700.1	683.8
Property, net	468.9	449.7
Investment in equity affiliates	27.1	19.9
Goodwill	333.1	288.8
Other intangible assets, net	72.1	6.7
Deferred income tax assets	66.0	69.9
Other non-current assets	64.2	64.2
Total assets	<u>\$ 1,731.5</u>	<u>\$ 1,583.0</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term bank debt	\$ 89.6	\$ 6.1
Accounts payable	307.2	250.5
Accrued expenses	95.7	94.4
Current portion of long-term debt	22.7	22.6
Total current liabilities	515.2	373.6
Long-term debt	309.1	308.0
Post-retirement benefits other than pensions	79.9	81.6
Pension benefits	78.4	82.6
Other non-current liabilities	86.6	87.8
Total liabilities	1,069.2	933.6
Shareholders' equity	662.3	649.4
Total liabilities and shareholders' equity	<u>\$ 1,731.5</u>	<u>\$ 1,583.0</u>

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

PolyOne Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows (Unaudited)
(In millions)

	Three Months Ended	
	March 31,	
	2008	2007
Operating Activities		
Net income	\$ 6.5	\$ 7.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15.8	14.1
Charges for environmental remediation	1.6	1.0
Cash payments for environmental remediation	(2.3)	(1.5)
Deferred income tax (benefit) provision	(0.6)	1.1
Stock compensation expense	0.8	0.2
Companies carried at equity and minority interest:		
Income from equity affiliates and minority interest	(8.1)	(6.5)
Dividends and distributions received	0.9	0.2
Contributions to pensions and other postretirement plans	(6.7)	(2.8)
Change in assets and liabilities:		
Accounts receivable	(49.6)	(58.2)
Inventories	(28.5)	(4.9)
Accounts payable	45.6	44.1
Increase in sale of accounts receivable	86.6	—
Accrued expenses and other	(4.9)	9.6
Net cash provided by operating activities	57.1	3.8
Investing Activities		
Capital expenditures	(8.4)	(7.5)
Business acquisitions, net of cash acquired	(150.0)	—
Proceeds from sale of assets	—	4.0
Net cash used by investing activities	(158.4)	(3.5)
Financing Activities		
Change in short-term debt	81.9	0.1
Repayment of long-term debt	(0.7)	(0.7)
Proceeds from exercise of stock options	—	0.3
Net cash provided (used) by financing activities	81.2	(0.3)
Effect of exchange rate changes on cash	(0.1)	0.9
Increase (decrease) in cash and cash equivalents	(20.2)	0.9
Cash and cash equivalents at beginning of period	79.4	66.2
Cash and cash equivalents at end of period	\$ 59.2	\$ 67.1

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

PolyOne Corporation and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity (Unaudited)
(Dollars in millions, shares in thousands)

	Common Shares		Shareholders' Equity					
	Outstanding	Held in Treasury	Total	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Common Stock Held In Treasury	Accumulated Other Comprehensive Income (Loss)
Balance January 1, 2007	122,192	29,384	\$ 581.7	\$ 1.2	\$ 1,065.7	\$ (59.9)	\$ (326.2)	\$ (99.1)
Comprehensive income:								
Net income			7.4			7.4		
Amortization of unrecognized losses, transition obligation and prior service costs, net of tax of \$0.5			1.0					1.0
Translation adjustment			3.0					3.0
Total comprehensive income			11.4					
Stock-based compensation and benefits		(70)	0.5		(0.3)		0.8	
Balance March 31, 2007	122,192	29,314	\$ 593.6	\$ 1.2	\$ 1,065.4	\$ (52.5)	\$ (325.4)	\$ (95.1)
Balance January 1, 2008	122,192	29,059	\$ 649.4	\$ 1.2	\$ 1,065.0	\$ (48.5)	\$ (319.7)	\$ (48.6)
Comprehensive income:								
Net income			6.5			6.5		
Amortization of unrecognized losses and prior service credit, net of tax of \$0.3			0.6					0.6
Translation adjustment			5.0					5.0
Unrecognized loss on available-for-sale securities			(0.1)					(0.1)
Total comprehensive income			12.0					
Stock-based compensation and benefits		(114)	0.9		(0.5)		1.4	
Balance March 31, 2008	122,192	28,945	\$ 662.3	\$ 1.2	\$ 1,064.5	\$ (42.0)	\$ (318.3)	\$ (43.1)

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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Note A – Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Form 10-Q instructions and in the opinion of management contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. These interim financial statements should be read in conjunction with the financial statements and accompanying notes included in the Annual Report on Form 10-K for the year ended December 31, 2007 of PolyOne Corporation.

In January 2008, the Company acquired 100% of the outstanding capital stock of GLS Corporation (GLS), a global provider of specialty thermoplastic elastomer compounds for consumer, packaging and medical applications. Intangible assets of \$66.0 million and goodwill of \$43.8 million were recorded pertaining to this acquisition. For more information on the GLS acquisition, see Note P.

On March 20, 2008, PolyOne announced the Specialty Engineered Materials segment. This segment includes PolyOne's thermoplastic elastomer (TPE) compounds product line in Europe and Asia (historically included in International Color and Engineered Materials), North American Engineered Materials (historically included in All Other) and GLS. As of April 15, 2008, the Vinyl Business segment has been re-branded to be Geon Performance Polymers. Prior period results of operations have been reclassified to conform to the 2008 presentation.

Operating results for the three-month period ended March 31, 2008 are not necessarily indicative of the results that may be attained in subsequent periods or for the year ending December 31, 2008. Unless otherwise noted, disclosures contained in this quarterly report relate to continuing operations.

Reclassification – Certain amounts for 2007 have been reclassified to conform to the 2008 presentation.

Note B — Accounting Policies

New Accounting Pronouncements

Statement of Financial Accounting Standards No. 157 — In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, “Fair Value Measurement,” which defines fair value, establishes the framework for measuring fair value under U.S. generally accepted accounting principles and expands disclosures about fair value measurements. In December 2007, the FASB issued a proposed FASB Staff Position (FSP FAS 157-b) that delayed the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis, to fiscal years beginning after November 15, 2008. The Company adopted the non-deferred portion of SFAS No. 157 on January 1, 2008 and it did not have a material impact on the Company’s financial statements. The Company is evaluating the effect that adoption of the deferred portion of SFAS No. 157 will have on its financial statements in 2009, specifically in the areas of measuring fair value in business combinations and goodwill impairment tests. See Note Q – “Fair Value” for information on the Company’s fair value assets and liabilities.

SFAS No. 159 — In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities,” which allows entities to voluntarily choose, at specified election dates, to measure many financial assets and liabilities at fair value. The election is made on an instrument-by-instrument basis and is irrevocable. SFAS No. 159 was effective January 1, 2008. The adoption of SFAS No. 159 had no impact on the Company’s financial statements.

SFAS No. 141 (revised 2007) — In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations,” which establishes principles over the method entities use to recognize and measure assets acquired and liabilities assumed in a business combination and enhances disclosures on business combinations. SFAS No. 141(R) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is evaluating the effect that adoption will have on its 2009 financial statements.

SFAS No. 161 — In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133.” SFAS No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. The Company is evaluating the effect that adoption will have on its 2009 financial statements.

Use of Estimates — The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make extensive use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during these periods. Significant estimates in the Condensed Consolidated Financial Statements include, but are not limited to, sales discounts and rebates, allowances for doubtful accounts, estimates of future cash flows associated with assets, asset impairments, useful lives for depreciation and amortization, loss contingencies, net realizable value of inventories, environmental-related liabilities, income taxes and tax valuation reserves, assumptions used for goodwill impairment analyses and the determination of discount and other rate assumptions used to determine pension and post-retirement employee benefit expenses. Actual results could differ from these estimates.

Note C – Goodwill and Intangible Assets

In accordance with SFAS No. 141, “Business Combinations,” purchase accounting requires that the total purchase price of acquisitions be allocated to the fair value of assets acquired and liabilities assumed based on their fair values at the acquisition date, with amounts exceeding the fair values being recorded as goodwill. As such, the acquisition of GLS resulted in the addition of \$43.8 million of goodwill and \$66.0 million in intangibles as of January 2, 2008. See Note P for more information on the GLS acquisition.

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Goodwill as of March 31, 2008 and December 31, 2007, by operating segment, was as follows:

(In millions)	March 31, 2008	December 31, 2007
Geon Performance Polymers	\$ 181.9	\$ 181.4
International Color and Engineered Materials	72.0	72.0
Specialty Inks and Polymer Systems	33.8	33.8
PolyOne Distribution	1.6	1.6
Specialty Engineered Materials	43.8	—
Total	<u>\$ 333.1</u>	<u>\$ 288.8</u>

SFAS No. 142, "Goodwill and Other Intangible Assets," requires an annual assessment for potential impairment of goodwill. PolyOne has selected July 1 as its annual assessment date. During the third quarter of 2007, the goodwill impairment assessment was completed and it was determined that goodwill was not impaired as of July 1, 2007. The combination of two valuation methodologies, a market approach and an income approach, was used to estimate the fair value of PolyOne's reporting units that supported significant goodwill, specifically Geon Compounds, International Color and Engineered Materials, and Polymer Coating Systems. The market approach estimates fair value by applying sales, earnings and cash flow multiples (derived from comparable publicly-traded companies with similar investment characteristics of the reporting unit) to the reporting unit's operating performance adjusted for non-recurring items. The income approach is based on projected future debt-free cash flow that is discounted to present value using discount factors that consider the timing and risk associated with the respective reporting units.

As a result of the July 1, 2007 impairment testing, the average fair values of the market approach and income approach exceeded the carrying value by 52%, 8% and 24% for the Geon Compounds, International Color and Engineered Materials, and Polymer Coating Systems reporting units, respectively.

While PolyOne determined that there was no goodwill impairment as of the July 1, 2007 annual assessment, the occurrence of a potential indicator of impairment in the future, such as a significant adverse change in legal factors or business climate, an adverse action or assessment by a regulator, unanticipated competition, loss of key personnel or a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or disposed of, would require an interim assessment for some or all of the reporting units prior to the next required annual assessment on July 1, 2008.

As a result of the reorganization of the Company's segments on October 1, 2007, PolyOne had four reporting units that had a significant amount of goodwill: Geon Compounds, Specialty Coatings, International Color and Engineered Materials and Specialty Inks and Polymer Systems. PolyOne performed an interim assessment of goodwill on the two new reporting units – Specialty Coatings and Specialty Inks and Polymer Systems. The average fair values of the market approach and income approach exceeded the carrying value of Specialty Coatings and Specialty Inks and Polymer Systems by 17% and 31%, respectively, as of October 1, 2007.

Information regarding PolyOne's finite-lived other intangible assets follows:

(In millions)	As of March 31, 2008			
	Acquisition Cost	Accumulated Amortization	Currency Translation	Net
Non-contractual customer relationships	\$ 37.0	\$ (7.2)	\$ —	\$ 29.8
Sales contract	11.4	(10.1)	—	1.3
Patents, technology and other	9.1	(2.8)	1.5	7.8
Total	<u>\$ 57.5</u>	<u>\$ (20.1)</u>	<u>\$ 1.5</u>	<u>\$ 38.9</u>

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(In millions)	As of December 31, 2007			
	Acquisition Cost	Accumulated Amortization	Currency Translation	Net
Non-contractual customer relationships	\$ 8.6	\$ (6.7)	\$ —	\$ 1.9
Sales contract	11.4	(10.0)	—	1.4
Patents, technology and other	4.7	(2.7)	1.4	3.4
Total	<u>\$ 24.7</u>	<u>\$ (19.4)</u>	<u>\$ 1.4</u>	<u>\$ 6.7</u>

Amortization of finite-lived other intangible assets was \$0.8 million and \$0.4 million for the three-month periods ended March 31, 2008 and 2007, respectively.

At March 31, 2008, Polyone has \$33.2 million of indefinite-lived other intangible assets that are not subject to amortization, consisting mainly of trademarks and trade names acquired as part of the January 2, 2008 GLS acquisition.

The carrying values of intangible assets and other investments are adjusted to the estimated net future cash flows based upon an evaluation done each year end, or more often, when indicators of impairment exist. For the three-month period ended March 31, 2008, there were no indicators of impairment for either goodwill or intangible assets.

Note D – Inventories

Components of inventories are as follows:

(In millions)	March 31, 2008	December 31, 2007
Finished products and in-process inventories	\$ 190.7	\$ 169.5
Raw materials and supplies	130.3	100.1
	321.0	269.6
LIFO reserve	(47.5)	(46.2)
Total	<u>\$ 273.5</u>	<u>\$ 223.4</u>

Note E – Property

(In millions)	March 31, 2008	December 31, 2007
Land and land improvements	\$ 40.3	\$ 40.3
Buildings	276.9	271.8
Machinery and equipment	937.7	903.6
	1,254.9	1,215.7
Less accumulated depreciation and amortization	(786.0)	(766.0)
	<u>\$ 468.9</u>	<u>\$ 449.7</u>

Note F – Income Taxes

The first quarter of 2008 income tax expense of \$3.2 million reflects an effective tax rate of 33.0% and the income tax expense of \$3.8 million in the first quarter of 2007 reflects an effective tax rate of 33.9%. The difference between the effective rate and the statutory rate in both periods was primarily due to the impact of foreign source income.

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Note G – Investment in Equity Affiliates

SunBelt Chlor-Alkali Partnership (SunBelt) is the most significant of PolyOne’s equity investments and is reported within the Resin and Intermediates segment. PolyOne owns 50% of SunBelt. On July 6, 2007, PolyOne sold its 24% interest in Oxy Vinyls, LP (OxyVinyls), a manufacturer and marketer of PVC resins, for cash proceeds of \$260.5 million and, as a result, no equity affiliate earnings of OxyVinyls were recorded by PolyOne for the three months ended March 31, 2008.

The following table presents OxyVinyls’ summarized financial results for the period indicated:

(Dollars in millions)	Three Months Ended March 31, 2007
Net sales	\$ 493.8
Operating loss	(3.9)
Partnership loss as reported by OxyVinyls	(5.9)
PolyOne’s ownership of OxyVinyls	24%
PolyOne’s proportionate share of OxyVinyls’ loss	(1.4)
Amortization of the difference between PolyOne’s investment and its underlying share of OxyVinyls’ equity	0.1
Equity affiliate losses recorded by PolyOne	<u>\$ (1.3)</u>

The following table presents SunBelt’s summarized financial results for the periods indicated:

(Dollars in millions)	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Net sales	\$ 38.2	\$ 37.1
Operating income	16.5	16.3
Partnership income as reported by SunBelt	14.4	14.0
PolyOne’s ownership of SunBelt	50%	50%
Equity affiliate earnings recorded by PolyOne	<u>\$ 7.2</u>	<u>\$ 7.0</u>

(In millions)	March 31, 2008	December 31, 2007
Current assets	\$ 46.2	\$ 27.8
Non-current assets	111.7	109.6
Total assets	<u>157.9</u>	<u>137.4</u>
Current liabilities	27.2	21.0
Non-current liabilities	109.7	109.7
Total liabilities	<u>136.9</u>	<u>130.7</u>
Partnership capital	<u>\$ 21.0</u>	<u>\$ 6.7</u>

Other investments in equity affiliates are discussed below.

The BayOne Urethane Systems, L.L.C. equity affiliate (owned 50%) is included in the Specialty Inks and Polymer Systems operating segment. The Geon Performance Polymers operating segment includes the Geon/Polimeros Andinos equity affiliate (owned 50%). Combined summarized financial information for these equity affiliates is presented below. The amounts shown represent the entire operations of these businesses.

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(In millions)	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Net sales	\$30.1	\$24.1
Operating income	2.7	1.8
Net income	2.3	1.5

Note H – Share-Based Compensation

Share-based compensation expense recognized during a period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Share-based compensation expense recognized in the Company's Condensed Consolidated Statements of Income includes compensation expense for share-based payment awards based on the grant date fair value estimated in accordance with the provision of SFAS No. 123(R), "Share-Based Payment." Because share-based compensation expense recognized in the Condensed Consolidated Statements of Income is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS No. 123(R) requires that forfeitures be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

PolyOne has one active share-based compensation plan, which is described below. The cost is included in selling and administrative expenses on the Condensed Consolidated Statements of Income. The pre-tax compensation cost recognized for the three months ended March 31, 2008 and 2007 was \$0.8 million and \$0.2 million, respectively.

2005 Equity and Performance Incentive Plan

In May 2005, PolyOne's shareholders approved the PolyOne Corporation 2005 Equity and Performance Incentive Plan (2005 EPIP). All future grants and awards to PolyOne employees were to be issued only from this plan until there were no shares remaining under the plan or until the shareholders approved a new equity plan. All previous equity-based plans were frozen upon the approval of the 2005 EPIP in May 2005. PolyOne shareholders have been asked to approve the PolyOne Corporation 2008 Equity and Performance Incentive Plan at the 2008 Annual Meeting of Shareholders to be held on May 15, 2008. If approved, this plan will replace the 2005 EPIP. The 2005 EPIP provides for the award of a broad variety of share-based compensation alternatives, including non-qualified stock options, incentive stock options, restricted stock, restricted stock units, performance shares, performance units and stock appreciation rights. A total of five million shares of common stock have been reserved for grants and awards under the 2005 EPIP. It is anticipated that all share-based grants and awards that are earned and exercised will be issued from shares of PolyOne common stock that are held in treasury.

Stock Appreciation Rights

During the first quarter of 2008, the Compensation and Governance Committee of the Company's Board of Directors authorized the issuance of 1,034,400 stock appreciation rights (SARs). The awards vest in one-third increments annually over a three-year service period and may not be exercised earlier than one year from the date of the grant. The SARs have a seven-year exercise period that expires on March 6, 2015.

For SARs granted in 2007, vesting is based on a service period of one year and the achievement of certain stock price targets. This condition is considered a market-based measure under SFAS No. 123(R) and is considered in determining the grant's fair value. This fair value is not subsequently revised for actual market price achievement, but rather is a fixed expense subject only to service-related forfeitures. The awards vest in one-third increments based on stock price achievement (for a minimum of three consecutive trading days) of \$7.24, \$7.90 and \$8.56 per share, but may not be exercised earlier than one year from the date of the grant. At December 31, 2007, these awards have reached the \$8.56 stock price achievement target. These SARs have a seven-year exercise period.

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PolyOne utilized an option pricing model based on the Black-Scholes method to value the SARs granted in 2008. Under this method, the fair value of awards on the date of grant is an estimate and is affected by the Company's stock price, as well as assumptions regarding a number of highly complex and subjective variables as noted in the following table. Expected volatility was set at the 37% based upon the historical weekly volatility of PolyOne common stock during the 4.5 years preceding the date of grant. The expected term of SARs granted was determined based on the Securities and Exchange Commission's "simplified method" described in Staff Accounting Bulletin (SAB) No. 107. This method results in an expected term of 4.5 years, equal to halfway between the average vesting of two years and the expiration of seven years. SAB No. 110 allows companies lacking sufficient historical exercise experience to continue use of this method. Dividends were omitted in this calculation because PolyOne does not currently pay dividends. The risk-free rate of return was based on available yields on U.S. Treasury bills of the same duration as the expected option term. Forfeitures were estimated at 3% per year and were based on PolyOne's historical experience.

Due to the fact that the SARs granted during 2006 and 2007 vested in one-third increments based on certain stock price achievement, the option pricing model used by PolyOne to value the SARs granted during 2006 and 2007 was a Monte Carlo simulation method.

The following is a summary of the assumptions related to the grants issued during the first quarter of 2008:

	2008
Expected volatility	37.00%
Expected dividends	—
Expected term	4.5 years
Risk-free rate	2.48%
Value of SAR options granted	\$ 2.26

A summary of SAR option activity as of March 31, 2008 and changes during the three months then ended are presented below:

(Shares in thousands, dollars in millions, except per share data)

<u>Stock Appreciation Rights</u>	<u>Shares</u>	<u>Weighted-Average Exercise Price Per Share</u>	<u>Weighted-Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at January 1, 2008	2,991	\$ 7.30		
Granted	1,034	6.77		
Exercised	—	—		
Forfeited or expired	(1)	6.51		
Outstanding at March 31, 2008	<u>4,024</u>	<u>\$ 7.16</u>	<u>5.57 years</u>	<u>\$ —</u>
Vested and exercisable at March 31, 2008	<u>2,347</u>	<u>\$ 7.12</u>	<u>5.24 years</u>	<u>\$ —</u>

The weighted-average grant date fair value of SARs granted during the three months ended March 31, 2008 and 2007 was \$2.26 and \$2.72, respectively. No SARs were exercised in either of the three-month periods ended March 31, 2008 and 2007.

As of March 31, 2008, there was \$2.3 million of total unrecognized compensation cost related to SARs, which is expected to be recognized over the next 35 months.

Stock Options

PolyOne's incentive stock plans previously provided for the award or grant of options to purchase PolyOne common stock. Options granted generally became exercisable at the rate of 35% after one year, 70% after two years and 100% after three years. The term of each option does not extend beyond 10 years from the date of grant. All options were granted at 100% or greater of market value (as defined) on the date of the grant.

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A summary of option activity as of March 31, 2008 and changes during the three months then ended follows:

(Shares in thousands, dollars in millions, except per share data)

<u>Options</u>	<u>Shares</u>	<u>Weighted-Average Exercise Price Per Share</u>	<u>Weighted-Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at January 1, 2008	6,153	\$ 11.17		
Granted	—	—		
Exercised	(2)	3.60		
Forfeited or expired	(1,589)	10.71		
Outstanding, vested and exercisable at March 31, 2008	<u>4,562</u>	<u>\$ 11.33</u>	<u>1.89 Years</u>	<u>\$ 0.2</u>

Cash received during the first three months of 2008 and 2007 from the exercise of stock options was \$0.0 million and \$0.3 million, respectively.

Performance Shares

In January 2005, the Compensation and Governance Committee authorized the issuance of performance shares to selected executives and other key employees. The performance shares vest only to the extent that management goals for cash flow, return on invested capital, and the level of earnings before interest, taxes, depreciation and amortization in relation to debt are achieved for the period commencing January 1, 2005 and ending December 31, 2007. Of the 388,500 performance share awards outstanding at December 31, 2007, 33% vested and were paid out in shares issued from treasury, net of tax. No net compensation expense was recognized on these awards for the three months ended March 31, 2008. During the three months ended March 31, 2007, a benefit of \$1.2 million was recognized on these awards.

Restricted Stock Units

During the first quarter of 2008, 419,600 units of restricted stock were granted to selected executives and other key employees. Restricted stock units (RSUs) represent a contingent right to receive one share of the Company's common stock at a future date provided a continuous three-year service period is attained. Compensation expense is measured on the grant date using the quoted market price of the Company's common stock and is recognized on a straight-line basis over the requisite service period.

As of March 31, 2008, 419,600 RSUs remain unvested with a weighted-average grant date fair value of \$6.73 and a weighted-average remaining contractual term of 35 months. Compensation expense recorded during the three months ended March 31, 2008 was \$0.1 million. Unrecognized compensation cost for RSUs at March 31, 2008 was \$2.7 million.

Restricted Stock Awards

As of March 31, 2008, 239,600 shares of restricted stock remain unvested with a weighted-average grant date fair value of \$8.66 and a weighted-average remaining contractual term of 13 months. Compensation expense recorded during the three months ended March 31, 2008 and 2007 was \$0.2 million and \$0.2 million, respectively. Unrecognized compensation cost for restricted stock awards at March 31, 2008 was \$0.7 million.

[Table of Contents](#)**Note I – Earnings Per Share Computation**

(In millions)	Three Months Ended	
	March 31,	
	2008	2007
Weighted-average shares outstanding – basic	92.9	92.6
Weighted-average shares – diluted:		
Weighted-average shares outstanding – basic	92.9	92.6
Plus dilutive impact of stock options and stock awards	0.4	0.4
Weighted-average shares – diluted	93.3	93.0

Basic earnings per common share is computed as net income available to common shareholders divided by weighted-average basic shares outstanding. Diluted earnings per common share is computed as net income available to common shareholders divided by weighted-average diluted shares outstanding.

Outstanding SARs and stock options with exercise prices greater than the average price of the common shares are anti-dilutive and are not included in the computation of diluted earnings per share. The number of anti-dilutive options and awards was 5.0 million at March 31, 2008 and 6.9 million at March 31, 2007.

Note J – Employee Separation and Plant Phaseout

Since the formation of PolyOne in 2000, management has undertaken several restructuring initiatives to improve profitability and, as a result, PolyOne has incurred employee separation and plant phaseout costs. For further discussion of these initiatives, see Note E to the Consolidated Financial Statements included in PolyOne's Annual Report on Form 10-K for the year ended December 31, 2007.

For the three-month periods ended March 31, 2008 and 2007, no charges were recorded for employee separation or plant phaseout activities. Cash spending during the three-month periods ended March 31, 2008 and 2007 was \$0.5 million and \$0.2 million, respectively. During the three-month period ended March 31, 2008, the Company paid \$0.3 million related to executive severance and \$0.2 million related to employee severance associated with plant related reduction programs. PolyOne's liability for unpaid severance costs was \$0.7 million at March 31, 2008 and will be paid over the next nine months in 2008.

Note K – Employee Benefit Plans

Components of defined benefit pension plan costs are as follows:

(In millions)	Three Months Ended	
	March 31,	
	2008	2007
Service cost	\$ 0.3	\$ 0.3
Interest cost	8.1	7.6
Expected return on plan assets	(8.3)	(8.0)
Amortization of unrecognized losses, transition obligation and prior service cost	2.0	2.6
	\$ 2.1	\$ 2.5

PolyOne estimates that the minimum funding requirements in 2008 for its qualified defined pension plans will approximate \$18.2 million.

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Components of post-retirement health care plan benefit costs are as follows:

(In millions)	Three Months Ended	
	March 31,	
	2008	2007
Service cost	\$ 0.1	\$ 0.1
Interest cost	1.5	1.4
Expected return on plan assets	—	—
Amortization of unrecognized losses, transition obligation and prior service cost	(1.1)	(1.1)
	<u>\$ 0.5</u>	<u>\$ 0.4</u>

Note L – Financing Arrangements

At March 31, 2008, PolyOne had long-term debt of \$331.8 million, with maturities through 2015. Current maturities of long-term debt at March 31, 2008 and December 31, 2007 were \$22.7 million and \$22.6 million, respectively.

On January 3, 2008, the Company entered into a credit agreement with Citicorp USA, Inc., as administrative agent and as issuing bank, and The Bank of New York, as paying agent. The credit agreement provides for an unsecured revolving and letter of credit facility with total commitments of up to \$40.0 million. The credit agreement expires on March 20, 2011. Borrowings under the revolving credit facility are based on the applicable LIBOR rate plus a fixed fee. On January 9, 2008, the Company borrowed \$40.0 million under the agreement which is included in short-term bank debt on the Condensed Consolidated Balance Sheet at March 31, 2008.

PolyOne is exposed to market risk from changes in interest rates on debt obligations and from changes in foreign currency exchange rates. Information about these risks and exposure management is included in Item 7A “Qualitative and Quantitative Information about Market Risk” in PolyOne’s Annual Report on Form 10-K for the year ended December 31, 2007. PolyOne periodically enters into interest rate swap agreements that modify its exposure to interest rate risk by converting fixed-rate obligations to floating rates. PolyOne maintained interest rate swap agreements on one of its fixed-rate obligations in the aggregate amount of \$10.0 million at March 31, 2008. At March 31, 2008, this agreement had a fair value obligation of \$0.1 million. The interest rate for this agreement at March 31, 2008 was 9.14%.

In connection with the \$40.0 million borrowed under the revolving credit facility in January 2008, the Company entered into a \$40.0 million floating to fixed interest rate swap expiring on January 9, 2009, resulting in an effective interest rate of 8.4%. This derivative is not treated as a hedge and, as a result, is marked to market, with the resulting gain and loss recognized as interest expense in the Condensed Consolidated Statements of Income. At March 31, 2008, this agreement had a fair value obligation of \$0.4 million.

There have been no material changes in the market risk faced by PolyOne from December 31, 2007 to March 31, 2008.

Note M – Sale of Accounts Receivable

Accounts receivable consist of the following:

(In millions)	March 31,	December 31,
	2008	2007
Trade accounts receivable	\$ 216.2	\$ 169.8
Retained interest in securitized accounts receivable	113.4	175.8
Allowance for doubtful accounts	(5.0)	(4.8)
	<u>\$ 324.6</u>	<u>\$ 340.8</u>

Under the terms of its receivables sale facility, PolyOne sells its accounts receivable to PolyOne Funding Corporation (PFC), a wholly owned, fully consolidated, bankruptcy-remote subsidiary. PFC in turn may sell an undivided interest in these accounts receivable to certain investors. This facility size is \$200.0 million, including the Canadian receivable

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facility referenced below. As of March 31, 2008, \$60.5 million was available. The receivables sale facility was amended in June 2007 to extend the maturity of the facility to June 2012 and to, among other things, modify certain financial covenants and reduce the cost of utilizing the facility. In July 2007, the Company entered into a Canadian receivables purchase agreement, which increased the facility size by \$25.0 million to \$200.0 million.

At March 31, 2008 and December 31, 2007, accounts receivable totaling \$200.0 million and \$175.8 million, respectively, were sold by PolyOne to PFC. The maximum amount of proceeds that PFC may receive under the facility is limited to 85% of the eligible accounts receivable that are sold to PFC. At March 31, 2008, PFC had sold \$86.6 million of its undivided interest in accounts receivable. At December 31, 2007, PFC had sold none of its undivided interest in accounts receivable.

PolyOne retained an interest in the difference between the amount of trade receivables sold by PolyOne to PFC and the undivided interest sold by PFC as of March 31, 2008 and December 31, 2007. As a result, the interest retained by PolyOne of \$113.4 million and \$175.8 million is included in accounts receivable on the Condensed Consolidated Balance Sheets at March 31, 2008 and December 31, 2007, respectively.

The receivables sale facility also makes up to \$40.0 million available for the issuance of standby letters of credit as a sub-limit within the \$200.0 million facility, of which \$11.4 million was used at March 31, 2008. Continued availability of the receivables sale facility depends upon compliance with a fixed charge coverage ratio covenant related primarily to operating performance that is set forth in the related agreements. As of March 31, 2008, PolyOne was in compliance with this covenant.

Note N – Segment Information

PolyOne manages its business in eight operating segments, of which five are reportable segments: Geon Performance Polymers, International Color and Engineered Materials, PolyOne Distribution, Specialty Engineered Materials and Resin and Intermediates. The All Other category includes three operating segments, none of which meets the quantitative thresholds for separate disclosure: North American Color and Additives, Producer Services and Specialty Inks and Polymer Systems.

On March 20, 2008, PolyOne announced the Specialty Engineered Materials segment. This segment includes PolyOne's TPE compounds product line in Europe and Asia (historically included in International Color and Engineered Materials), North American Engineered Materials (historically included in All Other) and GLS. As of April 15, 2008, the Vinyl Business segment has been re-branded to be called Geon Performance Polymers. Prior period results of operations have been reclassified to conform to the 2008 presentation.

The accounting policies of each segment are consistent with those described in "Summary of Significant Accounting Policies" in Note C to the Consolidated Financial Statements included in PolyOne's Annual Report on Form 10-K for the year ended December 31, 2007.

Operating income is the primary measure that is reported to the chief operating decision maker for purposes of making decisions about allocating resources to the segment and assessing its performance. The measure of segment operating income or loss that is reported to and reviewed by the chief operating decision maker excludes significant costs that are not controllable by or the responsibility of segment management. These costs are included in "Corporate and eliminations" and consist of: 1) inter-segment sales and profit eliminations; 2) charges related to specific strategic initiatives such as the consolidation of operations; 3) significant restructuring activities, including employee separation costs resulting from personnel reduction programs, plant closure and phaseout costs; 4) executive separation agreements; 5) share-based compensation costs; 6) asset impairments; 7) environmental remediation costs for facilities no longer owned or closed in prior years; 8) gains and losses on the divestiture of joint ventures and equity investments; and 9) certain other items.

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Segment information for the three-month periods ended March 31, 2008 and 2007 follows:

(In millions)	Three Months Ended March 31, 2008			March 31, 2008	Three Months Ended March 31, 2007		
	Sales to External Customers	Total Sales	Segment Operating Income (Loss)	Total Assets	Sales to External Customers	Total Sales	Segment Operating Income (Loss)
Geon Performance Polymers	\$ 197.8	\$ 223.0	\$ 7.1	\$ 488.4	\$ 206.4	\$233.1	\$ 20.4
International Color and Engineered Materials	165.2	165.2	7.8	441.2	144.0	144.0	6.0
PolyOne Distribution	199.8	201.1	5.5	201.6	183.2	184.4	4.6
Specialty Engineered Materials	58.2	64.5	2.9	254.3	25.1	32.4	(0.9)
Resin and Intermediates	—	—	5.9	22.7	—	—	4.3
All Other	92.7	94.7	4.0	255.1	99.1	99.9	1.5
Corporate and eliminations	—	(34.8)	(13.1)	68.2	—	(36.0)	(9.4)
Total	<u>\$ 713.7</u>	<u>\$ 713.7</u>	<u>\$ 20.1</u>	<u>\$ 1,731.5</u>	<u>\$ 657.8</u>	<u>\$657.8</u>	<u>\$ 26.5</u>

Note O – Commitments and Contingencies

PolyOne has been notified by certain federal and state environmental agencies and by private parties that it may be a potentially responsible party (PRP) in connection with the investigation and remediation of several environmental waste disposal sites. While government agencies frequently assert that PRPs are jointly and severally liable at these sites, in PolyOne's experience, the interim and final allocations of liability costs are generally made based on the relative contribution of waste. PolyOne believes that its potential continuing liability with respect to these sites will not have a material adverse effect on its consolidated financial position, results of operations or cash flows. In addition, PolyOne initiates corrective and preventive environmental projects of its own to ensure safe and lawful activities at its operations. PolyOne believes that compliance with current governmental regulations at all levels will not have a material adverse effect on its financial condition.

During the three-month periods ended March 31, 2008 and 2007, PolyOne recorded \$1.6 million and \$1.0 million, respectively, of expense related to future environmental activities at all of its active and inactive sites. During these same periods, PolyOne did not receive any proceeds from insurance recoveries.

Based on estimates that were prepared by its environmental engineers and consultants, PolyOne had accruals totaling \$83.3 million at March 31, 2008 and \$83.8 million at December 31, 2007 to cover probable future environmental expenditures related to previously contaminated sites. The accrual represents PolyOne's best estimate of the remaining probable remediation costs, based upon information and technology that is currently available and PolyOne's view of the most likely remedy. Depending upon the results of future testing, the ultimate remediation alternatives undertaken, changes in regulations, new information, newly discovered conditions and other factors, it is reasonably possible that PolyOne could incur additional costs in excess of the amount accrued at March 31, 2008. However, such additional costs, if any, cannot be currently estimated. PolyOne's estimate of the liability may be revised as new regulations or technologies are developed or additional information is obtained. Additional information related to environmental liabilities is in Note N to the Consolidated Financial Statements included in PolyOne's Annual Report on Form 10-K for the year ended December 31, 2007.

PolyOne guarantees \$60.9 million of SunBelt's outstanding senior secured notes in connection with the construction of a chlor-alkali facility in McIntosh, Alabama. This debt matures in 2017.

Note P – Business Combination

Acquisition

On January 2, 2008, the Company acquired 100% of the outstanding capital stock of GLS, a global provider of specialty TPE compounds for consumer, packaging and medical applications, for a cash purchase price of \$148.7 million including acquisition costs and net of cash received. GLS, with sales of \$128.8 million for the year ended December 31, 2007, has been fully integrated into the Specialty Engineered Materials segment. This acquisition complements PolyOne's global engineered materials business portfolio and accelerates the Company's shift to specialization. The combination of GLS's specialized TPE offerings, compounding expertise and brand, along with PolyOne's extensive

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global infrastructure and commercial presence offers customers: enhanced technologies; a broader range of products, services and solutions; and expanded access to specialized, high-growth markets around the globe. The combinations of these factors are the drivers behind the excess of the purchase price over the fair value of the assets and liabilities acquired.

Allocation of Purchase Price

The GLS acquisition is accounted for as a purchase business combination. Assets acquired and liabilities assumed are recorded in the accompanying Condensed Consolidated Balance Sheet at their estimated fair values as of January 2, 2008. Operating results of GLS are included in the Condensed Consolidated Statement of Income from the date of acquisition. The preliminary allocation of the purchase price and the estimated goodwill are shown below. This allocation is based upon valuations using management's best estimates and assumptions. The purchase price is preliminary and a final determination of fair value will be made upon completion of independent appraisals of the long-lived tangible and intangible assets and liabilities. The resulting goodwill is anticipated to be fully deductible for income tax purposes.

The identifiable intangible assets subject to amortization, totaling \$32.8 million, consist primarily of customer relationships and will be amortized over 20 years. The identifiable intangible assets not subject to amortization, totaling \$33.2 million, consist primarily of trademarks and trade names.

(In millions)	January 2, 2008
Current assets	\$ 32.6
Property, plant and equipment	17.2
Identifiable intangible assets	66.0
Goodwill	43.8
Liabilities assumed	(9.0)
Net assets acquired	\$ 150.6
Less:	
Cash acquired	(1.9)
Purchase price, net	\$ 148.7

Pro forma Results

Pro forma financial information for the Company is presented below as if the acquisition of GLS occurred on January 1, 2007. The *pro forma* information presented below is not necessarily indicative of results that would have occurred had the acquisition, in fact, occurred on January 1, 2007, nor does the information project results for any future period.

(In millions, except per share data)	<i>Pro forma</i> Results Quarter Ended March 31, 2007	<i>Pro forma</i> Results Year Ended December 31, 2007
Sales	\$689.9	\$2,771.5
Operating income	27.3	43.0
Net income	6.9	13.1
Basic and diluted earnings per share	0.07	0.14

Combined results for PolyOne and GLS were adjusted for the following items in order to create the *pro forma* results in the table above:

- Interest expense relating to PolyOne's increase in debt upon acquisition of GLS of \$2.4 million for the quarter ended March 31, 2007 and \$9.5 million for the year ended December 31, 2007.
- Recognition of inventory step up of \$1.6 million for the quarter ended March 31, 2007 and the year ended December 31, 2007.

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- Amortization expense related to intangible assets of \$0.4 million for the quarter ended March 31, 2007 and \$1.6 million for the year ended December 31, 2007.
- Depreciation expense including the step-up of the carrying value of fixed assets, net of adjustments to estimated useful lives, of \$0.4 million for the quarter ended March 31, 2007 and \$1.6 million for the year ended December 31, 2007.
- General and administrative costs related to retention accruals for GLS management of \$0.2 million for the quarter ended March 31, 2007 and \$0.7 million for the year ended December 31, 2007.

Note Q – Fair Value

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis subsequent to initial recognition.

(In millions)

Description	Fair Value at March 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Available-for-sale securities	\$ 0.7	\$ 0.7	
Interest rate swaps	(0.5)		\$ (0.5)
Foreign exchange contracts	(1.5)		(1.5)

Note R – Subsequent Event

In April 2008, PolyOne sold \$80.0 million in aggregate principal amount of 8.875% senior notes due 2012 to certain institutional investors in a private placement exempt from the registration requirements of the Securities Act of 1933. Net proceeds from the offering were used to reduce the amount of receivables sold under the receivables sale facility.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a leading global provider of specialized polymer materials, services and solutions with operations in thermoplastic compounds, specialty polymer formulations, color and additive systems, thermoplastic resin distribution and specialty vinyl resins, with equity investments in manufacturers of caustic soda and chlorine, and PVC compound products and in a formulator of polyurethane compounds. Headquartered in Avon Lake, Ohio, we have employees at manufacturing sites and distribution facilities in North America, Europe, Asia and Australia and joint ventures in North America and South America. We provide value to our customers through our ability to link our knowledge of polymers and formulation technology with our manufacturing and supply chain to provide an essential link between large chemical producers (our raw material suppliers) and designers, assemblers and processors of plastics (our customers).

We operate within eight operating segments, five of which are reportable segments: Geon Performance Polymers, International Color and Engineered Materials, PolyOne Distribution, Specialty Engineered Materials and Resin and Intermediates. The All Other category contains three operating segments: North American Color and Additives, Producer Services and Specialty Inks and Polymer Systems. On March 20, 2008, we announced the Specialty Engineered Materials segment. This segment includes our thermoplastic elastomer (TPE) compounds product line in Europe and Asia (historically included in International Color and Engineered Materials), North American Engineered Materials (historically included in All Other) and GLS Corporation (GLS). As of April 15, 2008, the Vinyl Business segment has been re-branded to be Geon Performance Polymers. Prior period results of operations have been reclassified to conform to the 2008 presentation. We discuss the sales and operating income of our operating segments in the "Segment Information" section below. Also, see Note N to the Condensed Consolidated Financial Statements for further information regarding our reportable operating segments.

Purchase of business – In January 2008, we acquired 100% of the outstanding capital stock of GLS, a global provider of specialty thermoplastic elastomer compounds for consumer, packaging and medical applications. The acquisition resulted in \$66.0 million of intangible assets and \$43.8 million in goodwill. For more information on the GLS acquisition, see Note P to the Condensed Consolidated Financial Statements.

OxyVinyls Divestment – On July 6, 2007, we sold our 24% interest in Oxy Vinyls LP (OxyVinyls) for \$260.5 million in cash. Proceeds from the sale were used for the redemption of the entire balance of our 10.625% senior notes as well as for the reduction of drawings on short-term facilities.

Outlook

We anticipate continued economic uncertainty as well as volatile raw material and energy costs. Based on early results, we anticipate second-quarter 2008 sales growth of approximately 6% to 8%, including organic sales growth in the low single digits, despite weak demand trends in the North American residential construction and automotive markets.

Geon Performance Polymers segment sales are expected to show sequential improvement from the first quarter of 2008, but decline 9% to 12% from the second quarter of 2007. International demand generally remains intact, although select pockets of softening are evident with customers who primarily export to North America.

Aggregate margin improvements for International Color and Engineered Materials, North America Color and Additives, Specialty Inks and Polymer Systems, Specialty Engineered Materials and PolyOne Distribution are expected to drive operating income growth in excess of second-quarter 2007 levels. Aggregate Geon Performance Polymers and Producer Services operating margin is projected to increase sequentially, but remain below the year-ago level due to continued weak end-market demand. Resin and Intermediates earnings are expected to be lower compared with second-quarter 2007 and first-quarter 2008 results, due to low incremental chlorine demand outweighing benefits from higher caustic pricing.

Based on these projections, we expect second-quarter 2008 earnings to increase sequentially versus first-quarter 2008 results.

Based upon current North American demand levels, we have modified our full-year 2008 sales growth estimate to

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7% to 10%, from the prior estimate of 10% to 12%. We continue to anticipate positive year-over-year earnings growth in 2008; however, the distribution of quarterly earnings is expected to be more heavily weighted toward the second half of the year.

Results of Operations

Summary of Consolidated Results:

Aggregate sales increased 8.5% in the first quarter of 2008 as compared to the same period in 2007. Sales from the recently acquired GLS business accounted for 5% of this increase. The remainder of the increase was due to sales increases in the International Color and Engineered Materials and PolyOne Distribution segments and the favorable impact from foreign exchange which accounted for 5% of the overall increase, partially offset by a 4% decline in Geon Performance Polymers sales, due mainly to the depressed residential construction market.

Net income declined \$0.9 million in the first quarter of 2008, or \$0.01 per share, compared to the same period in 2007. Income from continuing operations before income taxes declined \$1.5 million in the first quarter of 2008 as compared to the same period in 2007. A table showing material items that comprise this decline is provided after the following table, which sets forth key financial information from our statements of income for the quarters ended March 31, 2008 and 2007, respectively.

(In millions, except per share data)	Three months ended March 31,	
	2008	2007
Sales	\$ 713.7	\$ 657.8
Operating income	\$ 20.1	\$ 26.5
Interest expense	(9.2)	(15.3)
Interest income	0.8	0.9
Other expense, net	(2.0)	(0.9)
Income before income taxes	9.7	11.2
Income tax expense	(3.2)	(3.8)
Net income	<u>\$ 6.5</u>	<u>\$ 7.4</u>
Basic and diluted earnings per share	\$ 0.07	\$ 0.08

See the following discussion for an explanation of the results for the periods shown above.

Income before Income Taxes

The following table sets forth the components of the variance for the three months ended March 31, 2008 as compared to the same period in the prior year:

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	Variances – Favorable (Unfavorable)
	Three Months Ended
	March 31, 2008 vs. March 31, 2007
<i>(In millions)</i>	
Operating segment performance:	
Geon Performance Polymers	\$ (13.3)
International Color and Engineered Materials	1.8
PolyOne Distribution	0.9
Specialty Engineered Materials	3.8
Resin and Intermediates	1.6
All Other	2.5
Corporate and eliminations:	
Environmental remediation costs	(0.6)
Recognition of inventory step-up associated with GLS acquisition	(1.6)
Share-based compensation	(0.6)
All other and eliminations	(0.9)
Total Corporate and eliminations	(3.7)
Change in operating income	(6.4)
Interest expense, net	6.0
Other expense	(1.1)
Change in income before income taxes	\$ (1.5)

See the following operating segment discussion for a further explanation of our segments' operating results for the periods shown in the preceding table.

Selected Operating Costs

Selected operating costs, expressed as a percentage of sales, are as follows:

	Three Months Ended	
	March 31,	
	2008	2007
Cost of sales	86.5%	85.7%
Selling and administrative costs	9.6%	9.1%

Cost of Sales – These costs include raw materials, plant conversion, distribution and environmental remediation charges. These costs increased in the first quarter of 2008 as compared to the same period in 2007 as a result of higher raw material costs not yet fully offset by price increases largely associated with the Geon Performance Polymers business and those other businesses impacted by the slowdown in the building and construction market. Included in cost of sales is the \$1.6 million recognition of inventory step-up associated with the GLS acquisition.

Selling and Administrative – These costs generally include selling, technology and administrative functions and corporate and general expenses. Selling and administrative costs increased \$8.4 million, or 14%, for the three months ended March 31, 2008 compared to the same period in 2007. The change in selling and administrative expense was due mainly to an increase in selling and administrative costs associated with the acquisition of GLS of \$3.8 million, the impact of foreign exchange of \$2.2 million and increased investment in commercial resources and capabilities.

Other Components of Income and Expense

Discussions of significant components of income and expense that are presented below the line “Operating income” in the Condensed Consolidated Statements of Income are provided below.

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Interest expense – The decrease in interest expense of \$6.1 million for the three months ended March 31, 2008 as compared to the same period in 2007 was due primarily to the repurchase of \$241.4 million of our 10.625% senior notes.

Other expense, net – The following table lists the major items included in other expense, net:

(In millions)	Three Months Ended March 31,	
	2008	2007
Currency exchange loss	\$ (0.1)	\$ (0.6)
Foreign exchange contracts gain (loss)	(0.2)	0.3
Discount on sale of trade receivables	(1.5)	(0.3)
Other loss	(0.2)	(0.3)
Other expense, net	<u>\$ (2.0)</u>	<u>\$ (0.9)</u>

Income tax expense – The first quarter of 2008 income tax expense of \$3.2 million reflects an effective tax rate of 33.0% and the income tax expense of \$3.8 million in the first quarter of 2007 reflects an effective tax rate of 33.9%. The difference between the effective rate and the statutory rate in both periods was primarily due to the impact of foreign source income.

Segment Information:

Sales and Operating Income (Loss):

(In millions)	Three Months Ended March 31,		Change	% Change
	2008	2007		
Sales:				
Geon Performance Polymers	\$ 223.0	\$ 233.1	\$ (10.1)	(4.3)%
International Color and Engineered Materials	165.2	144.0	21.2	14.7%
PolyOne Distribution	201.1	184.4	16.7	9.1%
Specialty Engineered Materials	64.5	32.4	32.1	99.1%
All Other	94.7	99.9	(5.2)	(5.2)%
Corporate and eliminations	(34.8)	(36.0)	1.2	3.3%
	<u>\$ 713.7</u>	<u>\$ 657.8</u>	<u>\$ 55.9</u>	<u>8.5%</u>

Operating income (loss):				
Geon Performance Polymers	\$ 7.1	\$ 20.4	\$ (13.3)	(65.2)%
International Color and Engineered Materials	7.8	6.0	1.8	30.0%
PolyOne Distribution	5.5	4.6	0.9	19.6%
Specialty Engineered Materials	2.9	(0.9)	3.8	422.2%
Resin and Intermediates	5.9	4.3	1.6	37.2%
All Other	4.0	1.5	2.5	166.7%
Corporate and eliminations	(13.1)	(9.4)	(3.7)	(39.4)%
	<u>\$ 20.1</u>	<u>\$ 26.5</u>	<u>\$ (6.4)</u>	<u>(24.2)%</u>

Operating income (loss) as a percentage of sales:

Geon Performance Polymers	3.2%	8.8%	(5.6)% points
International Color and Engineered Materials	4.7%	4.2%	0.5 % points
PolyOne Distribution	2.7%	2.5%	0.2 % points
Specialty Engineered Materials	4.5%	(2.8)%	7.3 % points
All Other	4.2%	1.5%	2.7 % points
Total	2.8%	4.0%	(1.2)% points

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A summary of Corporate and eliminations included in Operating income (loss) is as follows:

(In millions)	Three Months Ended	
	March 31,	
	2008	2007
Environmental remediation costs (a)	\$ (1.6)	\$ (1.0)
Recognition of inventory step-up associated with GLS acquisition (b)	(1.6)	—
Share-based compensation (c)	(0.8)	(0.2)
All other and eliminations (d)	(9.1)	(8.2)
Total Corporate and eliminations	<u>\$ (13.1)</u>	<u>\$ (9.4)</u>

- (a) During the three-month periods ended March 31, 2008 and 2007, we recorded \$1.6 million and \$1.0 million, respectively, of expense related to environmental remediation activities.
- (b) Upon acquisition of GLS, GLS's inventory was initially stepped up from cost to fair value. This difference was recognized with the first turn of inventory within Corporate and eliminations.
- (c) Share-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period.
- (d) Severance, employee outplacement, external outplacement consulting, lease termination, facility closing costs and the write-down of the carrying value of plant and equipment resulting from restructuring initiatives and executive separation agreements.

Geon Performance Polymers

Geon Performance Polymers sales were \$10.1 million, or 4%, lower than the first quarter of 2007. The business was primarily impacted by the slowdown in the building and construction end markets, consistent with recent quarters. Our Asian vinyl compounding business, with the acquisition of Ngai Hing Plastchem Company Ltd. in the fourth quarter of 2007, demonstrated a 45% increase in revenue over the comparable period in the previous year.

Operating income decreased 65% from the first quarter of 2007. This decrease was primarily due to significantly lower volumes and, to a lesser degree, margin compression between raw material costs and selling prices.

International Color and Engineered Materials

International Color and Engineered Materials first quarter 2008 sales increased \$21.2 million, or 15%, due to continuing double digit growth in our Asian Color and Additives business, favorable foreign exchange and modest growth in the Engineered Materials businesses in Europe and Asia. Favorable foreign exchange rates increased sales by \$19.3 million, or 13%. Asian sales across all product platforms grew 19%, including the impact of foreign exchange. This increase was driven by our Color and Additives business, which grew sales 31% due to an improved mix of specialty applications utilizing our liquid color and additives product technologies, and 8% sales growth in our Asian Engineered Materials business despite unfavorable conditions in electrical and electronics markets, primarily due to lower export demand to North America.

Operating income increased \$1.8 million, or 30%, in the first quarter of 2008 compared to the first quarter of 2007. This increase was primarily due to improved margins due to greater penetration of specialty applications in the packaging, wire and cable and automotive end markets and to improved product mix based on new specialty additive products. Value selling, cost management actions and exiting lower profitability business also contributed to the margin increase. Foreign exchange had a favorable impact on operating income of \$1.0 million.

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PolyOne Distribution

PolyOne Distribution sales increased \$16.7 million, or 9%, as compared to the first quarter of 2007 driven by a 9% increase in average selling prices that were realized due to rising material and energy costs. An increased investment in commercial resources coupled with a national accounts program, and a strong pipeline of new sales opportunities in various markets all contributed favorably to the sales growth, helping to offset lower demand from our existing customer base due to weakening North American market conditions.

Operating income was \$5.5 million, up 20% from the first quarter of 2007. This increase was largely due to a stronger sales mix and to higher gross margins.

Specialty Engineered Materials

Sales increased \$32.1 million, or 99%, in the first quarter of 2008 as compared to the first quarter of 2007 primarily due to \$33.0 million of sales from GLS, which was acquired in January 2008, slightly offset by lower organic sales for the first quarter of 2008, due to weak demand in the building and construction and automotive markets as well as exiting low margin business. Segment gross margins expanded through mix improvements and accelerated penetration of specialty applications. The impact of foreign exchange was immaterial.

Operating income was up \$3.8 million in the first quarter of 2008 as compared to the first quarter of 2007, primarily driven by the GLS acquisition. Additionally, achieving an improved mix of specialty applications and the exiting of lower profitability business also contributed to the year-over-year income improvement.

Resin & Intermediates

First quarter 2008 operating income increased \$1.6 million, or 37%, compared to the first quarter of 2007. In July 2007, we divested our 24% interest in OxyVinyls, which in the first quarter of 2007 lost \$1.3 million.

SunBelt earnings were \$0.2 million higher in the first quarter of 2008 compared to the first quarter of 2007 despite volumes being 4% lower. Year-over-year ECU netbacks were up approximately 17% on the strength of caustic pricing. Demand for caustic remained strong, but chlorine demand declined compared to the same period a year ago due to weak downstream PVC resin and polyurethane market conditions primarily attributable to depressed construction end markets.

All Other

All Other includes the North American Color and Additives, Producer Services and Specialty Inks and Polymer Systems operating segments. Sales in aggregate were down 5% from first quarter 2007 due mainly to a 4% decline in North American Color and Additives sales and a 9% decline in Producer Services sales. Producer Services sales were down reflecting declines in traditionally cyclical markets.

Operating income improved by \$2.5 million, or 167%, in the first quarter of 2008 compared to the first quarter of 2007 despite the revenue decline. North American Color and Additives accounted for the majority of this improvement due to benefits realized from improved commercial disciplines, pruning low margin business and tight operating cost control. Specialty Inks and Polymer Systems operating income improved by 40% in the first quarter of 2008 as compared to the first quarter of 2007, resulting from an improved mix of inks and urethane products and improved value-added selling discipline.

[Table of Contents](#)**Liquidity and Capital Resources**

The following discussion focuses on material components of cash flows from operating, investing and financing activities from the end of the preceding fiscal year (December 31, 2007) to the date of the most recent interim balance sheet (March 31, 2008).

(In millions)	Three Months Ended March 31,		Net Cash (Used) Provided
	2008	2007	
Cash flow summary			
Cash provided by operating activities	\$ 57.1	\$ 3.8	\$ 53.3
Cash used by investing activities	(158.4)	(3.5)	(154.9)
Cash provided (used) by financing activities	81.2	(0.3)	81.5
	(20.1)	—	(20.1)
Effect of exchange rates on cash	(0.1)	0.9	(1.0)
Increase (decrease) in cash and equivalents	\$ (20.2)	\$ 0.9	\$ (21.1)

(In millions)	Three Months Ended March 31,		Net Cash (Used) Provided
	2008	2007	
Cash Flows from Operating Activities			
Net income	\$ 6.5	\$ 7.4	\$ (0.9)
Depreciation and amortization	15.8	14.1	1.7
Charges for environmental remediation, net of net payments	(0.7)	(0.5)	(0.2)
Deferred income tax (benefit) provision	(0.6)	1.1	(1.7)
Stock compensation expense	0.8	0.2	0.6
Companies carried at equity and minority interest:			
Income from equity affiliates	(8.1)	(6.5)	(1.6)
Distributions and distributions received	0.9	0.2	0.7
Change in assets and liabilities:			
Decrease from working capital	(32.5)	(19.0)	(13.5)
Increase in sale of accounts receivable	86.6	—	86.6
Accrued expenses and other	(11.6)	6.8	(18.4)
Net cash provided by operating activities	\$ 57.1	\$ 3.8	\$ 53.3

Operating Activities – Our operations provided \$57.1 million of cash in the first three months of 2008, an increase of \$53.3 million from the same period in 2007 due primarily to the increase in the sale of accounts receivable used to fund the purchase of GLS. Working capital used \$13.5 million more cash in the first three months of 2008, as illustrated below.

(In millions)	Three Months Ended March 31,		Net Cash (Used) Provided
	2008	2007	
Cash Flows from working capital			
Accounts receivable	\$ (49.6)	\$ (58.2)	\$ 8.6
Inventories	(28.5)	(4.9)	(23.6)
Accounts payable	45.6	44.1	1.5
Net cash used by working capital	\$ (32.5)	\$ (19.0)	\$ (13.5)

Net cash used by working capital for the first three months of 2008 was \$32.5 million, a \$13.5 million increase from the same period last year. The increase in cash used by working capital is primarily due to increased raw material costs.

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(In millions)	<u>Three Months Ended March 31,</u>		<u>Net Cash (Used)</u>
	<u>2008</u>	<u>2007</u>	<u>Provided</u>
Cash Flows from Investing Activities			
Capital expenditures	\$ (8.4)	\$ (7.5)	\$ (0.9)
Business acquisitions, net of cash acquired	(150.0)	—	(150.0)
Proceeds from sale of assets	—	4.0	(4.0)
Net cash used by investing activities	\$ (158.4)	\$ (3.5)	\$ (154.9)

Investing activities – Cash used by investing activities in the first three months of 2008 was \$158.4 million, mainly reflecting the cash used to purchase GLS.

(In millions)	<u>Three Months Ended March 31,</u>		<u>Net Cash (Used)</u>
	<u>2008</u>	<u>2007</u>	<u>Provided</u>
Cash Flows from Financing Activities			
Change in short-term debt	\$ 81.9	\$ 0.1	\$ 81.8
Repayment of long-term debt	(0.7)	(0.7)	—
Proceeds from exercise of stock options	—	0.3	(0.3)
Net cash provided (used) by financing activities	\$ 81.2	\$ (0.3)	\$ 81.5

Financing activities – Cash provided by financing activities in the first three months of 2008 totaled \$81.2 million, mainly the result of additional short and long-term debt issued to fund the GLS acquisition.

As of March 31, 2008, we had existing facilities to access available capital resources (receivables sale facility, uncommitted short-term credit lines and senior unsecured notes and debentures) totaling \$568.5 million. As of March 31, 2008, we had used \$508.0 million of these facilities, and \$60.5 million was available to be drawn while remaining in compliance with all covenants associated with these facilities. As of March 31, 2008, we also had a \$59.2 million cash and cash equivalents balance that exceeded our typical operating cash requirements of \$35 million to \$40 million, adding to our available liquidity.

The following table summarizes our available and outstanding facilities at March 31, 2008:

(In millions)	<u>Outstanding</u>	<u>Available</u>
Long-term debt, including current maturities	\$ 331.8	\$ —
Receivables sale facility	86.6	60.5
Short-term debt	89.6	—
	<u>\$ 508.0</u>	<u>\$ 60.5</u>

Long-Term Debt — At March 31, 2008, long-term debt totaled \$309.1 million, with maturities ranging from 2008 to 2015. Current maturities of long-term debt at March 31, 2008 were \$22.7 million.

In April 2008, we sold \$80.0 million in aggregate principal amount of 8.875% senior notes due 2012 to certain institutional investors in a private placement exempt from the registration requirements of the Securities Act of 1933. Net proceeds from the offering were used to reduce the amount of receivables sold under the receivables sale facility.

Guarantee and Agreement — We entered into a definitive Guarantee and Agreement with Citicorp USA, Inc., on June 6, 2006. Under this Guarantee and Agreement, we guarantee the treasury management and banking services provided to us and our subsidiaries, such as subsidiary borrowings, interest rate swaps, foreign currency forwards, letters of credit, credit card programs and bank overdrafts. This guarantee is secured by our inventories located in the United States.

Credit Facility — On January 3, 2008, we entered into a credit agreement with Citicorp USA, Inc., as administrative agent and as issuing bank, and The Bank of New York, as paying agent. The credit agreement provides for an unsecured

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revolving and letter of credit facility with total commitments of up to \$40.0 million. The credit agreement expires on March 20, 2011.

Borrowings under the revolving credit facility are based on the applicable LIBOR rate plus a fixed fee. On January 9, 2008, we borrowed \$40.0 million under the agreement and entered into a floating to fixed interest rate swap expiring on January 9, 2009, resulting in an effective interest rate of 8.4%. The credit agreement contains covenants that, among other things, restrict our ability to incur liens, and various other customary provisions, including affirmative and negative covenants, and representations and warranties. As of March 31, 2008, we are in compliance with such covenants.

Receivables Sale Facility — The receivables sale facility was amended in June 2007 to extend the maturity to June 2012 and to among other things, modify certain financial covenants and reduce the cost of utilizing the facility. In July 2007, the receivable sale facility was amended to include up to \$25.0 million of Canadian receivables, which increased the facility size to \$200.0 million. The maximum proceeds that we may receive are limited to 85% of the eligible domestic and Canadian accounts receivable sold. This facility also makes up to \$40.0 million available for issuing standby letters of credit as a sub-limit within the \$200.0 million facility, of which \$11.4 million was used at March 31, 2008.

The facility requires us to maintain a minimum fixed charge coverage ratio (defined as Adjusted EBITDA less capital expenditures, divided by interest expense and scheduled debt repayments for the next four quarters) of at least 1 to 1 when availability under the facility is \$40.0 million or less. As of March 31, 2008, the fixed charge coverage ratio was 1.4 to 1 and we had sold \$86.6 million of accounts receivable, resulting in availability under the facility of \$60.5 million.

During the three months ended March 31, 2008, we sold \$86.6 million of our undivided interest in accounts receivable. We used the net proceeds from the issuance of \$80.0 million of 8.875% senior notes in April 2008 to reduce the amount of accounts receivable sold.

Of the capital resource facilities available to us as of March 31, 2008, the portion of the receivables sale facility that was sold provided security for the transfer of ownership of these receivables. Each indenture governing our senior unsecured notes and debentures and our guarantee of the SunBelt notes allows a specific level of secured debt, above which security must be provided on each indenture and our guarantee of the SunBelt notes. The receivables sale facility and our guarantee of the SunBelt notes are not considered debt under the covenants associated with our senior unsecured notes and debentures. As of March 31, 2008, we had sold \$86.6 million of accounts receivable and had guaranteed \$60.9 million of our SunBelt equity affiliate's debt.

We expect that profitable operations in 2008 will enable us to maintain existing levels of available capital resources and meet our cash requirements. Expected sources of cash in 2008 include net income, additional borrowings under existing or new loan agreements, cash distributions from equity affiliates and proceeds from the sale of previously closed facilities and redundant assets. Expected uses of cash in 2008 include interest expense and discounts on the sale of accounts receivable, cash taxes, a contribution to a defined benefit pension plan, debt retirements upon maturity, environmental remediation at inactive and formerly owned sites and capital expenditures. Capital expenditures are currently estimated to be between \$50 and \$60 million in 2008, primarily to support strategic growth initiatives and manufacturing operations and to upgrade our ERP system.

Based on current projections, we believe that we should be able to continue to manage and control working capital, discretionary spending and capital expenditures and that cash provided by operating activities, along with available borrowing capacity under our receivables sale facility, should allow us to maintain adequate levels of available capital resources to fund our operations and meet debt service and minimum pension funding requirements for both the short- and long-term.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions about future events that affect the amounts reported in our financial statements and accompanying notes. We base our estimates on historical experience and assumptions that we believe are reasonable under the related facts and circumstances. The application of these critical accounting policies involves the exercise of judgment and use of assumptions for future uncertainties. Accordingly, actual results could differ significantly from

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these estimates. A description of these accounting policies and estimates is included in Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2007. For additional information regarding our accounting policies, see Note C to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2007.

Goodwill – As of March 31, 2008, we had \$333.1 million of goodwill that resulted from the acquisition of businesses. SFAS No. 142, “Goodwill and Other Intangible Assets,” requires us to perform impairment tests of our goodwill at least once a year, and more frequently if an event or circumstance indicates that an impairment or decline in value may have occurred. To make this impairment assessment, we compare the fair value of each of our reporting units with that reporting unit’s carrying value. If the fair value of the reporting unit exceeds its carrying value, goodwill is considered not to be impaired. If the carrying value of a reporting unit exceeds its fair value, an impairment loss is measured and recognized. We have selected July 1 as our annual impairment testing date. We determined that goodwill was not impaired when we performed our last annual assessment as of July 1, 2007. As of March 31, 2008, no potential indicator of impairment exists, such as a significant adverse change in legal factors or business climate, an adverse action or assessment by a regulator, unanticipated competition, loss of key personnel or a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or disposed. Please refer to Note C of the Condensed Consolidated Financial Statements for further discussion. Based upon this, we concluded that an interim assessment as of March 31, 2008 was not required. We will perform our 2008 annual assessment during the third quarter of 2008.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

In this quarterly report on Form 10-Q, 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. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They use words such as “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. In particular, these include statements relating to future actions; prospective changes in raw material costs, product pricing or product demand; future performance; results of current and anticipated market conditions and market strategies; sales efforts; expenses; the outcome of contingencies such as legal proceedings; and financial results. Factors that could cause actual results to differ materially include, but are not limited to:

- the effect on foreign operations of currency fluctuations, tariffs, nationalization, exchange controls, limitations on foreign investment in local businesses and other political, economic and regulatory risks;
- changes in polymer consumption growth rates within the U.S., Europe or Asia or other countries where PolyOne conducts business;
- changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online in the polyvinyl chloride (PVC), chlor-alkali, vinyl chloride monomer (VCM) or other industries in which PolyOne participates;
- fluctuations in raw material prices, quality and supply and in energy prices and supply, in particular fluctuations outside the normal range of industry cycles;
- production outages or material costs associated with scheduled or unscheduled maintenance programs;
- the cost of compliance with environmental laws and regulations, including any increased cost of complying with new or revised laws and regulations;
- unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters, including any developments that would require any increase in our costs and/or reserves for such contingencies;
- an inability to achieve or delays in achieving or achievement of less than the anticipated financial benefit from initiatives related to PolyOne’s specialization strategy, operational excellence initiatives, cost reductions and employee productivity goals;
- an inability to raise or sustain prices for products or services;

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- an inability to maintain appropriate relations with unions and employees in certain locations in order to avoid business disruptions;
- any change in any agreements with product suppliers to PolyOne Distribution that prohibits PolyOne from continuing to distribute a supplier's products to customers;
- the ability to successfully integrate GLS;
- the ability to successfully integrate Ngai Hing PlastChem, 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.

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements.

We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. You are advised, however, to consult any further disclosures we make on related subjects in our reports on Forms 10-Q, 8-K and 10-K furnished to the SEC. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

PolyOne is exposed to market risk from changes in interest rates on debt obligations and from changes in foreign currency exchange rates. Information about these risks and exposure management is included in Item 7A "Qualitative and Quantitative Information about Market Risk" in PolyOne's Annual Report on Form 10-K for the year ended December 31, 2007. PolyOne periodically enters into interest rate swap agreements that modify its exposure to interest rate risk by converting fixed-rate obligations to floating rates. PolyOne maintained interest rate swap agreements on one of its fixed-rate obligations in the aggregate amount of \$10.0 million at March 31, 2008. At March 31, 2008, this agreement had a net fair value obligation of \$0.1 million. The interest rate for this agreement at March 31, 2008 was 9.14%.

In connection with the \$40.0 million borrowed under the revolving credit facility in January 2008, PolyOne entered into a \$40.0 million floating to fixed interest rate swap expiring on January 9, 2009 resulting in an effective interest rate of 8.4%. This derivative is not treated as a hedge and, as a result, is marked to market, with the resulting gain and loss recognized as interest expense in the Condensed Consolidated Statements of Income. At March 31, 2008, this agreement had a fair value obligation of \$0.4 million.

There have been no material changes in the market risk faced by PolyOne from December 31, 2007 to March 31, 2008.

Item 4. Controls and Procedures

Disclosure controls and procedures

PolyOne's management, under the supervision of and with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of the design and operation of PolyOne's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this quarterly report. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly report, PolyOne's disclosure controls and procedures were effective.

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Changes in internal control over financial reporting

There were no changes in PolyOne's internal control over financial reporting during the quarter ended March 31, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Part II – Other Information

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
4.1	Supplemental Indenture, dated as of April 10, 2008, between PolyOne Corporation and The Bank of New York Trust Company, N.A., as successor trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed April 11, 2008, SEC File No. 1-16091)
10.1+	Form of Award Agreement for Restricted Stock Units
10.2+	Form of Award Agreement for Stock-Settled Stock Appreciation Rights
10.3+	Form of Award Agreement for Performance Units
10.4+	Amended and Restated Deferred Compensation Plan for Non-Employee Directors
10.5	Registration Rights Agreement, dated as of April 10, 2008, between PolyOne Corporation and the Initial Purchaser (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 11, 2008, SEC File No. 1-16091)
31.1	Certification of Stephen D. Newlin, Chairman, President and Chief Executive Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a), adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of W. David Wilson, Senior Vice President and Chief Financial Officer, pursuant to SEC Rules 13a-14(a) and 15d-14(a), adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Stephen D. Newlin, Chairman, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of W. David Wilson, Senior Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

+ Indicates management contract or compensatory plan, contract or arrangement in which one or more directors or executive officers of the Registrant may be participants

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

May 6, 2008

POLYONE CORPORATION

/s/ W. David Wilson

W. David Wilson

Senior Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

EXHIBIT INDEX

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[DATE]

Attn: [_____]
 PolyOne Corporation

POLYONE CORPORATION INCENTIVE AWARD

Grant of Restricted Stock Units

THIS AGREEMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE COMMON SHARES OF THE COMPANY ARE LISTED ON THE NEW YORK STOCK EXCHANGE.

Dear [_____]:

Subject to the terms and conditions of the [INSERT PLAN] (the “Plan”) and this letter agreement (this “Agreement”), the Compensation and Governance Committee of the Board of Directors (the “Committee”) of PolyOne Corporation (“PolyOne”) (or a subcommittee thereof) has granted to you as of [DATE], the following award:

[_____] restricted stock units (the “Restricted Stock Units”), which shall become non-forfeitable in accordance with Article 1 hereof. Each Restricted Stock Unit shall represent one hypothetical share of PolyOne’s common stock, par value \$0.01, per share (a “Common Share”) and shall at all times be equal in value to one Common Share.

A copy of the Plan is available for your review through the Corporate Secretary’s office. Unless otherwise indicated, the capitalized terms used in this Agreement shall have the same meanings as set forth in the Plan.

1. **Vesting of Restricted Stock Units.**

- (a) Provided that you have been in the continuous employ of PolyOne from the date hereof until [DATE] (the “Restriction Period”), the Restricted Stock Units shall become non-forfeitable on [DATE] (the “Vesting Date”).
 - (b) Notwithstanding the provisions of Section 1(a), (i) all of the Restricted Stock Units shall immediately become non-forfeitable if a Change of Control (as defined on Exhibit A to this Agreement) occurs, and (ii) a pro-rata portion of the Restricted Stock Units shall immediately become non-forfeitable if your
-

employment terminates prior to [DATE] due to (A) your retirement at age 55 or older with at least 10 years of service or retirement under other circumstances entitling you to receive benefits under one of PolyOne's (including its predecessors) defined benefit pension plans, (B) your permanent and total disability (as defined under the relevant disability plan or program of PolyOne or a Subsidiary in which you then participate), or (C) your death, such proration to be based on the portion of the Restriction Period during which you were employed by PolyOne.

2. **Other Termination.** If your employment with PolyOne or a Subsidiary terminates before the Vesting Date for any reason other than as set forth in Section 1(b)(ii) and before a Change of Control, the Restricted Stock Units will be forfeited.
3. **Payment of Restricted Stock Units.** The Restricted Stock Units that have become non-forfeitable pursuant to Section 1 will be paid in Common Shares transferred to you on the 10th business day following the Vesting Date, provided, however, in the event a Change of Control occurs prior to the Vesting Date and such Change of Control constitutes a change of ownership or effective control of PolyOne, or a change in the ownership of a substantial portion of the assets of PolyOne, within the meaning of Section 409A of the Code, the Restricted Stock Units will be so paid on the 10th business day following such Change of Control. If PolyOne determines that it is required to withhold any federal, state, local or foreign taxes from any payment, PolyOne may withhold Common Shares with a Market Value per Share equal to the amount of these taxes from the payment.
4. **Dividend, Voting and Other Rights.** You shall have no rights of ownership in the Restricted Stock Units and shall have no right to vote them until the date on which the Restricted Stock Units are transferred to you pursuant to Section 3. While the Restricted Stock Units are still outstanding, on the date that PolyOne pays a cash dividend to holders of Common Shares generally, you shall be entitled to a number of additional whole Restricted Stock Units determined by dividing (i) the product of (A) the dollar amount of the cash dividend paid per Common Share on such date and (B) the total number of Restricted Stock Units (including dividend equivalents paid thereon) previously credited to you as of such date, by (ii) the Market Value per Share on such date. Such dividend equivalents shall be subject to the same terms and conditions and shall be settled or forfeited in the same manner and at the same time as the Restricted Stock Units to which the dividend equivalents were credited.
5. **Adjustments.** In the event of any change in the number of Common Shares by reason of a merger, consolidation, reorganization, recapitalization, or similar transaction, or in the event of a stock dividend, stock split, or distribution to shareholders (other than normal cash dividends), the number of Restricted Stock Units then held by you will be adjusted. Such adjustment shall be made automatically on the customary arithmetical basis in the case of any stock split, including a stock split effected by means of a stock dividend, and in the case of any other dividend paid in PolyOne common shares. If any such transaction or event occurs, the Committee may provide in substitution for outstanding Restricted Stock Units such alternative consideration (including, without limitation, in the form of cash, securities or other property) as it may determine to be equitable in the

circumstances and may require in connection therewith the surrender of the Restricted Stock Units subject to this Agreement. No adjustment provided for in this Section 5 will require PolyOne to issue any fractional shares.

6. **Non-Assignability.** The Restricted Stock Units subject to this grant of Restricted Stock Units are personal to you and may not be sold, exchanged, assigned, transferred, pledged, encumbered or otherwise disposed of by you until they become earned as provided in this Agreement; provided, however, that your rights with respect to such Restricted Stock Units may be transferred by will or pursuant to the laws of descent and distribution. Any purported transfer or encumbrance in violation of the provisions of this Section 6 shall be void, and the other party to any such purported transaction shall not obtain any rights to or interest in such Restricted Stock Units.
7. **Miscellaneous.**
 - (a) The contents of this Agreement are subject in all respects to the terms and conditions of the Plan as approved by the Board and the shareholders of PolyOne, which are controlling. The interpretation and construction by the Board and/or the Committee of any provision of the Plan or this Agreement shall be final and conclusive upon you, your estate, executor, administrator, beneficiaries, personal representative and guardian and PolyOne and its successors and assigns.
 - (b) The grant of the Restricted Stock Units is discretionary and will not be considered to be an employment contract or a part of your terms and conditions of employment or of your salary or compensation. Information about you and your participation in the Plan, including, without limitation, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in PolyOne, and details of the Restricted Stock Units or other entitlement to shares of stock awarded, cancelled, exercised, vested, unvested or outstanding in your favor may be collected, recorded, held, used and disclosed by PolyOne and any of its Subsidiaries and any non-PolyOne entities engaged by PolyOne to provide services in connection with this grant (a "Third Party Administrator"), for any purpose related to the administration of the Plan. You understand that PolyOne and its Subsidiaries may transfer such information to Third Party Administrators, regardless of whether such Third Party Administrators are located within your country of residence, the European Economic Area or in countries outside of the European Economic Area, including the United States of America. You consent to the processing of information relating to you and your participation in the Plan in any one or more of the ways referred to above. This consent may be withdrawn at any time in writing by sending a declaration of withdrawal to PolyOne's chief human resources officer.
 - (c) Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto. The terms and conditions of this Agreement may not be modified, amended or waived, except by an instrument in writing signed by a duly authorized executive officer at PolyOne.

Notwithstanding the foregoing, no amendment shall adversely affect your rights under this Agreement without your consent.

(d) [FOR EMPLOYEES SIGNING EMPLOYEE AGREEMENT] It is a condition to your receipt of the Restricted Stock Units that you execute and agree to the terms of PolyOne's current and applicable Employee Agreement (the "Employee Agreement"). If you do not sign and return the Employee Agreement to PolyOne Human Resources within 30 days of your receipt of this Grant of Restricted Stock Units, this Grant of Restricted Stock Units and any rights to the Restricted Stock Units will terminate and become null and void.

[(d)(e)] By signing this Agreement, you acknowledge that you have entered into an Employee Agreement [(the "Employee Agreement")] with PolyOne. You understand that, as set forth in Paragraph 5 and Attachment A of the Employee Agreement, you have agreed not to engage in certain prohibited practices in competition with PolyOne following the termination of your employment (hereinafter referred to as the "Covenant Not to Compete"). You further acknowledge that as consideration for entering into the Covenant Not to Compete, PolyOne is providing you the opportunity to participate in PolyOne's long-term incentive plan and receive the award set forth in this Agreement. You understand that eligibility for participation in the long-term incentive plan was conditioned upon entering into the Covenant Not to Compete. You further understand and acknowledge that you would have been ineligible to participate in the long-term incentive plan and receive this award had you decided not to agree to the Covenant Not to Compete. You understand that the acknowledgment contained in this sub-section is a part of the Employee Agreement and is to be interpreted in a manner consistent with its terms.

8. **Notice.** All notices under this Agreement to PolyOne must be delivered personally or mailed to PolyOne Corporation at PolyOne Center, Avon Lake, Ohio 44012, Attention: Corporate Secretary. PolyOne's address may be changed at any time by written notice of such change to you. Also, all notices under this Agreement to you will be delivered personally or mailed to you at your address as shown from time to time in PolyOne's records.

9. **Compliance with Section 409A of the Code.**

(a) To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to you. This Agreement and the Plan shall be administered in a manner consistent with this intent.

(b) Reference to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

This Agreement, and the terms and conditions of the Plan, shall bind, and inure to the benefit of you, your estate, executor, administrator, beneficiaries, personal representative and guardian and PolyOne and its successors and assigns.

Very Truly Yours,

POLYONE CORPORATION

By: _____
Kenneth M. Smith, Senior Vice President and
Chief Human Resources Officer

Accepted:

_____ (Date)

Exhibit A

A “Change of Control” means:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Company where such acquisition causes such Person to own 25% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this paragraph (a), the following acquisitions shall not be deemed to result in a Change of Control: (i) any acquisition directly from the Company that is approved by the Incumbent Board (as defined in paragraph (b) below), (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii) and (iii) of paragraph (c) below; provided, further, that if any Person’s beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 25% as a result of a transaction described in clause (i) or (ii) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 25% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) less than 25% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person’s acquisition; or

(b) individuals who, as of August 31, 2000, constitute the Board (the “Incumbent Board” as modified by this paragraph (b)) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to August 31, 2000 whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation or other transaction (“Business Combination”) excluding, however, such a Business Combination pursuant to which (i) the individuals and entities who were the beneficial

owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (ii) no Person (excluding any employee benefit plan (or related trust) of the Company, the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the entity resulting from such Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company except pursuant to a Business Combination that complies with clauses (i), (ii) and (iii) of paragraph (c) above.



[DATE]

Attn: [_____]
 PolyOne Corporation

POLYONE CORPORATION INCENTIVE AWARD

Grant of Stock-Settled SARs

THIS AGREEMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE COMMON SHARES OF THE COMPANY ARE LISTED ON THE NEW YORK STOCK EXCHANGE.

Dear [_____]:

Subject to the terms and conditions of the [INSERT PLAN] (the “Plan”) and this letter agreement (this “Agreement”), the Compensation and Governance Committee of the Board of Directors (the “Committee”) of PolyOne Corporation (“PolyOne”) has granted to you as of [DATE], the following award:

Stock-Settled Stock Appreciation Rights (“SARs”) in respect of an aggregate of [_____] common shares of PolyOne, having a par value of \$.01 per share (the “Common Shares”). The price (the “Base Price”) to be used as the basis for determining the Spread (as defined below) upon exercise of the SAR is \$_____, the fair market value of one Common Share on [DATE].

A copy of the Plan is available for your review through the Corporate Secretary’s office. Unless otherwise indicated, the capitalized terms used in this Agreement shall have the same meanings as set forth in the Plan.

1. **Exercise of SARs.**

- (a) Subject to the provisions of the Plan and this Agreement, the SARs will expire on [DATE] and shall be exercisable on or before [DATE]. Provided that you have been in the continuous employ of PolyOne on such date, vesting will occur as follows:
 - [INSERT VESTING SCHEDULE]
-

- (b) The SARs may be exercised as provided in this Section 1(b) as to all or any of the SARs that are exercisable in accordance with Section 1(a), as long as each exercise covers at least 1,000 SARs. To exercise the SARs, you must submit a SAR Exercise Form to PolyOne signed by you stating the number of SARs you are exercising at that time and certifying that you are in compliance with the terms and conditions of the Plan. PolyOne will then issue you the number of Common Shares determined under Section 1(c).
 - (c) The number of Common Shares to be issued will be determined by calculating (1) the difference between the fair market value of a Common Share on the date of exercise and the Base Price (the "Spread"); (2) multiplied by the number of SARs exercised; (3) less any withholding taxes (federal, state, local or foreign taxes) PolyOne determines are to be withheld in accordance with the Plan and with applicable law. The result of this calculation will then be divided by the fair market value of a Common Share on the date of exercise to determine the number of Common Shares to be issued, rounded down to the nearest whole share. For purposes of this Section 1(c), the term "fair market value" will mean the average of the high and low prices of the Common Shares for the relevant date as reported on the New York Stock Exchange — Composite Transactions Listing or similar report. In no event will you be entitled to acquire a fraction of one Common Share pursuant to this Agreement.
2. **Vesting Upon a Change of Control.** If a Change of Control (as defined on Exhibit A to this Agreement) occurs during the term of the SARs, the SARs, to the extent not previously fully exercisable, will become immediately exercisable in full.
3. **Retirement, Disability or Death.** If your employment with PolyOne or a Subsidiary terminates before the expiration of the SARs due to (1) retirement at age 55 or older with at least 10 years of service or retirement under other circumstances entitling you to receive benefits under one of PolyOne's (including its predecessors) defined benefit pension plans, (2) permanent and total disability (as defined under the relevant disability plan or program of PolyOne or a Subsidiary in which you then participate) or (3) death, then:
- (a) Any SARs that are vested at the time of termination of employment as provided in Section 1(a) above may be exercised in whole or in part for the shorter of (i) a period of three years after your termination of employment or (ii) the remainder of their term, but in no event beyond [DATE], after which such SARs will terminate; and
 - (b) You will be entitled to exercise, in whole or in part, the SARs that become vested on the vesting date set forth in Section 1(a) above that immediately follows your termination of employment (if any) if your employment terminates no more than six (6) months prior to such vesting date and you will be entitled to exercise such SARs for the shorter of (i) a period of three years after your termination of employment and (ii) the remainder of their term, but in no event beyond [DATE], after which such SARs will terminate.

4. **Termination Following Change of Control.**

- (a) If your employment with PolyOne or a Subsidiary terminates following a Change of Control because (i) your employment is involuntarily terminated without “Cause” (as defined below), or (ii) you terminate your employment for “Good Reason” (as defined below), the SARs become immediately vested and may be exercised in whole or in part at any time and from time to time for the remainder of their term, but in no event beyond [DATE], after which the SARs will terminate.
- (b) For purposes of Section 4(a) above:
- (i) If you are a party to a Management Continuity Agreement, “Cause” shall mean “Cause” and “Good Reason” shall mean “Good Reason,” each as defined in your Management Continuity Agreement;
- (ii) If you are not a party to a Management Continuity Agreement, “Cause” shall mean: (A) the willful and continued failure by you to substantially perform your duties with PolyOne, which failure causes material and demonstrable injury to PolyOne (other than any such failure resulting from your incapacity due to physical or mental illness), after a demand for substantial performance is delivered to you by PolyOne which specifically identifies the manner in which you have not substantially performed your duties, and after you have been given a period (hereinafter known as the “Cure Period”) of at least thirty (30) days to correct your performance, or (B) the willful engaging by you in other gross misconduct materially and demonstrably injurious to PolyOne. For purposes of this Section 4(b)(ii), no act, or failure to act, on your part shall be considered “willful” unless conclusively demonstrated to have been done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interests of PolyOne; and
- (iii) If you are not a party to a Management Continuity Agreement, “Good Reason” shall mean, without your express written consent: (A) your permanent assignment to a new work location that would either increase your routine one-way commute by fifty (50) or more miles, measured by the shortest commonly traveled routes between your then-current residence and new reporting or work location, or make your routine one-way commute sixty (60) or more miles, or (B) a reduction in your base salary, target annual incentive amount or employer-provided benefits, if immediately after the reduction the aggregate total of your base salary, target annual incentive amount and value of employer-provided benefits is less than eighty percent (80%) of the aggregate total of your salary, target annual incentive amount and the value of employer-provided benefits immediately prior to the Change of Control.

5. **Other Termination.** If your employment with PolyOne or a Subsidiary terminates before the expiration of the SARs for any reason other than as set forth in Sections 3 or 4 above, the SARs that are exercisable shall be limited to the number of SARs that could have been exercised under Section 1 above at the time of your termination of employment and shall terminate as to the remaining SARs and may be exercised as to such limited number of SARs at any time within ninety (90) days of your termination of employment, but in no event beyond [DATE], after which the SARs will terminate.
6. **Non-Assignability.** The SARs are personal to you and are not transferable by you other than by will or the laws of descent and distribution. They are exercisable during your lifetime only by you or by your guardian or legal representative.
7. **Adjustments.** In the event of any change in the number of Common Shares by reason of a merger, consolidation, reorganization, recapitalization, or similar transaction, or in the event of a stock dividend, stock split, or distribution to shareholders (other than normal cash dividends), the number and class of shares subject to outstanding SARs, the Base Price applicable to outstanding SARs and other value determinations, if any, applicable to outstanding SARs will be adjusted. Such adjustment shall be made automatically on the customary arithmetical basis in the case of any stock split, including a stock split effected by means of a stock dividend, and in the case of any other dividend paid in PolyOne common shares. If any such transaction or event occurs, the Committee may provide in substitution for outstanding SARs such alternative consideration (including, without limitation, in the form of cash, securities or other property) as it may determine to be equitable in the circumstances and may require in connection therewith the surrender of the SARs subject to this Agreement. No adjustment provided for in this Section 7 will require PolyOne to issue any fractional shares.
8. **Miscellaneous.**
 - (a) The contents of this letter are subject in all respects to the terms and conditions of the Plan as approved by the Board and the shareholders of PolyOne, which are controlling. The interpretation and construction by the Board and/or the Committee of any provision of the Plan or this Agreement shall be final and conclusive upon you, your estate, executor, administrator, beneficiaries, personal representative and guardian and PolyOne and its successors and assigns.
 - (b) The grant of the SARs is discretionary and will not be considered to be an employment contract or a part of your terms and conditions of employment or of your salary or compensation. Information about you and your participation in the Plan, including, without limitation, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in PolyOne, and details of the SARs or other entitlement to shares of stock awarded, cancelled, exercised, vested, unvested or outstanding in your favor may be collected, recorded, held, used and disclosed by PolyOne and any of its Subsidiaries and any non-PolyOne entities engaged by PolyOne to provide services in connection with

this grant (a “Third Party Administrator”), for any purpose related to the administration of the Plan. You understand that PolyOne and its Subsidiaries may transfer such information to Third Party Administrators, regardless of whether such Third Party Administrators are located within your country of residence, the European Economic Area or in countries outside of the European Economic Area, including the United States of America. You consent to the processing of information relating to you and your participation in the Plan in any one or more of the ways referred to above. This consent may be withdrawn at any time in writing by sending a declaration of withdrawal to PolyOne’s chief human resources officer.

- (c) Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto. The terms and conditions of this Agreement may not be modified, amended or waived, except by an instrument in writing signed by a duly authorized executive officer at PolyOne. Notwithstanding the foregoing, no amendment shall adversely affect your rights under this Agreement without your consent.
- (d) [FOR EMPLOYEES SIGNING EMPLOYEE AGREEMENT] It is a condition to your receipt of the SARs that you execute and agree to the terms of PolyOne’s current and applicable Employee Agreement (the “Employee Agreement”). If you do not sign and return the Employee Agreement to PolyOne Human Resources within 30 days of your receipt of this Grant of Stock Settled SARs, this Grant of Stock Settled SARs and any rights to the SARs will terminate and become null and void.
- [(d)/(e)]** By signing this Agreement, you acknowledge that you have entered into an Employee Agreement [(the “Employee Agreement”)] with PolyOne. You understand that, as set forth in Paragraph 5 and Attachment A of the Employee Agreement, you have agreed not to engage in certain prohibited practices in competition with PolyOne following the termination of your employment (hereinafter referred to as the “Covenant Not to Compete”). You further acknowledge that as consideration for entering into the Covenant Not to Compete, PolyOne is providing you the opportunity to participate in PolyOne’s long-term incentive plan and receive the award set forth in this Agreement. You understand that eligibility for participation in the long-term incentive plan was conditioned upon entering into the Covenant Not to Compete. You further understand and acknowledge that you would have been ineligible to participate in the long-term incentive plan and receive this award had you decided not to agree to the Covenant Not to Compete. You understand that the acknowledgment contained in this sub-section is a part of the Employee Agreement and is to be interpreted in a manner consistent with its terms.

9. **Notice.** All notices under this Agreement to PolyOne must be delivered personally or mailed to PolyOne Corporation at PolyOne Center, Avon Lake, Ohio 44012, Attention: Corporate Secretary. PolyOne’s address may be changed at any time by written notice of such change to you. Also, all notices under this Agreement to you will be delivered

personally or mailed to you at your address as shown from time to time in PolyOne's records.

10. **Compliance with Section 409A of the Code.**

- (a) To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to you. This Agreement and the Plan shall be administered in a manner consistent with this intent.
- (b) Reference to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

This Agreement, and the terms and conditions of the Plan, shall bind, and inure to the benefit of you, your estate, executor, administrator, beneficiaries, personal representative and guardian and PolyOne and its successors and assigns.

Very Truly Yours,

POLYONE CORPORATION

By: _____
Kenneth M. Smith, Senior Vice President
and Chief Human Resources Officer

Accepted:

_____ (Date)

Exhibit A

A “Change of Control” means:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Company where such acquisition causes such Person to own 25% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this paragraph (a), the following acquisitions shall not be deemed to result in a Change of Control: (i) any acquisition directly from the Company that is approved by the Incumbent Board (as defined in paragraph (b) below), (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii) and (iii) of paragraph (c) below; provided, further, that if any Person’s beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 25% as a result of a transaction described in clause (i) or (ii) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 25% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) less than 25% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person’s acquisition; or

(b) individuals who, as of August 31, 2000, constitute the Board (the “Incumbent Board” as modified by this paragraph (b)) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to August 31, 2000 whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation or other transaction (“Business Combination”); excluding, however, such a Business Combination pursuant to which (i) the individuals and entities who were the beneficial

owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (ii) no Person (excluding any employee benefit plan (or related trust) of the Company, the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the entity resulting from such Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company except pursuant to a Business Combination that complies with clauses (i), (ii) and (iii) of paragraph (c) above.



Attn: [_____]
PolyOne Corporation

POLYONE CORPORATION INCENTIVE AWARD

Grant of Performance Units

THIS AGREEMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE COMMON SHARES OF THE COMPANY ARE LISTED ON THE NEW YORK STOCK EXCHANGE.

Dear [_____]:

Subject to the terms and conditions of the [INSERT PLAN] (the "Plan") and this letter agreement (this "Agreement"), the Compensation and Governance Committee of the Board of Directors (the "Committee") of PolyOne Corporation ("PolyOne") (or a subcommittee thereof) has granted to you as of [DATE], the following award:

[_____] performance units (the "Performance Units"), with each such Performance Unit being equal in value to \$1.00, payment of which depends on PolyOne's performance as set forth in this Agreement and in your Statement of Performance Goals.

A copy of the Plan is available for your review through the Corporate Secretary's office. Unless otherwise indicated, the capitalized terms used in this Agreement shall have the same meanings as set forth in the Plan.

1. Performance Units.

- (a) Your right to receive all or any portion of the Performance Units will be contingent upon the achievement of certain management objectives (the "Management Objectives"), as set forth in your Statement of Performance Goals. The achievement of the Management Objectives will be measured during the period from January 1, 20__ through December 31, 20__(the "Performance Period").
 - (b) The Management Objectives for the Performance Period will be based solely on achievement of performance goals relating to PolyOne's earnings per share ("Earnings Per Share"), as defined in your Statement of Performance Goals.
-

2. **Earning of Performance Units.**

- (a) The Performance Units shall be earned as follows:
 - (i) If, upon the conclusion of the Performance Period, Earnings Per Share equal or exceed the threshold level, but is less than the 100% target level, as set forth in the Performance Matrix contained in your Statement of Performance Goals, a proportionate number of the Performance Units shall become earned, as determined by mathematical interpolation and rounded up to the nearest whole unit.
 - (ii) If, upon the conclusion of the Performance Period, Earnings Per Share equal or exceed the 100% target level, but is less than the maximum level, as set forth in the Performance Matrix contained in your Statement of Performance Goals, a proportionate number of the Performance Units shall become earned, as determined by mathematical interpolation and rounded up to the nearest whole unit.
 - (iii) If, upon the conclusion of the Performance Period, Earnings Per Share equal or exceed the maximum level, as set forth in the Performance Matrix contained in your Statement of Performance Goals, 200% of the Performance Units shall become earned.
 - (b) In no event shall any Performance Units become earned if actual performance falls below the threshold level for Earnings Per Share.
 - (c) If the Committee determines that a change in the business, operations, corporate structure or capital structure of PolyOne, the manner in which it conducts business or other events or circumstances render the Management Objectives to be unsuitable, the Committee may modify such Management Objectives or the related levels of achievement, in whole or in part, as the Committee deems appropriate; provided, however, that no such action will be made in the case of a Covered Employee where such action may result in the loss of the otherwise available exemption of the award under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").
 - (d) Your right to receive any Performance Units is contingent upon your remaining in the continuous employ of PolyOne or a Subsidiary through the end of the Performance Period. Following the Performance Period, the Committee shall determine the number of Performance Units that shall have become earned hereunder. For awards to Covered Employees, the Committee shall only have the ability and authority to reduce, but not increase, the amount of Performance Units that become earned hereunder.
3. **Change of Control.** If a Change of Control (as defined on Exhibit A to this Agreement) occurs during the Performance Period, PolyOne shall pay to you 100% of the Performance Units as soon as administratively practicable after, but in all events no later than 60 days following, the Change of Control.

4. **Retirement, Disability or Death.** If your employment with PolyOne or a Subsidiary terminates before the end of the Performance Period due to (1) retirement at age 55 or older with at least 10 years of service or retirement under other circumstances entitling you to receive benefits under one of PolyOne's (including its predecessors) defined benefit pension plans, (2) permanent and total disability (as defined under the relevant disability plan or program of PolyOne or a Subsidiary in which you then participate) or (3) death, PolyOne shall pay to you or your executor or administrator, as the case may be, after the end of the Performance Period, the portion of the Performance Units to which you would have been entitled under Section 2 above, had you remained employed by PolyOne through the end of the Performance Period, prorated based on the portion of the Performance Period during which you were employed by PolyOne. The pro-rata portion of the Performance Units required to be paid under this Section 4 shall be paid to you or your executor or administrator, as the case may be, as provided in Section 6 of this Agreement.
5. **Other Termination.** If your employment with PolyOne or a Subsidiary terminates before the end of the Performance Period for any reason other than as set forth in Section 4 above and before a Change of Control, the Performance Units will be forfeited.
6. **Payment of Performance Units.** Payment of any Performance Units that become earned as set forth herein will be made in cash. Payment will be made in the year following the end of the Performance Period as soon as practicable after the receipt of audited financial statements of PolyOne relating to the last fiscal year of the Performance Period, the determination by the Committee of the level of attainment of the Management Objectives and certification by the Board that such Management Objectives were satisfied, but payment shall in all cases be made within two and one-half months of the expiration of the Performance Period. If PolyOne determines that it is required to withhold any federal, state, local or foreign taxes from any payment, PolyOne will withhold the amount of these taxes from the payment.
7. **Non-Assignability.** The Performance Units subject to this grant of Performance Units are personal to you and may not be sold, exchanged, assigned, transferred, pledged, encumbered or otherwise disposed of by you until they become earned as provided in this Agreement; provided, however, that your rights with respect to such Performance Units may be transferred by will or pursuant to the laws of descent and distribution. Any purported transfer or encumbrance in violation of the provisions of this Section 7 shall be void, and the other party to any such purported transaction shall not obtain any rights to or interest in such Performance Units.

8. Miscellaneous.

- (a) The contents of this Agreement are subject in all respects to the terms and conditions of the Plan as approved by the Board and the shareholders of PolyOne, which are controlling. The interpretation and construction by the Board and/or the Committee of any provision of the Plan or this Agreement shall be final and conclusive upon you, your estate, executor, administrator, beneficiaries, personal representative and guardian and PolyOne and its successors and assigns.
- (b) The grant of the Performance Units is discretionary and will not be considered to be an employment contract or a part of your terms and conditions of employment or of your salary or compensation. Information about you and your participation in the Plan, including, without limitation, your name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in PolyOne, and details of the Performance Units or other entitlement to shares of stock awarded, cancelled, exercised, vested, unvested or outstanding in your favor may be collected, recorded, held, used and disclosed by PolyOne and any of its Subsidiaries and any non-PolyOne entities engaged by PolyOne to provide services in connection with this grant (a "Third Party Administrator"), for any purpose related to the administration of the Plan. You understand that PolyOne and its Subsidiaries may transfer such information to Third Party Administrators, regardless of whether such Third Party Administrators are located within your country of residence, the European Economic Area or in countries outside of the European Economic Area, including the United States of America. You consent to the processing of information relating to you and your participation in the Plan in any one or more of the ways referred to above. This consent may be withdrawn at any time in writing by sending a declaration of withdrawal to PolyOne's chief human resources officer.
- (c) Any amendment to the Plan shall be deemed to be an amendment to this Agreement to the extent that the amendment is applicable hereto. The terms and conditions of this Agreement may not be modified, amended or waived, except by an instrument in writing signed by a duly authorized executive officer at PolyOne. Notwithstanding the foregoing, no amendment shall adversely affect your rights under this Agreement without your consent.
- (d) [FOR EMPLOYEES SIGNING EMPLOYEE AGREEMENT] It is a condition to your receipt of the Performance Units that you execute and agree to the terms of PolyOne's current and applicable Employee Agreement (the "Employee Agreement"). If you do not sign and return the Employee Agreement to PolyOne Human Resources within 30 days of your receipt of this Grant of Performance Units, this Grant of Performance Units and any rights to the Performance Units will terminate and become null and void.
- [(d)/(e)] By signing this Agreement, you acknowledge that you have entered into an Employee Agreement [(the "Employee Agreement")] with PolyOne. You

understand that, as set forth in Paragraph 5 and Attachment A of the Employee Agreement, you have agreed not to engage in certain prohibited practices in competition with PolyOne following the termination of your employment (hereinafter referred to as the "Covenant Not to Compete"). You further acknowledge that as consideration for entering into the Covenant Not to Compete, PolyOne is providing you the opportunity to participate in PolyOne's long-term incentive plan and receive the award set forth in this Agreement. You understand that eligibility for participation in the long-term incentive plan was conditioned upon entering into the Covenant Not to Compete. You further understand and acknowledge that you would have been ineligible to participate in the long-term incentive plan and receive this award had you decided not to agree to the Covenant Not to Compete. You understand that the acknowledgment contained in this sub-section is a part of the Employee Agreement and is to be interpreted in a manner consistent with its terms.

9. **Notice.** All notices under this Agreement to PolyOne must be delivered personally or mailed to PolyOne Corporation at PolyOne Center, Avon Lake, Ohio 44012, Attention: Corporate Secretary. PolyOne's address may be changed at any time by written notice of such change to you. Also, all notices under this Agreement to you will be delivered personally or mailed to you at your address as shown from time to time in PolyOne's records.

10. **Compliance with Section 409A of the Code.**

- (a) To the extent applicable, it is intended that this Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to you. This Agreement and the Plan shall be administered in a manner consistent with this intent.
- (b) Reference to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

This Agreement, and the terms and conditions of the Plan, shall bind, and inure to the benefit of you, your estate, executor, administrator, beneficiaries, personal representative and guardian and PolyOne and its successors and assigns.

Very Truly Yours,

POLYONE CORPORATION

By: _____
Kenneth M. Smith, Senior Vice President
and Chief Human Resources Officer

Accepted:

_____ (Date)

Exhibit A

A “Change of Control” means:

(a) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Company where such acquisition causes such Person to own 25% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that for purposes of this paragraph (a), the following acquisitions shall not be deemed to result in a Change of Control: (i) any acquisition directly from the Company that is approved by the Incumbent Board (as defined in paragraph (b) below), (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii) and (iii) of paragraph (c) below; provided, further, that if any Person’s beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 25% as a result of a transaction described in clause (i) or (ii) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 25% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 25% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) less than 25% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person’s acquisition; or

(b) individuals who, as of August 31, 2000, constitute the Board (the “Incumbent Board” as modified by this paragraph (b)) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to August 31, 2000 whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation or other transaction (“Business Combination”) excluding, however, such a Business Combination pursuant to which (i) the individuals and entities who were the beneficial

owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (ii) no Person (excluding any employee benefit plan (or related trust) of the Company, the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the entity resulting from such Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company except pursuant to a Business Combination that complies with clauses (i), (ii) and (iii) of paragraph (c) above.

POLYONE CORPORATION
DEFERRED COMPENSATION PLAN
FOR NON-EMPLOYEE DIRECTORS
(As Amended and Restated Effective April 1, 2008)

ARTICLE I
PURPOSE OF THE PLAN

The purpose of the PolyOne Corporation (the "Company") Deferred Compensation Plan for Non-Employee Directors is to provide any Non-Employee Director of the Company the option to defer receipt of the compensation payable for services as a Director and to build loyalty to the Company through increased ownership in the Company's Common Stock.

ARTICLE II
DEFINITIONS

As used herein, the following words shall have the meaning stated after them unless otherwise specifically provided:

2.1 "Calendar Year" shall mean the twelve month period January 1 through December 31.

2.2 "Change in Control" shall mean any of the following events:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Company where such acquisition causes such Person to own 20% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not be deemed to result in a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii) and (iii) of subsection (c) below; provided, further, that if any Person's beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 20% as a result of a transaction described in clause (i) or (ii) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 20% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the Outstanding Company Voting Securities inadvertently, and such

Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) less than 20% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person's acquisition; or

(b) Individuals who, as of November 6, 1996, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to November 6, 1996 whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) The consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation ("Business Combination"); excluding, however, such a Business Combination pursuant to which (i) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Voting Securities, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

2.3 "Committee" shall mean the Compensation and Governance Committee described in Section 8.1 hereof.

2.4 “Common Stock” or “stock” means common shares, par value \$.01 per share, of the Company, including authorized and unissued shares and treasury shares.

2.5 “Company” means PolyOne Corporation, an Ohio corporation.

2.6 “Director” shall mean any non-employee director of the Company.

ARTICLE III
ELECTIONS BY DIRECTORS

3.1 Election to Defer. At any time designated by the Company before the beginning of a taxable year (the “Election Period”), a Director may elect to defer receipt of the compensation payable to him or her for services as a Director during the taxable year. Such election shall be made on an election form specified by the Company (the “Election Form”). A Director’s initial Election Form will, subject to the following sentence, include an election as to the time of payment or the commencement of payment and the manner of payment of all amounts in his or her Account. In addition, if a Director has elected to receive or commence payment in a specified year, the Election Form for the Election Period immediately prior to such specified year shall contain the Director’s election regarding the time and manner of payment of amounts in his or her Account for that and all future Election Periods. Notwithstanding the foregoing, with respect to the first taxable year in which a person becomes a Director, such Director may, within 30 days of becoming a Director, make an election to defer compensation payable to him or her in such taxable year for services as a Director subsequent to the election. Each Director’s Election Form shall indicate the portion of the Director’s compensation to be invested in an interest-bearing account and the portion of such compensation to be invested in Common Stock.

3.2 Effectiveness of Elections. Elections shall be effective and, except as set forth in Section 3.3, irrevocable upon the delivery of an Election Form to the Committee. Subject to the provisions of Article VI, amounts deferred pursuant to such elections shall be distributed at the time and in the manner set forth in such election.

3.3 Amendment and Termination of Elections. A Director may terminate or amend his or her election to defer receipt of compensation by written notice delivered to the Committee during the Election Period prior to the commencement of the taxable year with respect to which such compensation will be earned. Amendments which serve only to change the beneficiary designation shall be permitted at any time and as often as necessary.

ARTICLE IV
COMMON STOCK AVAILABLE UNDER THE PLAN

4.1 Common Stock. The aggregate number of shares of Common Stock that may be credited to Accounts pursuant to the third sentence of Section 5.1 shall not be limited. The aggregate number of shares of Common Stock that may be granted and credited to Accounts pursuant to the last sentence of Section 5.1 under this Plan in any fiscal year of the Company during the term of this Plan will be equal to one tenth of one percent (0.1%) of the number of shares of Common Stock outstanding as of the first day of that fiscal year. Shares of Common Stock awarded to a Director as compensation pursuant to any other plan or arrangement of the

Company, the receipt of which the Director defers pursuant to this Plan, shall not reduce the number of shares of Common Stock that may be granted under this Plan in accordance with the immediately preceding sentence.

4.2 Adjustment. In the event of any change in the Common Stock of the Company by reason of a merger, consolidation, reorganization, or similar transaction, or in the event of a stock dividend, stock split, or distribution to shareholders (other than normal cash dividends), the Committee will adjust the number and class of shares that may be issued under this Plan, the number and class of shares subject to outstanding deferrals, and the fair market value of the Common Stock, and other determinations applicable to outstanding awards.

ARTICLE V ACCOUNTS

5.1 Accounts. The Company shall establish and maintain two separate Deferred Compensation Accounts (each an "Account") for each Director who elects to defer compensation under the Plan: (a) the "Grandfathered Account" for amounts that are "deferred" (as such term is defined in Section 409A of the Internal Revenue Code of 1986, as amended (the "Code")) as of December 31, 2004 (and earnings thereon) and (b) the "Post-2004 Account" for amounts that are deferred after December 31, 2004 (and earnings thereon). If the Director elects to have deferred cash compensation invested in an interest-bearing account, the Company shall credit the Account of the Director with an amount equal to one hundred percent (100%) of the compensation deferred pursuant to this Plan. In the event that a Director elects to have some or all of his or her cash compensation invested in Common Stock, then the Company shall credit the Account of the Director with an amount equal to one hundred percent (100%) of such compensation, in the form of a number of shares of Common Stock, valued at its Fair Market Value. As used herein, the Fair Market Value of Common Stock shall be the average of the high and low prices of the Company's Common Stock as reported on the composite tape for securities listed on the New York Stock Exchange for the date immediately preceding the date of crediting the Account, provided that if no sales of Common Stock were made on said Exchange on that date, the Fair Market Value shall be the average of the high and low prices of Common Stock as reported on said composite tape for the preceding day on which sales of Common Stock were made on said Exchange. The Accounts shall be credited as of the date on which the compensation would otherwise have been paid to the Director, if not deferred under the Plan. In the event that a Director elects to defer compensation that, but for the Director's election to defer, the Director would have received in the form of Common Stock (rather than cash or some other non-stock form of compensation), then the Company shall credit the Account of the Director with an amount equal to one hundred percent (100%) of such compensation, in the form of the number of shares of Common Stock otherwise payable to the Director under the plan or arrangement of the Company providing for the payment of such compensation, valued as provided in the plan or arrangement of the Company providing for the payment of such compensation or, if no such provision is made, at its Fair Market Value.

5.2 Adjustment of Accounts. As of December 31 of each Calendar Year and on such other dates as the Committee directs, the fair market value of the Account of each Director shall be determined by crediting to the Account an amount equal to the income earned during the Calendar Year, or other appropriate period, and the number of shares of Common Stock credited

to the Account, and then determining the fair market value of the shares and other amounts credited to the Account.

ARTICLE VI
PAYMENT OF ACCOUNTS

6.1 Time of Payment. Payment of the amount credited to a Director's Grandfathered Account shall commence upon a date which is not more than thirty days after the earlier of (i) the attainment of the date specified (not younger than age 55) in his Election Form or (ii) upon a Change in Control. Payment of the amount credited to a Director's Post-2004 Account shall commence upon a date which is not more than thirty days after the earliest of (i) as elected by the Director in his Election Form, upon a specified date or the date of the Director's separation from service with the Company, as determined in accordance with Section 409A of the Code (the "Separation from Service Date"); provided, however, that the Director shall not have the right to designate the taxable year of payment and further provided that if the payment is to commence upon the Director's Separation from Service Date and the Director is a "specified employee," as determined by the Company in its Specified Employee Designation Procedure (a "Specified Employee"), at the Separation from Service Date, the payment shall commence on the first day of the seventh month following the Director's Separation from Service Date, (ii) the death of the Director or (iii) upon a Change in Control. To the extent a Director would be entitled to payment upon the occurrence of a Change in Control pursuant to the preceding sentence and such Change in Control does not constitute a permitted distribution event under Section 409A(a)(2) of the Code, then payment will be made, to the extent necessary to comply with the provisions of Section 409A of the Code, to the Director on the earliest of (A) the Director's Separation from Service Date, provided, further, that if the Director is a Specified Employee at the time of the Separation from Service Date, the payment to the Director shall be made on the first day of the seventh month following such Separation from Service Date or (B) the Director's death.

6.2 Method of Payment.

(a) Grandfathered Account.

(1) Amounts Deferred Prior to January 1, 1996. The amount credited to a Director's Grandfathered Account prior to January 1, 1996 shall be paid, in whole or in part, to the Director in a lump sum and/or in annual installments over a period of not more than ten years as specified in each Director's Election Form. Grandfathered Accounts shall be paid in kind, in cash, or shares of Common Stock, as credited to the Grandfathered Account.

(2) Amounts Deferred From and After January 1, 1996. The amount credited to a Director's Grandfathered Account on and after January 1, 1996 shall be paid, in whole or in part, to the Director in a lump sum and/or in annual installments over a period of not more than ten years as specified in each Director's Election Form. A Director may elect to change his or her original payment period election, as specified in such Director's Election Form; provided, that (i) such change is approved by

the Committee, and (ii) the election to change is made at least 18 months prior to the date specified in the electing Director's Election Form on which payment of the amount credited to the Director's Grandfathered Account is to commence, and such election to change shall apply to all of the Director's entire Grandfathered Account. In the event that a Director who makes an election to change is a member of the Committee, such Director shall abstain from the Committee's determination of whether or not to approve the change. Grandfathered Accounts shall be paid in kind, in cash, or shares of Common Stock, as credited to the Grandfathered Account.

(b) Post-2004 Account. The amount credited to a Director's Post-2004 Account shall be paid, in whole or in part, to the Director in a lump sum and/or in annual installments over a period of not more than ten years as specified in each Director's Election Form. Payments to be paid in annual installments shall be paid in a series of substantially equal annual installments commencing on the initial date of payment set forth in Section 6.1 and on each anniversary of such date thereafter. Each installment payment shall be treated as a separate payment and not as part of a series of payments for purposes of Section 409A of the Code. Post-2004 Accounts shall be paid in kind, in cash, or shares of Common Stock, as credited to the Post-2004 Account.

6.3 Subsequent Payment Elections. A Director may elect to change his or her election with respect to time of commencement or method of payment, or both, with respect to an amount credited to the Director's Post-2004 Account, provided that the following requirements are met: (i) the election to change does not take effect until at least 12 months after the date on which the election is made, (ii) with respect to an election related to a payment that is to be made at a specified time or pursuant to a fixed schedule, the election to change is made at least 12 months prior to the date on which that payment is scheduled to be made and (iii) in the case of an election related to a distribution not described in Section 6.4(b) or 6.5, the payment under such election will be made no less than 5 years from the original date on which such payment would be made. If an election to change an original payment election is not timely made, or for any reason is not effective, amounts credited to the Director's Post-2004 Account will automatically be paid to the Director in the form(s) elected on the Director's Election Form(s).

6.4 Other Payments.

(a) Hardship Distribution. Prior to the time a Director's Grandfathered Account becomes payable, the Committee, in its sole discretion, may elect to distribute all or a portion of the Director's Grandfathered Account in the event that such Director requests a distribution on account of severe financial hardship. For purposes of this Plan, severe financial hardship shall be deemed to exist in the event the Committee determines that a Director needs a distribution to meet immediate and heavy financial needs resulting from a sudden or unexpected illness or accident of the Director or a member of his or her family, loss of the Director's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Director. A distribution based on financial hardship shall not exceed the amount required

to meet the immediate financial need created by the hardship. The amount of a Director's Grandfathered Account shall be reduced by the amount of any hardship distribution to the Director.

(b) Unforeseeable Emergency Distribution. The Committee may at any time, upon written request of a Director, cause to be paid to such Director, an amount equal to all or any part of the Director's Post-2004 Account if the Committee determines, based on such reasonable evidence that it shall require, that such a payment is necessary for the purpose of alleviating the consequences of an Unforeseeable Emergency. Payments of amounts because of an Unforeseeable Emergency may not exceed the amount necessary to satisfy the Unforeseeable Emergency plus amounts necessary to pay taxes or penalties reasonably anticipated as a result of the distribution after taking into account the extent to which the Unforeseeable Emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Director's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship), or by cessation of deferrals under the Plan. For purposes of this Plan, Unforeseeable Emergency shall mean an event which results in a severe financial hardship to the Director resulting from (a) an illness or accident of the Director, the Director's spouse, the Director's beneficiary or a dependent of the Director, (b) loss of the Director's property due to casualty or (c) other similar extraordinary and unforeseeable circumstances as a result of events beyond the control of the Director. The amount of a Director's Post-2004 Account shall be reduced by the amount of any Unforeseeable Emergency distribution to the Director.

6.5 Designation of Beneficiary/Payment upon Death. Notwithstanding the time and manner of payment elected by a Director on his or her Election Form, upon the death of a Director, the amount credited to his or her Account (including any amount remaining in such Director's Account after commencement of installment payments to the Director) shall be paid in a single lump sum to the beneficiary or beneficiaries designated by him or her within thirty days after the date of the death of the Director, provided that no beneficiary will have the right to designate the taxable year of payment. If there is no designated beneficiary, or no designated beneficiary surviving at a Director's death, payment of a Director's Account shall be made to his or her estate. Beneficiary designations shall be made in writing. A Director may designate a new beneficiary or beneficiaries at any time by notifying the Company.

6.6 Taxes. In the event any taxes are required by law to be withheld or paid from any payments made pursuant to the Plan, the appropriate amounts shall be deducted from such payments and transmitted to the appropriate taxing authority.

ARTICLE VII CREDITORS

7.1 Claims of the Company's Creditors. The rights of a Director or his or her beneficiaries to any payment under the Plan shall be no greater than the rights of an unsecured creditor of the Company.

ARTICLE VIII
ADMINISTRATION

8.1 Appointment of Committee. The Board of Directors of the Company shall appoint a Committee consisting of not less than three persons to administer the Plan. Members of the Committee shall hold office at the pleasure of the Board of Directors and may be dismissed at any time with or without cause. Such persons serving on the Committee need not be members of the Board of Directors of the Company.

8.2 Powers of the Committee. The Committee shall administer the Plan and resolve all questions of interpretation arising under the Plan with the help of legal counsel, if necessary.

Whenever directions, designations, applications, requests or other notices are to be given by a Director under the Plan, they shall be filed with the Committee. Except as provided in Section 6.2(a)(2) and Section 6.4(a), the Committee shall have no discretion with respect to Plan contributions or distributions but shall act in an administrative capacity only. Except as provided in the immediately following sentence, all decisions by the Committee will be made with the approval of not less than a majority of its members. Any interpretation by a majority of the Incumbent Directors then serving on the Committee as to whether a sale or other disposition of assets by the Company or an acquisition of assets of another corporation constitutes a "sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation" for purposes of clause (iii) of the definition of "Change of Control" in Section 2.2 hereof shall be final and binding for all purposes of this Plan and any Accounts hereunder, notwithstanding that the transaction in question was, or is contemplated to be, submitted to stockholders of the Company for their approval and notwithstanding such approval.

It is intended that the Plan comply with the provisions of Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be distributed or made available to Directors or beneficiaries. This Plan shall be administered in a manner that effects such intent. Any reference in this Plan to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section 409A by the U.S. Department of Treasury or the Internal Revenue Service.

ARTICLE IX
MISCELLANEOUS

9.1 Term of Plan. The Plan shall terminate on the tenth anniversary of the approval of the Plan, as amended, by the shareholders at the 2004 Annual Meeting of Shareholders. Once the Plan has terminated, no further shares of Common Stock shall be granted; provided, however, that any Accounts then existing shall continue in accordance with the provisions of the Plan until the Accounts are paid out in accordance with the provisions of Article VI. The Company reserves the right to amend or terminate the Plan at any time; provided, however, that no amendment or termination shall affect the rights of Directors to amounts previously credited to their Accounts pursuant to Section 5.1 or to future income to be credited to their Accounts

pursuant to Section 5.2, except to the extent that such amendment or termination is deemed necessary by the Company to ensure compliance with Section 409A of the Code.

9.2 Assignment. No right or interest of any Director (or any person claiming through or under such Director) in any benefit or payment herefrom other than the surviving spouse of such Director after he or she is deceased, shall be assignable or transferable in any manner or be subject to alienation, anticipation, sale, pledge, encumbrance, or other legal process or in any manner be liable for or subject to the debts or liabilities of such Director. Any attempt to transfer, assign, alienate, anticipate, sell, pledge, or otherwise encumber benefits hereunder or any part thereof shall be void.

9.3 Effective Date of Plan. The Plan's original effective date was December 9, 1993, and it is hereby amended and restated effective as of December 31, 2007.

IN WITNESS WHEREOF, the Company, by its duly authorized officer, has caused this Plan to be executed as of the 23rd day of April, 2008.

POLYONE CORPORATION

By: /s/ Kenneth M. Smith

Kenneth M. Smith
Senior Vice President and
Chief Information and
Human Resources Officer

CERTIFICATION

I, Stephen D. Newlin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PolyOne Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 6, 2008

/s/ Stephen D. Newlin

Stephen D. Newlin

Chairman, President and Chief Executive Officer

CERTIFICATION

I, W. David Wilson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PolyOne Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 6, 2008

/s/ W. David Wilson

W. David Wilson

Senior Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of PolyOne Corporation (the "Company") for the period ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen D. Newlin, Chairman, President and Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Stephen D. Newlin

Stephen D. Newlin
Chairman, President and Chief Executive Officer
May 6, 2008

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of PolyOne Corporation (the "Company") for the period ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. David Wilson, Senior Vice President and Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ W. David Wilson

W. David Wilson
Senior Vice President and Chief Financial Officer
May 6, 2008

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.