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

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**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of the**  
**Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): November 15, 2007

**PolyOne Corporation**

(Exact Name of Registrant as Specified in Charter)

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**Ohio**

(State or Other  
Jurisdiction  
of Incorporation)

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**1-16091**

(Commission  
File Number)

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**34-1730488**

(IRS Employer  
Identification No.)

**33587 Walker Road, Avon Lake, Ohio 44012**  
(Address of Principal Executive Offices) (Zip Code)

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

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(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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### Item 7.01. Regulation FD Disclosure.

On November 15, 2007, representatives of PolyOne Corporation (the “Company”) will deliver presentations to analysts and investors at the Company’s Investor Day Conference in Westlake, Ohio. The presentations are scheduled to begin at 9:00 a.m., Eastern Time. A copy of the slide shows to be handed out at these presentations is attached as Exhibit 99.1.

The slide shows contain the following non-GAAP financial measures: gross margin; debt/EBITDA; net debt/EBITDA and operating income (loss) before special items. Below are reconciliations to the most directly comparable GAAP financial measures. The Company is unable to provide a reconciliation for non-GAAP financial measures for periods beyond 2006 without unreasonable efforts.

#### Reconciliation of 2006 Gross Margin, as adjusted

(In millions)	<b>Year Ended December 31, 2006</b>
Sales — continuing	\$2,622.4
Cost of sales	2,282.7
Depreciation and amortization related to cost of sales activities	41.2
Environmental remediation costs & other adjustments	(7.8)
Gross margin, as adjusted	<b>\$ 306.3</b>

#### Reconciliation of Non-GAAP 2006 EBITDA Financial Measure

(In millions)	<b>Year Ended December 31, 2006</b>
Net cash provided by operating activities	\$111.7
Changes in assets and liabilities:	
Accounts receivable	(23.0)
Inventories	39.6
Accounts payable	17.2
Accrued expenses and other	9.0
Decrease in sale of accounts receivable	7.9
Share-based compensation	4.5
Interest expense	66.5
Interest income	(3.4)
Discount on sale of accounts receivable	1.9
Sunbelt depreciation and interest expense	12.5
Cash taxes paid	9.0
Loss on disposal of discontinued business and related plant phaseout charge	3.1
Net cash used by discontinued operations	0.1
Special items in continuing operations	2.7
Proceeds from exercise of stock options	(3.1)
Adjusted EBITDA	<b>\$256.2</b>

[Table of Contents](#)Reconciliation of 2006 Total Debt to Net Debt

(In millions)	December 31, 2006
Short-term debt	\$ 5.2
Current portion of long-term debt	22.5
Long-term debt	567.7
Guarantee of Sunbelt outstanding senior secured notes	67.0
Interest rate swap fair value debt adjustment & other	5.1
Total borrowed debt	<b>\$667.5</b>
Cash and cash equivalents	66.2
Less transactional cash requirements	(45.0)
Cash and cash equivalents, as adjusted	21.2
Total borrowed debt less cash and cash equivalents, as adjusted	<b>\$646.3</b>

Reconciliation of GAAP 2006 Operating Income to Non-GAAP Operating Income before Special Items

(In millions)	Year Ended December 31, 2006
<b>Continuing Operations:</b>	
Operating income	\$190.5
Special items in continuing operations, before tax	2.7
Operating income before specials	<b>\$193.2</b>
<b>Special Items in continuing operations, before tax</b>	
Asset impairments	\$ 0.2
Environmental remediation at inactive site	2.5
	<b>\$ 2.7</b>

PolyOne's chief operating decision maker uses these financial measures to monitor and evaluate the ongoing performance of the Company and each business segment and to allocate resources. In addition, operating income before special items is a component of various PolyOne annual and long-term employee incentive plans.

Additionally, representatives of the Company will disclose to analysts and investors that, in connection with the Company's announced acquisition of GLS Corporation ("GLS"): the purchase price to be paid for GLS will be slightly higher than GLS's annual revenues; pro forma for the acquisition, the Company's debt/EBITDA is projected to be 2.8 at the end of 2007 and 2.6 at the end of 2008; and GLS's margins are currently at the Company's target levels.

The information in this Form 8-K, including Exhibit 99.1 attached hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liability of such section, nor shall it be deemed incorporated by reference in any filing of the Company under the Securities Act of 1933 or the

[Table of Contents](#)

Exchange Act, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

Exhibit No.	Description
99.1	PolyOne Corporation Presentations, dated November 15, 2007

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**SIGNATURES**

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 hereunto duly authorized.

Date: November 15, 2007

POLYONE CORPORATION

By /s/ W. David Wilson  
Name: W. David Wilson  
Title: Senior Vice President and Chief Financial Officer

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**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
99.1	PolyOne Corporation Presentations, dated November 15, 2007





*PolyOne*<sup>™</sup>



# INVESTOR DAY

**An In-Depth Look at PolyOne's Progress & Potential**

**Stephen D. Newlin  
Chairman, President and CEO**

*Proof of Performance*

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## Forward-looking Statements

*Proof of Performance*

- **In this presentation, statements that are not reported financial results or other historical information are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. They are based on management’s expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. 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; and financial results.**

# Forward-looking Statements

*Proof of Performance*

- **Forward-looking statements are subject to risks that may cause results to differ materially from those projected, including those listed below and the other factors set forth in our SEC filings, including our Form 10-K.**
- 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 cost reductions and employee productivity goals;
- An inability to raise or sustain prices for products or services;
- An inability to maintain appropriate relations with unions and employees in certain locations in order to avoid business disruptions;
- Any change in agreements with product suppliers to PolyOne Distribution that prohibits PolyOne from continuing to distribute a supplier's products to customers; 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.

## Use of Non-GAAP Financial Measures

*Proof of Performance*

- **This presentation includes the use of both GAAP (generally accepted accounting principles) and non-GAAP financial measures. The non-GAAP financial measures include: operating income (loss) before special items, gross margin as adjusted, Debt/EBITDA and Net Debt/EBITDA.**
- **PolyOne's chief operating decision maker uses these financial measures to monitor and evaluate the ongoing performance of the Company and each business segment and to allocate resources. In addition, operating income before special items is a component of various PolyOne annual and long-term employee incentive plans.**
- **Disclosure provided in our Form 8-K filed today, November 15, 2007, reconciles each non-GAAP financial measure with the most directly comparable GAAP financial measure and provides detail about special items. This Form 8-K can be accessed in the Investor Relations section of our website at [www.polyone.com](http://www.polyone.com).**

INVESTOR DAY

*Proof of  
Performance*

# Today's Agenda

*Proof of Performance*

➤ Overview	Steve Newlin
➤ Commercial Development	Mike Kahler
➤ Driving Innovation	Dr. Cecil Chappelow
➤ Operational Excellence	Tom Kedrowski
➤ Business Overviews	
• Engineered Materials	Craig Nikrant
• NA Color	John Van Hulle
• International Color & EM	Bernard Baert
➤ Lunch & Presentation	
➤ Business Overviews	
• Vinyl Business	Rob Rosenau
• Distribution	Mike Rademacher
➤ Financial Summary	Dave Wilson
➤ Summary & Q&A Session	Steve Newlin

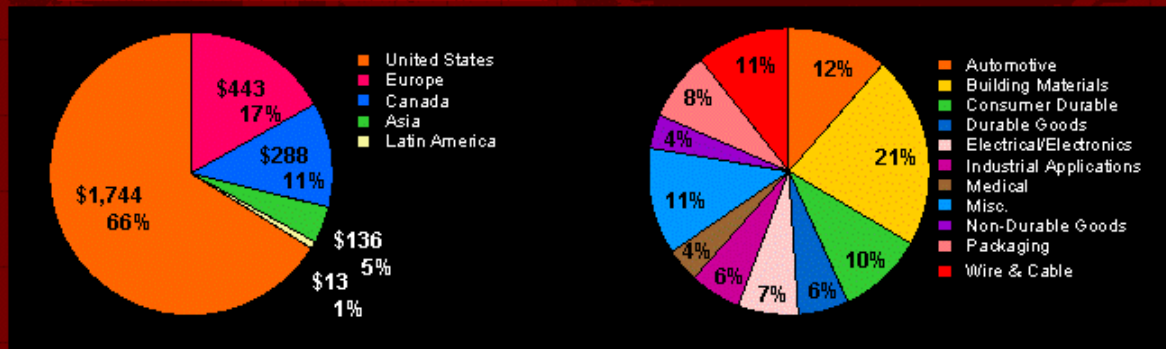
# PolyOne at a Glance

*Proof of Performance*

- 4,600 employees, 60 plants / warehouses and 12 technology centers worldwide
- 10,000 customers in 35 countries
- 3 operating platforms: Specialty businesses; PolyOne Distribution; and General-purpose businesses

**2006 Revenues: \$2.6 billion**

**2006 Revenues by Markets**



*Significant opportunities for growth in current \$20 billion addressable market*

## Our Vision and Strategy

*Proof of Performance*



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



## Our Vision and Strategy

*Proof of Performance*



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

## Our Vision and Strategy

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## Our Vision and Strategy

*Proof of Performance*



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

## Our Strategic Objectives

*Proof of Performance*

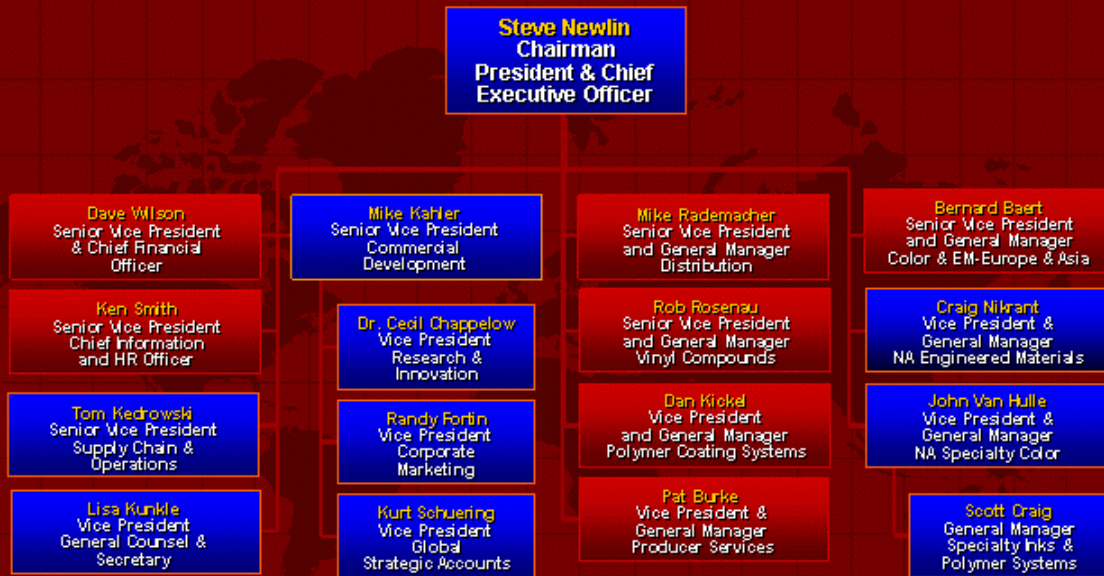
- Build a superior management team and drive cultural change
- Invest in commercial resources
- Drive innovation and shift from commodity to specialized growth markets
- Expand globally
- Strengthen our financial profile and reduce high-cost debt while transforming our portfolio



*Drive Earnings Growth, Multiple Expansion  
and Shareholder Value*

# The New Team is in Place

*Proof of Performance*



■ 10 New Executives

## Investment in Commercial Resources

*Proof of Performance*

- **108 net new commercial additions globally**
  - 77 in sales and marketing
  - More than 60% support International businesses
- **Global sales force training**
  - Value-based selling
  - EVE<sup>®</sup> tools
  - Closing techniques
- **Investment in R&D**
  - Current investment \$38 million, grow 25%
  - 35 new patent applications in past 18 months; more than double historical pace
  - 31 additions in technology

## Impressive Early Commercial Wins

*Proof of Performance*

- **Specialty businesses operating income improves dramatically in a challenging environment**
  - Up 60% year-over-year for the first nine months of 2007
- **Historically underperforming businesses turning around**
  - North American Color now profitable
  - EM momentum building
- **PolyOne Distribution operating income accelerating**
- **Solid international growth**

*Accelerating Shift to Specialization*

## Acquiring GLS Corporation

*Proof of Performance*

- **North American leader of specialty thermoplastic elastomer compounds for consumer and healthcare applications – \$130 million**
- **1,200 customers worldwide**
- **Consistent double-digit revenue and earnings growth**
- **Provides difficult-to-develop specialty compounds in specialized, high-growth markets such as healthcare and electronics**
- **Leader in product innovation with superior customer service and a research and development department that operates around the clock**



## Expanding Global Footprint

*Proof of Performance*

### ➤ **Strengthening our global competitive base**

- New plant in Poland
- India office
- Two new Design Centers in Europe
- Vinyl acquisition in China (pending)

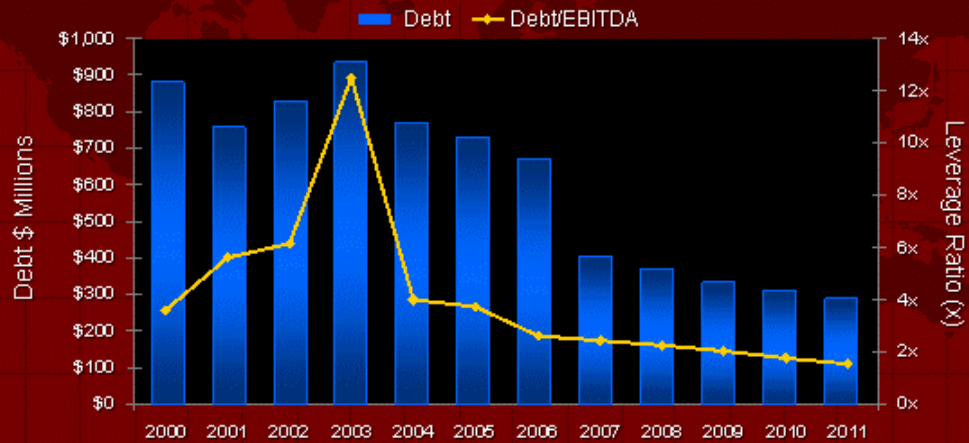
### ➤ **Global key account penetration**

- Target and serve key customers and OEMs
- Leverage global innovation, marketing and customer relationships
- “No Surprises Pledge”

# Financial Flexibility to Support Growth

*Proof of Performance*

- Financial profile stronger than ever
- OxyVinyls divestment substantially reduced earnings volatility and provided liquidity
- Interest expense reduced by \$30 million



## 2011 Goals

*Proof of Performance*

- **Gross margins**
  - Specialty Businesses 25% to 35%
- **Revenue outside the U.S.**
  - 40%
- **Vitality index**
  - 25%
- **Strong double-digit earnings CAGR**
- **ROIC**
  - Exceed 15% (pre-tax)

*Drive Meaningful Share Price Appreciation*

## Executing Our Strategy

*Proof of Performance*

- Stronger and more rapidly growing specialty mix
- International growth expansion
- Turning around historically underperforming businesses
- Industry-leading Vinyl business
- PolyOne Distribution growing consistently
- Substantially lower interest expense

*Strong Earnings Growth Plus Substantial Improvement in Earning Mix Should Drive a Significant Step Up in Valuation Multiple and Equity Price*

The PolyOne logo is positioned at the top left of the slide. It features the word "PolyOne" in a serif font, with "Poly" in black and "One" in red. A red underline is beneath "Poly", and a red arc is beneath "One". The logo is partially enclosed by a large, dark red, stylized circular graphic that resembles a globe or a sphere.A dark red world map is centered in the background of the slide. The map is overlaid on a grid pattern. The text "GLOBALIZATION, SPECIALIZATION, COMMERCIAL EXCELLENCE" is written in white, bold, uppercase letters across the map.

# GLOBALIZATION, SPECIALIZATION, COMMERCIAL EXCELLENCE

**Mike Kahler**  
**Senior Vice President, Commercial Development**

*Proof of Performance*

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## Globalization

- **Geographic footprint and cross-selling capability with our customer base provide unique growth opportunities**
- **Demand for our products and knowledge is growing rapidly in many regions of the world**
- **Customers desire global partners who can provide consistent standards of performance**
- **Key emerging economies offer attractive growth rates**



## Globalization – Plastics Demand

<b>Region</b>	<b>Plastics demand growth %, annualized 2009-2014</b>	<b>Annual demand, 2009, Million Metric Tons</b>	<b>GDP growth, Average annual %, 2007-2009</b>
<b>China</b>	<b>10%</b>	<b>46</b>	<b>9%</b>
<b>India</b>	<b>14%</b>	<b>16</b>	<b>8%</b>
<b>North America</b>	<b>3%</b>	<b>64</b>	<b>3%</b>
<b>Latin &amp; South America</b>	<b>5%</b>	<b>10</b>	<b>4%</b>
<b>Western Europe</b>	<b>2%</b>	<b>52</b>	<b>2%</b>
<b>Eastern Europe</b>	<b>9%</b>	<b>8</b>	<b>6%</b>
<b>World</b>	<b>4%</b>	<b>230</b>	<b>4%</b>

Sources: CMAI, World Bank, Freedonia, management estimates

## Globalization – Key Initiatives

- Global innovation and technology transfer processes to leverage new product introductions
- Establish global marketing intelligence process to build specialization platforms
- Global Key Account teams to drive new business gains
- New team of Business Development Managers calling on key target markets and major OEMs





## Global Sales Coordination

- Global sales...Six PolyOne business units
- Global Strategic Account Team deployment
- Key account team (USA spec / Asia production)



*GM increased due to specialization mix*

➤ **PolyOne Plastisol**

- Customized Wound Care Management
- Provides effective barrier properties
- Waterproof, absorbent dressing
- Optimal clinical performance and wear time

*Increase customers' product performance*

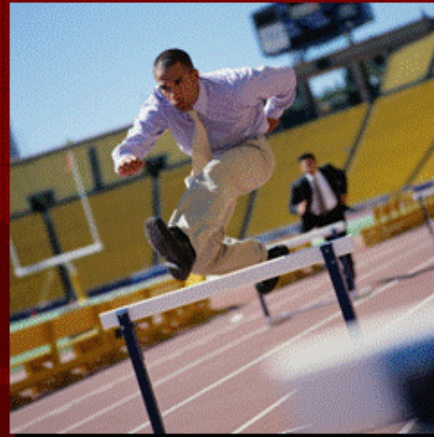
➤ **PolyOne Conductive Polycarbonate**

- Specialized Electronics Conductive Transfer Tapes
- Lighter, compact fabric / layered shielding materials
- Material substitution improvements

*Improved reliability and reduced operating costs*

## New Strategic Account Value Proposition

- Global supply - five different facilities on three continents
- Strategic relationship...  
New product development
- Provide technical service / product QA testing



*Preferred partner*

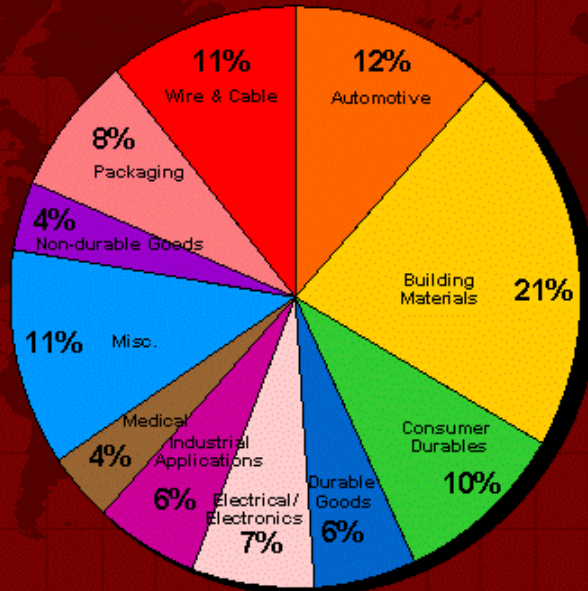
## Specialization

- Shift the basis of competition to differentiation from cost / commodity
- Become a high value-added solutions provider
- Leverage our in-depth knowledge of polymers, formulations and polymer processing
- Redirect our strategic focus to the most attractive market segments



## Key Markets Served Today

Significant opportunities for growth in current \$20 billion addressable market



2007 PolyOne Revenue by Market Segment

# Housing Start Forecast: Decline Continues Through Mid-2008



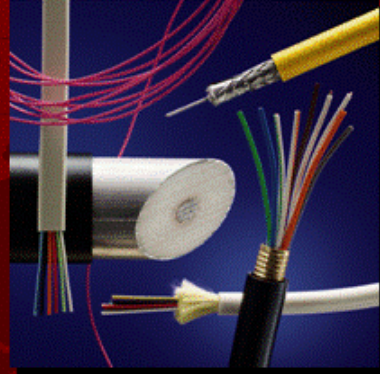
## Competitive Landscape

- Global companies must respond with compliance leadership to regulatory initiatives related to safety and product stewardship. PolyOne is well positioned with our “No Surprises Pledge”
- PolyOne’s broad offer of products and services allows us to partner with a customer’s product design and engineering teams to serve the high-value markets
- Only six of the 50 companies benchmarked compete with more than one of PolyOne’s business units



## New Market Opportunities

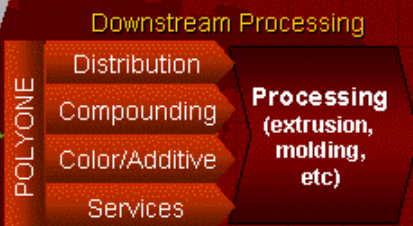
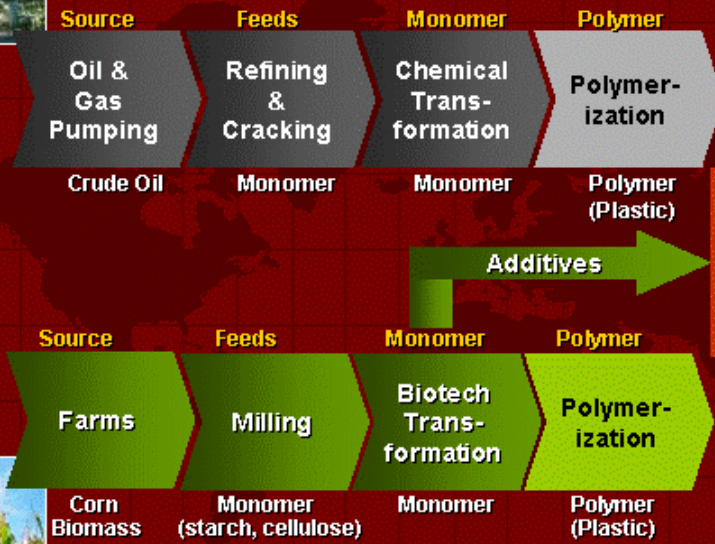
- **Biopolymers**
- **Electronics**
- **Healthcare**



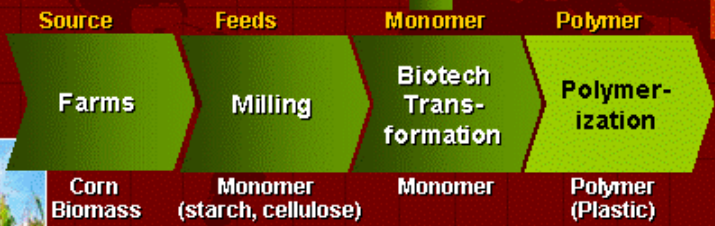




## Current - Chemical Industry



## Future - Bio Chemical Industry



## Biopolymers – Market Status

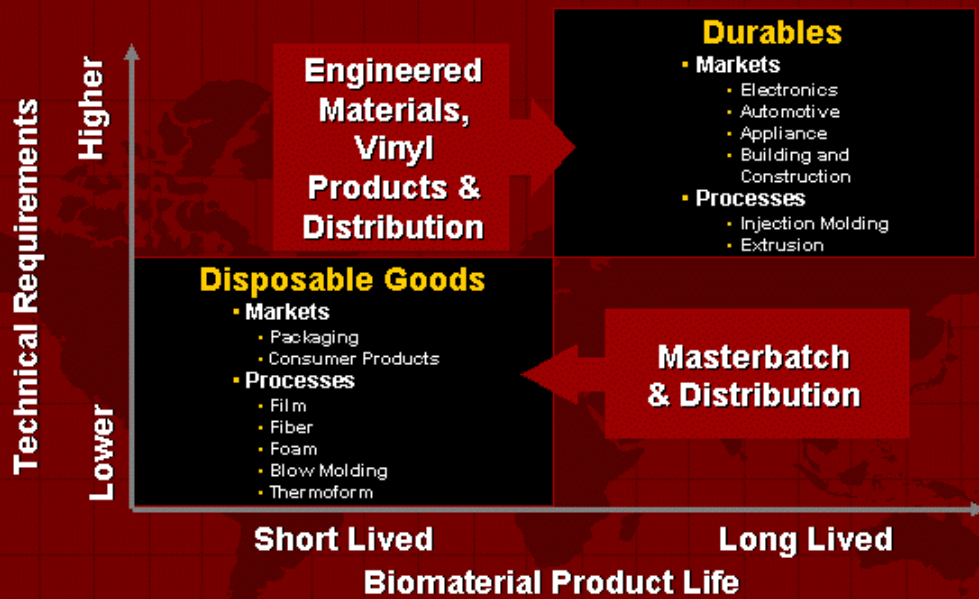
*Proof of Performance*

- The market is still in early stage of development
- Market demand is growing at 20% per annum ~ \$600M
- Material solutions will migrate from 'pure' biopolymers towards complex compounds (extended functionality)
- Key polymers (PLA) in short supply
- Currently available products limited in application due to performance, supply and economic issues – all potential PolyOne solutions

# Biomarkets and Applications

## Where is PolyOne positioned for the future?

*Proof of Performance*

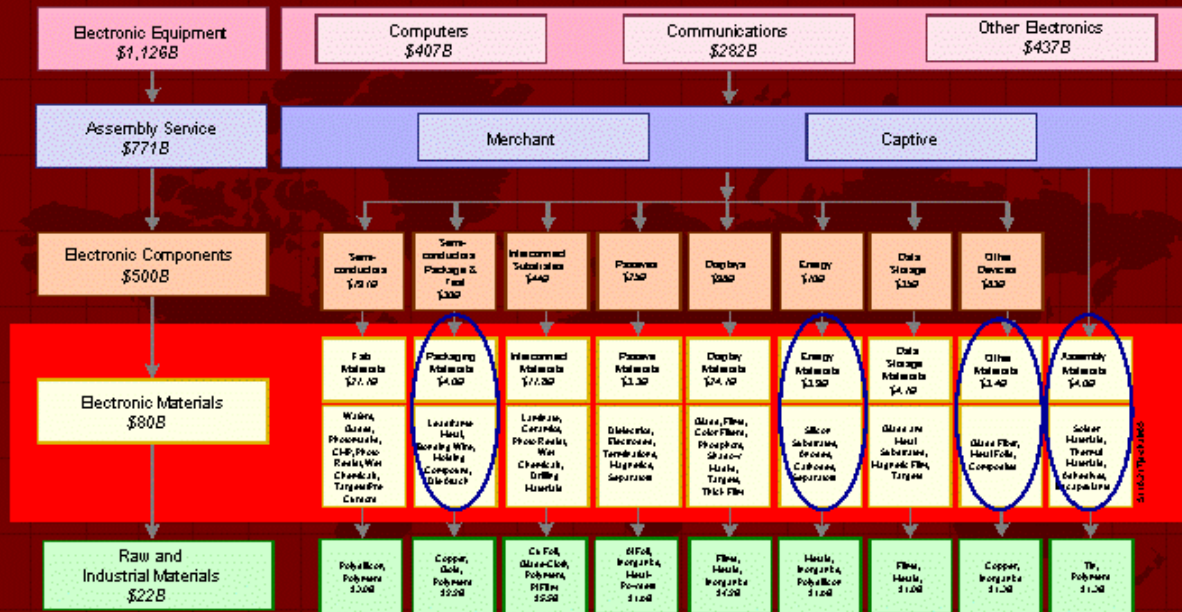


*PolyOne is well positioned today in disposable goods and for future opportunities with the emerging durables sector*

# Electronics Industry Market Segmentation

*Proof of Performance*






















## ELECTRONICS INDUSTRY VALUE CHAIN



*Focus is on the \$80+ billion electronic materials market with the four segments providing eight potential growth applications for PolyOne*

# New Electronic Platforms for Growth

*Proof of Performance*

Materials	2006 Market Size (\$M)	2006-2011 CAGR (%)	2008 Market GM (%)
<b>Semiconductor Packaging</b>			
Project A	\$104 	12% 	70% 
Project B	\$57 	16% 	60% 
<b>Assembly</b>			
Project A	\$281 	6% 	60% 
Project B	\$120 	6% 	40% 
Project C	\$118 	6% 	60% 
<b>Energy Storage &amp; Conversion</b>			
Project A	\$158 	26% 	50% 
<b>Other</b>			
Project A	\$120 	5% 	30% 

➤ Most segments of the electronics industry have transitioned to Asia

**Value as % of Total by Region**

Materials	Americas	Europe	Japan	Asia (ex. Japan)
Flat Panel Display	0%	0%	30%	70%
Semiconductor Packaging	7%	3%	23%	67%
Assembly	21%	14%	9%	56%
Systems Assembly	33%	21%	10%	36%
Semiconductor Wafer Fabrication	40%	11%	18%	31%

*Successful electronic materials solution suppliers must support design and manufacturing locations that are often in different regions*

## Portfolio Strategy



Polymer Solutions to the Medical Industry



*We have broad products & services to offer the industry but must become a solutions provider*

## Market Attractiveness

- This is a highly fragmented, profitable and growing market
- 8,000 medical device manufacturers in USA
- Custom compounding is a norm

## Market Potential

	<u>2006</u>	<u>2011</u>
Total Market Size (2006)	\$4.4B	\$4.8B
Volume (M lbs.)	2,700	3,300

Currently quantifying available  
PolyOne market size





## Market Position

- Major EM compounding, Color and PVC competitors  
SWOT evaluated
- PolyOne's Distribution business is already a major  
supplier to US market
- PolyOne is a small but emerging solutions provider today  
in medical compounding



Instead of asking:

What is the best *product* we can offer?



Ask:

What is the best *value creating solution* we can offer ?



- **Providing our customers the value and solutions that will help them achieve their growth and profit improvement objectives**
- **Upgrading talent and increasing sales, marketing and innovation resources**
- **Developing marketing / sales skills**
- **Implementing new commercial tools to increase business gains**



- Incentive compensation changes
- Prune unprofitable business
- Drive new business gains
- Sales efficiency
- Sales effectiveness



## Sales Efficiency

*Proof of Performance*

### New Sales / Customer Projects by Status – Increasing Our New Sales Pipeline

<b>Project Status</b>	<b>Sept. 30 vs. April 1</b>
<b>Newly Identified</b>	<b>\$300 million</b>
<b>Qualified Projects</b>	<b>\$180 million</b>
<b>Trials / Pending Proposals</b>	<b>\$40 million</b>
<b>Total</b>	<b>\$520 million</b>

*Note - changes since April - and not our total pipeline - demonstrating follow-up measurements in driving new disciplines with sales efficiency*

## ➤ New Training and Tools

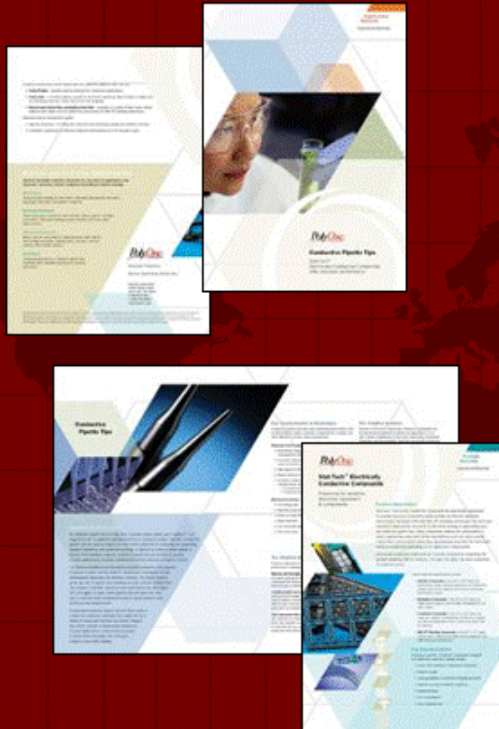
- Opportunity Scorecards
  - Identifies key variables impacting the sale
  - Honest assessment of where you are in selling process
    - Barometer – predictor of success
    - Identifies key tactical options
- Communicating “High – Wide – Deep” to determine key value drivers – not only the procurement office
- Customer business review meetings to validate our value / contribution
- Economic Value Estimation (EVE<sup>®</sup>) tools

The screenshot displays a 'PolyOne Opportunity Scorecard' with various data points and charts. A callout box on the right side of the screenshot contains the text: 'Identify and distribute the customer's work on and profit!'. Below the main table, there are sections for 'Opportunity Scorecard' and 'Economic Value Estimation (EVE)'.



# Value-based Selling Approach

*Proof of Performance*



Conductive Pipette Tips

➤ **Customer Value**

- Increased production efficiency
- Reduced scrap rate

➤ **EVE® Tool from Online Sales Portal**

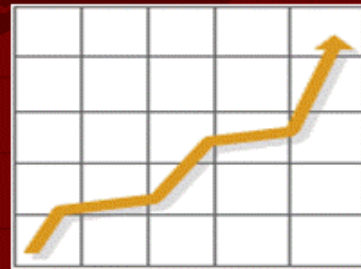




## Commercial Development Summary

- Leverage with an expanding global commercial team drives growth at a speed much faster than in our past
- Shifting the basis of competition to “quantified differentiation” transforms PolyOne to a value-added solutions provider
- Redirecting our strategic focus to more attractive segments will drive improved mix and earnings
- New commercial tools and investments enable disciplined execution and accountability

*Commercial Excellence  
Drives Specialization  
Growth, Operating  
Income and Earnings*





*PolyOne*<sup>™</sup>



## INNOVATION

Dr. Cecil Chappelow  
Vice President, Research & Innovation  
Chief Innovation Officer

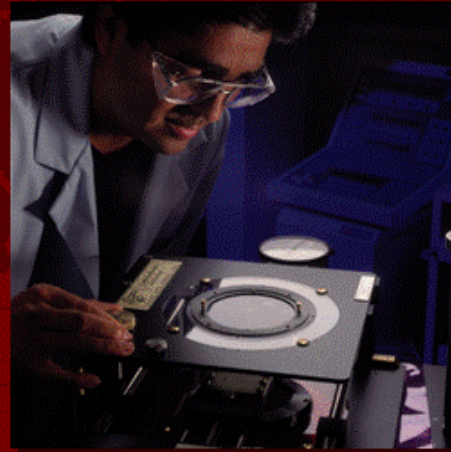
*Proof of Performance*

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## Innovation → Driving Specialization

*Proof of Performance*

- Specialization is shifting the basis of competition to differentiation
- PolyOne needs a fresh and disciplined approach to innovation
- We have a work in progress to transform how we innovate in the New PolyOne



- Deeper understanding of markets, emerging trends and customers
- Intimate knowledge of the competitive landscape
- Disciplined execution of global innovation processes
- Culture of accountability

*The heart of competitive advantage*



## ➤ Market Intelligence

- Building key industry marketing capabilities through new situational analysis
- Establishing market segmentation mapping process
- Implementing new value-based pricing methods to generate profitable growth

## ➤ Focused market development work in new global opportunities in Biomaterials, Electronics and Healthcare

## ➤ Building personnel depth and strength



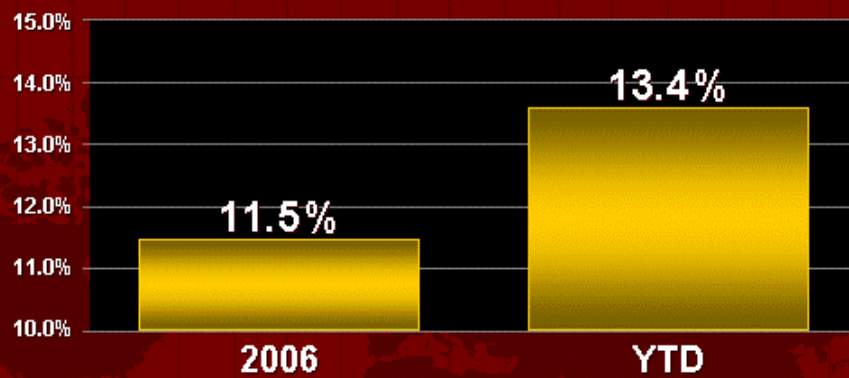
- New innovation framework to drive speed and accountability
- Emphasis on global cooperation, coordination and knowledge leverage
- Vitality index metric

*Acting as one  
global company*



## Vitality Index

*Proof of Performance*



### **Accelerating Change Requires:**

- Identifying profitable market opportunities
- Shifting resources to high-impact programs
- Disciplined pricing policies

# Innovation Framework

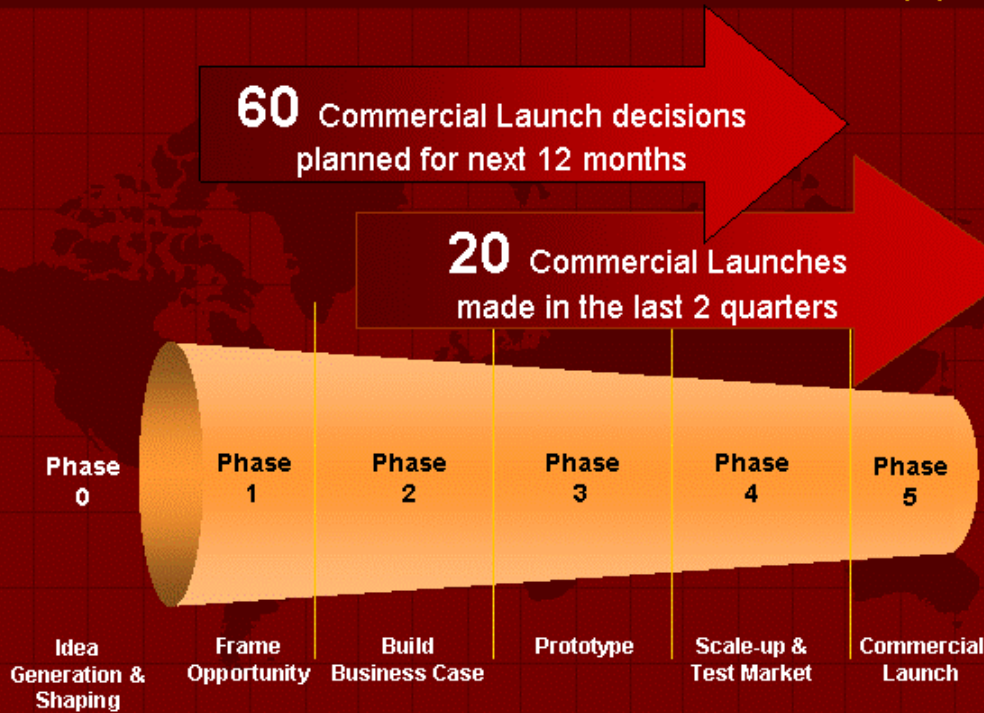
*Proof of Performance*





# PolyOne Innovation Pipeline

*Proof of Performance*



## Recent Proof of Performance

Breakthrough

Platform

Derivative

**Healthcare**

➤ **Stat-Tech™** conductive plastic

**Electrical and Electronics**

➤ **ECCOH™** flame-retardant polyolefin

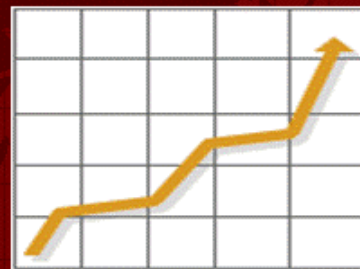
**Biomaterials**

➤ **OnColor™** colorants

## Summary

- New innovation processes, marketing skills and opportunity identification are driving specialization
- We are measuring and challenging our performance to build and sustain momentum
- Global talent base provides potential through focus on differentiation
- Culture of accountability drives commitment to succeed

*Disciplined execution  
will ultimately make the  
difference for PolyOne*





*PolyOne*<sup>™</sup>



OPERATIONAL  
EXCELLENCE

Tom Kedrowski  
Senior Vice President  
Supply Chain & Operations

*Proof of Performance*

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## Operational Excellence

**Operational Excellence** is a never-ending quest for improvement in response to the voice of our customers.

It is all about strengthening our capabilities to deliver value flawlessly to our customers. It challenges us to enhance our productivity, profitability, and efficiency in all phases of our business, from safety to quality to waste elimination to environmental stewardship.



## Operational Excellence

### ➤ **Align HR and Training Strategies with Operational Excellence Objectives**

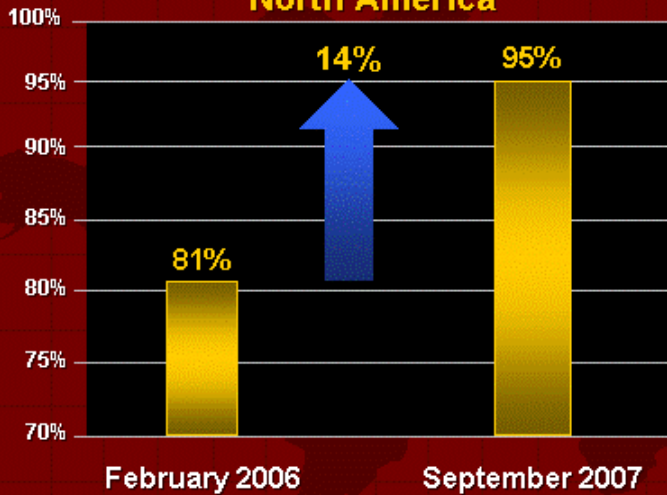
- Provide senior leadership OpEx training
- Increase level of accountability for operational targets and issues
- Upgrade talent in supply chain / manufacturing areas
- Create organizational awareness

### ➤ **Develop and Implement Supply Chain Initiative**

- We expect a \$50 million improvement to be delivered within a 3-year period

## Delivering Results

### On Time to Customer Request North America



*September 2007 - 95% OTD !*

### ➤ Delivery Improvement

- Establish desired delivery metric
- Hold gains and drive improvement via delivery task force
- Monthly review at Operations Council
- Methods are transferable to other areas



## Operational Excellence

### ➤ Implement Lean throughout PolyOne 2007

- Implement Lean in all Vinyl plants and businesses
- Utilize strategy deployment for all businesses and functions



### ➤ Deploy Lean Six Sigma throughout PolyOne

- Develop Black Belts, Green Belts and Master Black Belt skills
- Create rhythm and rigor in monitoring and execution

### ➤ Voice of the Customer

- Leverage customer data to drive alignment of strategy and operational excellence to the voice of the customer



## Lean Six Sigma Opportunities

### ➤ Organizational DNA

- Develop LSS talent and drive major process improvements
- Create a culture of continuous improvement and performance

### ➤ Strategic Alignment

- Modify incentive plans to focus on the key business drivers
- Develop cross-functional focus on delivering supply chain savings

### ➤ Operational Excellence

- Utilize LSS project identification and execution to improve Gross Margins and drive Operating Income to 2.5X current levels





*PolyOne*<sup>™</sup>



## ENGINEERED MATERIALS NORTH AMERICA

Craig M. Nikrant  
Vice President and General Manager  
North American Engineered Materials

*Proof of Performance*

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# Engineered Materials

*Proof of Performance*

➤ **Description:**

- 2007E revenues \$105M
- 3 NA plants, 7 globally
- Key growth markets
  - Healthcare, Aerospace, Electrical / Electronic

➤ **Value Proposition:**

- We offer our customers a quantified competitive advantage by leveraging our combined innovation, speed, flexibility and global coverage

➤ **Competitive Differentiation:**

- Custom solutions and high-performance specialty polymers
- Unique combination of application and product solutions
- Custom mentality and capability
- Dedicated custom manufacturing
- Global technology teams

## Key Markets – Engineered Materials

*Proof of Performance*

Key Industries Served	Available Market \$M Est.	2007 Revenue \$M	Market Share %
Automotive	\$1,925	\$22	1.1%
Industrial	\$750	\$10	1.3%
Electrical / Electronics	\$700	\$2	0.3%
Wire & Cable	\$670	\$55	8.1%
Consumer	\$615	\$9	1.5%
Appliance	\$500	\$4	0.8%
Aerospace	\$600	\$2	0.3%
Other	\$1,000	\$1	0.1%
<b>Total</b>	<b>\$6,760</b>	<b>\$105</b>	<b>1.5%</b>

### Focused Market Segments

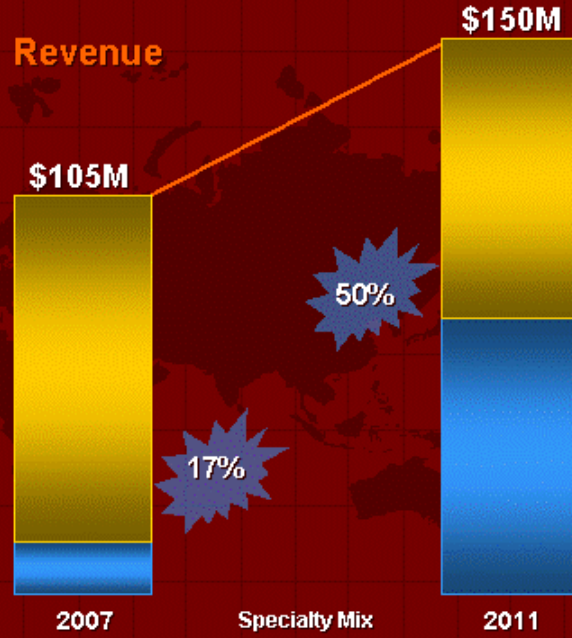
- **Electronics – Static dissipative capability and growth**
- **Consumer – Soft touch elastomers**
- **Aerospace – High heat capability and carbon fiber compounds**
- **Healthcare – Lead replacement and shielding with Gravi-Tech™**

# Shifting the Mix to Specialties

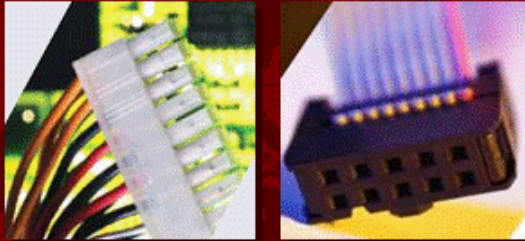
*Proof of Performance*

Top 5 GP Customers	Gross Margin %
Customer A	8%
Customer B	5%
Customer C	9%
Customer D	11%
Customer E	8%

Top 5 Specialty Customers	Gross Margin %
Customer A	56%
Customer B	42%
Customer C	40%
Customer D	34%
Customer E	30%



## Specialty Connectors



### Application Requirements:

- Thin wall parts
- Elimination of plating
- EMI / RFI shielding

### Material Attributes:

- Electrically conductive
- High-flow compound
- EVE®

## Radiation Shielding



### Application Requirements:

- Equivalency of lead for radiation shielding
- Lead free
- Ability to form into complex shapes

### Material Attributes:

- High specific gravity
- Non-lead containing compound
- Elimination of secondary operations

### Avon Lake, Ohio Specialties Manufacturing Facility



- 100,000 square feet of specialty manufacturing capability
- Process flexibility with multiple extrusion technologies
- 6 manufacturing extruders with infrastructure to grow to 12
- ISO 9001 certified
- GMP (Good Manufacturing Practices) certified for food, drug and medical applications

## **Proof of Performance – Strategic Direction**

- **Increase commercial, marketing and technology resources**
- **Improve specialties mix from 17% of total revenues to 50% in 2011**
- **New refocused Industry marketing management team in place – targeting aerospace, healthcare, and consumer**
- **Double Vitality Index by 2011, leveraging our increased commercial presence and technology focus**
- **Increase global customer linkage through global account team and global manufacturing and technology footprint**



## ➤ 2007 Performance

- Meaningful revenue shift towards specialization commences
- Steep losses substantially reduced but not yet to break even

## ➤ 2008 – 2011 Strategic Plan

- Revenue CAGR 9%, Specialty CAGR 40%
- Gross margins within target; operating income growth accelerates
- ROIC exceeds 20%



*Gross Margins rise to >25%*

## Summary – Engineered Materials

*Proof of Performance*

- Brand new business – new leadership team – new marketing, technology and commercial directors
- Commercial and technology resources investment
- New state-of-the-art specialties manufacturing facility
- Specialization strategy transforms business to high-value, differentiated mix
- High-growth specialty market segments focus
- Global growth and key account strategy to leverage global footprint



*PolyOne*<sup>™</sup>



NORTH AMERICAN  
COLOR & ADDITIVES

John Van Hulle  
Vice President & General Manager  
North American Color & Additives

*Proof of Performance*

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➤ **Description:**

- Sales revenue ~ \$200M
- Global leader in color concentrates and performance additives

➤ **Value Proposition:**

- Superior technical expertise and innovation in color and additive applications
- Operational, commercial and technological resources help customers grow while decreasing their operational costs

➤ **Competitive Differentiation:**

- Speed to market at all steps of the customer product introduction process
- Global consistency and risk management ensure standardization

*Superior global scale and capabilities to meet the growing needs of companies with multiple locations around the world*

# Key Markets – Color and Additives

*Proof of Performance*

Key Industries Served	Available Market \$M	Market Share %
Packaging	\$ 1,200	6%
Automotive	\$ 100	22%
Wire & Cable	\$ 100	25%
Consumer	\$ 550	3%
Building & Construction	\$ 350	3%
Other	\$ 900	2%
Total	\$ 3,200	5%

## Focused Market Segments

- **Packaging – Promote stylish, custom, globally-available solutions to OEM designers**
- **Consumer – Commercialize innovative, patented bio-based products**
- **Healthcare – Market high-quality, risk-mitigating solutions to OEMs and major converters**

### ➤ Novel, Bio-friendly Wood Plastic Composite (WPC) Colorants

- Market growth rate exceeds 10% per year
- Addresses the #1 complaint of customers: color fading
- Patent-pending technology

### Profitable Turnaround for Color & Additives \$10MM OI Gain

#### ➤ Targeted Unprofitable Customers

- Staged product specific increases
- Management of molder inventories provides benefit reducing total cost of supply 10%
- Limited revenue decline of <10% on least profitable customer business

## Proof of Performance – Strategic Direction

- **Develop new technologies in additives, liquid colorants and composites to reach OEM designers**
- **Innovate and acquire bio-friendly products**
- **Reduce our production line change-over times and our lead-to-match and match-to-make service times**

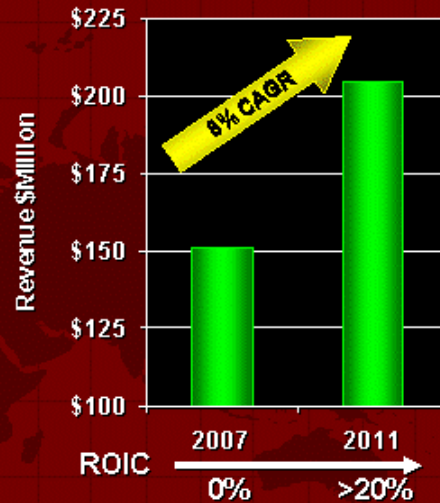


## ➤ 2007 Performance

- Steep losses reversed – \$10 million 2007 OI improvement
- Commercial excellence initiatives drive higher value mix – GM% up 10% points vs. 2006

## ➤ 2008 – 2011 Strategic Plan

- Revenue CAGR 8%
- Gross margins within target; strong operating income growth
- ROIC exceeds 20%



*Gross Margins rise to >25%*

## Summary – Color and Additives

*Proof of Performance*

### ➤ Today:

- Delivering a strong turnaround due to improved product mix, pricing and elimination of unprofitable business relationships
- Building a strong base business and making inroads with key OEMs & Molders
- Evaluating strategic acquisitions to grow eco-friendly solutions technology and increase market penetration
- Color & Additives business profitable, with a \$10MM OI improvement

### ➤ 2008 - 2011:

- Sales growth >8% CAGR
- Highly leveraged OI growth through margin expansion
- ROIC >20%
- 25% of sales from new product offerings



*PolyOne*<sup>™</sup>



## INTERNATIONAL COLOR & ENGINEERED MATERIALS

Bernard Baert  
Senior Vice President & General Manager  
International Color & Engineered Materials

*Proof of Performance*

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➤ **Description:**

- Premier EM and color and additives concentrates manufacturer and marketer
- Multiple manufacturing, technology and design facilities in Europe and Asia
- Total revenue (est 2007): \$610 million

➤ **Value Proposition:**

- Global coverage capability for Global Key Accounts
- Innovative technology, reliable supply and superior quality
- Fast and customized solutions, technical support, on-time delivery

➤ **Competitive Differentiation:**

- Capability to provide global coverage for multinational companies
- Extensive compound offerings featuring superior properties, design flexibility
- Full range of concentrates featuring critical requirements and special effects
- Tailor-made solutions combined with a full range of standard products

# Plastics Consumption

*Proof of Performance*

<b>Priority Opportunities</b>	<b>Plastics demand growth %, annualized 2009-2014</b>	<b>Annual demand in Million Metric Tons</b>
<b>China</b>	<b>10%</b>	<b>46</b>
<b>India</b>	<b>14%</b>	<b>16</b>
<b>Eastern Europe</b>	<b>9%</b>	<b>8</b>
<b>South America</b>	<b>5%</b>	<b>10</b>

# Asia



# Key Asian Markets – Color & EM

*Proof of Performance*

## Color & Additives

Key Industries Served	Available Market \$M Est.	2007 Revenue \$M	% Market Share
Packaging	\$417	\$37	7%
Wire & Cable	\$91	\$13	14%
Industrial	\$63	\$0	0%
Automotive	\$62	\$4	6%
Building & Construction	\$105	\$2	2%
Other	\$469	\$5	1%
<b>Total</b>	<b>\$1,207</b>	<b>\$51</b>	<b>4%</b>

## Engineered Materials

Key Industries Served	Available Market \$M Est.	2007 Revenue \$M	% Market Share
Business Equipment	\$225	\$55	24%
Automotive	\$75	\$10	13%
Electronics	\$50	\$ 8	16%
Appliances	\$125	\$ 6	5%
Wire & Cable	\$ 54	\$ 8	17%
<b>Total</b>	<b>\$529</b>	<b>\$87</b>	<b>16%</b>

## Focused Market Segments

- **Business Equipment** – global presence – growth estimated at 10%/y.
- **Wire & Cable** – Specialty & oil-resistant product range – growth estimated at 20%/y.
- **Cosmetic Packaging & Durable Goods** – Bioplastics, specialty additives – growth estimated at 15%/y.

# Europe





# Key European Markets – Color & EM

*Proof of Performance*

## Color & Additives

Key Industries Served	Available Market \$M Est.	2007 Revenue \$M	% Market Share
Packaging	\$1,069	\$121	11%
Wire & Cable	\$116	\$42	36%
Industrial	\$866	\$32	4%
Automotive	\$132	\$21	16%
Bldg. & Const.	\$144	\$15	11%
Other	\$1,173	\$45	7%
<b>Total</b>	<b>\$3,500</b>	<b>\$276</b>	<b>9%</b>

## Engineered Materials

Key Industries Served	Available Market \$M Est.	2007 Revenue \$M	% Market Share
Automotive	\$2,687	\$93	3%
E&E	\$1,307	\$26	2%
Consumer goods	\$745	\$10	1%
BC & Industrial	\$731	\$23	3%
Packaging	\$43	\$5	12%
Wire & Cable	\$230	\$30	13%
Health & Medical	\$70	\$4	5%
Other	\$324	\$8	3%
<b>Total</b>	<b>\$6,137</b>	<b>\$198</b>	<b>3%</b>

## Focused Market Segments

- **Automotive – Weight reduction – customized cpds/color skill – growth estimated at 10%.**
- **Packaging – Green solutions – bioplastics and specialty additives skills + service – growth estimated at 10% on specific sub segments.**
- **Wire & Cable – Technology transitions – unique products such as oil-resistant formulations – growth estimated at 10%.**

### ➤ Global Key Account Solutions

- **Automotive:** Business developed in EU, expanded in US and in Asia
- **Packaging:** Specification gained at a US OEM was leveraged in Asia
- **Electrical:** US-Asia partnership won business in Korea

### ➤ Expansion of our Global Footprint

- North China, Suzhou, Shanghai, India, Eastern Europe, France, Spain

### ➤ Specialization

- **Automotive:** A plastic part coloration solution avoids the painting step
- **Wire & Cable:** A unique oil-resistant halogen-free compound for cables

## Strategic Direction – International

*Proof of Performance*

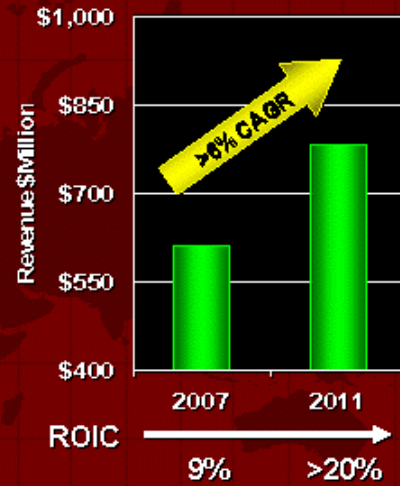
- 
- **Aggressively expand our global footprint in high-growth areas in Asia, Eastern Europe and the Middle East**
  - **Develop Global Account management**
  - **Drive our Vitality Index above 25%. Address new markets and introduce new products**
  - **Maximize our operational and commercial efficiencies**

## ➤ 2007 Performance

- Revenue – double-digit increases in Asia and Europe
- >30% earnings growth, nearly 20% excluding FX benefit

## ➤ 2008 – 2011 Strategic Plan

- Revenue approaches \$800 million, CAGR >6% – Asia CAGR 15%
- Gross margins within target range; strong operating income growth
- ROS exceeds 9%
- ROIC exceeds 20%



*Gross Margins rise to >25%*

## Summary – Total International

*Proof of Performance*

- Continue the successful change to specialization
- Develop partnerships with key OEMs
- Continue geographic expansion and reach
- Train and coach commercial teams for customer value
- Support value creation via operational excellence using Lean Six Sigma methodology



*PolyOne*<sup>™</sup>



## VINYL BUSINESS

Rob Rosenau  
Senior Vice President & General Manager  
Vinyl Business

*Proof of Performance*

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# Vinyl Business

*Proof of Performance*

➤ **Description:**

- \$875 million
- North American leader in the specialized vinyl market

➤ **Value Proposition:**

- Long-established supplier with a successful track record
- A world-recognized brand that connotes the highest quality standards, and answers to the toughest vinyl questions
- Unique combination of application and product solutions
- Unmatched technical service capabilities

➤ **Competitive Differentiation:**

- Breadth of solutions
- Reliability / security of supply
- Heritage of performance
- Expertise and collaborative approach

## Key Markets – Vinyl Business

*Proof of Performance*

Key Industries Served	Defined Market \$M	% Market Share
Building & Const.	\$1,050	32%
Wire & Cable	\$450	30%
Consumer	\$230	17%
Automotive	\$230	6%
Packaging	\$155	50%
Appliance	\$85	55%
Formulators	\$75	23%
Electrical / Electronics	\$50	77%
Other	\$255	61%
<b>Total</b>	<b>\$2,580</b>	<b>34 %</b>
Total Top 10 Customers		\$225
BU		\$875

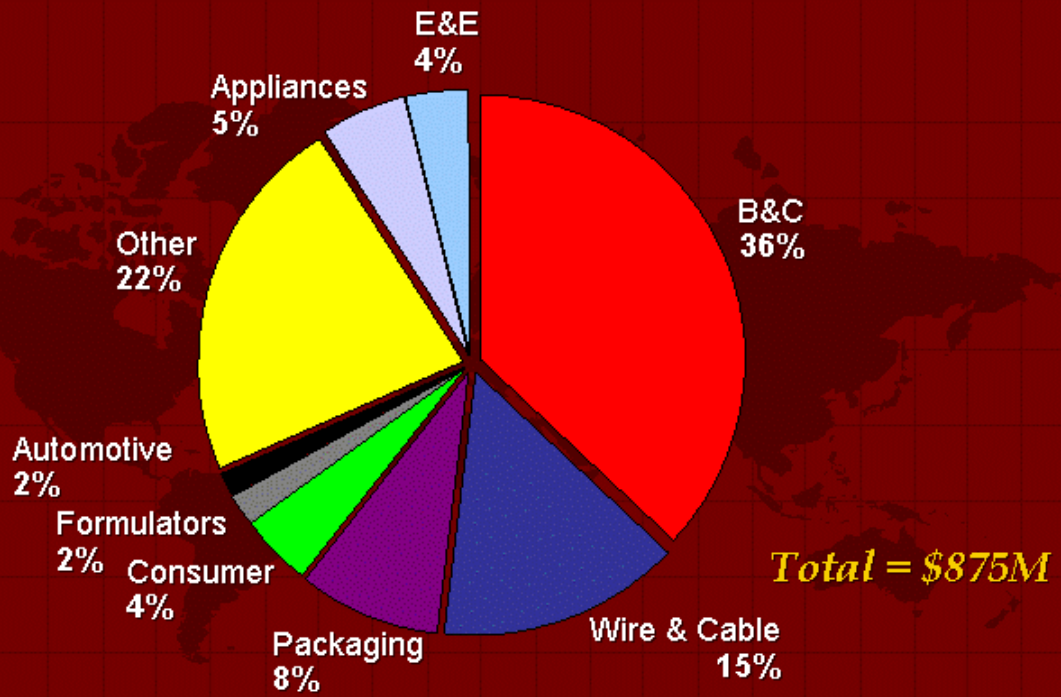
### Focused Market Segments

- Wire & Cable – Expansion in Asia
- Consumer – Penetration in this market to diversify our business and reduce dependence on B&C
- Appliance – Leverage our success across more global OEMs



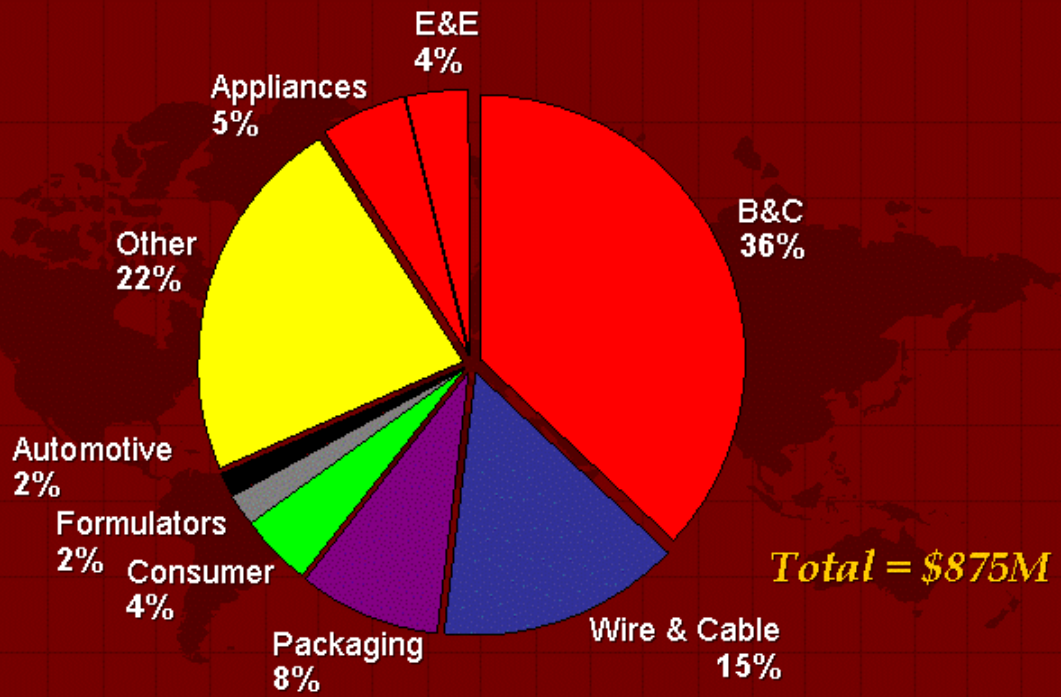
# PolyOne Vinyl Revenue Breakdown

*Proof of Performance*

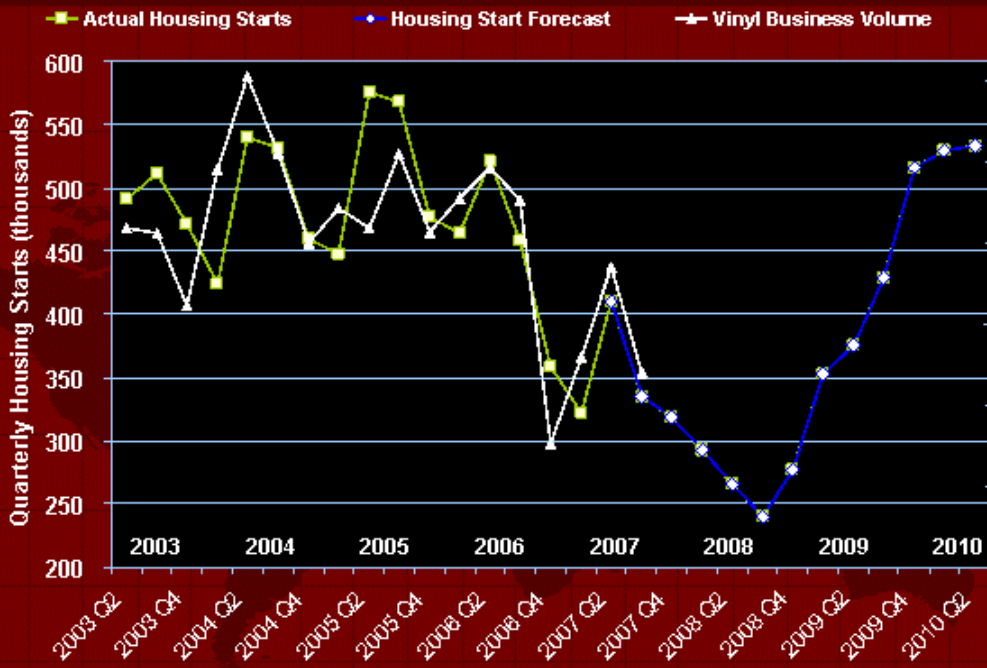


# PolyOne Vinyl Revenue Breakdown

*Proof of Performance*



# Housing Starts vs. Vinyl Business Volume



*Existing home sales at a 16-year low*  
*Housing starts running at 11 year low*  
*Consensus forecast shows no rebound until late 2008*

## Proof of Performance – Vinyl Business

### ➤ Worked with:

- A major appliance manufacturer to resolve laundry console design flaws discovered in final testing, avoiding launch delays costing millions
- A Midwest extruder to use CPVC to resolve problems in a copper plate manufacturing process, saving the end user \$1.5-2 million

### ➤ Proved:

- To another major appliance manufacturer that the company services we provide are consistently worth more than 8-10% of the company's annual purchases from us
- To a major wire & cable manufacturer that the processing speed and consistency associated with our material was worth giving us \$8 million in new business at a \$460,000 premium

## Proof of Performance – Vinyl Business

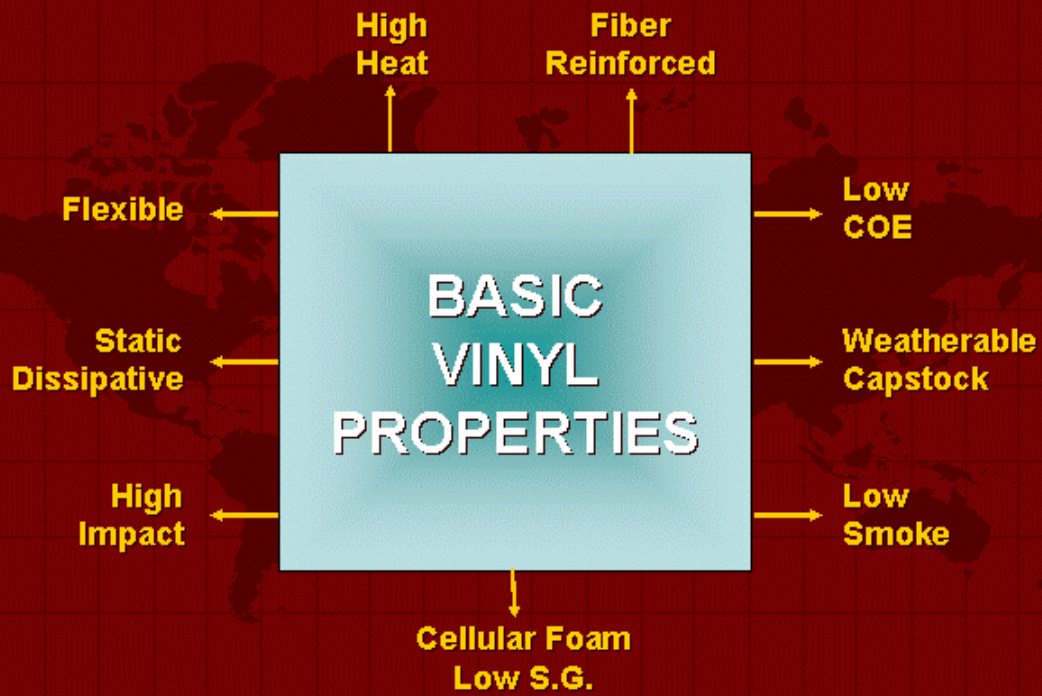
### ➤ Since 2005:

- Improved on-time delivery 14 points, while
- Reducing lead times by 40%, while
- Removing 12% of our working capital, while
- Eliminating over \$5 million from our annual cost structure

### ➤ Example:

- Determined that on-time delivery was key factor in satisfaction of two key Midwest accounts
- Initiated service offer that guaranteed 100% on-time delivery
- Each customer placing 95%+ of business with PolyOne

# Proof of Performance – Vinyl Performance “Window”



## Strategic Direction – Vinyl Business

*Proof of Performance*

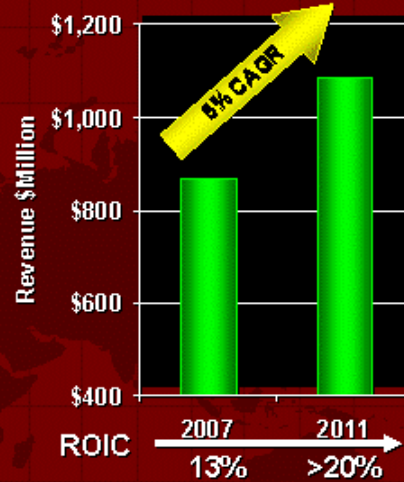
- Create the next generation of vinyl injection molding compounds
- Identify and penetrate other specialty applications
- Leverage our success with North American appliance manufacturers globally
- Establish manufacturing position in China, and double sales there by 2011
- Exit high-cost manufacturing and warehousing facilities
- Leverage PolyOne's key account and OEM focus to better identify needs and applications

## ➤ 2007 Performance

- Weak residential construction drives 10% revenue drop and OI decline
- Margins fall below trend

## ➤ 2008 – 2011 Strategic Plan

- Challenging 2008 operating environment
- Revenue CAGR 6%, reflecting housing rebound as of 2009
- Margins recover leading to 9% ROS
- ROIC exceeds 20%





## Summary – Vinyl Business

*Proof of Performance*

- **Penetrating specialized applications such as semiconductor piping, dark-colored windows and decking, and decorative appliance parts**
- **Improving productivity by more than 5% annually by applying Lean Six Sigma tools**
- **Expanding into Asia to service major customers' global needs**
- **Broadening and deepening our interaction with customers to better identify needs and create value-added solutions**
- **Capitalizing on new applications and a recovering housing market**

*... all lead to new highs in Vinyl Business profitability and cash generation*



*PolyOne*<sup>™</sup>



**POLYONE  
DISTRIBUTION**

**Mike Rademacher  
Senior Vice President & General Manager  
Distribution**

*Proof of Performance*

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# PolyOne Distribution

*Proof of Performance*

➤ **Description:**

- North America plastics distribution
- 5,000+ plastic processor customers
- Sales \$750M
- 20 suppliers, 3,000+ products

➤ **Value Proposition:**

- Full product bundle
- Same-or next-day delivery
- Unbiased solutions
- Local inventory
- Technical support

➤ **Competitive Differentiation:**

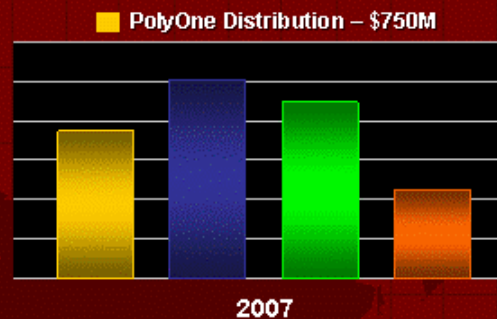
- North American coverage
- PolyOne products
- Technical support
- Management experience
- Customer relationships and responsiveness



# Key Markets – Distribution

*Proof of Performance*

Key Industries Served	Available Market \$M	2007 Revenue \$M	Market Share %
Consumer	\$1,160	\$160	14%
Automotive	\$1,403	\$150	11%
Industrial	\$1,779	\$145	8%
Healthcare	\$495	\$130	26%
Appliance	\$307	\$45	15%
Building & Const.	\$444	\$45	10%
Packaging	\$1,403	\$34	2%
Electronics	\$482	\$28	6%
Wire & Cable	\$102	\$8	8%
<b>Total</b>	<b>\$7,575</b>	<b>\$750</b>	<b>10%</b>



**Top 4 Distributors = 40% Market Share**

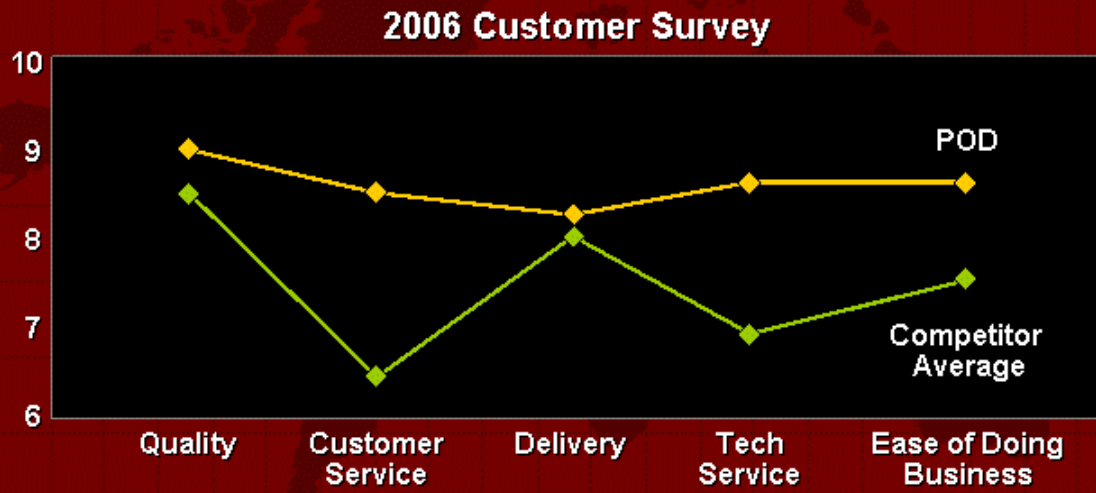
## Focused Market Segments

- **Healthcare – Increase share with a tailored approach of PolyOne products and services**
- **Mexico / Canada – Add resources in response to growth opportunities**
- **New Locations – Selectively expand geographic reach**

## Proof of Performance – Distribution

- **Demonstrated growth in sales revenue and profitability since merger**
- **Successful transition to Vinyl's exclusive distributor in 2003**
- **Key supplier partners have continued to support our business model and value proposition**
- **We continue to be an important channel for PolyOne products and a “window to the market” for our businesses**

**Customers Rank Us Highest in Key Quality and Service Criteria**



## Proof of Performance – Strategic Direction

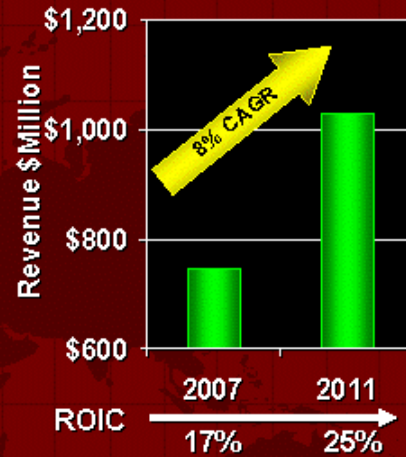
- Accelerate North American growth through sales force investment
- Expand our presence in Mexico and Canada
- Develop key markets like Healthcare where we can create a differentiated offering by bundling PolyOne's products and services
- Explore opportunities to expand our global reach

## ➤ 2007 Performance

- Revenue growth despite softening economy
- Year-over-year OI increase – projected record segment earnings
- ROIC projected at 17%

## ➤ 2008 – 2011 Strategic Plan

- Revenue to exceed \$1B, CAGR 8%
- Leverage infrastructure to accelerate OI growth
- ROS grows to 4% and ROIC to 25%



*Gross Margins rise to >9%*



## Summary – Distribution

*Proof of Performance*

### ➤ Today:

- Proven track record of performance
- Strong base business in North America and a solid differentiated value proposition

### ➤ 2008 – 2011:

- Accelerate growth in North America to exceed \$1B
- Leverage current network to accelerate operating income growth
- Explore opportunities to selectively expand our geographic reach
- Deliver 4% ROS, 25% ROIC



*PolyOne*<sup>™</sup>



## FINANCIAL SUMMARY

David Wilson

Senior Vice President & Chief Financial Officer

*Proof of Performance*

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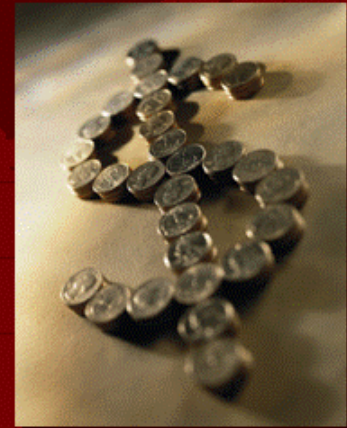
## Proof of Performance – Financial Summary

➤ **Strong financial profile established – flexibility to accelerate strategic investments:**

- Total debt and interest expense lowest since formation
- Current leverage ratio of 2.0x to 2.5x; credit ratings upgraded
- Invested capital productivity targets delivered
- Investment capacity grows consistently

➤ **Transformation strategies improve quality and sustainability of earnings mix:**

- Core business earnings >60% of total and growing
- OxyVinyls divestment reshapes portfolio and eliminates principal source of volatility
- Specialization driving meaningful earnings mix improvement
- Investments aligned with specialization and globalization
- Effectiveness and efficiency improved through commercial and operational excellence



- Drive profitable growth, multiple expansion and shareholder value creation
- Key 2011 performance objectives:
  - 25% to 35% specialty business gross margins
  - 40% sales outside United States
  - 25% vitality index
  - Strong double-digit earnings CAGR
  - Generate economic return – ROIC > 15%

*Meaningfully improved quality and sustainability of earnings mix should drive substantial multiple expansion and share price appreciation*

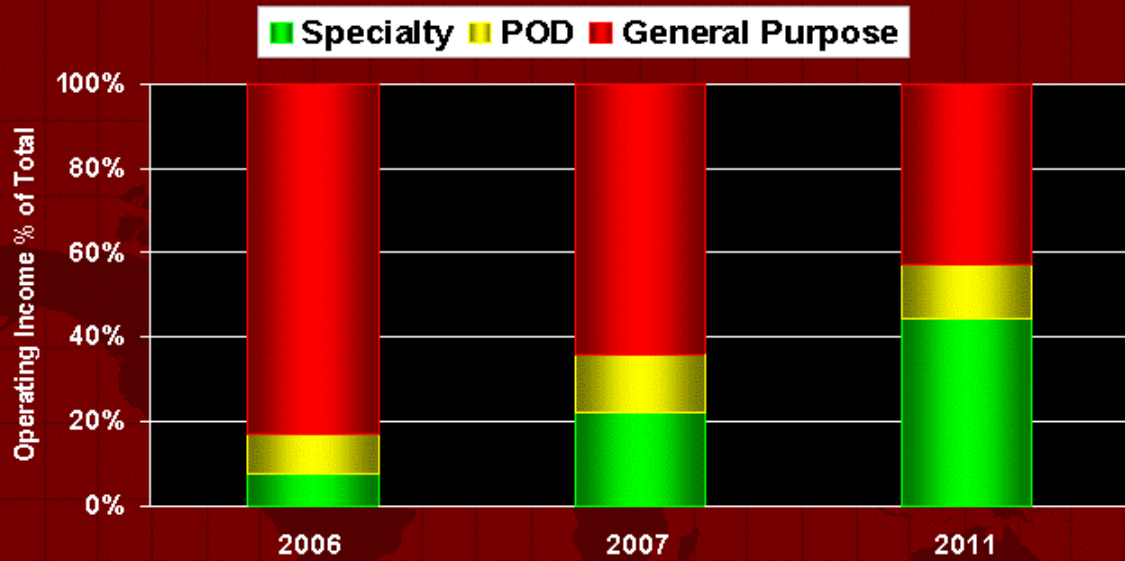
## Strategic Business Platforms

*Proof of Performance*

- **Specialty Businesses – \$0.95 Billion**
- **PolyOne Distribution – \$0.75 Billion**
- **General Purpose – \$1.13 Billion**

# Operating Income Mix

*Proof of Performance*



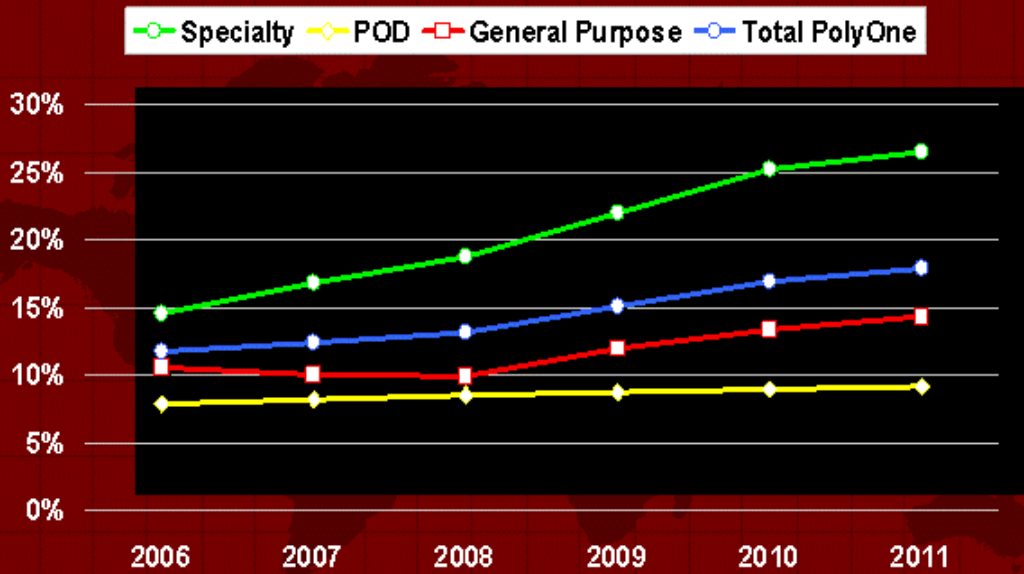
Excludes Corporate charges

*Projected OI CAGR exceeds 20%, driving threefold increase in EPS from 2007 to 2011. Specialty earnings elevated by strong gross margin increases. Vinyl margins rebound.*

*Earnings quality improves with meaningful mix shift towards Specialty Businesses.*

# Gross Margin % of Sales Evolution

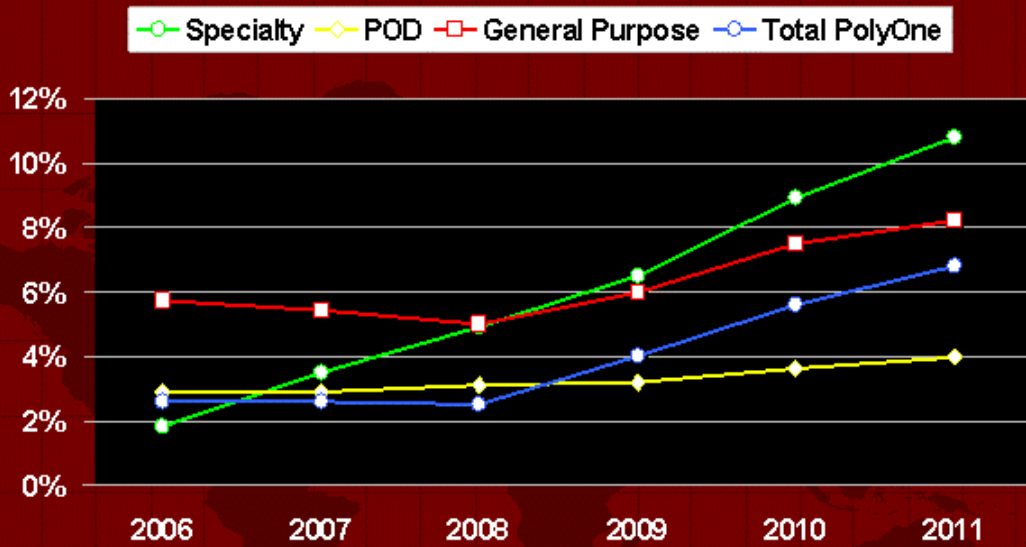
*Proof of Performance*



*Specialization drives increases across each platform. Specialty platform achieves 25% objective by 2010.*

# Operating Income % of Sales

*Proof of Performance*



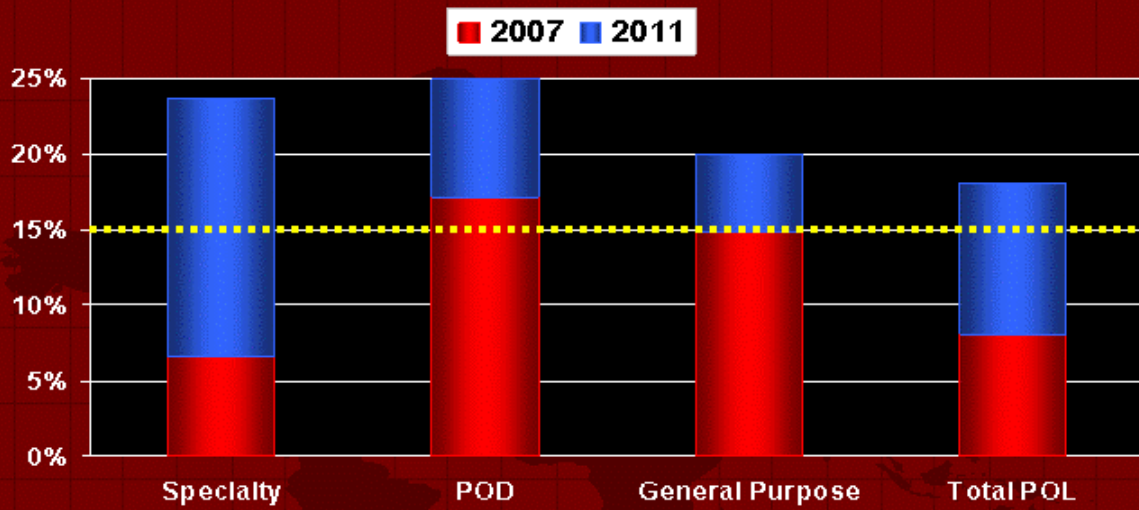
ROS excludes R&I equity OI

*Specialty platform pushes above 10% ROS in 2011. Total 2011 ROS projected to increase >4% points from 2007.*



# Return on Invested Capital Summary

*Proof of Performance*

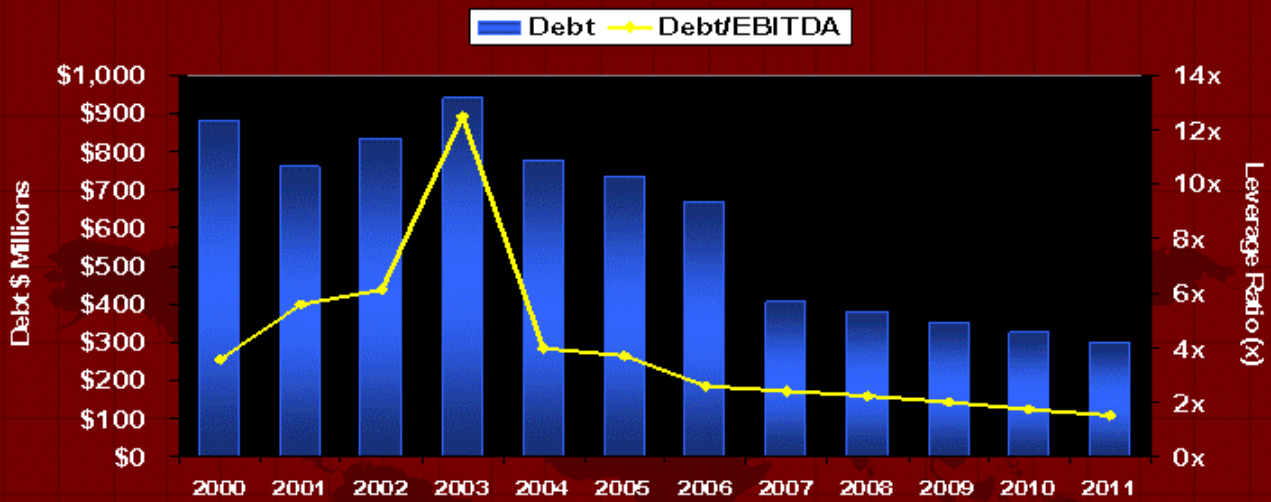


*Each platform achieves ROIC objective to generate a target return by 2011.  
POD and GP performing at or above target in 2007.*

*Total PolyOne ROIC reaches 18% by 2011.*

# Strengthening Financial Profile

*Proof of Performance*



*Target leverage ratio of 2.0x to 2.5x achieved in 2007.*

*Redemption of 2010 Senior Notes in 2007 reduces total debt to half level at POL formation.  
\$26 million annual debt reduction 2008 – 2011 corresponds to scheduled retirements.*

*Net interest expense reduction should approach \$34 million in 2008 vs. 2006.*

# Financial Profile Outlook

*Proof of Performance*

*Strengthening Financial Profile and Performance Should Drive Ratings Improvement*

	2006	2007	2011
Debt / EBITDA (Y/E)	2.6x	2.4x	<1.5x
Net Debt / EBITDA (Y/E)	2.5x	2.1x	<1.0x
Total Debt (Y/E)	\$668	\$405	\$301
% Core Business Earnings	45%	63%	>95%
Working Capital as % of Sales	14.3%	14.2%	13.5%
Investment Capacity (<3x; Acqu. @ 8x)	\$200	>\$200	>\$1,000
Investment Capacity (<2.5x; Acqu. @ 8x)	\$0	\$80	>\$750

- **Key credit drivers delivered to increase rating from current B+ / B1 to investment grade**
- **Invested capital productivity improves, driving strong cash flows through period**
- **Specialization / globalization accelerated by deploying available investment capacity**

# Key Performance Indicators

*Proof of Performance*

Key Performance Indicators	2011 Objective	Projected Performance
<b>Gross Margin Attainment</b>	<b>25% - 35% for Specialty Businesses</b>	<b>25% by 2010; 10% ROS by 2011</b>
<b>Sales Outside the USA</b>	<b>40%</b>	<b>38% projected. Acquisitions close the gap.</b>
<b>Vitality Index</b>	<b>25%</b>	<b>11.5% 2006 base increases from new commercial launches plus 60 POL projects in pipeline</b>
<b>Operating Income Growth</b>	<b>Double-digit CAGR</b>	<b>&gt;20% CAGR projected for total PolyOne</b>
<b>Return on Invested Capital:</b>		
> <b>Total PolyOne (pre-tax)</b>	<b>&gt;15%</b>	<b>18% achieved by 2011</b>
> <b>Business Units (pre-tax)</b>	<b>&gt;15%</b>	<b>Each platform exceeds target by 2011</b>

*Strong earnings growth, plus substantial improvement in quality and sustainability of earnings mix, should drive a significant step up in valuation multiple and equity price.*

## Proof of Performance – Financial Summary

- **Transformation strategies deliver key objectives**
  - Specialization drives meaningful increases in gross margins, which deliver ROS and ROIC
  - Quality of earnings mix reshapes portfolio; underpins sustainable, high-value base; and expands equity valuation multiples
- **Financial profile is strong, enabling flexibility to accelerate requisite strategic investments to support organic growth initiatives and acquisitions, while maintaining strong financial ratios**
  - Ratings should improve, potentially returning to investment grade by 2009
- **Portfolio development initiatives strengthen business mix and achieve strategic objectives**
- **Strong earnings growth will drive marked increase in price of PolyOne's equity, delivering sustainable value to shareholders**

