
**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 June 30, 2016

☐ **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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ 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 ☐

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 the registrant's outstanding common shares, \$0.01 par value, as of June 30, 2016 was 84,069,701.

Part I — Financial Information

Item 1. Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Sales	\$ 861.5	\$ 887.1	\$ 1,708.5	\$ 1,760.2
Cost of sales	669.2	701.4	1,330.7	1,404.7
Gross margin	192.3	185.7	377.8	355.5
Selling and administrative expense	110.8	105.4	225.0	205.1
Operating income	81.5	80.3	152.8	150.4
Interest expense, net	(14.6)	(16.2)	(29.2)	(32.3)
Debt extinguishment costs	(0.4)	—	(0.4)	—
Other income (expense), net	0.1	(0.7)	0.4	(1.4)
Income before income taxes	66.6	63.4	123.6	116.7
Income tax (expense) benefit	(16.6)	3.6	(34.6)	(19.5)
Net income	50.0	67.0	89.0	97.2
Net (income) loss attributable to noncontrolling interests	—	(0.2)	0.1	(0.2)
Net income attributable to PolyOne common shareholders	\$ 50.0	\$ 66.8	\$ 89.1	\$ 97.0
Earnings per common share attributable to PolyOne common shareholders - Basic:	\$ 0.59	\$ 0.75	\$ 1.06	\$ 1.09
Earnings per common share attributable to PolyOne common shareholders - Diluted:	\$ 0.59	\$ 0.74	\$ 1.05	\$ 1.08
Weighted-average shares used to compute earnings per common share:				
Basic	84.1	88.9	84.4	89.1
Diluted	84.7	89.8	84.9	89.9
Cash dividends declared per share of common stock	\$ 0.12	\$ 0.10	\$ 0.24	\$ 0.20

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

PolyOne Corporation
Consolidated Statements of Comprehensive Income (Unaudited)
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	\$ 50.0	\$ 67.0	\$ 89.0	\$ 97.2
Other comprehensive income				
Translation adjustments	(4.1)	3.3	(4.3)	(14.6)
Unrealized gain on available-for-sale securities	—	0.4	—	0.4
Total comprehensive income	45.9	70.7	84.7	83.0
Comprehensive (income) loss attributable to noncontrolling interests	—	(0.2)	0.1	(0.2)
Comprehensive income attributable to PolyOne common shareholders	<u>\$ 45.9</u>	<u>\$ 70.5</u>	<u>\$ 84.8</u>	<u>\$ 82.8</u>

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

PolyOne Corporation
Condensed Consolidated Balance Sheets
(In millions)

	(Unaudited) June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 161.4	\$ 279.8
Accounts receivable, net	431.3	347.0
Inventories, net	312.1	287.0
Other current assets	46.4	47.0
Total current assets	951.2	960.8
Property, net	581.7	583.5
Goodwill	636.0	597.7
Intangible assets, net	347.6	344.6
Other non-current assets	103.3	108.5
Total assets	\$ 2,619.8	\$ 2,595.1
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term and current portion of long-term debt	\$ 18.4	\$ 18.6
Accounts payable	373.1	351.6
Accrued expenses and other current liabilities	140.2	127.9
Total current liabilities	531.7	498.1
Non-current liabilities:		
Long-term debt	1,126.2	1,128.0
Pension and other post-retirement benefits	52.0	77.5
Deferred income taxes	27.5	33.8
Other non-current liabilities	150.6	152.5
Total non-current liabilities	1,356.3	1,391.8
Shareholders' equity:		
PolyOne shareholders' equity	730.9	704.2
Noncontrolling interests	0.9	1.0
Total equity	731.8	705.2
Total liabilities and shareholders' equity	\$ 2,619.8	\$ 2,595.1

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2016	2015
Operating Activities		
Net income	\$ 89.0	\$ 97.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49.2	49.8
Accelerated depreciation and fixed asset charges associated with restructuring activities	4.1	6.5
Provision for doubtful accounts	0.1	—
Debt extinguishment costs	0.4	—
Share-based compensation expense	4.3	4.2
Change in assets and liabilities, net of the effect of acquisitions:		
Increase in accounts receivable	(84.3)	(40.8)
(Increase) decrease in inventories	(4.3)	5.2
Increase in accounts payable	21.6	35.5
Decrease in pension and other post-retirement benefits	(27.1)	(27.9)
Decrease in accrued expenses and other assets and liabilities - net	(3.6)	(69.8)
Net cash provided by operating activities	49.4	59.9
Investing Activities		
Capital expenditures	(39.6)	(39.1)
Business acquisitions	(72.8)	—
Sale of and proceeds from other assets	9.0	1.9
Net cash used by investing activities	(103.4)	(37.2)
Financing Activities		
Borrowings under credit facilities	471.2	515.6
Repayments under credit facilities	(471.4)	(481.2)
Purchase of common shares for treasury	(39.6)	(42.8)
Cash dividends paid	(20.7)	(17.9)
Repayment of long-term debt	(2.8)	—
Exercise of share awards	0.8	4.2
Debt financing costs	(0.6)	—
Net cash used by financing activities	(63.1)	(22.1)
Effect of exchange rate changes on cash	(1.3)	(2.4)
Decrease in cash and cash equivalents	(118.4)	(1.8)
Cash and cash equivalents at beginning of period	279.8	238.6
Cash and cash equivalents at end of period	\$ 161.4	\$ 236.8

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

PolyOne Corporation
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 — 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, 2015 of PolyOne Corporation. When used in this quarterly report on Form 10-Q, the terms "we," "us," "our", "PolyOne" and the "Company" mean PolyOne Corporation and its consolidated subsidiaries.

Operating results for the three and six months ended June 30, 2016 are not necessarily indicative of the results that may be attained in subsequent periods or for the year ending December 31, 2016.

Accounting Standards Not Yet Adopted

In June 2016, the FASB issued Accounting Standards Update 2016-13, "*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*" (ASU 2016-13), which requires the allowance recorded for trade receivables to be measured by expected loss rather than incurred loss. Expected loss measurement will be based on historical experience, current conditions and reasonable and supportable forecasts. The Company will adopt ASU 2016-13 no later than the required date of January 1, 2020. We do not expect this standard to have a material impact on our Consolidated Financial Statements.

In March 2016, the FASB issued Accounting Standards Update 2016-09, "*Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*" (ASU 2016-09), which simplifies the the accounting for share-based payment transactions. This update requires that excess tax benefits and tax deficiencies will be recognized as income tax expense or benefit in the Consolidated Statements of Income rather than additional paid-in capital. Additionally, the excess tax benefits will be classified along with other income tax cash flows as an operating activity, rather than a financing activity, on the Statement of Cash Flows. Further, the update allows an entity to make a policy election to recognize forfeitures as they occur or estimate the number of awards expected to be forfeited. ASU 2016-09 is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively, with certain cumulative effect adjustments. The Company will adopt ASU 2016-09 no later than the required date of January 1, 2017. We do not expect this standard to have a material impact on our Consolidated Financial Statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02, "*Leases (Topic 842)*" (ASU 2016-02), which requires a lessee to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with a lease term of more than twelve months. Leases will continue to be classified as either financing or operating, with classification affecting the recognition, measurement and presentation of expenses and cash flows arising from a lease. The Company will adopt ASU 2016-02 no later than the required date of January 1, 2019. We are currently assessing the impact this standard will have on our Consolidated Financial Statements.

In July 2015, the FASB issued Accounting Standards Update 2015-11, "*Inventory (Topic 300): Simplifying the Measurement of Inventory*" (ASU 2015-11), which applies to inventory measured using first-in, first out (FIFO) or average cost. This update requires that an entity should measure inventory that is within scope at the lower of cost and net realizable value, which is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This update is effective for annual and interim periods beginning after December 15, 2016, and should be applied prospectively with early adoption permitted at the beginning of an interim or annual reporting period. We do not expect this standard to have a material impact on our Consolidated Financial Statements.

In May 2014, the FASB issued Auditing Standards Update 2014-09, "*Revenue from Contracts with Customers*" (ASU 2014-09). Under this standard, a company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in

exchange for those goods or services. The standard implements a five-step process for customer contract revenue recognition that focuses on transfer of control. The Company will adopt ASU 2014-09 no later than the required date of January 1, 2018. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact this standard, along with the subsequent updates and clarifications, will have on our Consolidated Financial Statements as well as the method by which we will adopt the new standard.

Note 2 — BUSINESS COMBINATIONS

On January 29, 2016, the Company completed the acquisition of certain technologies and assets from Kraton Performance Polymers, Inc. (Kraton), to expand its global footprint and expertise in thermoplastic elastomer (TPE) innovation and design, for approximately \$72.8 million. The results of operations of Kraton are included in the Company's Consolidated Statements of Income for the period subsequent to the date of the acquisition and are reported in the Specialty Engineered Materials segment. The preliminary purchase price allocation is subject to change and not yet finalized. This preliminary allocation resulted in goodwill of \$37.8 million and \$13.8 million in intangible assets that are being amortized over a period of seven to ten years. Goodwill recognized as a result of this acquisition is deductible for tax purposes.

Note 3 — GOODWILL AND INTANGIBLE ASSETS

Goodwill as of June 30, 2016 and December 31, 2015, and changes in the carrying amount of goodwill by segment were as follows:

(In millions)	Specialty Engineered Materials	Color, Additives and Inks	Designed Structures and Solutions	Performance Products and Solutions	PolyOne Distribution	Total
Balance December 31, 2015	\$ 98.0	\$ 342.2	\$ 144.7	\$ 11.2	\$ 1.6	\$ 597.7
Acquisitions of businesses	37.8	—	—	—	—	37.8
Currency translation and other adjustments	0.6	(0.1)	—	—	—	0.5
Balance June 30, 2016	\$ 136.4	\$ 342.1	\$ 144.7	\$ 11.2	\$ 1.6	\$ 636.0

Indefinite and finite-lived intangible assets consisted of the following:

(In millions)	As of June 30, 2016			
	Acquisition Cost	Accumulated Amortization	Currency Translation	Net
Customer relationships	\$ 202.0	\$ (46.9)	\$ (0.2)	\$ 154.9
Patents, technology and other	148.2	(51.6)	(0.2)	96.4
Indefinite-lived trade names	96.3	—	—	96.3
Total	\$ 446.5	\$ (98.5)	\$ (0.4)	\$ 347.6

(In millions)	As of December 31, 2015			
	Acquisition Cost	Accumulated Amortization	Currency Translation	Net
Customer relationships	\$ 199.4	\$ (42.1)	\$ —	\$ 157.3
Patents, technology and other	137.0	(45.7)	(0.3)	91.0
Indefinite-lived trade names	96.3	—	—	96.3
Total	\$ 432.7	\$ (87.8)	\$ (0.3)	\$ 344.6

Note 4 — EMPLOYEE SEPARATION AND RESTRUCTURING COSTS

In the second half of 2015, PolyOne determined it would close two manufacturing facilities within the Designed Structures and Solutions segment and take other corporate actions to reduce administrative costs. These actions were taken as a result of Designed Structures and Solutions' declining results and near-term outlook. During the three and six months ended June 30, 2016, we recognized \$1.7 million and \$6.8 million, respectively, primarily related to severance and asset-related charges, including fixed asset and inventory write offs, associated with these actions. Total costs for these actions to-date has been \$23.9 million, which includes \$8.3 million of severance costs, \$13.1 million of asset-related charges, including accelerated depreciation of \$9.0 million, and \$2.5 million of other

ongoing costs associated with exiting these plants and transferring equipment. We anticipate the remaining accelerated depreciation charges and ongoing costs of \$3.3 million to be incurred in the third quarter of 2016.

During 2016, in addition to the actions noted above, we recognized \$2.2 million and \$2.8 million of restructuring costs for the three and six months ended June 30, 2016, respectively, that were primarily related to restructuring actions taken at other North American locations.

In 2013, PolyOne determined it would close seven former Spartech Corporation (Spartech) manufacturing facilities and one administrative office and relocate operations to other PolyOne facilities. The closure of these manufacturing facilities was part of the Company's efforts to improve service, on time delivery and quality as we align assets with our customers' needs.

There were no charges related to the Spartech actions during the six months ended June 30, 2016 as these actions were complete as of December 31, 2015. We recognized \$5.7 million and \$15.0 million related to these actions during the three and six months ended June 30, 2015, respectively.

During the three months ended June 30, 2016, we recognized total employee separation and restructuring charges of \$4.8 million, of which \$1.9 million was recognized within *Cost of goods sold* and \$2.9 million within *Selling and administrative expenses*. During the three months ended June 30, 2015, we recognized total employee separation and restructuring charges of \$7.5 million, of which \$5.3 million was recognized within *Cost of goods sold* and \$2.2 million within *Selling and administrative expenses*.

During the six months ended June 30, 2016, we recognized total employee separation and restructuring charges of \$11.9 million, of which \$4.6 million was recognized within *Cost of goods sold* and \$7.3 million within *Selling and administrative expenses*. During the six months ended June 30, 2015, we recognized total employee separation and restructuring charges of \$18.1 million, which included \$13.2 million recognized within *Cost of goods sold* and \$4.9 million recognized within *Selling and administrative expenses*.

Note 5 — INVENTORIES, NET

Components of *Inventories, net* are as follows:

(In millions)	June 30, 2016	December 31, 2015
Finished products	\$ 191.3	\$ 172.7
Work in process	5.6	5.0
Raw materials and supplies	115.2	109.3
Inventories, net	<u>\$ 312.1</u>	<u>\$ 287.0</u>

Note 6 — PROPERTY, NET

Components of *Property, net* are as follows:

(In millions)	June 30, 2016	December 31, 2015
Land	\$ 47.0	\$ 46.9
Buildings	322.6	318.3
Machinery and equipment	1,133.4	1,104.7
Property, gross	1,503.0	1,469.9
Less accumulated depreciation and amortization	(921.3)	(886.4)
Property, net	<u>\$ 581.7</u>	<u>\$ 583.5</u>

Depreciation expense was \$41.7 million for the six months ended June 30, 2016 and \$40.2 million for the six months ended June 30, 2015. Included in depreciation expense is accelerated depreciation of \$3.2 million and \$0.3 million during the six months ended June 30, 2016 and 2015, respectively, related to restructuring actions.

Note 7 — INCOME TAXES

For the second quarter of 2016, the Company's effective tax rate of 24.9% differed from the Company's federal statutory rate of 35.0% primarily due to the favorable impact of foreign tax rate differences on foreign earnings. Additionally, a favorable adjustment related to previously filed U.S. federal income tax returns and corresponding foreign tax credits resulted in a 4.5% favorable impact to the effective tax rate.

In the second quarter of 2015, we recognized an overall income tax benefit of \$3.6 million. The overall benefit was due to the amendment of U.S. federal income tax returns from 2004 through 2012 to use foreign tax credits, which resulted in a favorable impact to our effective tax rate of 41.0%.

For the first half of 2016, the Company's effective tax rate of 28.0% differed from the Company's federal statutory rate of 35.0% primarily due to the favorable impact of foreign tax rate differences on foreign earnings. Additionally, a favorable adjustment related to previously filed U.S. federal income tax returns and corresponding foreign tax credits resulted in a 2.4% favorable impact to the effective tax rate.

The effective tax rate for the first half of 2015 was 16.7% and resulted primarily from the favorable impact of amending U.S. federal income tax returns for 2004 through 2012 to use foreign tax credits that favorably impacted the effective tax rate by 25.2%. Partially offsetting this impact was an unfavorable foreign court ruling that settled an uncertain tax position taken in a prior year resulting in a 6.8% increase in the effective tax rate.

Note 8 — WEIGHTED-AVERAGE SHARES USED IN COMPUTING EARNINGS PER COMMON SHARE

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Weighted-average common shares outstanding – basic	84.1	88.9	84.4	89.1
Plus dilutive impact of share-based compensation	0.6	0.9	0.5	0.8
Weighted-average common shares – diluted	84.7	89.8	84.9	89.9

No equity-based awards were anti-dilutive for the computation of diluted earnings per common share for the three months ended June 30, 2016 and 2015.

For the six months ended June 30, 2016 and 2015, 0.2 million and 0.1 million, respectively, of equity-based awards were excluded from the computation of diluted earnings per share because their effect would have been anti-dilutive.

Note 9 — EMPLOYEE BENEFIT PLANS

Components of defined benefit pension plan net periodic gains are as follows:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Service cost	\$ 0.3	\$ 0.5	\$ 0.5	\$ 0.9
Interest cost	5.2	5.4	10.4	10.7
Expected return on plan assets	(7.8)	(8.2)	(15.7)	(16.4)
Net periodic benefit gains	\$ (2.3)	\$ (2.3)	\$ (4.8)	\$ (4.8)

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

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest cost	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.3
Net periodic benefit costs	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.3

Note 10 — FINANCING ARRANGEMENTS

Debt consists of the following instruments:

As of June 30, 2016 (In millions)	Principal Amount	Unamortized discount and debt issuance cost	Net Debt
Senior secured term loan due 2022	\$ 547.2	\$ 8.2	\$ 539.0
5.25% senior notes due 2023	600.0	7.7	592.3
Other debt	13.3	—	13.3
Total long-term debt	\$ 1,160.5	\$ 15.9	\$ 1,144.6
Less short-term and current portion of long-term debt	18.4	—	18.4
Total long-term debt, net of current portion	\$ 1,142.1	\$ 15.9	\$ 1,126.2

As of December 31, 2015 (In millions)	Principal Amount	Unamortized discount and debt issuance cost	Net Debt
Senior secured term loan due 2022	\$ 550.0	\$ 8.6	\$ 541.4
5.25% senior notes due 2023	600.0	8.3	591.7
Other debt	13.5	—	13.5
Total long-term debt	\$ 1,163.5	\$ 16.9	\$ 1,146.6
Less short-term and current portion of long-term debt	18.6	—	18.6
Total long-term debt, net of current portion	\$ 1,144.9	\$ 16.9	\$ 1,128.0

On November 12, 2015, PolyOne entered into a senior secured term loan having an aggregate principal amount of \$550.0 million. One percent of the current principal amount is payable annually while the remaining balance matures on November 12, 2022. On June 15, 2016, the Company entered into an amendment to its senior secured term loan. Under the terms of the amended senior secured term loan, the interest rate was reduced by 25 basis points to 275 basis points plus the greater of (i) the 1-, 2-, 3-, or 6-month LIBOR, at the Company's discretion, or (ii) 75 basis points. In connection with the amendment, the Company recognized \$0.4 million of *Debt extinguishment costs* in our Consolidated Statements of Income. The weighted average annual interest rate for the senior secured term loan for the three and six months ended June 30, 2016 was 3.71% and 3.73%, respectively. The total aggregate principal repayments as of the six months ended June 30, 2016 was \$2.8 million.

PolyOne has outstanding \$600.0 million aggregate principal amount of senior notes, which mature on March 15, 2023. The senior notes bear an interest rate of 5.25% per year, payable semi-annually, in arrears, on March 15 and September 15 of each year.

The Company maintains a senior secured revolving credit facility with a maturity date of March 1, 2018, which provides a maximum borrowing facility size of \$400.0 million, subject to a borrowing base with advances against certain U.S. and Canadian accounts receivable, inventory and other assets as specified in the agreement. We have the option to increase the availability under the facility to \$450.0 million, subject to meeting certain requirements and obtaining commitments for such increase. The senior secured revolving credit facility has a U.S. and a Canadian line of credit. Currently there are no borrowings on the Canadian portion of the facility. Advances under the U.S. portion of our revolving credit facility bear interest, at the Company's option, at a Base Rate or a LIBOR Rate plus an applicable margin. The Base Rate is a fluctuating rate equal to the greater of (i) the Federal Funds Rate plus one-half percent, (ii) the prevailing LIBOR Rate plus one percent, and (iii) the prevailing Prime Rate. The applicable margins vary based on the Company's daily average excess availability during the previous quarter. The weighted average annual interest rate under this facility for the three and six months ended June 30, 2016 was 2.81% and 2.89%. As of June 30, 2016, we had no outstanding borrowings and had availability of \$379.8 million under this facility.

The agreements governing our revolving credit facility and our secured term loan, and the indentures and credit agreements governing other debt, contain a number of customary restrictive covenants that, among other things, limit our ability to: consummate asset sales, incur additional debt or liens, consolidate or merge with any entity or transfer or sell all or substantially all of our assets, pay dividends or make certain other restricted payments, make investments, enter into transactions with affiliates, create dividend or other payment restrictions with respect to subsidiaries, make capital investments and alter the business we conduct. In addition, these agreements require us

to comply with specific financial tests, under which we are required to achieve certain or specific financial and operating results. As of June 30, 2016, we were in compliance with all covenants.

The Company also has a credit line of \$16.0 million with Saudi Hollandi Bank. The credit line has an interest rate equal to the Saudi Arabia Interbank Offered Rate plus a fixed rate of 0.85% and is subject to annual renewal. Borrowings under this credit line were primarily used to fund capital expenditures related to the manufacturing facility in Jeddah, Saudi Arabia. As of June 30, 2016, letters of credit under the credit line were \$0.2 million and borrowings were \$12.6 million with an interest rate of 2.40%.

The estimated fair value of PolyOne's debt instruments at June 30, 2016 and December 31, 2015 was \$1,142.6 million and \$1,136.2 million, respectively, compared to carrying values of \$1,144.6 million and \$1,146.6 million as of June 30, 2016 and December 31, 2015, respectively. The fair value of PolyOne's debt instruments was estimated using prevailing market interest rates on debt with similar creditworthiness, terms and maturities and represent Level 2 measurements within the fair value hierarchy.

Note 11 — SEGMENT INFORMATION

Operating income is the primary measure that is reported to our chief operating decision maker for purposes of allocating resources to the segments and assessing their performance. Operating income at the segment level does not include: corporate general and administrative expenses that are not allocated to segments; intersegment sales and profit eliminations; charges related to specific strategic initiatives such as the consolidation of operations; restructuring activities, including employee separation costs resulting from personnel reduction programs, plant closure and phase-in costs; executive separation agreements; share-based compensation costs; asset impairments; environmental remediation costs and other liabilities for facilities no longer owned or closed in prior years; gains and losses on the divestiture of joint ventures and equity investments; actuarial gains and losses associated with our pension and other post-retirement benefit plans; and certain other items that are not included in the measure of segment profit or loss that is reported to and reviewed by our chief operating decision maker. These costs are included in *Corporate and eliminations*.

PolyOne has five reportable segments: (1) Color, Additives and Inks; (2) Specialty Engineered Materials; (3) Designed Structures and Solutions; (4) Performance Products and Solutions; and (5) PolyOne Distribution.

Segment information for the three and six months ended June 30, 2016 and 2015 is as follows:

(In millions)	Three Months Ended June 30, 2016			Three Months Ended June 30, 2015		
	Sales to External Customers	Total Sales	Operating Income	Sales to External Customers	Total Sales	Operating Income
Color, Additives and Inks	\$ 206.0	\$ 212.2	\$ 38.2	\$ 213.8	\$ 217.4	\$ 39.6
Specialty Engineered Materials	131.6	143.3	21.4	128.0	139.7	20.1
Designed Structures and Solutions	103.3	103.3	1.0	111.4	111.6	4.5
Performance Products and Solutions	152.0	172.8	21.3	170.7	190.3	16.3
PolyOne Distribution	268.6	272.6	17.8	263.2	266.8	19.1
Corporate and eliminations	—	(42.7)	(18.2)	—	(38.7)	(19.3)
Total	\$ 861.5	\$ 861.5	\$ 81.5	\$ 887.1	\$ 887.1	\$ 80.3

(In millions)	Six Months Ended June 30, 2016			Six Months Ended June 30, 2015		
	Sales to External Customers	Total Sales	Operating Income	Sales to External Customers	Total Sales	Operating Income
Color, Additives and Inks	\$ 407.2	\$ 417.1	\$ 73.1	\$ 419.8	\$ 425.9	\$ 73.4
Specialty Engineered Materials	260.0	284.3	44.8	258.6	281.6	43.2
Designed Structures and Solutions	211.4	211.8	1.4	230.1	230.7	7.7
Performance Products and Solutions	297.2	339.0	41.0	326.4	366.2	27.8
PolyOne Distribution	532.7	541.4	35.3	525.3	532.5	34.8
Corporate and eliminations	—	(85.1)	(42.8)	—	(76.7)	(36.5)
Total	\$ 1,708.5	\$ 1,708.5	\$ 152.8	\$ 1,760.2	\$ 1,760.2	\$ 150.4

(In millions)	Total Assets	
	June 30, 2016	December 31, 2015
Color, Additives and Inks	\$ 961.7	\$ 939.5
Specialty Engineered Materials	434.9	353.4
Designed Structures and Solutions	456.1	449.5
Performance Products and Solutions	255.4	237.4
PolyOne Distribution	224.9	200.0
Corporate and eliminations	286.8	415.3
Total assets	\$ 2,619.8	\$ 2,595.1

Note 12 — COMMITMENTS AND CONTINGENCIES

Environmental — We have been notified by federal and state environmental agencies and by private parties that we may be a potentially responsible party (PRP) in connection with the environmental investigation and remediation of certain sites. While government agencies frequently assert that PRPs are jointly and severally liable at these sites, in our experience, the interim and final allocations of liability costs are generally made based on the relative contribution of waste. We may also initiate corrective and preventive environmental projects of our own to ensure safe and lawful activities at our operations. We believe that compliance with current governmental regulations at all levels will not have a material adverse effect on our financial position, results of operations or cash flows.

In September 2007, we were informed of rulings by the United States District Court for the Western District of Kentucky on several pending motions in the case of Westlake Vinyls, Inc. v. Goodrich Corporation, et al., which had been pending since 2003. The Court held that PolyOne must pay the remediation costs at the former Goodrich Corporation Calvert City facility (now largely owned and operated by Westlake Vinyls), together with certain defense costs of Goodrich Corporation. The rulings also provided that PolyOne can seek indemnification for contamination attributable to Westlake Vinyls.

The environmental obligation at the site arose as a result of an agreement between The B.F. Goodrich Company (n/k/a Goodrich Corporation) and our predecessor, The Geon Company, at the time of the initial public offering in 1993, by which The Geon Company became a public company, to indemnify Goodrich Corporation for environmental costs at the site. At the time, neither PolyOne nor The Geon Company ever owned or operated the facility. Following the Court rulings, the parties to the litigation entered into settlement negotiations and agreed to settle all claims regarding past environmental costs incurred at the site. The settlement agreement provides a mechanism to pursue allocation of future remediation costs at the Calvert City site to Westlake Vinyls. While we do not currently assume any allocation of costs in our current accrual, we will adjust our accrual, in the future, consistent with any such future allocation of costs.

A remedial investigation and feasibility study (RIFS) is underway at Calvert City. During the third quarter of 2013, we submitted a remedial investigation report to the United States Environmental Protection Agency (USEPA). The USEPA required certain changes to the remedial investigation report and provided a final report in the third quarter of 2015. Additionally, in the third quarter of 2015, the USEPA assumed responsibility for the completion of the feasibility study. We continue to pursue available insurance coverage related to this matter and recognize gains as we receive reimbursement. No receivable has been recognized for future recoveries.

On March 13, 2013, PolyOne acquired Spartech. One of Spartech's subsidiaries, Franklin-Burlington Plastics, Inc. (Franklin-Burlington), operated a plastic resin compounding facility in Kearny, New Jersey, located adjacent to the Passaic River. The USEPA has requested that companies located in the area of the lower Passaic River, including Franklin-Burlington, cooperate in an investigation of contamination of approximately 17 miles of the lower Passaic River (the lower Passaic River Study Area). In response, Franklin-Burlington and approximately 70 other companies (collectively, the Cooperating Parties) agreed, pursuant to an Administrative Order of Consent with the USEPA, to assume responsibility for development of a RIFS of the lower Passaic River Study Area. The RIFS costs are exclusive of any costs that may ultimately be required to remediate the lower Passaic River Study Area or costs associated with natural resource damages that may be assessed. By agreeing to bear a portion of the cost of the RIFS, Franklin-Burlington did not admit to any liability or agree to bear any such remediation or natural resource damage costs.

In February 2015, the Cooperating Parties submitted to the USEPA a remedial investigation report for the lower Passaic River Study Area. In March 2015, Franklin-Burlington, along with nine other PRPs, submitted a de minimis settlement petition to the USEPA, asserting the ten entities contributed little or no impact to the lower Passaic River and seeking a meeting to commence settlement discussions. In April 2015, the Cooperating Parties submitted a

feasibility study to the USEPA. The feasibility study does not contemplate who is responsible for remediation nor does it determine how such costs will be allocated to PRPs. The Cooperating Parties are currently revising their RIFS, which has not yet been approved by the USEPA, as part of continuing technical discussions with the USEPA.

On March 4, 2016, the USEPA issued a Record of Decision selecting a remedy for an eight-mile portion of the lower Passaic River Study Area at an estimated and discounted cost of \$1.4 billion. On March 31, 2016, the USEPA sent a Notice of Potential Liability (the Notice) to over 100 companies, including Franklin-Burlington, and several municipalities for this eight-mile portion. In the Notice, the USEPA states that it expects to negotiate an Administrative Order on Consent for Remedial Design with Occidental Chemical Corporation and, upon signature, plans to negotiate a consent decree with other major PRPs to perform remedial actions. The Notice does not identify the "other major PRPs." Further, the Notice communicates that the USEPA will provide to certain parties separate notice of the opportunity to discuss a cash-out settlement at a later date.

Based on the currently available information, we have found no evidence that Franklin-Burlington contributed any of the primary contaminants of concern to the lower Passaic River. Any allocation to Franklin-Burlington, including a final resolution of our de minimis petition or other opportunity for cash-out settlement, or further appropriate legal actions has not been determined. As a result of these uncertainties, we are unable to estimate a liability, if any, related to this matter. As of June 30, 2016, we have not accrued for costs of remediation related to the lower Passaic River.

During the six months ended June 30, 2016 and 2015, PolyOne recognized \$3.8 million and \$3.5 million, respectively, of expense related to environmental remediation activities. During the six months ended June 30, 2016 and 2015, we received \$5.3 million and \$0.5 million, respectively, of insurance recoveries related to previously incurred environmental costs. These expenses and gains associated with these reimbursements are included within *Cost of sales* within our Condensed Consolidated Statements of Income.

Our Consolidated Balance Sheet includes accruals totaling \$119.4 million and \$119.9 million as of June 30, 2016 and December 31, 2015, respectively, based on our estimates of probable future environmental expenditures relating to previously contaminated sites. These undiscounted amounts are included in *Accrued expenses and other liabilities* and *Other non-current liabilities* on the accompanying Consolidated Balance Sheets. The accruals represent our best estimate of probable future costs that we can reasonably estimate, based upon currently available information and technology and our view of the most likely remedy. Depending upon the results of future testing, completion and results of remedial investigation and feasibility studies, the ultimate remediation alternatives undertaken, changes in regulations, technology development, new information, newly discovered conditions and other factors, it is reasonably possible that we could incur additional costs in excess of the amount accrued at June 30, 2016. However, such additional costs, if any, cannot be currently estimated. Further, we have not recorded receivables for future available insurance recoveries associated with these costs.

Guarantee — On February 28, 2011, we sold our 50% equity interest in SunBelt Chlor Alkali Partnership (Sunbelt) to Olin Corporation (Olin). As a result of the sale, Olin assumed our obligations under our guarantee of senior secured notes issued by SunBelt, which are \$12.2 million as of June 30, 2016. Unless the guarantee is formally assigned to Olin, we remain obligated under the guarantee, although Olin has agreed to indemnify us for amounts that we may be obligated to pay under the guarantee. The senior secured notes mature in December 2017.

Note 13 — EQUITY

Changes in equity for the six months ended June 30, 2016 and June 30, 2015 are as follows:

(In millions)	PolyOne Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2015	\$ 704.2	\$ 1.0	\$ 705.2
Net income (loss)	89.1	(0.1)	89.0
Other comprehensive income			
Translation adjustments	(4.3)	—	(4.3)
Total comprehensive income (loss)	84.8	(0.1)	84.7
Cash dividend declared	(19.7)	—	(19.7)
Repurchase of common shares	(39.6)	—	(39.6)
Share-based incentive plan activity	1.2	—	1.2
Balance at June 30, 2016	<u>\$ 730.9</u>	<u>\$ 0.9</u>	<u>\$ 731.8</u>
Balance at December 31, 2014	\$ 776.3	\$ 0.9	\$ 777.2
Net income	97.0	0.2	97.2
Other comprehensive income			
Translation adjustments	(14.6)	—	(14.6)
Unrecognized gain on available-for-sale securities	0.4	—	0.4
Total comprehensive income	82.8	0.2	83.0
Cash dividend declared	(17.8)	—	(17.8)
Repurchase of common shares	(42.8)	—	(42.8)
Share-based incentive plan activity	0.3	—	0.3
Balance at June 30, 2015	<u>\$ 798.8</u>	<u>\$ 1.1</u>	<u>\$ 799.9</u>

Changes in accumulated other comprehensive loss year-to-date as of June 30, 2016 and 2015 were as follows:

(In millions)	Cumulative Translation Adjustment	Pension and Other Post- Retirement Benefits	Unrealized Gain in Available-for-Sale Securities	Total
Balance at January 1, 2016	\$ (76.8)	\$ 5.2	\$ 0.3	\$ (71.3)
Translation adjustments	(4.3)	—	—	(4.3)
Balance at June 30, 2016	<u>\$ (81.1)</u>	<u>\$ 5.2</u>	<u>\$ 0.3</u>	<u>\$ (75.6)</u>
Balance at January 1, 2015	\$ (47.7)	\$ 5.2	\$ 0.2	\$ (42.3)
Translation adjustments	(14.6)	—	—	(14.6)
Unrecognized gain on available-for-sale securities	—	—	0.4	0.4
Balance at June 30, 2015	<u>\$ (62.3)</u>	<u>\$ 5.2</u>	<u>\$ 0.6</u>	<u>\$ (56.5)</u>

Note 14 — SUBSEQUENT EVENT

On July 26, 2016, the Company completed the acquisition of two specialty businesses from Gordon Holdings, Inc. Adding to PolyOne's existing portfolio of thermoset composite solutions is the acquisition of Gordon Composites, Inc., which develops high strength profiles and laminates for use in vertical and crossbow archery, sports and recreation equipment, prosthetics, and office furniture systems. The second acquired business, Polystrand, Inc., operates on the leading edge of continuous reinforced thermoplastic composite technology, a next generation material science that delivers the high strength and lightweight characteristics of composites, further enhanced with the design flexibility to form more complex shapes.

The purchase price for both businesses was \$85.5 million in the aggregate. The results for both businesses will be reported in the Specialty Engineered Materials segment. The acquisitions were initially funded from borrowings under our senior secured revolving credit facility. We intend to enter into a \$100.0 million add-on to our existing senior secured term loan to repay these borrowings. Accordingly, upon completion of the add-on to our term loan, our liquidity will approximate \$560.0 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Business

We are a premier provider of specialized polymer materials, services and solutions with operations in specialty polymer formulations, color and additive systems, plastic sheet and packaging solutions and polymer distribution. We are also a highly specialized developer and manufacturer of performance enhancing additives, liquid colorants, and fluoropolymer and silicone colorants. Headquartered in Avon Lake, Ohio, we have employees at manufacturing sites and distribution facilities in North America, South America, Europe and Asia. We provide value to our customers through our ability to link our knowledge of polymers and formulation technology with our manufacturing and supply chain capabilities to provide value added solutions to designers, assemblers and processors of plastics (our customers). When used in this quarterly report on Form 10-Q, the terms "we," "us," "our," "PolyOne" and the "Company" mean PolyOne Corporation and its consolidated subsidiaries.

Highlights and Executive Summary

A summary of PolyOne's sales, operating income, net income and net income attributable to PolyOne common shareholders follows:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Sales	\$ 861.5	\$ 887.1	\$ 1,708.5	\$ 1,760.2
Operating income	81.5	80.3	152.8	150.4
Net income	50.0	67.0	89.0	97.2
Net income attributable to PolyOne common shareholders	50.0	66.8	89.1	97.0

Recent Developments

On July 26, 2016, the Company completed the acquisition of two specialty businesses from Gordon Holdings, Inc. Adding to PolyOne's existing portfolio of thermoset composite solutions is the acquisition of Gordon Composites, Inc. (Gordon Composites), which develops high strength profiles and laminates for use in vertical and crossbow archery, sports and recreation equipment, prosthetics, and office furniture systems. The second acquired business, Polystrand, Inc. (Polystrand), operates on the leading edge of continuous reinforced thermoplastic composite technology, a next generation material science that delivers the high strength and lightweight characteristics of composites, further enhanced with the design flexibility to form more complex shapes. The purchase price for both businesses was \$85.5 million in the aggregate. The results for both businesses will be reported in the Specialty Engineered Materials segment.

Results of Operations — *The three and six months ended June 30, 2016 compared to three and six months ended June 30, 2015:*

(Dollars in millions, except per share data)	Three Months Ended June 30,		Variances — Favorable (Unfavorable)		Six Months Ended June 30,		Variances — Favorable (Unfavorable)	
	2016	2015	Change	% Change	2016	2015	Change	% Change
Sales	\$ 861.5	\$ 887.1	\$ (25.6)	(2.9)%	\$ 1,708.5	\$ 1,760.2	\$ (51.7)	(2.9)%
Cost of sales	669.2	701.4	32.2	4.6 %	1,330.7	1,404.7	74.0	5.3 %
Gross margin	192.3	185.7	6.6	3.6 %	377.8	355.5	22.3	6.3 %
Selling and administrative expense	110.8	105.4	(5.4)	(5.1)%	225.0	205.1	(19.9)	(9.7)%
Operating income	81.5	80.3	1.2	1.5 %	152.8	150.4	2.4	1.6 %
Interest expense, net	(14.6)	(16.2)	1.6	9.9 %	(29.2)	(32.3)	3.1	9.6 %
Debt extinguishment costs	(0.4)	—	(0.4)	(100.0)%	(0.4)	—	(0.4)	(100.0)%
Other income (expense), net	0.1	(0.7)	0.8	114.3 %	0.4	(1.4)	1.8	128.6 %
Income before income taxes	66.6	63.4	3.2	5.0 %	123.6	116.7	6.9	5.9 %
Income tax (expense) benefit	(16.6)	3.6	(20.2)	(561.1)%	(34.6)	(19.5)	(15.1)	(77.4)%
Net income	50.0	67.0	(17.0)	(25.4)%	89.0	97.2	(8.2)	(8.4)%
Net (income) loss attributable to noncontrolling interests	—	(0.2)	0.2	100.0 %	0.1	(0.2)	0.3	150.0 %
Net income attributable to PolyOne common shareholders	<u>\$ 50.0</u>	<u>\$ 66.8</u>	<u>\$ (16.8)</u>	<u>(25.1)%</u>	<u>\$ 89.1</u>	<u>\$ 97.0</u>	<u>\$ (7.9)</u>	<u>(8.1)%</u>
Earnings per common share attributable to PolyOne common shareholders - Basic:	\$ 0.59	\$ 0.75			\$ 1.06	\$ 1.09		
Earnings per common share attributable to PolyOne common shareholders - Diluted:	\$ 0.59	\$ 0.74			\$ 1.05	\$ 1.08		

Sales

Sales decreased \$25.6 million, or 2.9%, in the second quarter of 2016 compared to the second quarter of 2015. Underlying sales growth of 2.8% and the acquisitions of Magenta Master Fibers (Magenta) and certain thermoplastic elastomer (TPE) assets purchased from Kraton Performance Polymers, Inc. (Kraton) led to a total sales increase of 4.5%. This increase was offset by declining hydrocarbon based raw material costs that led to reduced overall average selling prices, particularly for the Performance Products and Solutions, PolyOne Distribution and Designed Structures and Solutions segments, which impacted sales by 3.8%. The remaining decrease is primarily due to the volume declines largely associated with legacy Sparteck business and an unfavorable foreign exchange impact of 0.5%.

Sales decreased \$51.7 million, or 2.9%, in the first half of 2016 compared to the first half of 2015. Underlying sales growth of 3.3% and the acquisitions of Magenta and certain TPE assets purchased from Kraton led to a total sales increase of 4.8%. This increase was offset by declining hydrocarbon based raw material costs that led to reduced overall average selling prices, particularly for the Performance Products and Solutions, PolyOne Distribution and Designed Structures and Solutions segments, which impacted sales by 4.0%. The remaining decrease is primarily due to the volume declines largely associated with legacy Sparteck business and an unfavorable foreign exchange impact of 0.7%.

Cost of sales

As a percent of sales, cost of sales decreased from 79.1% in the second quarter of 2015 to 77.7% in the second quarter of 2016 and from 79.8% in the first half of 2015 to 77.9% in the first half of 2016. This decrease is primarily a result of lower overall input cost, mix and improved operational efficiencies. Additionally, there were lower restructuring charges of \$3.4 million and \$8.6 million for the second quarter and first half of 2016, respectively, as compared to the second quarter and first half of 2015.

Selling and administrative expense

Selling and administrative expenses increased \$5.4 million during the second quarter of 2016 compared to the second quarter of 2015. This was driven primarily by an increase in employee costs of \$2.1 million and a \$0.7 million increase in restructuring charges primarily from the restructuring actions related to the closure of the two manufacturing facilities within DSS during the second half of 2015. The increase in selling and administrative

expense for the first half of 2016 compared to the first half of 2015 of \$19.9 million was driven primarily by a \$9.8 million increase to compensation costs and incentive accruals primarily due to our investment in commercial resources and a \$2.4 million increase in restructuring charges primarily from the 2015 restructuring actions undertaken to both reduce administrative costs and close two manufacturing facilities within DSS. Additionally, the first half of 2015 was favorably impacted by \$3.7 million related to the reversal of certain tax reserves due to the expiration of statute of limitations.

Interest expense, net

Interest expense, net decreased for the three and six months ended June 30, 2016, as compared to the three and six months ended June 30, 2015. This decrease was driven by the repayments of higher interest-bearing debt during 2015 and a decrease in borrowings on our revolving credit facility during the three and six months ended June 30, 2016.

Income taxes

For the second quarter of 2016, the Company's effective tax rate of 24.9% differed from the Company's federal statutory rate of 35.0% primarily due to the favorable impact of foreign tax rate differences on foreign earnings. Additionally, a favorable adjustment related to previously filed U.S. federal income tax returns and corresponding foreign tax credits resulted in a 4.5% favorable impact to the effective tax rate.

In the second quarter of 2015, we recognized an overall income tax benefit of \$3.6 million. The overall benefit was due to the amendment of U.S. federal income tax returns from 2004 through 2012 to use foreign tax credits, which resulted in a favorable impact to our effective tax rate of 41.0%.

For the first half of 2016, the Company's effective tax rate of 28.0% differed from the Company's federal statutory rate of 35.0% primarily due to the favorable impact of foreign tax rate differences on foreign earnings. Additionally, a favorable adjustment related to previously filed U.S. federal income tax returns and corresponding foreign tax credits resulted in a 2.4% favorable impact to the effective tax rate.

The effective tax rate for the first half of 2015 was 16.7% and resulted primarily from the favorable impact of amending U.S. federal income tax returns for 2004 through 2012 to use foreign tax credits that favorably impacted the effective tax rate by 25.2%. Partially offsetting this impact was an unfavorable foreign court ruling that settled an uncertain tax position taken in a prior year resulting in a 6.8% increase in the effective tax rate.

SEGMENT INFORMATION

Operating income is the primary measure that is reported to our chief operating decision maker for purposes of allocating resources to the segments and assessing their performance. Operating income at the segment level does not include: corporate general and administrative expenses that are not allocated to segments; intersegment sales and profit eliminations; charges related to specific strategic initiatives such as the consolidation of operations; restructuring activities, including employee separation costs resulting from personnel reduction programs, plant closure and phase-in costs; executive separation agreements; share-based compensation costs; asset impairments; environmental remediation costs and other liabilities for facilities no longer owned or closed in prior years; gains and losses on the divestiture of joint ventures and equity investments; actuarial gains and losses associated with our pension and other post-retirement benefit plans; and certain other items that are not included in the measure of segment profit or loss that is reported to and reviewed by our chief operating decision maker. These costs are included in *Corporate and eliminations*.

PolyOne has five reportable segments: (1) Color, Additives and Inks; (2) Specialty Engineered Materials; (3) Designed Structures and Solutions; (4) Performance Products and Solutions; and (5) PolyOne Distribution. Our segments are further discussed in Note 11, *Segment Information*, to the accompanying consolidated financial statements. The restructuring actions are further discussed in Note 4, *Employee Separation and Restructuring Costs*, to the accompanying consolidated financial statements. We do not expect the remaining charges or further benefits associated with these actions to have a material impact to our segments or the consolidated financial statements going forward.

Sales and Operating Income — *The three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2015:*

(Dollars in millions)	Three Months Ended June 30,		Variances — Favorable (Unfavorable)		Six Months Ended June 30,		Variances — Favorable (Unfavorable)	
	2016	2015	Change	% Change	2016	2015	Change	% Change
Sales:								
Color, Additives and Inks	\$ 212.2	\$ 217.4	\$ (5.2)	(2.4)%	\$ 417.1	\$ 425.9	\$ (8.8)	(2.1)%
Specialty Engineered Materials	143.3	139.7	3.6	2.6 %	284.3	281.6	2.7	1.0 %
Designed Structures and Solutions	103.3	111.6	(8.3)	(7.4)%	211.8	230.7	(18.9)	(8.2)%
Performance Products and Solutions	172.8	190.3	(17.5)	(9.2)%	339.0	366.2	(27.2)	(7.4)%
PolyOne Distribution	272.6	266.8	5.8	2.2 %	541.4	532.5	8.9	1.7 %
Corporate and eliminations	(42.7)	(38.7)	(4.0)	(10.3)%	(85.1)	(76.7)	(8.4)	(11.0)%
Total Sales	\$ 861.5	\$ 887.1	\$ (25.6)	(2.9)%	\$ 1,708.5	\$ 1,760.2	\$ (51.7)	(2.9)%
Operating income:								
Color, Additives and Inks	\$ 38.2	\$ 39.6	\$ (1.4)	(3.5)%	\$ 73.1	\$ 73.4	\$ (0.3)	(0.4)%
Specialty Engineered Materials	21.4	20.1	1.3	6.5 %	44.8	43.2	1.6	3.7 %
Designed Structures and Solutions	1.0	4.5	(3.5)	(77.8)%	1.4	7.7	(6.3)	(81.8)%
Performance Products and Solutions	21.3	16.3	5.0	30.7 %	41.0	27.8	13.2	47.5 %
PolyOne Distribution	17.8	19.1	(1.3)	(6.8)%	35.3	34.8	0.5	1.4 %
Corporate and eliminations	(18.2)	(19.3)	1.1	5.7 %	(42.8)	(36.5)	(6.3)	(17.3)%
Total Operating Income	\$ 81.5	\$ 80.3	\$ 1.2	1.5 %	\$ 152.8	\$ 150.4	\$ 2.4	1.6 %
Operating income as a percentage of sales:								
Color, Additives and Inks	18.0%	18.2%	(0.2)	% points	17.5%	17.2%	0.3 %	% points
Specialty Engineered Materials	14.9%	14.4%	0.5	% points	15.8%	15.3%	0.5 %	% points
Designed Structures and Solutions	1.0%	4.0%	(3.0)	% points	0.7%	3.3%	(2.6)%	% points
Performance Products and Solutions	12.3%	8.6%	3.7	% points	12.1%	7.6%	4.5 %	% points
PolyOne Distribution	6.5%	7.2%	(0.7)	% points	6.5%	6.5%	— %	% points
Total	9.5%	9.1%	0.4	% points	8.9%	8.5%	0.4 %	% points

Color, Additives and Inks

Sales decreased \$5.2 million, or 2.4%, in the second quarter of 2016 compared to the second quarter of 2015. Sales increases of 2.2% due to the Magenta acquisition were offset by unfavorable foreign exchange rate impacts of 0.9%, while the remaining decline was primarily associated with legacy Spartech business.

Sales decreased \$8.8 million, or 2.1%, in the first half of 2016 compared to the first half of 2015. Sales increases of 2.2% due to the Magenta acquisition were offset by unfavorable foreign exchange rate impacts of 1.7%, while the remaining decrease was primarily associated with legacy Spartech business.

Operating income decreased \$1.4 million in the second quarter of 2016 as compared to the second quarter of 2015. The operating income increase of \$0.9 million due to the acquisition to Magenta was more than offset by our investment in commercial resources of \$1.1 million, while the remaining decrease is primarily related to lower sales.

Operating income decreased \$0.3 million during the first half of 2016 as compared to the first half of 2015. The operating income increase of \$1.8 million due to the acquisition to Magenta was more than offset by our investment in commercial resources of \$2.4 million, while favorable product mix offset the lower sales.

Specialty Engineered Materials

Sales increased \$3.6 million, or 2.6%, in the second quarter of 2016 compared to the second quarter of 2015. The increase in sales from the acquisition of certain TPE assets purchased from Kraton of 7.2% was partially offset by mix changes of 2.3% and an unfavorable foreign exchange rate impact of 0.6%. Sales increased \$2.7 million, or 1.0%, in the first half of 2016 as compared to the first half of 2015, primarily due to the acquisition of certain TPE assets purchased from Kraton increasing sales by 6.2% offset by mix changes of 3.8% and an unfavorable foreign exchange rate impact of 1.0%.

Operating income increased \$1.3 million in the second quarter of 2016 as compared to the second quarter of 2015 and increased \$1.6 million in the first half of 2016 as compared to the first half of 2015. This was primarily due to the acquisition of certain TPE assets purchased from Kraton, which was partially offset by additional compensation and incentive costs primarily related to increased commercial resources as well as an unfavorable foreign exchange rate impact.

Designed Structures and Solutions

Sales decreased \$8.3 million, or 7.4%, in the second quarter of 2016 compared to the second quarter of 2015 and decreased \$18.9 million, or 8.2%, in the first half of 2016 as compared to the first half of 2015, largely due to decreased average selling prices from lower hydrocarbon based raw material costs.

Operating income decreased \$3.5 million in the second quarter of 2016 as compared to the second quarter of 2015 and decreased \$6.3 million in the first half of 2016 as compared to the first half of 2015 driven by decreased sales and mix.

Performance Products and Solutions

Sales declined \$17.5 million, or 9.2%, in the second quarter of 2016 as compared to the second quarter of 2015 and \$27.2 million, or 7.4%, in the first half of 2016 as compared to the first half of 2015 reflecting reduced overall average selling prices, largely due to lower hydrocarbon based raw material costs.

Operating income increased \$5.0 million in the second quarter of 2016 as compared to the second quarter of 2015 and \$13.2 million in the first half of 2016 as compared to the first half of 2015 primarily as a result of expanding gross margin driven by improved mix.

PolyOne Distribution

In total, sales increased \$5.8 million, or 2.2%, in the second quarter of 2016 as compared to the second quarter of 2015 and increased \$8.9 million, or 1.7%, in the first half of 2016 as compared to the first half of 2015. Volume growth of 9.2% and 10.8% for the three and six months ended June 30, 2016, respectively, were largely offset by lower overall average selling prices due to declining hydrocarbon based resin costs.

Operating income decreased \$1.3 million in the second quarter of 2016 as compared to the second quarter of 2015 reflecting lower overall margins and increased selling and administrative costs resulting from our investment in commercial resources.

Operating income increased \$0.5 million in the first half of 2016 as compared to the first half of 2015. Volume growth was offset by lower margins and increased selling and administrative costs resulting from our investment in commercial resources.

Corporate and Eliminations

Corporate and eliminations decreased \$1.1 million in the second quarter of 2016 as compared to the second quarter of 2015. This was primarily due to the reimbursement of previously incurred environmental costs of \$5.3 million and lower restructuring charges of \$2.7 million, which was partially offset by increased employee costs, including incentives, of \$3.2 million and acquisition related costs of \$1.9 million.

Corporate and eliminations increased \$6.3 million in the first half of 2016 as compared to the first half of 2015. This increase was primarily due to employee costs, including incentives, of \$6.9 million, acquisition related costs of \$4.2 million and the absence of a \$3.7 million reversal of certain tax reserves due to the expiration of statute of limitations that was recognized in the first half of 2015. Partially offsetting these were lower restructuring charges of \$6.2 million

and an increase in reimbursements of previously incurred environmental costs of \$4.8 million during the first half of 2016.

Liquidity and Capital Resources

Our objective is to finance our business through operating cash flow and an appropriate mix of debt and equity. By laddering the maturity structure, we avoid concentrations of debt maturities, reducing liquidity risk. We may from time to time seek to retire or purchase our outstanding debt with cash and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. We may also seek to repurchase our outstanding common shares. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved have been and may continue to be material.

The following table summarizes our liquidity as of June 30, 2016 and December 31, 2015:

(In millions)	June 30, 2016	December 31, 2015
Cash and cash equivalents	\$ 161.4	\$ 279.8
Revolving credit availability	383.0	341.9
Liquidity	<u>\$ 544.4</u>	<u>\$ 621.7</u>

As of June 30, 2016, approximately 92% of the Company's cash and cash equivalents resided outside the United States. Repatriation of these funds could result in potential foreign and domestic taxes. To the extent foreign earnings previously treated as permanently reinvested were to be repatriated, the potential U.S. tax liability may be reduced by any foreign income taxes paid on these earnings. However, based on the Company's policy of permanent reinvestment, it is not practicable to determine the U.S. federal income tax liability, if any. Determination of the amount of unrecognized deferred tax liabilities and related foreign withholding taxes is not practicable due to the complexities associated with this hypothetical calculation and the Company's permanent reinvestment policy.

Cash Flows

The following describes the material components of cash flows from operating, investing and financing activities for the six months ended June 30, 2016 and 2015.

Operating Activities — In the six months ended June 30, 2016, net cash provided by operating activities was \$49.4 million as compared to net cash provided by operating activities of \$59.9 million for the six months ended June 30, 2015. The decrease in net cash provided by operating activities of \$10.5 million is primarily driven by lower earnings.

Working capital as a percentage of sales, which we define as the average accounts receivable, plus average inventory, less average accounts payable, divided by sales, for the first half of 2016 increased to 10.7% compared to 9.8% for the first half of 2015. This increase is primarily due to days sales outstanding for the first half of 2016 increasing to 45.1 compared to 44.8 for the first half of 2015.

Investing Activities — Net cash used by investing activities during the six months ended June 30, 2016 of \$103.4 million reflects the acquisition of certain Kraton assets for \$72.8 million and \$39.6 million of capital expenditures, partially offset by the sale of and proceeds from other assets of \$9.0 million.

Net cash used by investing activities during the six months ended June 30, 2015 of \$37.2 million reflects \$39.1 million of capital expenditures partially offset by proceeds from the sale of other assets of \$1.9 million.

Financing Activities — Net cash used by financing activities for the six months ended June 30, 2016 of \$63.1 million reflects \$39.6 million of repurchases of our outstanding common shares, \$20.7 million of dividends paid and \$2.8 million of repayment of long-term debt.

Net cash used by financing activities for the six months ended June 30, 2015 of \$22.1 million reflects \$42.8 million of repurchases of our outstanding common shares and \$17.9 million of dividends paid. These cash outflows were partially offset by net borrowings of \$34.4 million under our revolving credit facility and a \$4.2 million benefit related to the exercise of employee equity awards.

The acquisitions of Gordon Composites and Polystrand on July 26, 2016 for an aggregate purchase price of \$85.5 million were initially funded from borrowings under our senior secured revolving credit facility. We intend to enter into a \$100.0 million add-on to our existing senior secured term loan to repay these borrowings. Accordingly, upon completion of the add-on to our term loan, our liquidity will approximate \$560.0 million.

Debt

As of June 30, 2016, the principal amount of debt totaled \$1,160.5 million. Aggregate maturities of the principal amount of debt for the current year, next five years and thereafter, are as follows:

(In millions)		
2016	\$	15.7
2017		5.5
2018		5.4
2019		5.4
2020		5.3
Thereafter		1,123.2
Aggregate maturities	\$	1,160.5

On November 12, 2015, PolyOne entered into a senior secured term loan having an aggregate principal amount of \$550.0 million. One percent of the current principal amount is payable annually while the remaining balance matures on November 12, 2022. On June 15, 2016, the Company entered into an amendment to its senior secured term loan. Under the terms of the amended senior secured term loan, the interest rate was reduced by 25 basis points to 275 basis points plus the greater of (i) the 1-, 2-, 3-, or 6-month LIBOR, at the Company's discretion, or (ii) 75 basis points. In connection with the amendment, the Company recognized \$0.4 million of *Debt extinguishment costs* in our Consolidated Statements of Income. The weighted average annual interest rate for the senior secured term loan for the three and six months ended June 30, 2016 was 3.71% and 3.73%, respectively. The total aggregate principal repayments as of the six months ended June 30, 2016 was \$2.8 million.

PolyOne has outstanding \$600.0 million aggregate principal amount of senior notes, which mature on March 15, 2023. The senior notes bear an interest rate of 5.25% per year, payable semi-annually, in arrears, on March 15 and September 15 of each year.

The Company maintains a senior secured revolving credit facility with a maturity date of March 1, 2018, which provides a maximum borrowing facility size of \$400.0 million, subject to a borrowing base with advances against certain U.S. and Canadian accounts receivable, inventory and other assets as specified in the agreement. We have the option to increase the availability under the facility to \$450.0 million, subject to meeting certain requirements and obtaining commitments for such increase. The senior secured revolving credit facility has a U.S. and a Canadian line of credit. Currently there are no borrowings on the Canadian portion of the facility. Advances under the U.S. portion of our revolving credit facility bear interest, at the Company's option, at a Base Rate or a LIBOR Rate plus an applicable margin. The Base Rate is a fluctuating rate equal to the greater of (i) the Federal Funds Rate plus one-half percent, (ii) the prevailing LIBOR Rate plus one percent, and (iii) the prevailing Prime Rate. The applicable margins vary based on the Company's daily average excess availability during the previous quarter. The weighted average annual interest rate under this facility for the three and six months ended June 30, 2016 was 2.81% and 2.89%. As of June 30, 2016, we had no outstanding borrowings and had availability of \$379.8 million under this facility.

The agreements governing our revolving credit facility and our secured term loan, and the indentures and credit agreements governing other debt, contain a number of customary restrictive covenants that, among other things, limit our ability to: consummate asset sales, incur additional debt or liens, consolidate or merge with any entity or transfer or sell all or substantially all of our assets, pay dividends or make certain other restricted payments, make investments, enter into transactions with affiliates, create dividend or other payment restrictions with respect to subsidiaries, make capital investments and alter the business we conduct. In addition, these agreements require us to comply with specific financial tests, under which we are required to achieve certain or specific financial and operating results. As of June 30, 2016, we were in compliance with all covenants.

The Company also has a credit line of \$16.0 million with Saudi Hollandi Bank. The credit line has an interest rate equal to the Saudi Arabia Interbank Offered Rate plus a fixed rate of 0.85% and is subject to annual renewal. Borrowings under this credit line were primarily used to fund capital expenditures related to the manufacturing facility in Jeddah, Saudi Arabia. As of June 30, 2016, letters of credit under the credit line were \$0.2 million and borrowings were \$12.6 million with an interest rate of 2.40%.

Guarantee

On February 28, 2011, we sold our 50% equity interest in SunBelt to Olin. As a result of the sale, Olin assumed our obligations under our guarantee of senior secured notes issued by SunBelt which are \$12.2 million as of June 30, 2016. Unless the guarantee is formally assigned to Olin, we remain obligated under the guarantee, although Olin has agreed to indemnify us for amounts that we may be obligated to pay under the guarantee. The senior secured notes mature in December 2017.

Contractual Obligations

We have future obligations under various contracts relating to debt and interest payments, operating leases, pension and post-retirement benefit plans and purchase obligations. During the six months ended June 30, 2016, there were no material changes to these obligations as reported in our annual report on Form 10-K for the year ended December 31, 2015.

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; estimated capital expenditures; results of current and anticipated market conditions and market strategies; sales efforts; expenses; the outcome of contingencies such as legal proceedings and environmental liabilities; and financial results. Factors that could cause actual results to differ materially from those implied by these forward-looking statements include, but are not limited to:

- effects on foreign operations due to currency fluctuations, tariffs and other political, economic and regulatory risks;
- changes in polymer consumption growth rates and laws and regulations regarding the disposal of plastic materials where we conduct business;
- changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online in the industries in which we participate;
- fluctuations in raw material prices, quality and supply, and in energy prices and supply;
- production outages or material costs associated with scheduled or unscheduled maintenance programs;
- unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters, 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 working capital reductions, 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;
- the strength and timing of economic recoveries;
- the financial condition of our customers, including the ability of customers (especially those that may be highly leveraged and those with inadequate liquidity) to maintain their credit availability;
- disruptions, uncertainty or volatility in the credit markets that may limit our access to capital;
- other factors affecting our business beyond our control, including, without limitation, changes in the general economy, changes in interest rates and changes in the rate of inflation;
- the amount and timing of repurchases, if any, of PolyOne common shares;
- our ability to pay regular quarterly cash dividends and the amounts and timing of any future dividends;
- our ability to realize anticipated savings and operational benefits from the realignment of assets, including the closure of manufacturing facilities; the timing of closings and shifts of production to new facilities related to asset realignments and any unforeseen loss of customers and/or disruptions of service or quality caused by such closings and/or production shifts; separation and severance amounts that differ from original estimates, amounts for non-cash charges related to asset write-offs and accelerated depreciation realignments of property, plant and equipment, that differ from original estimates;
- our ability to identify and evaluate acquisition targets and consummate acquisitions;
- the ability to successfully integrate acquired businesses into our operations, including whether such businesses will be accretive to our earnings, retain the management teams of acquired businesses, and retain relationships with customers of acquired businesses, including, without limitation, Sparteck, Magenta, certain TPE assets from Kraton, Gordon Composites, Inc. and Polystrand, Inc.;

- information systems failures and cyberattacks; and
- other factors described in our annual report on Form 10-K for the year ended December 31, 2015 under Item 1A, “Risk Factors.”

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 otherwise 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 filed with 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

There have been no material changes to exposures to market risk as reported in our annual report on Form 10-K for the year ended December 31, 2015.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures

PolyOne’s management, under the supervision of and with the participation of its Chief Executive Officer and its 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, PolyOne’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this quarterly report, its disclosure controls and procedures were effective.

Changes in internal control over financial reporting

There were no changes in PolyOne’s internal control over financial reporting during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

Information regarding certain legal proceedings can be found in Note 12, *Commitments and Contingencies*, to the consolidated financial statements and is incorporated by reference herein.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below sets forth information regarding repurchase of shares of our common shares during the period indicated.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program ⁽¹⁾
April 1 to April 30	—	\$ —	—	10,000,000
May 1 to May 31	—	—	—	10,000,000
June 1 to June 30	—	—	—	10,000,000
Total	—	\$ —	—	

⁽¹⁾ On August 18, 2008, we announced that our Board of Directors approved a common shares repurchase program authorizing PolyOne to purchase up to 10.0 million of its common shares. On October 11, 2011 and October 23, 2012, we further announced that our Board of Directors had increased the common shares repurchase authorization by an additional 5.3 million and 13.2 million, respectively. In May 2016, we announced that we would increase our share buyback by 7.3 million to 10.0 million. As of June 30, 2016, approximately 10.0 million shares remain available for purchase under these authorizations as there were no such purchases during the three months ended June 30, 2016. Purchases of common shares may be made by open market purchases or privately negotiated transactions and may be made pursuant to Rule 10b5-1 plans and accelerated share repurchases.

ITEM 6. EXHIBITS

Exhibits - Refer to the Exhibit Index attached, which is incorporated herein by reference.

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 thereunto duly authorized.

July 27, 2016

POLYONE CORPORATION

/s/ Bradley C. Richardson

Bradley C. Richardson
Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Exhibit Description
10.1	Amendment Agreement No. 1 to the Credit Agreement, dated as of June 15, 2016, among the Company, certain subsidiaries of the Company, Citibank, N.A., as administrative agent, and the additional lender party thereto
10.2	Fifth Amendment to Amended and Restated Credit Agreement, dated as of April 19, 2016, among the Company, PolyOne Canada Inc. and certain other subsidiaries of the Company, Wells Fargo Capital Finance, LLC, as administrative agent, and the lenders party thereto
31.1	Certification of Robert M. Patterson, 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 Bradley C. Richardson, Executive 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 Robert M. Patterson, 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 Bradley C. Richardson, Executive 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
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

AMENDMENT AGREEMENT NO. 1

Amendment AGREEMENT NO. 1, dated as of June 15, 2016 (this “Amendment”), by and among POLYONE CORPORATION, an Ohio corporation (the “Borrower”), the other Loan Parties party hereto, the existing Lenders (the “Existing Lenders”) under, and as defined in, the Credit Agreement (as hereinafter defined) party hereto, CITIBANK, N.A. (“Citibank”), as the Administrative Agent, and the Additional Term B-1 Lender (as hereinafter defined).

RECITALS:

WHEREAS, reference is hereby made to the Credit Agreement, dated as of November 12, 2015 (as the same amended, restated, amended and restated, supplemented, extended, refinanced or otherwise modified from time to time, the “Credit Agreement”), by and among the Borrower, the Lenders from time to time party thereto and Citibank in its capacity as Administrative Agent under the Credit Agreement (capitalized terms used in this Amendment but not defined herein shall have the meaning assigned to such terms in the Credit Agreement);

WHEREAS, on the date hereof, the Borrower, the Administrative Agent and the Lenders party hereto desire to amend the Credit Agreement pursuant to amendments authorized by Section 2.15 of the Credit Agreement to create the Term B-1 Loans (as defined in Section 1 hereto), the proceeds of which will be used to repay in full the outstanding principal amount of the Initial Loans in accordance with Section 2.03(b)(ii) (such transactions, the “Term Loan Repricing”);

WHEREAS, upon the effectiveness of this Amendment, each Lender that shall have executed and delivered a consent to this Amendment substantially in the form of Exhibit A hereto (a “Consent”) indicating the “Cashless Settlement Option” (each, a “Cashless Option Lender”) shall be deemed to have exchanged all of its Initial Loans for Term B-1 Loans in the same aggregate principal amount as such Lender’s Initial Loans as of the Amendment No. 1 Effective Date and prior to giving effect to this Amendment, and such Lenders shall thereafter become Term B-1 Lenders in accordance with the provisions hereof;

WHEREAS, upon the effectiveness of this Amendment, the Additional Term B-1 Lender will make Additional Term B-1 Loans (as defined in Section 1 hereto) to the Borrower, the proceeds of which will be used by the Borrower to repay in full the outstanding principal amount of Initial Loans that are not exchanged for Term B-1 Loans, as well as to prepay Initial Loans from Lenders that execute and deliver a Consent indicating the “Post-Closing Settlement Option” (each, a “Post-Closing Option Lender”), and the Borrower shall pay to each Lender all accrued and unpaid interest through, but not including, the Amendment No. 1 Effective Date with respect to such Initial Loans; and

WHEREAS, pursuant to Section 10.01 of the Credit Agreement, the consent of the Required Lenders is required for the effectiveness of certain of the amendments to the Credit Agreement set forth in this Amendment, and such Required Lenders have agreed to consent to such amendments.

NOW, THEREFORE, in consideration of the premises, agreements, provisions and covenants herein contained, the parties hereto agree as follows:

Section 1. Amendment. Effective on the Amendment No. 1 Effective Date and subject to the satisfaction of the terms and conditions set forth herein:

(a) The following definitions are hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical location:

“Additional Term B-1 Commitment” means, with respect to the Additional Term B-1 Lender, the commitment of such Additional Term B-1 Lender to make Additional Term B-1 Loans on the Amendment No. 1 Effective Date, in an amount equal to \$32,348,925.01.

“Additional Term B-1 Lender” means Citibank, N.A., in its capacity as a Lender of Additional Term B-1 Loans

“Additional Term B-1 Loan” means a Term Loan that is made pursuant to Section 2.01(b)(ii) on the Amendment No. 1 Effective Date.

“Amendment No. 1” means Amendment No. 1 to this Agreement, dated as of June 15, 2016.

“Amendment No. 1 Effective Date” means June 15, 2016, which is the first Business Day on which all of the conditions precedent set forth in Section 4 of Amendment No. 1 have been satisfied or waived and the Term B-1 Loans are funded or deemed funded through a cashless settlement pursuant to Section 2.01(b)(i), as applicable.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“Cashless Option Lender” means each Lender that has executed and delivered a Consent to Amendment No. 1 indicating the “Cashless Settlement Option.”

“Consent” means a consent to Amendment No. 1 substantially in the form of Exhibit A attached thereto.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent;

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Non-Exchanging Lender” means each Lender holding Initial Loans on the Amendment No. 1 Effective Date that (i) did not execute and deliver a Consent on or prior to the Amendment No. 1 Effective Date or (ii) is a Post-Closing Option Lender.

“Post-Closing Option Lender” means each Lender that executed and delivered a Consent to Amendment No. 1 indicating the “Post-Closing Settlement Option.”

“Repricing Transaction” shall mean (i) the incurrence by the Borrower of any Debt (a) with a Weighted Average Yield that is less than the Weighted Average Yield for the Term B-1 Loans being refinanced and (b) the proceeds of which are used substantially concurrently to prepay (or, in the case of a conversion, deemed to prepay or replace), in whole or in part, outstanding principal of Term B-1 Loans, or (ii) any transaction, the primary purposes of which is the effective reduction in the Weighted Average Yield for the Term B-1 Loans. Any determination by the Administrative Agent with respect to whether a Repricing Transaction shall have occurred shall be conclusive and binding on all Lenders holding the Term B-1 Loans.

“Term B-1 Commitment” means the Additional Term B-1 Commitment and the Term B-1 Exchange Commitments. After giving effect to Amendment No. 1, on the Amendment No. 1 Effective Date, the aggregate amount of the Term B-1 Commitments shall be \$548,624,999.97.

“Term B-1 Exchange Commitment” means the agreement of a Lender to exchange its Initial Loans for an equal aggregate principal amount of Term B-1 Loans on the Amendment No. 1 Effective Date, as evidenced by such Lender executing and delivering its Consent and indicating the “Cashless Settlement Option.”

“Term B-1 Lender” means, collectively, (i) on the Term B-1 Effective Date, each Lender that executes and delivers a Consent and indicates the “Cashless Settlement Option” prior to the Amendment No. 1 Effective Date, (ii) on the Term B-1 Effective Date, the Additional Term B-1 Lender and (iii) thereafter, each Lender with an outstanding Term B-1 Loan.

“Term B-1 Loan” means, collectively, (i) Initial Loans exchanged for a like principal amount of Term B-1 Loans pursuant to Section 2.01(b)(i) and (ii) each Additional Term B-1 Loan made pursuant to Section 2.01(b)(ii), in each case on the Amendment No. 1 Effective Date.

“Term B-1 Maturity Date” means November 12, 2022; *provided, however*, that if such date is not a Business Day, the Term B-1 Maturity Date shall be the next preceding Business Day.

“Write-Down and Conversion Powers” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

(b) The definition of “Applicable Rate” is hereby amended and restated in its entirety as follows:

“Applicable Rate” means (x) with respect to the Term B-1 Loans, 1.75% per annum for Base Rate Loans and 2.75% per annum for Eurodollar Rate Loans and (y) with respect to any Additional Term Loans, the Extended Term Loans and any additional Refinancing Term Loans, the applicable rates set forth in the Additional Credit Extension Amendment establishing such Additional Term Loans, the Extended Term Loans and the additional Refinancing Term Loans.

(c) The definition of “Class” is hereby amended and restated in its entirety as follows:

“Class” means (i) with respect to any Commitment, its character as a commitment to make or otherwise fund Initial Loans, Term B-1 Loans, Additional Term Loans, Extended Term Loans and/or additional Refinancing Term Loans (whether established by way of new Commitments or by way of conversion or extension of existing Commitments or Loans) designated as a “Class” in an Additional Credit Extension Amendment and (ii) with respect to any Loans, its

character as Initial Loans, Term B-1 Loans, Additional Term Loans, Extended Term Loans and/or additional Refinancing Term Loans (whether made pursuant to new Commitments or by way of conversion or extension of existing Loans) designated as a “Class” in an Additional Credit Extension Amendment. Commitments or Loans that have different Maturity Dates, pricing (other than upfront fees) or other terms shall be designated separate Classes; *provided* that at no time shall there be more than five different Classes of Loans outstanding at any time.

(d) The definition of “Defaulting Lender” is hereby amended by deleting the word “or” immediately preceding clause (d)(iii) thereof and replacing it with a comma and adding the words “or (iv) become the subject of a Bail-in Action” immediately prior to the proviso contained therein.

(e) The definition of “Federal Funds Rate” is hereby amended by deleting the words “arranged by Federal funds brokers”.

(f) The definition of Loan Documents is hereby amended and restated in its entirety as follows:

“Loan Documents” means, collectively, (a) this Agreement, (b) the Notes, (c) the Guaranty, (d) the Collateral Documents, (e) any Intercreditor Agreement, (f) the Perfection Certificate, (g) the Intercompany Subordination Agreement and (h) Amendment No. 1.

(g) The definition of “Loans” is hereby amended and restated in its entirety as follows:

“Loans” means the Initial Loans, the Term B-1 Loans, the Additional Term Loans, the Extended Term Loans and any additional Refinancing Term Loans.

(h) The definition of “Maturity Date” is hereby amended and restated in its entirety as follows:

“Maturity Date” means (i) November 12, 2022 with respect to the Initial Loans, (ii) the Term B-1 Maturity Date with respect to the Term B-1 Loans and (iii) with respect to any other Loans, the date specified as the maturity date for such Loans in the Additional Credit Extension Amendment related to such Loans; *provided, however*, that, in any such case, if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

(i) Section 2.01 of the Credit Agreement is hereby amended by making the existing text a new clause (a) and adding a new clause (b) as follows at the end of such section:

(b)(i) each Cashless Option Lender agrees to exchange its Initial Loans for a like principal amount of Term B-1 Loans on the Amendment No. 1 Effective Date, (ii) the Additional Term B-1 Lender agrees to make Additional Term B-1 Loans to the Borrower on the Amendment No. 1 Effective Date in a principal amount not to exceed its Additional Term B-1 Commitment on the Amendment No. 1 Effective Date and the Borrower shall prepay all Initial Loans of Non-Exchanging Lenders with the gross proceeds of the Additional Term B-1 Loans, (iii) the Term B-1 Loans are established pursuant to Section 2.15 and Amendment No. 1 which, for the avoidance of doubt, constitutes an Additional Credit Extension Amendment and (iv) the initial Interest Period for the Term B-1 Loans shall be as set forth in Section 2 of Amendment No. 1.

(j) Section 2.03(a)(ii) of the Credit Agreement is hereby amended and restated in its entirety as follows:

Notwithstanding the foregoing, in the event that, prior to the six-month anniversary of the Amendment No. 1 Effective Date, the Borrower (i) makes any prepayment of Term B-1 Loans in connection with any Repricing Transaction the primary purpose (as determined by the Borrower in good faith) of which is to decrease the Weighted Average Yield on such Term B-1 Loans or (ii) effects any amendment of this Agreement resulting in a Repricing Transaction the primary purpose (as determined by the Borrower in good faith) of which is to decrease the Weighted Average Yield on the Term B-1 Loans, the Borrower shall pay to the Administrative Agent, for the ratable account of each of the applicable Lenders, (x) in the case of clause (i), a prepayment premium of 1.00% of the principal amount of Term B-1 Loans being prepaid in connection with such Repricing Transaction and (y) in the case of clause (ii), a premium equal to 1.00% of the aggregate principal amount of the applicable Term B-1 Loans outstanding immediately prior to such amendment that are subject to an effective pricing reduction pursuant to such Repricing Transaction.

(k) Section 2.05 of the Credit Agreement is hereby amended and restated in its entirety as follows:

On each Quarterly Payment Date, beginning with the Quarterly Payment Date in June 2016, the Borrower shall repay to the Administrative Agent for the ratable account of the Lenders the principal amount of Term B-1 Loans then outstanding in an amount equal to 0.25% of the aggregate initial principal amounts of all Initial Loans on the Closing Date (which amount shall be reduced as a result of application of prepayments in accordance with the order of priority set forth in Sections 2.03(a) or (b), as applicable). The remaining unpaid principal amount of the Term B-1 Loans and all other Obligations under or in respect of the Term B-1 Loans shall be due and payable in full, if not earlier in accordance with this Agreement, on the Maturity Date and in any event shall be in an amount equal to the aggregate principal amount of all Term B-1 Loans outstanding on such date.

(l) Section 2.14 of the Credit Agreement is hereby amended by replacing all references to “Initial Loans” therein with references to “Term B-1 Loans”.

(m) Section 10.06(b)(i)(A) of the Credit Agreement is hereby amended and restated in its entirety as follows:

in the case of an assignment (i) in connection with the initial syndication of the Initial Loans held by Citibank, N.A., (ii) in connection with initial syndication of any Additional Term B-1 Loans held by the Additional Term B-1 Lender, (iii) of any Additional Term B-1 Loans by the Additional Term B-1 Lender to a Non-Exchanging Lender and (iv) of the entire remaining amount of the assigning Lender’s Commitment under any Facility and the Loans at the time owing to it under such Facility or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(n) Section 10.06(b)(iii)(A) of the Credit Agreement is hereby amended and restated in its entirety as follows:

except in the case of (x) an assignment in connection with the initial syndication of the Initial Loans held by Citibank, N.A. or (y) an initial assignment of the Additional Term B-1 Loans held by the Additional Term B-1 Lender either to a Non-Exchanging Lender or in connection with the initial syndication of such Additional Term B-1 Loans, the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (1) an Event of Default has occurred and is continuing at the time of such assignment or (2) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; *provided* that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within five (5) Business Days after having received notice thereof; and

(o) The following shall be added as a new Section 10.20 to the Credit Agreement:

Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

Section 2. Consent with Respect to the Interest Period and Waiver of Breakage Reimbursement. Each Term B-1 Lender hereby consents to an Interest Period beginning on the Amendment No. 1 Effective Date and ending on September 15, 2016 in respect of the Borrowing or exchange into Term B-1 Loans, which shall initially constitute Eurodollar Rate Loans, on the Amendment No. 1 Effective Date (the “Initial Term B-1 Borrowing”). In addition, the parties hereto agree that such Initial Term B-1 Borrowing shall have a Eurodollar Rate of 0.75%. The Lenders party hereto waive the payment of any breakage loss or expense under Section 3.05 of the Credit Agreement in connection with the exchange of Initial Loans into Term B-1 Loans.

Section 3. Credit Agreement Governs. Except as set forth in this Amendment, the Term B-1 Loans shall otherwise be subject to the provisions, including any provisions restricting the rights, or regarding the obligations, of the Loan Parties or any provisions regarding the rights of the Lenders, of the Credit Agreement and the other Loan Documents and, from and after the Amendment No. 1 Effective Date, each reference to a “Loan” or “Loans” in the Credit Agreement, as in effect on the Amendment No. 1 Effective Date, shall be deemed to include the Term B-1 Loans, each reference to a “Commitment” shall be deemed to include the “Term B-1 Commitment” and each reference to a “Lender” or “Lenders” in the Credit Agreement shall be deemed to include the Term B-1 Lenders, and other related terms will have correlative meanings *mutatis mutandis*.

Section 4. Conditions to Effectiveness. The effectiveness of this Amendment and the obligations of the Term B-1 Lenders to make the Term B-1 Loans shall become effective on the Amendment No. 1 Effective Date, which shall be the first Business Day on which the following conditions are satisfied or waived:

(i) the Administrative Agent (or its counsel) shall have received counterparts of this Amendment or Consent that, when taken together, bear the signatures of (A) each

Cashless Option Lender and each Post-Closing Option Lender, (B) the Administrative Agent, (C) the Additional Term B-1 Lender, (D) the Borrower and (E) each Guarantor;

(ii) the Administrative Agent shall have received a notice of Borrowing for the Additional Term B-1 Loans (whether in writing or by telephone) in accordance with the Credit Agreement;

(iii) the Administrative Agent's receipt of the following, each of which shall be originals or facsimiles or electronic copies (followed promptly by originals) unless otherwise specified:

(A) a favorable opinion of Jones Day, counsel for the Loan Parties, in a form and substance reasonably satisfactory to the Administrative Agent;

(B) a certificate from a Responsible Officer of the each Loan Party dated as of the Amendment No. 1 Effective Date, and attaching the documents referred to in clause (C) below;

(C) the Administrative Agent shall have received (i) resolutions of the Board of Directors and/or similar governing bodies of each Loan Party approving and authorizing (a) the execution, delivery and performance of the Amendment (and any agreements relating thereto) to which it is a party and (b) in the case of the Borrower, the extensions of credit contemplated hereunder, certified as of the Amendment No. 1 Effective Date by its secretary, an assistant secretary or a Responsible Officer as being in full force and effect without modification or amendment and (ii) a good standing certificate as of a recent date from the applicable Governmental Authority of each Loan Party's jurisdiction of incorporation, organization or formation;

(D) before and after giving effect to this Amendment and the borrowing of or exchange into the Term B-1 Loans and to the application of any proceeds therefrom (i) no Default or Event of Default shall exist and (ii) all of the representations and warranties contained in the Credit Agreement and in the other Loan Documents shall be true and correct in all material respects at such time (unless stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date);

(E) the Administrative Agent shall have received from the Borrower an Officer's Certificate certifying as to compliance with the preceding clause (D); and

(F) the representations and warranties of each Loan Party set forth in Section 5 below shall be true and correct in all material respects;

(iv) the fees in the amounts previously agreed in writing by Citigroup Global Markets Inc. (the “Amendment No. 1 Arranger”) to be received on the Amendment No. 1 Effective Date and all reasonable and documented or invoiced out-of-pocket costs and expenses (including the reasonable fees, charges and disbursements of Cahill Gordon & Reindel llp, as counsel to the Amendment No. 1 Arranger) incurred in connection with the transactions contemplated hereby for which invoices have been presented at least one (1) Business Day prior to the Amendment No. 1 Effective Date shall, upon the Borrowing of the Term B-1 Loans, have been, or will be substantially simultaneously, paid in full; and

(v) the Administrative Agent shall have received a “Life-of-Loan” flood determination notice for each real property encumbered by a Mortgage and if such real property is located in a special flood hazard area, (x) a notice about special flood hazard area status and flood disaster assistance duly executed by the Borrower and (y) evidence of insurance as required by the Credit Agreement in form and substance satisfactory to the Administrative Agent.

Section 5. Representations and Warranties. By its execution of this Amendment, each Loan Party hereby represents and warrants to the Administrative Agent, the Term B-1 Lenders and the Lenders that the representations and warranties of each Loan Party set forth in Article V of the Credit Agreement or in any other Loan Documents are, after giving effect to this Amendment, true and correct in all material respects on and as of the Amendment No. 1 Effective Date (unless stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date).

Section 6. Acknowledgments and Affirmations of the Loan Parties. Each Loan Party hereby expressly acknowledges the terms of this Amendment and confirms and reaffirms, as of the date hereof, (i) the covenants and agreements contained in each Loan Document to which it is a party, including, in each case, such covenants and agreements as in effect immediately after giving effect to this Amendment and the transactions contemplated hereby and thereby, (ii) its guarantee of the Guaranteed Obligations (including, without limitation, the Term B-1 Loans) under the Guaranty and (iii) its grant of Liens on the Collateral to secure the Obligations (including, without limitation, the Obligations with respect to the Term B-1 Loans) pursuant to the Collateral Documents; *provided* that, on and after the effectiveness of this Amendment, each reference in the Guaranty and in each of the other Loan Documents to “the Credit Agreement”, “thereunder”, “thereof” or words of like import shall mean and be a reference to the Credit Agreement, as amended by this Amendment. Without limiting the generality of the foregoing, the Collateral Documents to which such Loan Party is a party and all of the Collateral described therein do, and shall continue to secure, payment of all of the Obligations.

Section 7. Amendment, Modification and Waiver. This Amendment may not be amended, modified or waived except in accordance with Section 10.01 of the Credit Agreement.

Section 8. Effectiveness of This Amendment. The provisions of this Amendment shall be subject to the satisfaction of the conditions to effectiveness set forth in Section 4 of this Amendment.

Section 9. Liens Unimpaired. After giving effect to this Amendment, neither the modification of the Credit Agreement effected pursuant to this Amendment nor the execution, delivery, performance or effectiveness of this Amendment impairs the validity, effectiveness or priority of the Liens granted pursuant to any Loan Document.

Section 10. Mortgaged Properties. Within ninety (90) days after the Amendment No. 1 Effective Date, unless waived or extended by the Administrative Agent in its sole discretion, with respect to each real property encumbered by a Mortgage, the Administrative Agent shall have received, with respect to the existing Mortgages, the following, in each case in form and substance reasonably acceptable to the Administrative Agent:

(i) an amendment to the existing Mortgage (the “Mortgage Amendment”) to reflect the matters set forth in this Amendment, duly executed and acknowledged by the applicable Loan Party, and in form for recording in the recording office where such Mortgage was recorded, together with such certificates, affidavits, questionnaires or returns as shall be required in connection with the recording or filing thereof under applicable law;

(ii) a favorable opinion, addressed to the Administrative Agent and the Secured Parties covering, among other things, the due authorization, execution, delivery and enforceability of the applicable Mortgage as amended by the Mortgage Amendment (such opinion may take assumptions for any matters addressed in the local counsel opinion originally delivered in connection with the Mortgage);

(iii) an ALTA 11-06 endorsement to the existing title policy, which shall be in form and substance reasonably satisfactory to the Administrative Agent, along with a title search of the real property to show that as of the date of such endorsement that the real property subject to the lien of such Mortgage is free and clear of all defects and encumbrances except those Liens permitted under such Mortgage;

(iv) evidence of payment by the Borrower of all search and examination charges escrow charges and related charges, mortgage recording taxes, fees, charges, costs and expenses required for the recording of the Mortgage Amendment referred to above; and

(v) such affidavits, certificates, information and instruments of indemnification as shall be required to induce the title insurance company to issue the endorsement to the title policy contemplated in this Section 10 and evidence of payment of all applicable title insurance premiums, search and examination charges, mortgage recording taxes and related charges required for the issuance of the endorsement to the title policy contemplated in this Section 10.

Section 11. Other. This Amendment, the Credit Agreement and the other Loan Documents constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and verbal, among the parties hereto with respect to the subject matter hereof. Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of any party under, the Credit Agreement, nor alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. It is understood and agreed that each reference in each Loan Document to the Credit Agreement, whether direct or indirect, shall hereafter be deemed to be a reference to the Credit Agreement as amended by this Amendment and that this Amendment are each a Loan Document.

(i) This Amendment may not be amended, modified or waived except by an instrument or instruments in writing signed and delivered on behalf of each of the parties hereto. This Amendment shall constitute a “Loan Document” for all purposes of the Credit Agreement and other Loan Documents.

(ii) THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. SECTIONS 10.13 AND 10.14 OF THE CREDIT AGREEMENT ARE HEREBY INCORPORATED BY REFERENCE INTO THIS AMENDMENT AND SHALL APPLY MUTATIS MUTANDIS HERETO.

(iii) Any term or provision of this Amendment which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Amendment or affecting the validity or enforceability of any of the terms or provisions of this Amendment in any other jurisdiction. If any provision of this Amendment is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as would be enforceable.

(iv) This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or e-mail (including in a “.pdf” format) shall be effective as delivery of a manually executed counterpart of this Amendment.

IN WITNESS WHEREOF, each of the undersigned has caused its duly authorized officer to execute and deliver this Amendment as of the date first written above.

POLYONE CORPORATION

By: /s/ Scott J. Leffler
Name: Scott J. Leffler
Title: Vice President and Treasurer

CONEXUS, LLC
NEU SPECIALTY ENGINEERED MATERIALS, LLC
POLYMER DIAGNOSTICS, INC.
COLORMATRIX GROUP, INC.
COLORMATRIX HOLDINGS, INC.
THE COLORMATRIX CORPORATION
CHROMATICS, INC.
GSDI SPECIALTY DISPERSIONS, INC.

By: /s/ Scott J. Leffler
Name: Scott J. Leffler
Title: Treasurer

POLYONE LLC

By: /s/ Scott J. Leffler
Name: Scott J. Leffler
Title: Manager

GLASFORMS, INC.

By: /s/ Scott J. Leffler
Name: Scott J. Leffler
Title: President and Assistant Treasurer

[Amendment No. 1 Signature Page]

POLYONE DESIGNED STRUCTURES AND SOLUTIONS, LLC

By: /s/ Scott J. Leffler

Name: Scott J. Leffler

Title: Chief Financial Officer

FRANKLIN-BURLINGTON PLASTICS, INC.

By: /s/ Robert K. James

Name: Robert K. James

Title: Secretary

[Amendment No. 1 Signature Page]

Consented to by:

CITIBANK, N.A., as Administrative Agent

By: /s/ Kirkwood Roland

Name: Kirkwood Roland

Title: Managing Director & Vice President

[Amendment No. 1 Signature Page]

CITIBANK, N.A., as Additional Term B-1 Lender

By: /s/ Kirkwood Roland

Name: Kirkwood Roland

Title: Managing Director & Vice President

[Amendment No. 1 Signature Page]

CONSENT TO AMENDMENT NO. 1

CONSENT (this “Consent”) to Amendment No. 1 (“Amendment”) to the Credit Agreement, dated as of November 12, 2015 (as amended, restated, amended and restated, supplemented, extended, refinanced or otherwise modified from time to time, the “Credit Agreement”), by and among PolyOne Corporation, an Ohio corporation (the “Borrower”), the lending institutions from time to time parties thereto (each a “Lender” and, collectively, the “Lenders”), and Citibank, N.A., as Administrative Agent (in such capacity, the “Administrative Agent”). Capitalized terms used in this Consent but not defined in this Consent have the meanings assigned to such terms in the Credit Agreement (as amended by the Amendment).

Existing Lenders of Initial Loans. The undersigned Lender hereby irrevocably and unconditionally approves the Amendment and consents as follows (check ONE option):

Cashless Settlement Option

- ☐ to convert 100% of the outstanding principal amount of the Initial Loans held by such Lender (or such lesser amount allocated to such Lender by the Administrative Agent) into a Term B-1 Loan in a like principal amount.

Post-Closing Settlement Option

- ☐ to have 100% of the outstanding principal amount of the Initial Loans held by such Lender prepaid on the Amendment No. 1 Effective Date and purchase by assignment the principal amount of Term B-1 Loans committed to separately by the undersigned (or such lesser amount allocated to such Lender by the Administrative Agent).

IN WITNESS WHEREOF, the undersigned has caused this Consent to be executed and delivered by a duly authorized officer as of the _____ of June, 2016.

_____,
as a Lender (type name of the legal entity)

By: _____
Name:
Title:

If a second signature is necessary:

By: _____
Name:
Title:

Name of Fund Manager (if any): _____

**FIFTH AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT**

This FIFTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is entered into as of April 19, 2016, is by and among Wells Fargo Capital Finance, LLC, a Delaware limited liability company, in its capacity as agent pursuant to the Credit Agreement (as hereinafter defined) acting for and on behalf of the parties thereto as lenders (in such capacity, "Agent"), the lenders party hereto (individually, each a "Lender" and collectively, "Lenders"), PolyOne Corporation, an Ohio corporation (the "Parent"), NEU Specialty Engineered Materials, LLC, an Ohio limited liability company ("NEU"), and together with Parent, each individually a "US Borrower" and collectively, "US Borrowers"), PolyOne Canada Inc., a federally incorporated Canadian corporation ("PolyOne Canada" or "Canadian Borrower", and, together with US Borrowers, each individually a "Borrower" and collectively, "Borrowers"), PolyOne LLC, a Delaware limited liability company ("PO LLC"), Polymer Diagnostics, Inc., an Ohio corporation ("Polymer"), Conexus, LLC, a Nevada limited liability company, f/k/a Conexus, Inc., a Nevada corporation ("Conexus"), The ColorMatrix Corporation, an Ohio corporation ("CMC"), ColorMatrix Holdings, Inc., a Delaware corporation ("CM Holdings"), Chromatics, Inc., a Connecticut corporation ("Chromatics"), ColorMatrix Group, Inc., a Delaware corporation ("CM Group"), GSDI Specialty Dispersions, Inc., an Ohio corporation, f/k/a Gayson Silicone Dispersions, Inc. ("Gayson"), Glasforms, Inc., a California corporation ("Glasforms"), PolyOne Designed Structures and Solutions LLC, a Delaware limited liability ("PolyOne DSS"), Franklin-Burlington Plastics, Inc., a Delaware corporation ("Franklin"; and, together with each of PO LLC, Polymer, Conexus, Hanna, CMC, CM Holdings, Chromatics, CM Group, CM Brazil, Gayson and PolyOne DSS, each individually a "US Guarantor" and collectively, "US Guarantors"), and PolyOne DSS Canada Inc., a federally incorporated Canadian corporation ("DSS Canada, Inc." and "Canadian Guarantor"; and together with the US Guarantors, each individually a "Guarantor" and collectively, "Guarantors").

WHEREAS, Borrowers, Guarantors, Agent and Lenders are parties to that certain Amended and Restated Credit Agreement dated as of March 1, 2013 (as amended, restated, modified or supplemented from time to time, the "Credit Agreement");

WHEREAS, subject to terms and conditions hereof, Agent, the Lenders, Borrowers and Guarantors desire to amend the Credit Agreement as more fully described below;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. For purposes of this Amendment, all terms used herein and not otherwise defined herein, including but not limited to, those terms used in the recitals hereto, shall have the respective meanings assigned thereto in the Credit Agreement.

2. Amendments. In reliance upon the representations and warranties of Borrowers set forth in Section 4 hereof and subject to the satisfaction of the conditions to effectiveness set forth in Section 5 hereof:

(a) Clause (b)(iv) of the definition of Additional Advance Condition set forth on Schedule 1.1 to the Credit Agreement is hereby amended and restated in its entirety as follows:

(vi) the Fixed Charge Coverage Ratio (calculated based on the preceding twelve (12) consecutive month period ending on the fiscal month end for which Agent has received financial statements immediately prior to the date of the incurrence of such Indebtedness), on a pro forma basis, immediately after giving effect to such incurrence, shall be not less than 1.00 to 1.00, provided, however, that for purposes of calculating the Fixed Charge Coverage Ratio solely for determining compliance with this clause, Restricted Payments shall not constitute Fixed Charges if the Restricted Payment Conditions are satisfied,

(b) The definition of CDOR Rate set forth in Section 1.1 to the Credit Agreement is hereby amended and restated in its entirety as follows:

"CDOR" means, on any day, the annual rate of interest which is the rate equal to the average rate for Canadian Dollar bankers' acceptances issued on such day for a term equal or comparable to the applicable Interest Period or, if no Interest Period is specified, thirty (30) days) for the purpose of calculating the interest rate applicable as such rate appears on the "Reuters Screen CDOR Page" (as defined in the International Swaps and Derivatives Association, Inc. 2000, definitions, as modified and amended from time to time) rounded to the nearest 1/100th of 1% (with 0.005% being rounded up), as of 10:00 a.m. (Toronto, Ontario time) on such day, or if such day is not a Business Day, then on the immediately preceding Business Day; provided, that, if such rate does not appear on the Reuters Screen CDOR Page as contemplated, then the CDOR Rate on any day shall be the average of the rates applicable to Canadian Dollar bankers' acceptances having an equivalent term quoted by the Schedule I Canadian chartered banks as of 1000 a.m. (Toronto, Ontario time) on such day, or if such day is not a Business Day, then on the immediately preceding Business Day; provided however, that in no event shall CDOR be less than zero.

(c) The definition of LIBOR Rate set forth in Section 1.1 to the Credit Agreement is hereby amended and restated in its entirety as follows:

"LIBOR Rate" means the rate per annum rate appearing on Bloomberg L.P.'s (the "Service") Page BBAM1/(Official BBA USD Dollar Libor Fixings) (or on any successor or substitute page of such Service, or any successor to or substitute for such Service) two (2) Business Days prior to the commencement of the requested Interest Period, for a term and in an amount comparable to the Interest Period and the amount of the LIBOR Rate Loan requested (whether as an initial LIBOR Rate Loan or as a continuation of a LIBOR Rate Loan or as a conversion of a Base Rate Loan to a LIBOR Rate Loan) by Borrowers in accordance with the Agreement, which determination shall be conclusive in the absence of manifest error; provided however, that in no event shall LIBOR be less than zero.

(d) Clause (h) of the definition of Permitted Dispositions set forth on Schedule 1.1 to the Credit Agreement is hereby amended by deleting the word "non-exclusive" as it appears therein.

(e) Clause (u) of the definition of Permitted Dispositions set forth on Schedule 1.1 to the Credit Agreement is hereby amended by replacing each instance of “Loan Parties” with “Loan Parties and their Restricted Subsidiaries” and “Loan Party” with “Loan Party or such Restricted Subsidiary”, in each case, as it appears therein.

(f) Clause (v) of the definition of Permitted Dispositions set forth on Schedule 1.1 to the Credit Agreement is hereby amended and restated in its entirety as follows:

(v) sales or other dispositions of Accounts (i) constituting Loan Party Supply Chain Financing or (ii) owing to any Restricted Subsidiary that is not a Loan Party pursuant to supply chain finance arrangements.

(g) Clause (x) of the definition of Permitted Dispositions set forth on Schedule 1.1 to the Credit Agreement is hereby amended and restated in its entirety as follows:

(x) sales or transfers by a Loan Party or a Subsidiary of any Equity Interests held in another Loan Party or Subsidiary, provided, that (i) if such sale or other transfer is by a Loan Party, such sale or other transfer shall be to another Loan Party and (ii) to the extent of any Lien of Agent with respect to such Equity Interests prior to its sale or other disposition and to the extent such Lien is required by the Loan Documents, the Lien of Agent on such Equity Interests shall continue in all respects and shall not be deemed released or terminated as a result of such sale or other disposition and Borrowers and Guarantors shall execute and deliver such agreements, documents and instruments as Agent may reasonably request with respect thereto.

(h) Clause (t)(i) of the definition of Permitted Indebtedness set forth on Schedule 1.1 to the Credit Agreement is hereby amended by replacing the phrase “Parent or any other Loan Party” with “Parent or any Subsidiary” as it appears therein.

(i) Clause (t)(i)(B) of the definition of Permitted Indebtedness set forth on Schedule 1.1 to the Credit Agreement is hereby amended and restated in its entirety as follows:

(B) the Fixed Charge Coverage Ratio (calculated based on the preceding twelve (12) consecutive month period ending on the fiscal month end for which Agent has received financial statements immediately prior to the date of the incurrence of such Indebtedness), on a pro forma basis, immediately after giving effect to such Indebtedness shall be not less than 1.00 to 1.00, provided, however, that for purposes of calculating the Fixed Charge Coverage Ratio solely for determining compliance with this clause, Restricted Payments shall not constitute Fixed Charges if the Restricted Payment Conditions are satisfied,

(j) Clause (w)(ii) of the definition of Permitted Investments set forth on Schedule 1.1 to the Credit Agreement is hereby amended and restated in its entirety as follows:

(ii) the Fixed Charge Coverage Ratio (calculated based on the preceding twelve (12) consecutive month period ending on the fiscal month end for which Agent has received financial statements immediately prior to the date of the making of such Investment), on a pro forma basis, immediately after giving effect to such Investment

shall be not less than 1.00 to 1.00, provided, however, that for purposes of calculating the Fixed Charge Coverage Ratio solely for determining compliance with this clause, Restricted Payments shall not constitute Fixed Charges if the Restricted Payment Conditions are satisfied,

(k) Clause (y) of the definition of Permitted Liens set forth on Schedule 1.1 to the Credit Agreement is hereby amended and restated in its entirety as follows:

(y) Liens, if any, incurred in connection with supply chain finance arrangements permitted by clause (v) of the definition of Permitted Dispositions; provided, that such Liens shall only encumber the Accounts sold in connection with each such supply chain finance arrangement and any supporting obligations related thereto, including collateral securing such Account, all contract rights and contracts and all guarantees or other obligations in respect of such Account and all proceeds of such Account and such other related assets,

(l) Schedule 1.1 to the Credit Agreement is hereby amended to add the following new defined terms in appropriate alphabetical order:

"Loan Party Supply Chain Financing" means sales or other dispositions of Accounts owing to any Loan Party from Valspar Sourcing, Inc. or any other Account Debtor that is reasonably acceptable to Agent pursuant to supply chain finance arrangements that are reasonably acceptable to Agent, provided, that, the total obligations owing in respect of all such Accounts shall not exceed \$50,000,000 in the aggregate during any fiscal year.

"Restricted Payment Conditions" means (a) Excess Availability exceeds \$150,000,000 for the 30 consecutive day period immediately preceding the incurrence of the applicable Indebtedness or the making of the applicable Investment, and (b) on the date of the incurrence of such Indebtedness or the making of such Investment, on a pro forma basis, Excess Availability is at least \$150,000,000 for the 30 consecutive day period immediately after giving effect thereto.

3. Reaffirmation and Confirmation. After giving effect to the amendments set forth in this Amendment, each Loan Party party hereto hereby (i) ratifies, affirms, acknowledges and agrees that the Credit Agreement and the other Loan Documents represent the valid, enforceable (except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally) and collectible obligations of such Loan Party, (ii) reaffirms its obligations under each Loan Document to which it is a party, including, without limitation, (x) any guaranty of any of the Obligations, including any joint and several liability with respect thereto, and (y) any grant of security interest contained therein, in each case as amended, supplemented or modified prior to or as of the date hereof, and (iii) acknowledges and agrees that there are no existing claims, defenses, personal or otherwise, or rights of setoff whatsoever with respect to the Credit Agreement or any other Loan Document. Each Loan Party hereby agrees that this Amendment in no way acts as a release or relinquishment of the Liens and rights securing payments of the Obligations. After giving effect to this Amendment, the Liens and rights securing payment of the Obligations are hereby ratified and confirmed by each Loan Party in all respects.

4. Representations and Warranties. In order to induce Agent and Lenders to enter into this Amendment, each Loan Party represents and warrants with and to Agent and Lenders as follows, which representations and warranties shall survive the execution and delivery hereof, immediately after giving effect to this Amendment:

(a) all representations and warranties contained in the Loan Documents to which such Loan Party is a party are true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality of dollar thresholds in the text thereof) on and as of the date of this Amendment (except to the extent any representation or warranty expressly related to an earlier date in which case such representations and warranties shall be true and correct in all material respects (except that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality or dollar thresholds in the text thereof) on and as of such earlier date);

(b) no Default or Event of Default has occurred and is continuing; and

(c) this Amendment and the Loan Documents, as amended hereby, constitute legal, valid and binding obligations of such Loan Party and are enforceable against such Loan Party in accordance with their respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally.

5. Conditions to Effectiveness. This Amendment shall become effective upon the satisfaction of the following conditions precedent:

(a) Agent shall have received a copy of this Amendment executed by Agent, Lenders and the Loan Parties, in form and substance reasonably satisfactory to Agent;

(b) Borrowers shall have paid (or concurrently with the effectiveness of the Amendment shall pay) all Lender Group Expenses incurred in connection with the transactions evidenced by this Amendment for which Borrowers have received an invoice prior to the date hereof; and

(c) Borrowers shall have paid to Agent, for the account of the Lenders on a pro rata basis, an amendment fee (the "Amendment Fee") of \$150,000, which fee is due and payable on the date hereof, and fully earned and non-refundable on the date hereof. The Amendment Fee is in addition to and not net of any fees previously paid by Borrowers or any Loan Party pursuant to any Loan Document.

6. Miscellaneous.

(a) Expenses. Borrowers agree to pay on demand all reasonable costs and expenses of Agent and the Lenders (including reasonable attorneys' fees) incurred in connection with the preparation, negotiation, execution, delivery and administration of this Amendment and all other instruments or documents provided for herein or delivered or to be delivered hereunder or in connection herewith. All obligations provided herein shall survive any termination of this Amendment and the Credit Agreement as amended hereby.

(b) Choice of Law and Venue; Jury Trial Waiver; Reference Provision. Without limiting the applicability of any other provision of the Credit Agreement or any other Loan Document, the terms and provisions set forth in Section 12 of the Credit Agreement are expressly incorporated herein by reference.

(c) Counterparts. This Amendment may be executed in any number of counterparts, and by the parties hereto on the same or separate counterparts, and each such counterpart, when executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amendment. This Amendment to the extent signed and delivered by means of a facsimile machine or other electronic transmission (including "pdf"), shall be treated in all manner and respects and for all purposes as an original Amendment and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No party hereto shall raise the use of a facsimile machine or other electronic transmission to deliver a signature or the fact that any signature or this Amendment was transmitted or communicated through the use of a facsimile machine or other electronic transmission as a defense to the formation or enforceability of a contract and each such party forever waives any such defense. Receipt by telecopy or electronic mail of any executed signature page to this Amendment shall constitute effective delivery of such signature page.

7. Release.

(a) Release. In consideration of the agreements of Agent and Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Borrower and each other Loan Party, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and Lenders, and their successors and assigns, and their present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, each Lender and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, controversies, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which such Borrower or such Loan Party or any of its successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment for or on account of, or in relation to, or in any way in connection with any of the Credit Agreement, or any of the other Loan Documents or transactions thereunder or related thereto.

(b) Complete Defense. Each Borrower and each other Loan Party understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release.

(c) Release Unconditional. Each Borrower and each other Loan Party agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which

may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized and delivered as of the date first above written.

POLYONE CORPORATION

By: /s/ Scott J. Leffler
Name: Scott J. Leffler
Title: Vice President and Treasurer

CONEXUS, LLC
NEU SPECIALTY ENGINEERED MATERIALS, LLC
POLYMER DIAGNOSTICS, INC.
COLORMATRIX GROUP, INC.
COLORMATRIX HOLDINGS, INC.
THE COLORMATRIX CORPORATION
CHROMATICS, INC.
GSDI SPECIALTY DISPERSIONS, INC., f/k/a GAYSON SILICONE
DISPERSIONS, INC.

By: /s/ Scott J. Leffler
Name: Scott J. Leffler
Title: Treasurer

POLYONE LLC

By: /s/ Scott J. Leffler
Name: Scott J. Leffler
Title: Manager

GLASFORMS, INC.

By: /s/ Scott J. Leffler
Name: Scott J. Leffler
Title: President and Assistant Treasurer

POLYONE DESIGNED STRUCTURES AND SOLUTIONS, LLC
POLYONE DSS CANADA INC.

By: /s/ Scott J. Leffler
Name: Scott J. Leffler
Title: Chief Financial Officer

POLYONE CANADA INC.

By: /s/ Scott J. Leffler

Name: Scott J. Leffler

Title: Vice President and Treasurer

FRANKLIN-BURLINGTON PLASTICS, INC.

By: /s/ Robert K. James

Name: Robert K. James

Title: Secretary

WELLS FARGO CAPITAL FINANCE, LLC, as
Agent and a Lender

By: /s/ Melissa Provost
Name: Melissa Provost
Title: Vice President

WELLS FARGO CAPITAL FINANCE
CORPORATION CANADA, as a Lender

By: /s/ Trevor Tysick
Name: Trevor Tysick
Title: Vice President

BANK OF AMERICA, N.A., as a Lender

By: /s/ Charles Fairchild
Name: Charles Fairchild
Title: Vice President

BANK OF AMERICA, N.A., CANADA BRANCH,
as a Lender

By: /s/ Sylwia Durkiewicz
Name: Sylwia Durkiewicz
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as a
Lender

By: /s/ David Lawrence
Name: David Lawrence
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION,
CANADA BRANCH, as a Lender

By: /s/ John P. Rehob

Name: John P. Rehob

Title: Vice President and Principal Officer

CITIBANK, N.A., as a Lender

By: /s/ Christopher Marino
Name: Christopher Marino
Title: Director & Vice President

HSBC BANK USA, N.A., as a Lender

By: /s/ Joseph D. Donovan
Name: Joseph D, Donovan
Title: Senior Vice President

KEYBANK NATIONAL ASSOCIATION, as a
Lender

By: /s/ Paul Steiger
Name: Paul Steiger
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION, as a
Lender

By: /s/ Carrie Light
Name: Carrie Light
Title: Vice President

PNC BANK CANADA BRANCH, as a Lender

By: /s/ James Bruce
Name: James Bruce
Title: Vice President

THE HUNTINGTON BANK, as a Lender

By: /s/ Dennis Hatvany_____
Name: Dennis Hatvany
Title: Senior Vice President

CITIZENS BUSINESS CAPITAL, a Division of
CITIZENS ASSET FINANCE, INC., a wholly
owned Subsidiary of CITIZENS BANK, N.A.
a National Banking Association, fka RBS
CITIZENS, NATIONAL ASSOCIATION, as a
Lender

By: /s/ James G. Zamborsky

Name: James G. Zamborsky

Title: Vice President

CERTIFICATION

I, Robert M. Patterson, 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.

July 27, 2016

/s/ Robert M. Patterson

Robert M. Patterson

Chairman, President and Chief Executive Officer

CERTIFICATION

I, Bradley C. Richardson, 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.

July 27, 2016

/s/ Bradley C. Richardson

Bradley C. Richardson

Executive 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 June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert M. Patterson, 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/ Robert M. Patterson

Robert M. Patterson

Chairman, President and Chief Executive Officer

July 27, 2016

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 June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Bradley C. Richardson, Executive 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/ Bradley C. Richardson

Bradley C. Richardson

Executive Vice President and Chief Financial Officer

July 27, 2016

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.