

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

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)
---	---

Suite 36-5000, 200 Public Square, Cleveland, Ohio (Address of principal executive offices)	44114-2304 (Zip-Code)
Registrant's telephone number, including area code	(216) 589-4000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, par value \$.01 per share	New York Stock Exchange

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, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

The aggregate market value of the voting stock, consisting solely of common stock, held by non-affiliates of the registrant as of March 15, 2001 was approximately \$774.7 million. On such date, 93,900,057 of such shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference into the designated parts of this Form 10-K: (1) Registrant's definitive proxy statement distributed to shareholders dated March 28, 2001, filed with the Commission pursuant to Regulation 14A and incorporated by reference into Parts I and III of this Form 10-K; and (2) Registrant's Annual Report distributed to shareholders for the fiscal year ended December 31, 2000, incorporated by reference into Parts I and II of this Form 10-K. With the exception of the information specifically incorporated by reference, neither the Registrant's proxy statement nor the 2000 Annual Report to shareholders is deemed to be filed as part of this Form 10-K.

Except as otherwise stated, the information contained in this report is given as of December 31, 2000, the end of the Registrant's last fiscal year.

PART I

ITEM 1. DESCRIPTION OF THE BUSINESS

PolyOne Corporation (PolyOne or Company) is the world's largest international polymer services company with operations in thermoplastic compounds, specialty polymer formulations, engineered films, color and additive systems, elastomer compounds and additives and thermoplastic resin distribution. PolyOne was formed on August 31, 2000 as a result of the consolidation of The Geon Company (Geon) and M.A. Hanna Company (Hanna). PolyOne is a leader in delivering value to customers through its strengths in polymer technology, manufacturing and supply chain processes, information technology, environmental and safety performance, overall quality and operational excellence. The consolidation of Geon and Hanna and the formation of PolyOne are discussed in more detail in Notes A and E to the Consolidated Financial Statements.

The Company operates in four business segments: Performance Plastics, Elastomers and Additives (E&A), Distribution and Resin and Intermediates (R&I). The financial information regarding the Registrant's business segment is set forth on pages 31 through 33 of the Registrant's Annual Report distributed to shareholders for the fiscal year ended December 31, 2000, which information is incorporated herein by this reference.

PERFORMANCE PLASTICS:

Through its compounding business, the Company is one of the world's largest merchant producers of compounded plastics to the specifications of manufacturers of plastic products throughout North America and Europe. Through its custom compounding business, the Company engages in the custom compounding of plastic materials to the specifications of manufacturers of molded plastic products for customers located throughout North America, Europe and Asia. Through its custom formulated colorants and additives business, the Company manufactures custom formulated colorants in the form of color concentrates, liquid dispersions, dry colorants, and additives for customers in the plastic industry throughout North America, Europe, South America and Asia. The Company is also the leading North American producer of

specialty resin dispersions. In addition, the Company processes specialty dispersion resins with different additives, such as plastisizers and fillers, to produce liquid or solid plastisol formulations. Formulations using urethanes and latex polymers are also produced by the Company. Through its engineered films business, the Company processes flexible compounds into rolls of various-gauge films.

ELASTOMERS AND ADDITIVES:

Through its rubber compounding and additive businesses, the Company engages in the custom compounding of rubber materials to the specifications of manufacturers of rubber products throughout the United States. The Company also produces rubber colorants and additives for the rubber industry worldwide.

DISTRIBUTION:

Through its distribution business, the Company distributes thermoplastic resins in North America for major resin producers.

RESIN AND INTERMEDIATES:

In its R&I business segment, the Company holds an equity interest in three joint ventures which produce polyvinyl chloride (PVC) resins, vinyl chloride monomer (VCM) and chlor-alkali through three joint ventures. Oxy Vinyls LP (Oxy Vinyls), a partnership between the Company and OxyChem and is the largest producer of PVC resin and VCM in North America. Oxy Vinyls also produces chlorine and caustic soda. The Company's 24% interest in Oxy Vinyls provides PolyOne the economics of manufacturing PVC resin that roughly approximated the PVC resin requirements needs of the Performance Plastics segment. PolyOne owns 50% of Sunbelt Chlor-Alkali Partnership, a joint venture with Olin Corporation that produces chlorine and caustic soda. PolyOne also has a 37.4% interest in Australian Vinyls Corporation, a PVC resin and compound joint venture with Orica Limited of Australia.

COMPETITION:

The production of compounded plastics and the manufacture of custom formulated color and additives systems for the plastics industry is highly competitive, with product quality, service and price to customers being principal factors affecting competition. The Company believes it is a leading independent compounder of plastics in North America and Europe and one of the leading producers of custom formulated color and additive systems in the United States and Europe.

The custom compounding of rubber materials and the manufacture of rubber colorants and additives are highly competitive with product quality, service and price to customers being principal factors affecting competition. The Company believes it is the largest independent custom compounder of rubber in North America.

The distribution of polymer resin is highly competitive, with product quality, service and price to customers being principal factors affecting competition. The Company believes it is one of the leading distributors of plastic resins in North America.

RAW MATERIALS:

In the Company's Performance Plastics business, the primary raw materials are PVC resin, VCM, other resins, inorganic and organic pigments, and chemicals, all of which are in adequate supply. The Company is a party to long-term supply contracts with OxyVinyls, under which the

majority of the Company's PVC and all of its VCM requirements will be supplied. The supply contracts have initial terms of 15 years (expiring in 2013) and have provisions for renewal after the initial contract term. The Company believes the supply contracts will assure availability of PVC resin and VCM, technical development and support and competitively priced PVC resin and VCM. The Company further believes that the pricing under these supply contracts provides PVC resin at a competitive cost to the Company.

In the company's elastomer and additives business, the primary raw materials required are natural and synthetic rubbers, resins and chemicals, all of which are available in adequate supply.

RESEARCH AND DEVELOPMENT:

The Company has developed substantial research and development capability. The Company's efforts are devoted to (i) developing new products to satisfy defined market needs, (ii) providing quality technical services to assure the continued success of its products for its customers' applications, (iii) providing technology for improvements to its products, processes and applications, and (iv) providing support to its manufacturing plants for cost reduction, productivity and quality improvement programs. The Company operates a research and development center supporting compounding and specialty resin operations. The laboratory is equipped with state of the art analytical, synthesis, polymer characterization and testing equipment and pilot plants and polymer compounding operations which simulate the production facilities for rapid translation of new technology into new products.

Expenditures for Company sponsored product research and product development in 2000, 1999 and 1998 were \$21.4 million, \$18.5 million and \$15.0 million, respectively. Expenditures in 2001 are projected to remain at approximately the same level as in 2000.

EMPLOYEES:

As of December 31, 2000, the Company had approximately 9,000 employees.

ENVIRONMENTAL, HEALTH AND SAFETY:

The Company is subject to various federal, state and local environmental laws and regulations concerning emissions to the air, discharges to waterways, the release of materials into the environment, the generation, handling, storage, transportation, treatment and disposal of waste materials or otherwise relating to the protection of the environment. The Company endeavors to ensure the safe and lawful operation of its facilities in manufacturing and distribution of products and believes it is in compliance in all material respects with applicable laws and regulations.

The Company maintains a disciplined environmental and occupational safety and health compliance program and conducts internal and external regulatory audits at its plants in order to identify and categorize potential environmental exposures and to ensure compliance with applicable environmental, health and safety laws and regulations. This is an effort which has required and may continue to require process or operational modifications and the installation of pollution control devices and cleanups.

The Company participates in the EPA Compliance Audit Program (CAP) under Section 8(e) of the Toxic Substances Control Act. That section requires reporting of information indicating a substantial risk of injury to health or the environment from a chemical substance or mixture. Under the CAP, the Company conducts an audit of its files and reports any information that should have been reported previously. The total potential maximum liability of the Company

and its subsidiaries under the CAP is \$1 million. The first part of the CAP required reporting of substantial risk information concerning health effects. The remaining part of the CAP involves substantial risk information concerning the environment. The Company will perform its obligations under this portion of the CAP after the EPA issues guidance concerning the kinds of environmental information that it believes are reportable.

The risk of additional costs and liabilities is inherent in certain plant operations and certain products produced at the Company's plants, as is the case with other companies involved in the plastics PVC industry. There can be no assurance that additional costs and liabilities will not be incurred by the Company in the future. It is also possible that other developments, such as increasingly strict environmental, safety and health laws, regulations and enforcement policies thereunder and claims for damages to property or persons resulting from plant emissions or products, could result in additional costs and liabilities to the Company.

A number of foreign countries and domestic local communities have enacted, or have under consideration, laws and regulations relating to the use and disposal of plastic materials. Widespread adoption of such laws and regulations, or public perception, may have an adverse impact on plastic materials. Although many of the Company's major markets are in durable, longer-life applications which could reduce the impact of any such environmental regulation, there is no assurance that possible future legislation or regulation would not have an adverse effect on the Company's business

The Company does not believe that there are any new laws which will have a material impact on the industry or the Company's capital expenditures, cash flow or liquidity.

The Company conducts a comprehensive occupational safety and health program. Industry data shows that the Company's safety record is among the best in the chemical industry.

Additional information about the Company's environmental liabilities, related expenditures and accruals is included in the 2000 Annual Report to Shareholders in "Management's Discussion and Analysis" under the caption "Environmental Matters" and in Note N to the Consolidated Financial Statements.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:

The foregoing "Description of the Business" section contains statements concerning trends and other forward-looking information affecting or relating to the Company and its industry that are intended to qualify for the protections afforded "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from such statements based on a variety of factors which are discussed on page 34 of the 2000 Annual Report to Shareholders.

ITEM 2. PROPERTIES

PERFORMANCE PLASTICS FACILITIES:

Vinyl Compounding - - - - -	Specialty Dispersion Resin - - - - -	Plastisol Formulators - - - - -	Engineered Films - - - - -
Avon Lake, Ohio Burlington, New Jersey Farmington, New Jersey Long Beach, California Louisville, Kentucky Niagara Falls, Ontario, Canada Orangeville, Ontario, Canada St. Remi de Naperville, Quebec, Canada Terre Haute, Indiana Valleyfield, Quebec, Canada Cartagena, Colombia (joint venture) Melbourne, Australia (AVC joint venture) Newton, Aycliffe, England Singapore (joint venture)	Henry, Illinois Pedricktown, New Jersey	Bolton, England Kennesaw, Georgia Los Angeles, California Melbourne, Australia North Baltimore, Ohio St. Louis, Missouri Sullivan, Missouri Sussex, Wisconsin Waukesha, Wisconsin Widnes, England	Burlington, New Jersey Lebanon, Pennsylvania Winchester, Virginia Yerington, Nevada
Custom Formulated Colorants and Additives - - - - -		Custom Compounding - - - - -	
Broadview Heights, Ohio Glendale, Arizona Vonore, Tennessee Suwanee, Georgia Somerset, New Jersey Florence, Kentucky Gastonia, North Carolina Elk Grove Village, Illinois St. Peters, Missouri Fort Worth, Texas Norwalk, Ohio Bethlehem, Pennsylvania Clinton, Tennessee (joint venture) Rancho Dominguez, California (joint venture) Gainesville, Georgia (joint venture) Toluca, Mexico Assesse, Belgium Tossiat, France Bendorf, Germany Angered, Sweden Saint Ouen (Paris) France Manchester, England Pudong (Shanghai), China Glostrup, Denmark Bankok, Thailand Gyor, Hungary		Macedonia, Ohio Kingstree, South Carolina Dyersburg, Tennessee Bethlehem, Pennsylvania Seabrook, Texas Houston, Texas Corona, California Gaggenau, Germany Barbastro, Spain Jurong, Singapore Saint Etienne, France Suzhou, China Melle, Germany Forli, Italy Civitanova, Italy Lecco, Italy	

RESIN AND INTERMEDIATES FACILITIES:

Oxy Vinyls joint venture - various locations in North America
 Sunbelt joint venture - McIntosh, Alabama
 AVC joint venture - various locations in Australia

ELASTOMERS AND ADDITIVES:

Burton, Ohio
 Tillsonburg, Ontario, Canada
 Jonesboro, Tennessee
 DeForest, Wisconsin
 Queretaro, Mexico
 Chicago, Illinois
 Kennedale, Texas
 Kingstree, South Carolina
 Dyersburg, Tennessee
 Massillon, Ohio
 Wynne, Arkansas

DISTRIBUTION:

Lemont, Illinois
 Ayer, Massachusetts
 Statesville, North Carolina
 Mexico City, Mexico

ITEM 3. LEGAL PROCEEDINGS

- - - - -

In addition to the matters regarding the environment described above under the heading "Environmental, Health and Safety", there are various pending or threatened claims, lawsuits and administrative proceedings against the Company, all arising from the ordinary course of business with respect to commercial, product liability and environmental matters, which seek remedies or damages. The Company believes that any liability that may be finally determined should not have a material effect on the Company's financial condition, operating results or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

- - - - -

None.

EXECUTIVE OFFICERS OF THE COMPANY.

- - - - -

(INCLUDED PURSUANT TO INSTRUCTION 3 TO PARAGRAPH (B) OF ITEM 401 OF REGULATION S-K)

The following table lists information as of March 15, 2001 as to each executive officer of the Company, including his or her position with the Company as of that date and other positions held by him or her at least the past five years:

R. W. Avakian

- -----

Age: 49

Chief Technology Officer, September 1, 2000 to date. Vice President - M.A. Hanna Company Rubber Compounding division, December 1999 to August 31, 2000. Various technical and technical management positions in the U.S. and Europe while at GE Plastics April 1980 to November 1999.

B. Baert

- -----

Age: 51

Vice President, International Operations, November 17, 2000 to date. General Manager, M.A. Hanna Color Europe, November 1998 to November 16, 2000. General Manager, Wilson Color Europe, July 1997 to November 1998. General Manager Wilson Color North Europe operations March 1996 to July 1997.

D. L. Belzile

- -----

Age: 44

Vice President - Specialty Resins and Formulators, September 1, 2000 to date. Vice President and General Manager - Specialty Resins and Formulators, The Geon Company, October 1999 to August 31, 2000. General Manager - Plastisol, The Geon Company, January 1998 to October 1999. Director - Plastisol Business, The Geon Company, May 1997 to January 1998. Senior Business Manager - Plastisol Resins, The Geon Company, January 1994 to May 1997.

D. A. Cocco

- -----

Age: 52

Chief Investor and Communications Officer, September 1, 2000 to date. Vice President - Corporate and Investor Affairs, The Geon Company, January 1998 to August 31, 2000. Director of Marketing, The Geon Company, April 1993 to December 1997.

D. J. Davie

- -----

Age: 45

Chief Human Resources Officer, September 1, 2000 to date. Vice President, Human Resources, The Geon Company, May 1998 to August 31, 2000. Principal and Founder, Human Asset Strategies, December 1995 to May 1998.

R. C. Kaminski, Sr.
- -----
Age: 58

Chief Environment, Safety and Quality Officer, October 2000 to date. Director of Research, The Geon Company April 1998 to October 2000. Director of Compound Technology, The Geon Company, September 1997 to April 1998. Director of Manufacturing Processes, The Geon Company, January 1994 to August 1997.

D. L. Kickel
- -----
Age: 51

Chief Sourcing Officer, September 2000 to date. Director of Sourcing and Supply Chain, The Geon Company June 1999 to September 2000. Director of Purchasing, The Geon Company April 1995 to June 1999.

D. J. Knechtges
- -----
Age: 59

Chief Development Officer, September 1, 2000 to date. Senior Vice President, Business Development and Corporate Technology, The Geon Company, October 1997 to August 31, 2000. Senior Vice President, Technology and Engineering, The Geon Company, August 1995 to October 1997.

V. L. Mitchell
- -----
Age: 41

Group Vice President, Plastic Compounds and Colors, September 1, 2000 to date. Vice President and General Manager, Compounds, The Geon Company, May 1997 to August 31, 2000. Business Director, Compounds, The Geon Company, November 1993 to May 1997.

J. E. Quinn
- -----
Age: 53

Group Vice President, Elastomers and Performance Additives, September 1, 2000 to date. President, M.A. Hanna Rubber Compounding, May 1998 to August 31, 2000. General Manager Doryl(R)Resins Business, General Electric Company 1991 to 1998.

D. D. Quester

- -----

Age: 48

Vice President, Engineered Films. September 1, 2000 to date. Director of Manufacturing and Operational Business Development, The Geon Company, May 1999 to August 31, 2000. Director - Manufacturing of PVC Resins, The Geon Company, June 1997 to May 1999. Director - International Business Development, The Geon Company, June 1995 to May 1999.

M. L. Rademacher

- -----

Age: 50

Group Vice President, Distribution, September 1, 2000 to date. Senior Vice President - Plastics Americas, M.A. Hanna Company, January 6, 2000 to August 31, 2000. Vice President and General Manager, Industrial Chemical and Solvents Division, Ashland Chemical Company, 1998 to January 6, 2000. Vice President of Distribution Services of Ashland Chemical, 1995 to 1998.

G. L. Rutman

- -----

Age: 58

Chief Legal Officer, September 1, 2000 to date. Vice President, General Counsel, Secretary and Assistant Treasurer, The Geon Company, 1993 to August 31, 2000.

K. M. Smith

- -----

Age: 46

Chief Information Officer, September 1, 2000 to date. Chief Information Officer and Vice President, Information Systems, The Geon Company, August 1997 to August 1999. Director of Information Systems, The Geon Company, 1993 to 1997.

T. A. Waltermire

- -----

Age: 51

Chairman of the Board, President and Chief Executive Officer, September 1, 2000 to date. Chairman, The Geon Company, August 1999 to August 31, 2000, and Chief Executive Officer, May 1999 to August 31, 2000. President, The Geon Company, February 1998 to May 1999 and Executive Vice President and Chief Operating Officer, May 1997 to February 1998. Vice President and Chief Financial Officer, The Geon Company, 1993 to May 1997.

W. D. Wilson

- -----

Age: 47

Chief Financial Officer, September 1, 2000 to date. Vice President and Chief Financial Officer, The Geon Company, May 1997 to August 31, 2000. Director of Business Management - Resins, The Geon Company, 1995 to May 1997.

PART II

- -----

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS.

- -----

The Company's common stock, \$.01 par value per share, is reported on the New York Stock Exchange. The information required under this item appears in the table on page 35 of the Company's 2000 Annual Report to Shareholders under the caption "Quarterly Data (Unaudited)" and is incorporated herein by this reference.

ITEM 6. SELECTED FINANCIAL DATA.

- -----

The information required by this item appears on page 36 of the Company's 2000 Annual Report to Shareholders under the caption "Selected Financial Data" and is incorporated herein by this reference.

ITEM 7. MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND

- -----

RESULTS OF OPERATIONS.

- -----

The information required by this item appears under the caption "Management's Analysis" on pages 8 through 12, 14 and 16 of the Company's 2000 Annual Report to Shareholders and is incorporated herein by this reference. This report contains statements concerning trends and other forward-looking information affecting or relating to the Company and its industry that are intended to qualify for the protections afforded "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from such statements based on a variety of factors which are discussed on page 34 of the Company's 2000 Annual Report to Shareholders under the caption "Cautionary Note on Forward-Looking Statements" and such factors are incorporated herein by this reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISK.

- -----

The information required by this item is included under the captions "Concentration of Credit Risk" on page 19, "Derivative Financial Instruments" on page 20, "Financial Instruments" on page 33 through 34 and "Market Risk Disclosures" on page 14 of the Annual Report to Shareholders, and is incorporated herein by this reference. Such information contains statements

concerning trends and other forward-looking information affecting or relating to the Company and its industry that are intended to qualify for the protections afforded "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from such statements based on a variety of factors which are discussed on page 34 of the 2000 Annual Report to Shareholders under the caption "Cautionary Note on Forward-Looking Statements" and such factors are incorporated herein this reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

- - - - -

The information required by this item appears on page 13, 15 and 17 through 37 of the Company's 2000 Annual Report to Shareholders and is incorporated herein by this reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND

- - - - -

FINANCIAL DISCLOSURE.

- - - - -

None.

PART III

- - - - -

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

- - - - -

The information regarding the Directors of the Company is incorporated by reference to the information contained in the Proxy Statement filed on March 28, 2001 with respect to the 2001 Annual Meeting of Shareholders. Information concerning executive officers of the Company is contained in Part I of this Report under the heading "Executive Officers of the Company".

ITEM 11. EXECUTIVE COMPENSATION.

- - - - -

The information regarding executive compensation is incorporated by reference to the information contained in the Proxy Statement filed on March 28, 2001 with respect to the 2001 Annual Meeting of Shareholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

- - - - -

The information regarding security ownership of certain beneficial owners and management is incorporated by reference to the information contained in the Proxy Statement filed on March 28, 2001 with respect to the 2001 Annual Meeting of Shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

- - - - -

The information regarding certain relationships and related transactions is incorporated by reference to the information contained in the Proxy Statement filed on March 28, 2001 with respect to the 2001 Annual Meeting of Shareholders.

PART IV

- - - - -

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a)(1) and (2) and (d) - The response to these portions of Item 14 are submitted as a separate section of this Report beginning on page F-1 of this Report.

(a)(3) and (c) - An index of Exhibits filed as part of this Report is located beginning on page I-1 of this report.

(b) Reports on Form 8-K filed in the Fourth Quarter of 2000. None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on March 27, 2001.

POLYONE CORPORATION

By: /s/ Gregory L. Rutman

Gregory L. Rutman
Chief Legal Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities indicated on March 27, 2001.

SIGNATURE -----	TITLE -----
/s/Thomas A. Waltermire ----- /s/Thomas A. Waltermire	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)
/s/W. David Wilson ----- W. David Wilson	Chief Financial Officer (Principal Financial Officer)
/s/Gregory P. Smith ----- Gregory P. Smith	Controller (Principal Accounting Officer)
/s/James K. Baker ----- James K. Baker	Director
/s/J. Douglas Campbell ----- J. Douglas Campbell	Director

/s/Carol A. Cartwright ----- Carol A. Cartwright	Director
/s/ Gale Duff-Bloom ----- Gale Duff-Bloom	Director
/s/Wayne R. Embry ----- Wayne R. Embry	Director
/s/ Robert A. Garda ----- Robert A. Garda	Director
/s/Gordon D. Harnett ----- Gordon D. Harnett	Director
/s/David H. Hoag ----- David H. Hoag	Director
/s/ Marvin L. Mann ----- Marvin L. Mann	Director
/s/D. Larry Moore ----- D. Larry Moore	Director
/s/Farah M. Walters ----- Farah M. Walters	Director

ANNUAL REPORT ON FORM 10-K

ITEM 14(a)(1) AND (2) AND (d)

INDEX OF FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULES

YEAR ENDED DECEMBER 31, 2000

POLYONE CORPORATION

F-1

ITEM 14(a)(1) AND (2) AND 14(d)

POLYONE CORPORATION AND SUBSIDIARIES

INDEX OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements of PolyOne Corporation and Subsidiaries, included in the Annual Report of the Registrant to its Stockholders for the year ended December 31, 2000, filed as Exhibit 13.1 to this Form 10-K are incorporated herein by reference in Item 8.

Consolidated statements of income - Years ended December 31, 2000, 1999 and 1998.
 Consolidated balance sheets - December 31, 2000 and 1999.
 Consolidated statements of cash flows - Years ended December 31, 2000, 1999 and 1998.
 Consolidated statements of shareholders' equity - Years ended December 31, 2000, 1999 and 1998.
 Notes to consolidated financial statements - December 31, 2000.
 Quarterly data (unaudited) - Years ended December 31, 2000 and 1999.
 Report of Independent Auditors

The following financial statements of subsidiaries not consolidated and 50% or less owned persons filed as Exhibit 13.2 to this Form 10-K are incorporated by reference included in Item 14(d):

Consolidated financial statements of OxyVinyls, LP and subsidiaries as of December 31, 2000 and 1999 and for the year ended December 31, 2000 and for the period from April 30, 1999 through December 31, 1999.

The following consolidated financial statement schedule for the Registrant and its subsidiaries is included in Item 14(d):

Schedule II	Page F-3	Valuation and Qualifying Accounts
-------------	----------	-----------------------------------

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore, have been omitted.

SCHEDULE II

POLYONE CORPORATION AND SUBSIDIARIES
 SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
 FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
 (Dollars in millions)

	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts (C)	Other Deductions	Other Addition	Balance at End of Period
Year ended December 31, 2000						
Reserves for doubtful accounts	\$ 3.8	\$ 5.0	\$ ---	\$ (5.6) (A)	\$ 6.6 (E)	\$ 9.8
Accrued liabilities for environmental matters	44.1	2.2	.3	(2.3) (B)	14.1 (E)	58.4
Year Ended December 31, 1999						
Reserves for doubtful accounts	\$ 4.5	\$(1.3)	\$ ---	\$ (.8) (A)	\$ 1.4 (D)	\$ 3.8
Accrued liabilities for environmental matters	45.9	1.7	.1	(6.4) (B)	2.8 (D)	44.1
Year Ended December 31, 1998						
Reserves for doubtful accounts	\$ 3.9	\$.2	\$ (.2)	\$ (.1) (A)	\$ 0.7 (D)	\$ 4.5
Accrued liabilities for environmental matters	51.0	2.4	(2.2)	(5.3) (B)	---	45.9

Notes:

- (A) - Accounts charged off
- (B) - Represents cash payments during the year
- (C) - Translation adjustments
- (D) - Represents the additional reserves related to businesses acquired on the date of acquisition
- (E) - Represents the additional reserves related to consolidation on date of consolidation.

POLYONE CORPORATION
Index to Exhibits

Exhibit - - - - -	Description - - - - -	Page - - - -
3(i)	Articles of Incorporation	*
3(ii)	Regulations	*
4.2	Indenture dated as of December 1, 1995 between the Company and NBD Bank, Trustee	(f)
4.3	Indenture dated November 9, 1996 between the Company and NBD Bank, as trustee, governing the Company's Medium Term Notes	(d)
4.4	Indenture dated September 15, 1991 between the Company and Ameritrust Company, National Association, Trustee related to the Company's \$150,000,000 aggregate amount of 9.375% Senior Notes due 2003	(c)
4.5	Associates Ownership Trust Agreement dated September 12, 1991 between the Company and Wachovia Bank of North Carolina	(b)
4.6	\$200 million Five Year Credit Agreement dated October 30, 2000 between the Company, Citicorp USA and the other banks signatory thereto a copy of which will be provided to the Commission upon request.	
4.7	\$200 million 364 Day Credit Agreement dated October 30, 2000 between the Company, Citicorp USA and the other banks signatory thereto a copy of which will be provided to the Commission upon request.	
10.1	1988 Long-Term Incentive Plan as amended and restated (1)	(a)
10.2	Incentive Stock Plan, as amended and restated through August 31, 2000 (1)	*
10.3	1995 Incentive Stock Plan, as amended and restated through August 31, 2000 (1)	*
10.4	1998 Interim Stock Award Incentive Plan, as amended and restated through August 31, 2000 (1)	*
10.5	1999 Incentive Stock Plan, as amended and restated through August 31, 2000 (1)	*
10.6	2000 Stock Incentive Plan (1)	(j)
10.7	Benefit Restoration Plan (Section 415) (1)	(f)
10.8	Benefit Restoration Plan (Section 401(a)(17))(1)	(f)

Exhibit - - - - -	Description - - - - -	Page - - - -
10.9	Senior Executive PolyOne Annual Incentive Plan (1)	*
10.10	Non-Employee Directors Deferred Compensation Plan effective December 9, 1993, as amended (1)	
10.11	Form of Management Continuity Agreement (1)	*
10.12	U.S. \$85 million Third Amended and Restated Trade Receivables Purchase and Sale Agreement among the Company, CIESCO, L.P., Corporate Receivables Corporation and Citicorp N.A., Inc. as Agent, dated July 31, 1997	(g)
10.14	Amended and Restated Instrument Guaranty dated as of December 19, 1996	(f)
10.15	Amended and Restated Plant Services Agreement between the Company and The B.F. Goodrich Company	(f)
10.16	Amended and Restated Assumption of Liabilities and indemnification Agreement dated March 1, 1993 and amended and restated April 27, 1993	(f)
10.17	Partnership Agreement, by and between 1997 Chloralkali Venture Inc. and Olin Sunbelt, Inc.	(e)
10.17a	Amendment to aforesaid Partnership Agreement (Addition of Section 5.03 of Article 5)	(g)
10.17b	Amendment to aforesaid Partnership Agreement (Addition of Section 1.12)	(g)
10.18	Chlorine Sales Agreement, by and between Sunbelt Chlor Alkali Partnership and the Company	(e)
10.19	Intercompany Guarantee Agreement between the Company on the one hand and Olin Corporation and Sunbelt Chlor Alkali Partnership on the other hand	(e)
10.20	Guarantee by the Company of the Series G Sunbelt Chlor Alkali Partnership Guaranteed Secured Senior Notes Due 2017, dated December 22, 1997	(g)
10.21	Master Transaction Agreement dated December 22, 1998 between The Geon Company and Occidental Chemical Company	(h)
10.22	Limited Partnership Agreement of Oxy Vinyls, LP	(i)
10.23	Asset Contributions Agreement - PVC Partnership (Geon)	(i)

Exhibit -----	Description -----	Page ----
10.24	Parent Agreement (Oxy Vinyls, LP)	(i)
10.25	Parent Agreement (PVC Powder Blends, LP) and Business Opportunity Agreement	(i)
13.1	Annual Report to Shareholders for the Year Ended December 31, 2000	
13.2	Audited Financial Statements of Oxy Vinyls, LP	
21	Subsidiaries	
23.1	Consent of Independent Auditors - Ernst & Young LLP	
23.2	Consent of Independent Auditors - Arthur Andersen LLP	
	* Filed herewith.	
	(1) Indicates management contract or compensatory plan, contract or arrangement in which one or more directors or executive officers of the Registrant may be participants.	
	(a) Incorporated by reference to the corresponding Exhibit filed with the M.A. Hanna Company's definitive proxy statement dated March 23, 2000	
	(b) Incorporated by reference to the corresponding Exhibit filed with M.A. Hanna Company's Form 8-K dated September 12, 1991.	
	(c) Incorporated by reference to the corresponding Exhibit filed with the M.A. Hanna Company's Form S-3 dated September 18, 1991.	
	(d) Incorporated by reference to the corresponding Exhibit filed with the M.A. Hanna Company's Form S-3 dated June 12, 1996.	
	(e) Incorporated by reference to the corresponding Exhibit filed with The Geon Company's Form 10-Q for the Quarter ended September 30, 1996.	
	(f) Incorporated by reference to the corresponding Exhibit filed with The Geon Company's Form 10-K for the Year ended December 31, 1996.	
	(g) Incorporated by reference to the corresponding Exhibit filed with The Geon Company's Form 10-K for the Year ended December 31, 1997.	
	(h) Incorporated by reference to the corresponding Exhibit filed with Special Meeting Proxy dated March 30, 1999.	
	(i) Incorporated by reference to the corresponding Exhibit filed with The Geon Company's Form 8-K filed on May 13, 1999.	
	(j) Incorporated by reference to the corresponding Exhibit filed with the Special Meeting Proxy dated July 31, 2000.	

ARTICLES OF INCORPORATION

OF

POLYONE CORPORATION

FIRST: The name of the Corporation is: PolyOne Corporation.

SECOND: The place in the State of Ohio where the principal office of the Corporation shall be located is in the City of Cleveland, County of Cuyahoga.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be formed under the General Corporation Law of the State of Ohio as from time to time in effect.

FOURTH: The total authorized capital stock of the Corporation shall be four hundred forty million (440,000,000) shares consisting of four hundred million (400,000,000) common shares, par value \$.01 per share (the "Common Shares"), and forty million (40,000,000) preferred shares, par value \$.01 per share (the "Series Preferred Shares").

The preferences, relative, participating, optional or other special rights, qualifications, limitations, restrictions, voting powers and privileges of each class of the Corporation's capital stock shall be as follows:

I. COMMON SHARES

(a) Issuance. Common Shares may be issued from time to time in such amounts and for such purposes as shall be determined by the Board of Directors of the Corporation.

(b) Voting Rights. Except as otherwise required by law and the provisions of these Articles of Incorporation and except as provided by the resolution or resolutions of the Board of Directors creating or amending any series of the Series Preferred Shares, the holders of the Common Shares of the Corporation possess full voting power for the election of directors and for all other purposes.

(c) Dividends. Subject to the requirements of law, these Articles of Incorporation, as amended from time to time, and the resolution or resolutions of the Board of Directors creating or modifying any series of the Series Preferred Shares, the holders of Common Shares shall, after payment in full of all dividends to which holders of the Series Preferred Shares shall be entitled, be entitled to receive such dividends as and when the same may be declared from time to time by the Board of Directors of the Corporation out of funds legally available therefor.

(d) Liquidation. Subject to the requirements of law, these Articles of Incorporation, as amended from time to time, and the resolution or resolutions of the Board of Directors creating or modifying any series of the Series Preferred Shares, the holders of the Common Shares shall, in the event of any liquidation, dissolution or other winding up of the Corporation, whether voluntary or involuntary, and after all holders of the Series Preferred Shares shall have been paid in full the amounts to which they respectively shall be entitled, be entitled to receive all the remaining assets of the Corporation of whatever kind, such assets to be distributed pro rata to the holders of the Common Shares.

II. SERIES PREFERRED SHARES

(a) Issuance. The Series Preferred Shares may be issued in one or more series as shall from time to time be created and authorized to be issued by the Board of Directors as hereinafter provided.

(b) Authority Of the Board Of Directors. The Board of Directors is hereby expressly authorized, by resolution or resolutions from time to time adopted to amend these Articles of Incorporation to provide for the issuance of any series of the Series Preferred Shares and to determine, to the extent not otherwise provided by law, the designations, powers, preferences and relative, participating, optional and other special rights, if any, of the shares of each series of the Series Preferred Shares, and the qualifications, limitations and restrictions thereof, including (but without limiting the generality of the foregoing) any of the following:

(i) the number of shares to constitute such series (which number may at any time, or from time to time, be increased or decreased by the Board of Directors, notwithstanding that shares of the series may be outstanding at the time of such increase or decrease, unless the Board of Directors shall have otherwise provided in creating such series) and the distinctive name and serial designation thereof;

(ii) the annual dividend rate or rates and the date on which the first dividend on shares of such series shall be payable and all subsequent dividend payment dates;

(iii) whether dividends are to be cumulative or non-cumulative, the participating or other special rights, if any, with respect to the payment of dividends and the date from which dividends on all shares of such series issued prior to the record date for the first dividend shall be cumulative (such dividends shall be cumulative only if and to the extent set forth in a certificate filed pursuant to law);

(iv) whether any series shall be subject to redemption and, if so, the manner of redemption and the redemption price or prices for such series, which may consist of a redemption price or scale of redemption prices applicable only to redemption for a sinking fund (which terms as used in this clause shall include any fund or provisions for the periodic purchase or retirement of shares), and a different redemption price or scale of redemption prices applicable to any other redemption;

(v) whether or not the shares of such series shall be subject to the operation of a purchase, retirement or sinking fund, and, if so, whether such purchase, retirement or

sinking fund shall be cumulative or non-cumulative, the extent to and the manner in which such fund shall be applied to the purchase or redemption of the shares of such series for retirement or for other corporate purposes and the terms and provisions relative to the operation thereof;

(vi) the terms, if any, upon which shares of such series shall be convertible into, or exchangeable for, or shall have rights to purchase or other privileges to acquire shares of any other class or of any other series of the same or any other class, including the price or prices or the rate or rates of conversion, exchange, purchase or acquisition and the terms of adjustment, if any;

(vii) the limitations and restrictions, if any, to be effective while any shares of such series are outstanding upon the payment of dividends or making of other distributions on, and upon the purchase, redemption, or other acquisition of, the Common Shares or any other series or class of stock of the Corporation ranking junior to the shares of such series, either as to dividends or upon liquidation;

(viii) the conditions or restrictions, if any, upon the creation of indebtedness of the Corporation or upon the issuance of any additional shares of any class (including additional shares of such series of the Series Preferred Shares) ranking on a parity with or prior to the shares of such series either as to dividends or upon liquidation; and

(ix) the voting rights of any such series, if any, which may be full, limited, or denied.

FIFTH: The business of the Corporation shall be managed under the direction of the Board of Directors except as otherwise provided by law. The number of Directors of the Corporation shall be fixed from time to time by, or in the manner provided in, the Code of Regulations. Election of Directors need not be by written ballot unless the Code of Regulations of the Corporation shall so provide.

SIXTH:

(a) A Director of the Corporation shall under no circumstances have any personal liability to the Corporation or its Shareholders for monetary damages for breach of fiduciary duty as a Director except for those breaches and acts or omissions with respect to which the General Corporation Law of the State of Ohio, as from time to time amended, expressly provides that this provision shall not eliminate or limit such personal liability of Directors. Neither the modification nor repeal of this paragraph (a) of this Article SIXTH nor any amendment to the General Corporation Law of the State of Ohio that does not have retroactive application shall limit the right of Directors hereunder to exculpation from personal liability for any act or omission occurring prior to such amendment, modification or repeal.

(b) The Corporation shall indemnify each Director and Officer of the Corporation to the fullest extent permitted by applicable law, except as may be otherwise provided in the Code of Regulations of the Corporation. Neither the modification nor repeal of paragraph (b) of this Article SIXTH nor any amendment to the General Corporation Law of the

State of Ohio that does not have retroactive application shall limit the right of Directors and Officers hereunder to indemnification with respect to any act or omission occurring prior to such modification, amendment or repeal.

SEVENTH: Except as may be otherwise provided in any designation of the terms of Series Preferred Shares, Shareholders of the Corporation shall not have the right to vote cumulatively in the election of Directors.

EIGHTH: Except as may be otherwise provided in any designation of the terms of Series Preferred Shares, Shareholders of the Corporation shall not have the pre-emptive right, by reason of their status as Shareholders, to purchase securities offered or sold by the Corporation.

NINTH: The Corporation, by action of its Board of Directors, and without action by its Shareholders, may, from time to time, purchase its own shares of any class in accordance with the provisions of the General Corporation Law of the State of Ohio; and such purchase may be made either in the open market, or at public or private sales, in such manner and amounts, from such holder or holders of outstanding shares of the Corporation and at such price as the Board of Directors shall, from time to time, determine.

TENTH: The Corporation reserves the right to amend, alter, change or repeal any provisions contained in these Articles of Incorporation in the manner now or hereafter prescribed by statute, and all rights conferred upon Shareholders herein are granted subject to this reservation. Notwithstanding anything to the contrary contained in these Articles of Incorporation, the affirmative vote of the holders of at least three-quarters of the voting power of the Corporation, voting together as a single class, shall be required to amend or repeal, or adopt any provision inconsistent with, Article FIFTH, Article SEVENTH, Article EIGHTH, Article NINTH, or this Article TENTH; PROVIDED, HOWEVER, that this Article TENTH shall not alter the voting entitlement of shares that, by virtue of any Preferred Share Designation, are expressly entitled to vote on any amendment to these Articles of Incorporation.

ELEVENTH: Any and every statute of the State of Ohio hereafter enacted, whereby the rights, powers or privileges of corporations or of the Shareholders of corporations organized under the laws of the State of Ohio are increased or diminished or in any way affected, or whereby effect is given to the action taken by any number, less than all, of the Shareholders of any such corporation, shall apply to the Corporation and shall be binding not only upon the Corporation but upon every Shareholder of the Corporation to the same extent as if such statute had been in force at the date of filing these Articles of Incorporation in the office of the Secretary of State of Ohio.

POLYONE CORPORATION
REGULATIONS
(Effective as of the Effective Date of the Consolidation)
(As Revised 8/15/00)

SHAREHOLDERS' MEETINGS

1. Time and Place of Meetings. All meetings of the Shareholders for the election of Directors or for any other purpose will be held at such time and place, within or without the State of Ohio, as may be designated by the Board or, in the absence of such designation, by the Chairman, the President, or the Secretary, and stated in the notice of the meeting. The Board may postpone and reschedule any previously scheduled annual or special meeting of the Shareholders.

2. Annual Meeting. An annual meeting of the Shareholders will be held at such date and time as may be designated from time to time by the Board, at which the Shareholders will elect by a plurality vote the Directors to succeed those whose terms expire at such meeting and will transact such other business as may properly be brought before the meeting in accordance with Regulation 8.

3. Special Meetings. (a) Special meetings of the Shareholders may be called only by (i) the Chairman, (ii) the President, (iii) the Secretary within 10 calendar days after receipt of the written request of a majority of the total number of Directors that the Corporation would have if there were no vacancies (the "Whole Board") or (iv) any person or persons who hold not less than 50% of all the shares entitled to be voted at such meeting. Any such request by a majority of the Whole Board must be sent to the Chairman and the Secretary and must state the purpose or purposes of the proposed meeting. Special meetings of holders of the outstanding Preferred Shares, if any, may be called in the manner and for the purposes provided in the resolution or resolutions providing for the issuance of such Preferred Shares (collectively, a "Preferred Share Designation").

(b) Upon written request by any person or persons entitled to call a meeting of Shareholders delivered in person or by registered mail to the Chairman, the President or the Secretary, such Officer shall forthwith cause notice of the meeting to be given to the Shareholders entitled to notice of such meeting in accordance with Regulation 4. If such notice shall not be given within 60 days after the delivery or mailing of such request, the person or persons requesting the meeting may fix the time of the meeting and give, or cause to be given, notice in the manner provided in Regulation 4.

4. Notice of Meetings. Except as otherwise provided by law, written notice of every meeting of Shareholders, stating the place, date and hour of the meeting, and in the case of a

special meeting, the purpose or purposes for which the meeting is called, shall be given not less than 7 nor more than 60 calendar days before the date of the meeting to each Shareholder of record entitled to vote at such meeting. If such notice is mailed, it shall be addressed to the Shareholders at their respective addresses as they appear on the records of the Corporation, and notice shall be deemed to have been given on the day so mailed. When a meeting is adjourned to another place, date, or time, written notice need not be given of the adjourned meeting if the place, date, and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the adjournment is for more than 30 calendar days, or if after the adjournment a new record date is fixed for the adjourned meeting, written notice of the place, date, and time of the adjourned meeting must be given in conformity herewith. At any adjourned meeting, any business may be transacted which properly could have been transacted at the original meeting.

5. Inspectors. The Board shall appoint one or more inspectors of election to act at each meeting of Shareholders and to make a written report thereof. The Board may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of Shareholders, the presiding Officer of the meeting shall appoint one or more substitute inspectors.

6. Quorum. Except as otherwise provided by law or in a Preferred Share Designation, the holders of a majority of the shares issued and outstanding and entitled to vote thereat, present in person or represented by proxy, will constitute a quorum at all meetings of the Shareholders for the transaction of business thereat. If, however, a quorum is not present or represented at any meeting of Shareholders, the holders of a majority of the voting shares represented at such meeting will have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented.

7. Voting. Except as otherwise provided by law, by the Articles of Incorporation, or in a Preferred Share Designation, each Shareholder will be entitled at every meeting of the Shareholders to one vote for each share having voting power standing in the name of such Shareholder on the books of the Corporation on the record date for the meeting and such votes may be cast either in person or by proxy. A Shareholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary. The vote upon election of any Director shall be by ballot. The vote upon any other question brought before the meeting of Shareholders may be by voice vote, unless otherwise required by the Articles of Incorporation or the Regulations or unless the Chairman or the holders of a majority of the outstanding shares of all classes entitled to vote thereon present in person or by proxy at such meeting otherwise determine. Every vote taken by written ballot will be counted by the inspectors of election. When a quorum is present at any meeting, the affirmative vote of the holders of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter, and which has actually been voted, will be the act of the Shareholders, except in the election of Directors or as otherwise provided in these Regulations, the Articles of Incorporation, a Preferred Share Designation, or by law. An abstention shall not represent a vote cast.

8. Order of Business. (a) The Chairman, or such other Officer of the Corporation designated by a majority of the Whole Board, will call meetings of the Shareholders to order and will act as the presiding Officer thereof. Unless otherwise determined by the Board prior to the meeting, the presiding Officer of the meeting of the Shareholders will also determine the order of business and have the authority in his or her sole discretion to regulate the conduct of any such meeting, including without limitation by imposing restrictions on the persons (other than Shareholders of the Corporation or their duly appointed proxies) who may attend any such Shareholders' meeting, by ascertaining whether any Shareholder or his or her proxy may be excluded from any meeting of the Shareholders based upon any determination by the presiding Officer, in his or her sole discretion, that any such person has unduly disrupted or is likely to disrupt the proceedings thereat, and by determining the circumstances in which any person may make a statement or ask questions at any meeting of the Shareholders.

(b) At an annual meeting of the Shareholders, only such business will be conducted or considered as is properly brought before the meeting. To be properly brought before an annual meeting, business must be (i) specified in the notice of meeting (or any supplement thereto) given in accordance with Regulation 4, (ii) otherwise properly brought before the meeting by the presiding Officer or by or at the direction of a majority of the Whole Board, or (iii) otherwise properly requested to be brought before the meeting by a Shareholder of the Corporation in accordance with Regulation 8(c).

(c) For business to be properly requested by a Shareholder to be brought before an annual meeting, the Shareholder must (i) be a Shareholder of the Corporation of record at the time of the giving of the notice for such annual meeting provided for in these Regulations, (ii) be entitled to vote at such meeting, and (iii) have given timely notice thereof in writing to the Secretary. To be timely, a Shareholder's notice must be delivered to or mailed and received by the Secretary at the principal executive offices of the Corporation not less than 60 nor more than 90 calendar days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of Shareholders; PROVIDED, HOWEVER, that in the case of (1) the Corporation's 2001 annual meeting of Shareholders and (2) any subsequent annual meeting where the date of the annual meeting is delayed by more than 60 days calendar days after the anniversary of the preceding year's annual meeting, then, in each such case, notice by the Shareholder to be timely must be so delivered not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the day on which public announcement of the date of such meeting is first made. A Shareholder's notice to the Secretary must set forth as to each matter the Shareholder proposes to bring before the annual meeting (A) a description in reasonable detail of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (B) the name and address, as they appear on the Corporation's books, of the Shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made, (C) the class and number of shares of the Corporation that are owned beneficially and of record by the Shareholders proposing such business and by the beneficial owner, if any, on whose behalf the proposal is made, and (D) any material interest of such Shareholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made in such business. Notwithstanding the foregoing provisions of this Regulation 8(c), a Shareholder must also comply with all applicable requirements of the Securities Exchange

Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Regulation 8(c). For purposes of this Regulation 8(c) and Regulation 12, "public announcement" means disclosure in a press release reported by the Dow Jones News Service or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to sections 13, 14, or 15(d) of the Securities Exchange Act of 1934, as amended, or furnished to Shareholders. Nothing in this Regulation 8(c) will be deemed to affect any rights of Shareholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended.

(d) At a special meeting of Shareholders, only such business may be conducted or considered as is properly brought before the meeting. To be properly brought before a special meeting, business must be (i) specified in the notice of the meeting (or any supplement thereto) given in accordance with Regulation 4 or (ii) otherwise properly brought before the meeting by the presiding Officer or by or at the direction of a majority of the Whole Board.

(e) The determination of whether any business sought to be brought before any annual or special meeting of the Shareholders is properly brought before such meeting in accordance with this Regulation 8 will be made by the presiding Officer of such meeting. If the presiding Officer determines that any business is not properly brought before such meeting, he or she will so declare to the meeting and any such business will not be conducted or considered.

DIRECTORS

9. Function. The business and affairs of the Corporation will be managed under the direction of its Board.

10. Number, Election and Terms of Directors. (a) At the effective time of the consolidation of M.A. Hanna Company ("Hanna") and The Geon Company ("Geon") (the "Effective Time"), the number of Directors of the Corporation shall be twelve.

(b) The Board or the Shareholders may from time to time, in the manner set forth below in this Section 10(b), fix or change the size of the Board to a total number of no fewer than six Directors and no more than 18 Directors; provided that, through the date of the Corporation's annual meeting of Shareholders in 2002 (the "2002 Annual Meeting Date"), each increase or decrease in the size of the Board shall be by two or a multiple of two. The Board may, subject to the limitations contained in the immediately preceding sentence regarding the number of Directors and the requirement that any increase or decrease in the number of Directors be effected by a multiple of two, fix or change the number of Directors by the affirmative vote of two-thirds of the Whole Board. The Shareholders may, subject to the limitations contained in the first sentence of this paragraph regarding the number of Directors and the requirement that any increase or decrease in the number of Directors be effected by a multiple of two, fix or change the number of Directors at a meeting of the Shareholders called for the purpose of electing Directors (i) by the affirmative vote of the holders of shares entitling them to exercise three-

quarters of the voting power of the Corporation represented at the meeting and entitled to elect Directors or (ii) if the proposed change in the number of Directors is recommended by two-thirds of the Whole Board, by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of the Corporation represented at the meeting and entitled to elect Directors. No reduction in the number of Directors shall of itself have the effect of shortening the term of any incumbent Director. If the Board increases the number of Directors, it may fill the vacancy or vacancies created by the increase in the number of Directors for the respective unexpired terms in accordance with the provisions of Regulation 13. If the Shareholders increase the number of Directors and fail to fill the vacancy or vacancies created thereby, the Board may fill such vacancy or vacancies for the respective unexpired terms in accordance with the provisions of Regulation 13.

(c) Directors shall hold office until their successors are chosen and qualified, or until their earlier death, retirement, resignation, or removal.

(d) The foregoing provisions of this Regulation 10 are subject to the provisions of any Preferred Share Designation to the contrary that may be adopted with the approval of three-quarters of the Whole Board.

11. Chairman of the Board, Chairman of the Executive Committee, and Chairmen of Other Committees. The Board may from time to time select from its members one or more individuals to serve as Chairman of the Board, Chairman of the Executive Committee (if the Board appoints an Executive Committee), and Chairman of any of the other committees of the Board. The positions of Chairman of the Board, Chairman of the Executive Committee, and Chairman of any other committee of the Board are not Officer positions (and the Corporation shall have no Officer position known as Chairman of the Board), but are strictly Director positions, the sole authority and responsibility of which is to preside at meetings of the Shareholders, the Board, or the applicable committee, as the case may be. The Chairman of the Board shall, if present, preside at meetings of the Board and at meetings of the Shareholders. In the absence of the Chairman of the Board, the President shall preside at such meetings.

12. Nominations. Only individuals who are nominated in accordance with the following procedures shall be eligible for election as Directors. Subject to the provisions of any Preferred Share Designation, nominations for the election of Directors may be made only:

(a) through the date of the Corporation's annual meeting of Shareholders to be held in 2002 (the "2002 Annual Meeting Date"), by the affirmative vote of three-quarters of the Whole Board and three-quarters of the members of the Nominating Committee, if any, then in office; PROVIDED, HOWEVER, that if the Nominating Committee is unable, for any reason, to approve by the requisite vote a nomination for election of a particular Director or Directors, the nomination shall be made instead by the affirmative vote of a majority of the Whole Board and three-quarters of the members of a committee to be comprised of (i) in the case of a nomination for election to fill a Director position that was held, immediately after the Effective Time, by an individual who had been a Director of M.A. Hanna Company up until the Effective Time (a "Former Hanna Director"), all of the Directors then in office who either are Former Hanna Directors or were elected to fill

a Director position originally held, immediately after the Effective Time, by a Former Hanna Director, and (ii) in the case of a nomination for election to fill a Director position that was held, immediately after the Effective Time, by an individual who had been a Director of The Geon Company up until the Effective Time (a "Former Geon Director"), all of the Directors then in office who either are Former Geon Directors or were elected to fill a Director position originally held, immediately after the Effective Time, by a Former Geon Director; provided, further, that, in the case of a nomination for election to fill a Director position that resulted from an increase in the size of the Board after the Effective Time in accordance with Regulation 13, such nomination shall be made by the affirmative vote of three-quarters of the Whole Board if the Nominating Committee is unable, for any reason, to approve by the requisite vote a nomination to fill such Director position,

(b) after the 2002 Annual Meeting Date, by the affirmative vote of two-thirds of the Whole Board, and

(c) whether before or after the 2002 Annual Meeting Date, by any Shareholder who is a Shareholder of record at the time of giving of notice of an annual meeting of Shareholders who is entitled to vote for the election of Directors at that meeting and who complies with the procedures set forth below in the remainder of this Regulation 12.

All nominations by Shareholders must be made pursuant to timely notice in proper written form to the Secretary. To be timely, a Shareholder's notice must be delivered to or mailed and received by the Secretary at the principal executive offices of the Corporation not less than 60 nor more than 90 calendar days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of Shareholders; PROVIDED, HOWEVER, that in the case of (1) the Corporation's 2001 annual meeting of Shareholders and (2) any subsequent annual meeting where the date of the annual meeting is delayed by more than 60 days calendar days after the anniversary of the preceding year's annual meeting, then, in each such case, notice by the Shareholder to be timely must be so delivered not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the day on which public announcement of the date of such meeting is first made. To be in proper written form, such Shareholder's notice must set forth or include (i) the name and address, as they appear on the Corporation's books, of the Shareholder giving the notice and of the beneficial owner, if any, on whose behalf the nomination is made; (ii) a representation that the Shareholder giving the notice is a holder of record of shares of the Corporation entitled to vote at such annual meeting and intends to appear in person or by proxy at the annual meeting to nominate the person or persons specified in the notice; (iii) the class and number of shares of the Corporation owned beneficially and of record by the Shareholder giving the notice and by the beneficial owner, if any, on whose behalf the nomination is made; (iv) a description of all arrangements or understandings between or among any of (A) the Shareholder giving the notice, (B) the beneficial owner on whose behalf the notice is given, (C) each nominee, and (D) any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the Shareholder giving the notice; (v) such other information regarding each nominee proposed by the Shareholder giving the notice as would be required to be included in a proxy statement filed pursuant to the proxy rules of the

Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, by the Board; and (vi) the signed consent of each nominee to serve as a Director of the Corporation if so elected. At the request of the Board, any person nominated by the Board for election as a Director must furnish to the Secretary that information required to be set forth in a Shareholder's notice of nomination which pertains to the nominee. The presiding Officer of any annual meeting will, if the facts warrant, determine that a nomination was not made, in accordance with the procedures prescribed by this Regulation 12, and if he or she should so determine, he or she will so declare to the meeting and the defective nomination will be disregarded. Notwithstanding the foregoing provisions of this Regulation 12, a Shareholder must also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Regulation 12.

13. Newly Created Directorships and Vacancies. Subject to the rights, if any, of the holders of any series of Preferred Shares to elect additional Directors under circumstances specified in a Preferred Share Designation, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board resulting from death, resignation, disqualification, removal, or other cause will be filled by election, (a) at any time through the 2002 Annual Meeting Date, as provided in paragraph (a) of Regulation 12, and (b) after the 2002 Annual Meeting Date, solely by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum of the Board, or by a sole remaining Director. Any Director elected in accordance with the preceding sentence will hold office for the remainder of the term and until such Director's successor is elected and qualified. No decrease in the number of Directors constituting the Board will shorten the term of an incumbent Director.

14. Resignation; Removal. Any Director may resign at any time by giving written notice of his or her resignation to the Chairman or the Secretary. Any resignation will be effective upon actual receipt by any such person or, if later, as of the date and time specified in such written notice. Except as may be otherwise provided in any Preferred Stock Designation, Directors may be removed from the Board of Directors by the Shareholders only for cause. For purposes of this Regulation 14, cause for removal shall exist only if it is proved by clear and convincing evidence in a court of competent jurisdiction that a Director's action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Corporation or undertaken with reckless disregard for the best interests of the Corporation.

15. Regular Meetings. Regular meetings of the Board may be held immediately after the annual meeting of the Shareholders and at such other time and place either within or without the State of Ohio as may from time to time be determined by the Board. Notice of regular meetings of the Board need not be given.

16. Special Meetings. Special meetings of the Board may be called by the Chairman or the President on one day's notice to each Director by whom such notice is not waived, given either personally or by mail, telephone, telecopier, or similar medium of communication, and will be called by the Chairman or the President in like manner and on like notice on the written request of five or more Directors. Special meetings of the Board may be held at such time and

place either within or without the State of Ohio as is determined by the Board or specified in the notice of any such meeting.

17. Quorum. At all meetings of the Board, a majority of the total number of Directors then in office will constitute a quorum for the transaction of business. Except for the designation of committees as provided in these Regulations and except for actions required by these Regulations or the Articles of Incorporation to be taken by a majority or some greater proportion of the Whole Board, the act of a majority of the Directors present at any meeting at which there is a quorum will be the act of the Board. If a quorum is not present at any meeting of the Board, the Directors present thereat may adjourn the meeting from time to time to another place, time or date, without notice other than announcement at the meeting, until a quorum is present. The provisions of this Regulation 17 notwithstanding, the Board may not approve, or take any action that would otherwise constitute, a "Change of Control" as that term is defined in Regulation 42, unless such action is approved by at least three-quarters of the Whole Board.

18. Participation in Meetings by Telephone Conference. Members of the Board or any committee designated by the Board may participate in a meeting of the Board or any such committee, as the case may be, by means of telephone or video conference or similar means by which all persons participating in the meeting can hear each other, and such participation in a meeting will constitute presence in person at the meeting.

19. Nominating Committee. This Regulation 19 shall remain in effect through the 2002 Annual Meeting Date. It is intended that through the 2002 Annual Meeting Date, the Board, by resolution adopted by the affirmative vote of at least two-thirds of the Whole Board, will designate annually as the members of the Nominating Committee of the Board (the "Nominating Committee") four individuals, two of whom shall be Former Hanna Directors and two of whom shall be Former Geon Directors. The Nominating Committee shall act as such for all purposes of these Regulations through the 2002 Annual Meeting, including acting in the nomination of individuals to serve as Directors as provided in Regulation 12. The Board shall have the power at any time by the affirmative vote of at least three-quarters of the Whole Board to change the membership of, to fill all vacancies in, and to discharge the Nominating Committee, with or without cause.

20. Other Committees. The provisions of this Regulation 20 shall be subject to the provisions of Regulation 11 with respect to any Executive Committee that may be established by the Board and to the provisions of Regulation 19 with respect to the Nominating Committee through the 2002 Annual Meeting Date. Subject to those provisions, the Board may designate one or more committees, each to consist of one or more Directors. The Board may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board, shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be

affixed to all documents which may require it; but no such committee shall have the power or authority in reference to the following matters: (i) approving or adopting, or recommending to the Shareholders, any action or matter expressly required by the Ohio General Corporation Law to be submitted to Shareholders for approval or (ii) adopting, amending, or repealing any Regulation of the Corporation.

21. Compensation. The Board may establish the compensation and reimbursement policies for Directors with respect to membership on the Board and on committees of the Board, attendance at meetings of the Board or committees of the Board, and for other services by Directors to the Corporation or any of its subsidiaries.

22. Bylaws. The Board may adopt bylaws, that are not inconsistent with the Articles of Incorporation or these Regulations, for the conduct of meetings and the oversight of the management of the business and affairs of the Corporation.

NOTICES

23. Generally. Except as otherwise provided by law, these Regulations or the Articles of Incorporation, whenever by law or under the provisions of these Regulations or the Articles of Incorporation notice is required to be given to any Director or Shareholder, it will not be construed to require personal notice, but such notice may be given in writing, by mail, addressed to such Director or Shareholder, at the address of such Director or Shareholder as it appears on the records of the Corporation, with postage thereon prepaid, and such notice will be deemed to be given at the time when the same is deposited in the United States mail. Notices to Directors may also be given by overnight courier service, telephone, telecopier, or similar medium of communication or as otherwise may be permitted by these Regulations.

24. Waivers. Whenever any notice is required to be given by law or under the provisions of these Regulations or the Articles of Incorporation, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time of the event for which notice is to be given, will be deemed equivalent to such notice. Attendance of a person at a meeting will constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

OFFICERS

25. Number and Term of Office. The Corporation shall have a Chief Executive Officer, a President, a Treasurer, and a Secretary, and may have a Chief Operating Officer, one or more Vice Presidents, one or more of whom may be designated as Executive or Senior Vice Presidents or by similar titles, and such other Officers or agents, subordinate to the Chief Executive Officer and the President, with such titles as the Board may from time to time determine, each to have such authority, functions, or duties as in these Regulations provided or as the Board may from time to time determine, and each to hold office for such term as may be prescribed by the Board and until his or her successor shall have been chosen and shall qualify or

until his or her death, retirement, resignation, or removal as provided in Regulation 28 or 29. One person may hold and perform the duties of any two or more of offices but no Officer shall execute, acknowledge, or verify any instrument in more than one capacity if the instrument is required by law, the Articles of Incorporation, or these Regulations to be executed, acknowledged, or verified by two or more Officers.

26. Responsibilities of Chief Executive Officer. The Chief Executive Officer shall have the general management and control of the affairs and business of the Corporation, subject to the Board of Directors. Subject to action by the Board of Directors, he or she may appoint and discharge agents and employees and fix their compensation, and he or she shall see that all orders and resolutions of the Board of Directors are carried into effect. He or she shall have the power to execute bonds, mortgages and other contracts, agreements and instruments of the Corporation, and shall do and perform such other duties as are incident to his or her office or as from time to time may be assigned to him by the Board of Directors or which are or may at any time be authorized or required by law.

In the absence or disability of the Officer designated as Chief Executive Officer, the Chairman of the Board, Vice Chairman of the Board, or President, if any, as determined by the Board of Directors, shall perform any and all of the duties of the Chief Executive Officer. Subject to limitations or procedures established by the Board of Directors, the Chief Executive Officer may delegate from time to time his or her authority to act.

27. Authority and Duties of Officers. Subject to the provisions of Regulations 26 the Officers of the Corporation shall have such authority and shall perform such duties as are customarily incident to their respective offices, or as may be determined by the Board, regardless of whether such authority and duties are customarily incident to such offices.

28. Removal. Any Officer may at any time be removed, either with or without cause, by the Board or any authorized committee thereof, or, except in the case of any Officer elected by the Board or an authorized committee thereof, by any superior Officer upon whom such power may be conferred by the Board or any authorized committee thereof, in any case without prejudice to the contract rights, if any, of such Officer.

29. Resignation. Any Officer may resign at any time by giving notice to the Board, the Chief Executive Officer, the President, or the Secretary of the Corporation. Any such resignation shall take effect at the date of receipt of such notice or at any later date specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

30. Vacancies. A vacancy in any office because of death, retirement, resignation, removal, or any other cause may be filled in the manner prescribed in these Regulations for election to such office.

31. Compensation. Subject to the respective contractual rights of any person under any employment agreements presently or hereafter in effect between any person and the Corporation, the compensation of the Chief Executive Officer, President, Chief Operating

Officer, and agents of the Corporation who are also Directors of the Corporation will be fixed by the Board or a committee of the Board delegated that responsibility by the Board. The Board may fix, or delegate the power to fix, the compensation of other Officers to a committee of the Board or an Officer of the Corporation.

INDEMNIFICATION

32. Actions by Others. The Corporation (1) shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was a Director or an Officer of the Corporation and (2) except as otherwise required by Regulation 33, may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, Officer, employee, agent of, or participant in another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit, or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

33. Actions by or in the Right of the Corporation. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was a Director or Officer of the Corporation, and the Corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he or she is or was an employee or agent of the Corporation or is or was serving at the request of the Corporation as a Director, Officer, employee, agent of, or participant in another corporation, partnership, joint venture, trust, or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Corporation unless and only to the extent that the court of common pleas or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of

all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court of common pleas or such other court shall deem proper.

34. Successful Defense. To the extent that a person who is or was a Director, Officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in Regulations 32 or 33, or in defense of any claim, issue, or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

35. Specific Authorization. To obtain indemnification under Regulations 32 through 43 (the "Indemnification Regulations"), a claimant shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Any indemnification under Regulations 32 or 33 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Director, Officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in said Regulations 32 and 33. Such determination shall be made by (a) the Shareholders, (b) the Board by a majority vote of a quorum consisting of Disinterested Directors, or (c) (1) even if such quorum is not obtainable, if a quorum of Disinterested Directors so directs or (2) if a Change of Control shall have occurred, by an Independent Counsel in a written opinion, which Independent Counsel shall be selected by a majority vote of a quorum of Disinterested Directors or, if a Change of Control shall have occurred, by the claimant. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within 10 days after such determination.

36. Suit Against Corporation. If a claim under the Indemnification Regulations is not paid in full by the Corporation within 30 days after a written claim pursuant to Regulation 32 has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the Ohio General Corporation Law or the Indemnification Regulations for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board, Independent Counsel or Shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Ohio General Corporation Law or the Indemnification Regulations, nor an actual determination by the Corporation (including its Board, Independent Counsel or Shareholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

37. Corporation Bound. If a determination shall have been made pursuant to Regulation 32 that the claimant is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to Regulation 33.

38. Preclusion. The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to Regulation 33 that the procedures and presumptions of the Indemnification Regulations are not valid, binding, and enforceable and shall stipulate in such proceeding that the Corporation is bound by all the provisions of the Indemnification Regulations.

39. Right of Indemnity not Exclusive. The indemnification and advancement of expenses provided by the Indemnification Regulations shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any Regulation, agreement, vote of Shareholders or disinterested Directors, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a Director, Officer, employee or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

40. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, Officer, employee, or agent of or participant in another corporation, partnership, joint venture, trust, or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of the Indemnification Regulations, Section 1701.13(E) of the Ohio General Corporation Law or otherwise.

41. Invalidity of any Provisions of this Article. The invalidity or unenforceability of any provision of the Indemnification Regulations shall not affect the validity or enforceability of the remaining provisions of the Indemnification Regulations, and, to the fullest extent possible, such provisions of the Indemnification Regulations (including, without limitation, each such portion of any of the Indemnification Regulations containing any such provision held to be invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

42. Definitions. For purposes of the Indemnification Regulations:

(A) "Change of Control" means:

(1) the acquisition by any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Corporation where such acquisition causes such Person to own 20% or more of the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of Directors (the

"Outstanding Corporation Voting Securities"); PROVIDED, HOWEVER, that for purposes of this paragraph (1), the following acquisitions shall not be deemed to result in a Change of Control: (i) any acquisition directly from the Corporation, (ii) any acquisition by the Corporation, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation, or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii), and (iii) of paragraph (3) below; PROVIDED, FURTHER, that if any Person's beneficial ownership of the Outstanding Corporation Voting Securities reaches or exceeds 20% as a result of a transaction described in clause (i) or (ii) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Corporation, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 20% or more of the Outstanding Corporation Voting Securities; and PROVIDED, FURTHER, that if at least a majority of the members of the Incumbent Board (as defined below) determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the Outstanding Corporation Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) less than 20% of the Outstanding Corporation Voting Securities, then no Change of Control shall have occurred as a result of such Person's acquisition; or

(2) Individuals who, as of the Effective Time, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; PROVIDED, HOWEVER, that any individual becoming a Director subsequent to the Effective Time, whose election, or nomination for election by the Corporation's Shareholders, was approved by a vote of at least a majority of the Directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, except that, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of Directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be considered a member of the Incumbent Board; or

(3) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Corporation or the acquisition of assets of another corporation ("Business Combination"); excluding, however, such a Business Combination pursuant to which (i) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding common shares and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of Directors, as the case may be, of the Corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such

transaction owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Corporation Voting Securities, (ii) no Person (excluding any employee benefit plan (or related trust) of the Corporation or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding common shares of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of Directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(4) approval by the Shareholders of the Corporation of a complete liquidation or dissolution of the Corporation.

(B) "Disinterested Director" means a Director of the Corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.

(C) "Independent Counsel" means a law firm, a member of a law firm, or an independent practitioner, experienced in matters of corporation law that or who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Corporation or the claimant in an action to determine the claimant's rights under the Indemnification Regulations.

43. Notice. Any notice, request, or other communication required or permitted to be given to the Corporation under the Indemnification Regulations shall be in writing and either delivered in person or sent by telecopy, telex, telegram, overnight mail, or courier service, or certified or registered mail, postage prepaid, return receipt requested to the Secretary of the Corporation and shall be effective only upon receipt by the Secretary.

SHARES

44. Certificates. The shares of stock of the Corporation will be represented by certificates, provided that the Board may provide by resolution or resolutions that some or all of any or all classes or series of its shares shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the Board, every holder of shares represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of, the Corporation by the Chairman of the Board, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number and class of shares

registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any Officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed on a certificate shall have ceased to be such Officer, transfer agent, or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or it were such Officer, transfer agent, or registrar at the date of issue.

45. Classes of Shares. The designations, preferences, and relative participating, optional or other special rights of the various classes of shares or series thereof, and the qualifications, limitations, or restrictions thereof, will be set forth in full or summarized on the face or back of the certificates which the Corporation issues to represent its shares or, in lieu thereof, such certificates will set forth the office of the Corporation from which the holders of certificates may obtain a copy of such information.

46. Lost, Stolen or Destroyed Certificates. The Secretary may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen, or destroyed, upon making of an affidavit of that fact, satisfactory to the Secretary, by the person claiming the share certificate to be lost, stolen or destroyed. As a condition precedent to the issuance of a new certificate or certificates, the Secretary may require the owners of such lost, stolen, or destroyed certificate or certificates to give the Corporation a bond in such sum and with such surety or sureties as the Secretary may direct as indemnity against any claims that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen, or destroyed or the issuance of the new certificates.

47. Record Dates. (a) In order that the Corporation may determine the Shareholders entitled to notice of or to vote at any meeting of Shareholders or any adjournment thereof, the Board may fix a record date, which will not be more than 60 calendar days before the date of such meeting. If no record date is fixed by the Board, the record date for determining Shareholders entitled to notice of or to vote at a meeting of Shareholders will be at the close of business on the calendar day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the calendar day next preceding the day on which the meeting is held. A determination of Shareholders of record entitled to notice of or to vote at a meeting of the Shareholders will apply to any adjournment of the meeting; PROVIDED, HOWEVER, that the Board may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the Shareholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the Shareholders entitled to exercise any rights in respect of any change, conversion or exchange of shares, or for the purpose of any other lawful action, the Board may fix a record date, which record date will not be more than 60 calendar days prior to such action. If no record date is fixed, the record date for determining Shareholders for any such purpose will be at the close of business on the calendar day on which the Board adopts the resolution relating thereto.

(c) The Corporation will be entitled to treat the person in whose name any share is registered as the owner thereof for all purposes, and will not be bound to recognize any

equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation has notice thereof, except as expressly provided by applicable law.

GENERAL

48. Fiscal Year. The fiscal year of the Corporation will be the calendar year or such other fiscal year as may be fixed from time to time by the Board.

49. Seal. The corporate seal shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Ohio". The corporate seal of the Corporation may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

50. Reliance Upon Books, Reports, and Records. Each Director, each member of a committee designated by the Board, and each Officer of the Corporation will, in the performance of his or her duties, be fully protected in relying in good faith upon the records of the Corporation and upon such information, opinions, reports, or statements presented to the Corporation by any of the Corporation's Officers or employees, or committees of the Board, or by any other person or entity as to matters the Director, committee member, or Officer believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

51. Amendments. Except as otherwise provided by law or by the Articles of Incorporation or these Regulations, these Regulations or any of them may be amended in any respect or repealed at any time (i) by the Shareholders at a meeting held for that purpose, provided notice of the proposed amendment or repeal be contained in the notice of the meeting, by the affirmative vote of the holders of shares entitling them to exercise two-thirds of the voting power of the Corporation on the proposal or (ii) by the written consent of the holders of shares entitling them to exercise two-thirds of the voting power of the Corporation on the proposal. The provisions of this Regulation 51 notwithstanding, the Shareholders may not modify any of Regulations 10, 12 and 19 while those provisions remain in effect pursuant to their terms without the affirmative vote of the holders of shares entitling them to exercise three-quarters of the voting power of the Corporation on the proposal.

THE GEON COMPANY
INCENTIVE STOCK PLAN

(1993 PLAN)

(as amended and restated through August 31, 2000)

1. PURPOSE

The purpose of The Geon Company Incentive Stock Plan (the "Plan") is to promote the interests of the shareholders by furthering the long-term performance of the Company and to enable the Company to be competitive in encouraging key employees who perform services of special importance to the management, operation and the development of the business of the Company or its subsidiaries to remain in its service, to attract others to it, and to provide such employees with an additional incentive to contribute to the prosperity of the Company and its shareholders.

2. DEFINITIONS

In addition to the terms defined herein, the following terms shall have the following meanings:

(a) "Common Stock" or "stock" - (i) for periods prior to the Effective Time, Common Stock, \$.10 par value, of the Company, and (ii) for periods from and after the Effective Time, common shares, \$.01 par value, of the Company, including in both cases authorized and unissued shares, treasury shares, and shares transferred from The Geon Share Ownership Trust or the M.A. Hanna Company Associates Ownership Trust.

(b) "Company" - (i) for periods prior to the Effective Time, The Geon Company, a Delaware corporation, and (ii) for periods from and after the Effective Time, PolyOne Corporation, an Ohio corporation.

(c) "Effective Time" - The Effective Time as defined in the Agreement and Plan of Consolidation, dated as of May 7, 2000, as amended, by and among M.A. Hanna Company, The Geon Company and Consolidation Corp.

3. INCENTIVES

Incentives under the Plan may be granted in any one or a combination of (a) stock options which may consist of (i) Incentive Stock Options (as defined in Section 6) or other statutory stock options and/or (ii) non-qualified stock options; (b) Stock Appreciation Rights (as defined in Section 8); (c) Limited Stock Appreciation Rights (as defined in Section 9); and (d) stock awards which may consist of (i) Restricted Stock (as defined in Section 10) and/or (ii) Performance Stock (as defined in Section 10) (collectively, "Incentives"). All Incentives shall be subject to the terms and conditions set forth herein and to such other terms and conditions as may be established in the manner prescribed by the Board of Directors of the Company (the "Board").

4. ADMINISTRATION

To the extent permitted by law the Board may delegate any or all of its powers under this Plan to a committee (the "Committee") of not less than two directors, who are not officers or employees of the Company, and who are not eligible to participate in the Plan and have not participated in the Plan for at least one year. The Board or the Committee may delegate to the chief executive officer of the Company its duties under the Plan, with respect to not more than 10% of the shares authorized under this Plan, pursuant to such conditions or limitations as the Board or Committee may establish, except that only the Board or the Committee may select participants and grant options, appreciation rights and stock awards to participants who are subject to Section 16 of the Securities Exchange Act of 1934, as amended. The Board, the Committee or the chief executive officer, as the case may be, shall be referred to as the "Granting Authority."

5. ELIGIBILITY

Regular key employees of the Company and its subsidiaries, including officers, whether or not directors, shall be eligible to participate in the Plan. Directors who are not regular employees are not eligible. Participation in the Plan shall be limited to those key employees of the Company selected by the Granting Authority.

6. STOCK OPTIONS

The Granting Authority may in its discretion from time to time grant to eligible employees options to purchase, except as provided below, at a cash price not less than 100% of the Fair Market Value (as defined in Section 16) on the date of the grant (the "Option Price"), treasury stock or authorized but unissued Common Stock of the Company, subject to the conditions set forth in this Plan. Within 60 days of the Company's initial public offering, the Board or the Committee may grant options to purchase Common Stock of the Company at less than 100% of the Fair Market Value to Company employees who hold stock options from The B.F. Goodrich Company in substitution for such options in compliance with Section 424 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), on condition that (a) the eligible employees surrender all their then unexercised stock options issued by The B.G. Goodrich Company; (b) the eligible employees surrender the excess of the aggregate Fair Market Value of all stock subject to the option immediately before such substitution over the aggregate Option Price of such stock; and (c) the new options do not provide the participant any additional benefits than the surrendered options.

The Granting Authority, at the time of granting to any employee an Incentive under the Plan, may designate options "Incentive Stock Options" pursuant to Section 422 of the Internal Revenue Code or any other statutory stock option that may be permitted under the Internal Revenue Code from time to time, provided, however that (a) the date on which such options and related appreciation rights shall expire, if not exercised, may not be later than ten years after the date of grant of the option, (b) in the case of options designated as Incentive Stock Options, the aggregate Fair Market Value of stock optioned to an employee (determined at time of grant) under this Plan or any other plan of this Company and its subsidiaries with respect to which

incentive stock options are exercisable for the first time by such employee during any calendar year shall be limited to \$100,000 (unless such Section 422 limit is revised, then in conformance with such revision) and (c) in case of any other statutory stock option permitted under the Internal Revenue Code, then in accordance with such provisions as in effect from time to time.

Within the foregoing limitations, the Granting Authority shall have the authority in its discretion to specify all other terms and conditions, including but not limited to provisions for the exercise of options in installments, the time limits during which options may be exercised, and in lieu of payment in cash, the exercise in whole or in part of options by tendering Common Stock of the Company owned by the employee, valued at the Fair Market Value on the date of exercise or other acceptable forms of consideration equal in value to the Option Price. The Board or Committee may, in its discretion, establish rules or conditions with respect to utilization of Common Stock for all or part of the Option Price. Furthermore, the Board or Committee may, in its discretion, establish rules or conditions for the surrendering of a portion of a grant in satisfaction of any withholding tax obligation.

7. APPRECIATION RIGHTS

The Granting Authority may, in its discretion, grant Stock Appreciation Rights and Limited Stock Appreciation Rights (as described in Sections 8 and 9, respectively) in connection with any stock option, either at the time of grant of such stock option or any time thereafter during the term of such stock option. Except for the terms of this Plan with respect to Limited Stock Appreciation Rights, each such appreciation right shall be subject to the same terms and conditions as the related stock option and shall be exercisable at such times and to such extent as the Granting Authority shall determine, but only so long as the related option is exercisable. The number of both Stock Appreciation Rights or Limited Stock Appreciation Rights granted shall not exceed the number of shares which may be purchased upon exercise of a related option. The number of both Stock Appreciation Rights and Limited Stock Appreciation Rights shall be reduced not only by the number of appreciation rights exercised but also by the number of shares purchased upon the exercise of a related option. A related stock option shall cease to be exercisable to the extent surrendered for the exercise of an appreciation right.

8. STOCK APPRECIATION RIGHTS

Upon surrender to the Company of the unexercised related stock option, or any portion thereof, a "Stock Appreciation Right" shall entitle the optionee to receive from the Company in exchange therefor (a) a payment in stock as determined below, or (b) to the extent determined by the Granting Authority, the cash equivalent of the Fair Market Value of such payment in stock on the exercise date had the employee been awarded a payment in stock instead of cash, or any combination of stock and cash. The number of shares which shall be issued pursuant to the exercise of Stock Appreciation Rights shall be determined by dividing (1) the total number of Stock Appreciation Rights being exercised multiplied by the amount by which Fair Market Value of a share of Common Stock of the Company on the exercise date exceeds the Option Price of the related option, by (2) the Fair Market Value of a share of Common Stock of the Company on the exercise date. No fractional shares shall be issued.

9. LIMITED STOCK APPRECIATION RIGHTS

The grant of a "Limited Stock Appreciation Right" will permit a grantee to exercise such right for cash during a 60-day period commencing on the date on which any of the events described as a change in control in Section 14 herein occurs, each of which events shall hereinafter be known as a "Change in Control." Notwithstanding the foregoing, however, if the Change in Control occurs within six months after the date on which a Limited Stock Appreciation Right was granted, then the 60-day period during which such right may be exercised for cash shall commence six months after the date on which the Limited Stock Appreciation Right was granted. The amount of cash received upon the exercise of any Limited Stock Appreciation Right under either of the preceding two sentences shall equal the excess, if any, of the Fair Market Value of a share of the Company's Common Stock on the date of exercise of the Limited Stock Appreciation Right, over the Option Price of the stock option to which the Limited Stock Appreciation Right relates.

10. STOCK AWARDS

The Granting Authority, in lieu of or in addition to granting stock options with or without appreciation rights under this Plan, may make awards ("Stock Awards") in Common Stock or denominated in units of Common Stock. All or part of any Stock Award may be subject to conditions established by the Granting Authority, which may include, but are not limited to, continuous service with the Company ("Restricted Stock") and attainment of specific performance objectives ("Performance Stock"). Stock Awards may include the awarding of additional stock ("Additional Stock") upon attainment of performance objectives. If the Common Stock is awarded subject to attainment of performance objectives or continued service with the Company, the stock may be registered in the participant's names when initially awarded, but possession of the certificates for the stock, or appropriate book entry, shall be retained by the Company for the benefit of participants, subject to the conditions of the Stock Awards. In such event, each participant shall have the right to receive all dividends and other distributions made with respect to Stock Awards registered in his or her name and shall have the right to vote or execute proxies with respect to such registered shares. Stock Awards with respect to which the restrictions are not removed in accordance with the provision of the Stock Awards shall be forfeited and shall revert to the treasury of the Company.

11. ASSIGNABILITY

Incentives granted under this Plan shall not be transferable other than by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in the Internal Revenue Code and such Incentives shall be exercisable during the employee's lifetime only by the employee or by the employee's guardian or legal representative or permitted transferee or, in the event of death, by the employee's estate or by a person who acquires the Incentives by bequest or inheritance.

12. CORPORATE REORGANIZATION

The number and kind of shares authorized for delivery under this Plan and, if appropriate, the purchase price per share, shall be adjusted appropriately in the event of any stock split, stock dividend, combination of shares, merger, consolidation, reorganization, or other change in the nature of the shares of the Company (any one or more of the foregoing hereinafter a "Corporate Reorganization"). The determination of what adjustments, if any, are appropriate shall be made by the Board or Committee.

13. CORPORATE REORGANIZATIONS

In the event of a dissolution or liquidation of the Company or a sale of all or substantially all of its assets or other Corporate Reorganization in which the Company is not the surviving corporation, or any merger in which the Company is the surviving corporation but the holders of its Common Stock receive securities of another corporation, any outstanding options hereunder shall terminate; provided that each optionee shall, in such event, have the right, immediately prior to such dissolution, liquidation, sale of assets or Corporate Reorganization in which the Company is not the surviving corporation or any merger in which the Company is the surviving corporation but the holders of its Common Stock receive securities of another corporation, to exercise any unexpired option and/or Stock Appreciation Right in whole or in part without regard to the exercise date contained in such option. Nothing herein contained shall prevent the assumption and continuation of any outstanding option or the substitution of a new option by the surviving corporation.

14. CHANGE IN CONTROL

Options and any related appreciation rights that are not exercisable shall become immediately exercisable upon a Change in Control. Anything to the contrary notwithstanding, upon a Change in Control of the Company, an interim removal of restrictions on all or a portion of the Performance Stock award and the awarding of Additional Stock, if appropriate, shall be made to each participant within five days following the occurrence of the Change in Control with respect to all outstanding Performance Stock awarded to such participant (the "Interim Action"). The Interim Action with respect to each outstanding Performance Stock award shall be calculated (a) based upon the performance objectives attained as of the end of the most recent quarter in the plan cycle related to each such award (the "Determination Date") ending prior to the Change in Control and as if the Determination Date were the end of the last quarter in such plan cycle and (b) based upon the number of full and partial months through the occurrence of the Change in Control that have elapsed in the plan cycle with respect to each such Performance Stock award. The amount of such Interim Action with respect to each such outstanding Performance Stock award shall be a prorated portion (based upon the number of full and partial months through the occurrence of the Change in Control that have elapsed in the plan cycle related to such award) of the amount of the Performance Stock award that would have been payable to the participant at the end of the relevant plan cycle, calculated assuming attainment of the greater of (a) 100% of the performance objective with respect to such plan cycle or (b) the actual percentage (annualizing a partial year, if any) of the performance objective attained as of the Determination Date and as if the Determination Date were the end of the plan cycle related to such Performance Stock award. The Interim Action shall not reduce the obligation of the

Company to make a final removal of restrictions or award of Additional Stock ("Final Action") under the terms of the Plan, but any Interim Action made with respect to a Performance Stock award shall be offset against the Final Action, if any, required under the terms of the Plan with respect to such Performance Stock award at the actual end of the plan cycle related to such Performance Stock award. Notwithstanding the foregoing, in no event shall a participant be required to return stock or refund to the Company, or have offset against any other payment due such participant from or on behalf of the Company, all or any portion of an Interim Action. Upon a Change in Control all restrictions on Restricted Stock shall lapse and the participant shall immediately receive all Restricted Stock free of further restrictions. For purposes of the Plan, a Change in Control shall mean:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Company where such acquisition causes such Person to own 20% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not be deemed to result in a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction that complies with clauses (i), (ii) and (iii) of subsection (c) below; provided, further, that if any Person's beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 20% as a result of a transaction described in clause (i) or (ii) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 20% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board (as defined below) determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) less than 20% of the Outstanding Company Voting Securities, then no Change in Control shall have occurred as a result of such Person's acquisition; or

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

election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

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

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding any other provision of this Plan, during the 60-day period from and after a Change in Control (the "Exercise Period"), unless the Granting Authority shall determine otherwise at the time of grant, an optionee shall have the right, whether or not the stock option is fully exercisable and in lieu of the payment of the exercise price for the Common Stock being purchased under the stock option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the stock option to the Company and to receive cash, within 30 days of such notice, in an amount equal to the amount by which the Change in Control Price (as defined below) per share of Common Stock on the date of such election shall exceed the exercise price per share of Common Stock under the stock option multiplied by the number of shares of Common Stock granted under the stock option as to which the right granted under this Section 14 shall have been exercised.

For purposes of the Plan "Change in Control Price" shall mean the higher of (i) the highest reported sales price, regular way, of a share of Common Stock in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which such shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change in Control or (ii) if the Change in Control is the result of a tender or exchange offer or a Business Combination, the highest price per share of Common Stock paid in such tender or exchange offer or Business Combination; provided, however, that, in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, the Change in Control Price shall be in all cases the Fair Market Value of the Common Stock on the date such Incentive Stock Option or Stock Appreciation Right is exercised. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other noncash consideration, the value of such securities or other noncash consideration shall be determined in the sole discretion of the Board.

15. SHARES AVAILABLE FOR INCENTIVES

Subject to adjustment as provided in the following paragraph, there is hereby reserved for issuance under the Plan, 4,000,000 shares in 1993, and in each calendar year thereafter one percent of the outstanding shares of the Company's Common Stock as of the first business day of each calendar year. The shares available for granting Incentives in any year shall be increased by the number of shares available under the Plan in previous years but not covered by Incentives granted under the Plan in those years plus any shares as to which options or other benefits granted under the Plan have lapsed, expired, terminated, forfeited or been canceled for any reason without being exercised. However, upon surrender of a stock option on exercise of the related appreciation right, the number or shares subject to the surrendered option shall be charged against the maximum number of shares issuable under the Plan and shall not be available for future options.

16. FAIR MARKET VALUE

For all purposes of this Plan the "Fair Market Value" of a share of stock shall be the mean of the high and low prices of the Company's Common Stock on the relevant date or, if no sale was made on such date, then on the next preceding day on which such a sale was made (a) if the Company's stock is listed on the New York Stock Exchange, as reported on the New York Stock Exchange Composite Transactions listing (or similar report), or (b) if the Company's stock is listed on the NASDAQ National Market System, then as reported on such system, or (c) if not listed on either the New York Stock Exchange or the NASDAQ National Market System, as determined by the Board or Committee.

17. TERMINATION OF EMPLOYMENT

Upon the termination of employment of any employee for any reason, his or her options and any related appreciation rights shall terminate at the time with respect to all shares which were not then purchasable by him or her, provided, however, that if the termination of employment is by reason of death, disability or retirement the Board may in its sole discretion provide that such options and related appreciation rights shall not terminate upon death,

disability or retirement and may become immediately exercisable or continue to become exercisable in accordance with the terms of the original grant.

18. COMPLIANCE WITH LAW

Notwithstanding any other provisions of the Plan, the issuance or delivery of any shares may be postponed for such period as may be required to comply with any applicable requirements of any national securities exchange or any requirements under any other law or regulation applicable to the issuance or delivery of such shares, and the Company shall not be obligated to issue or deliver any such shares if the issuance or delivery thereof shall constitute a violation of any provision of any law or any regulation of any governmental authority or any national securities exchange.

19. EMPLOYMENT

Nothing in the Plan or in any agreement entered into pursuant to the Plan shall confer upon any participant the right to continue in the employment of the Company or affect any right which the Company may have to terminate the employment of such participant.

20. GRANTING AUTHORITY'S DETERMINATION

The Granting Authority's determinations under the Plan including without limitation, determinations of the participants to receive awards or grants, the form, amount and timing of such awards or grants, the terms and provisions of such awards or grants and the agreements evidencing same, and the establishment of any performance objectives need not be uniform and may be made by it selectively among participants who receive, or are eligible to receive Incentives under the Plan whether or not such participants are similarly situated.

21. INTERPRETATION AND AMENDMENT

The Board or Committee shall have the power to interpret the provisions of this Plan and of all Incentives granted hereunder and the Board shall have the power to amend this Plan from time to time, provided, however, that no amendment shall be made without the approval of shareholders which has the effect of increasing the number of shares of stock subject to this Plan (other than in connection with a Corporate Reorganization), changing the class of employees eligible to participate, reducing the purchase price of shares pursuant to options to an amount less than 100% of the Fair Market Value on the date of grant or extending the time during which options may be granted hereunder, or otherwise materially increasing the benefits accruing to participants under this Plan. The Granting Authority shall have the authority to amend the terms of any Incentive granted by it subject to the foregoing limitations and provided that no such amendment shall deprive any optionee of any rights thereunder without his written consent unless such amendment or rescission is required by law. In furtherance and not in limitation of the authority granted in this paragraph, any interpretation by a majority of the incumbent directors then serving on the Committee or the Board as to whether a sale or other disposition of assets by the Company or an acquisition of assets of another corporation constitutes a "sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation" for purposes of clause (iii) of the definition of Change in Control

in Section 14 above shall be final and binding for all purposes of this Plan and any Incentive hereunder, notwithstanding that the transaction in question was, or is contemplated to be, submitted to shareholders of the Company for their approval and notwithstanding such approval.

THE GEON COMPANY
1995 INCENTIVE STOCK PLAN
(AS AMENDED AND RESTATED AS OF AUGUST 31, 2000)

1. PURPOSE. The Geon Company 1995 Incentive Stock Plan (the "Plan") is designed to foster and promote the long-term growth and performance of the Company by enhancing the Company's ability to attract and retain qualified Directors and key employees and motivating Directors and key employees through stock ownership and performance-based incentives. To achieve this purpose, this Plan provides authority for the grant of Stock Options, Director Options, Restricted Stock, Stock Equivalent Units, Stock Appreciation Rights, Performance-Based Stock Awards, and other stock and performance-based incentives.

2. DEFINITIONS.

(a) "Affiliate"-- This term has the meaning given to it in Rule 12b-2 under the Exchange Act.

(b) "Award" -- The grant of Stock Options, Director Options, Restricted Stock, Stock Equivalent Units, Stock Appreciation Rights, Performance-Based Stock Awards, and other stock and performance-based incentives under this Plan.

(c) "Award Agreement" -- Any agreement between the Company and a Participant that sets forth terms, conditions, and restrictions applicable to an Award.

(d) "Board of Directors "-- The Board of Directors of the Company.

(e) "Change of Control"--A "Change of Control" means:

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

own 20% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) less than 20% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person's acquisition; or

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

(iii) the approval by the shareholders of the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation ("Business Combination") or, if consummation of such Business Combination is subject, at the time of such approval by shareholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Business Combination pursuant to which (A) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Voting Securities, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the

extent that such ownership existed prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(f) "Change of Control Price" -- The higher of (i) the highest reported sales price, regular way, of a share of Common Stock in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which such shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change of Control or (ii) if the Change of Control is the result of a tender or exchange offer or a Business Combination, the highest price per share of Common Stock paid in such tender or exchange offer or Business Combination; provided, however, that, in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, the Change of Control Price shall be in all cases the Fair Market Value of the Common Stock on the date such Incentive Stock Option or Stock Appreciation Right is exercised. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other noncash consideration, the value of such securities or other noncash consideration shall be determined in the sole discretion of the Board.

(g) "Code" -- The Internal Revenue Code of 1986, or any law that supersedes or replaces it, as amended from time to time.

(h) "Committee" -- The Compensation Committee of the Board of Directors, or any other committee of the Board of Directors that the Board of Directors authorizes to administer this Plan. The Committee will be constituted in a manner that satisfies all applicable legal requirements, including satisfying the disinterested administration standard set forth in Rule 16b-3 and the outside director requirement under Section 162(m).

(i) "Common Stock" or "stock" -- (i) for periods prior to the Effective Time, Common Stock, \$.10 par value, of The Geon Company, and (ii) for periods from and after the Effective Time, common shares, \$.01 par value, of PolyOne Corporation, including in both cases authorized and unissued shares, treasury shares, and shares transferred from The Geon Share Ownership Trust or the M.A. Hanna Company Associates Ownership Trust.

(j) "Company" -- (i) for periods prior to the Effective Time, The Geon Company, a Delaware corporation, and (ii) for periods from and after the Effective Time, PolyOne Corporation, an Ohio corporation.

(k) "Continuing Director" -- A Director following a Change of Control who was a Director prior to such Change of Control or who was recommended or elected to succeed a Continuing Director by a majority of the Continuing Directors then in office.

(l) "Director"-- A director of the Company.

(m) "Director Option"-- A right to purchase Common Stock granted to a Director pursuant to Section 7.

(n) "Effective Time" -- The Effective Time as defined in the Agreement and Plan of Consolidation, dated as of May 7, 2000, as amended, by and among M.A. Hanna Company, The Geon Company and Consolidation Corp.

(o) "Exchange Act" -- The Securities Exchange Act of 1934, as amended, or any law that supersedes or replaces it, as the same may be amended from time to time.

(p) "Fair Market Value" of Common Stock -- The Fair Market Value of a share of Common Stock on any particular date means the mean of the high and low prices of the Common Stock on the relevant date or, if no sale was made on such date, then on the next preceding day on which such a sale was made (a) if the Common Stock is listed on the New York Stock Exchange, as reported on the New York Stock Exchange Composite Transactions listing (or similar report), or (b) if the Common Stock is listed on the NASDAQ National Market System, then as reported on such system, or (c) if not listed on either the New York Stock Exchange or the NASDAQ National Market System, as determined by the Board or Committee.

(q) "Incentive Stock Option"-- A Stock Option that meets the requirements of Section 422 of the Code.

(r) "Non-Employee Director"-- A Director who is not an employee of the Company.

(s) "Notice of Award" -- Any notice by the Committee to a Participant that advises the Participant of the grant of an Award or sets forth terms, conditions, and restrictions applicable to an Award.

(t) "Participant"-- Any person to whom an Award has been granted under this Plan.

(u) "Performance-Based Stock Award"-- A Stock Award granted to a Participant pursuant to Section 8.

(v) "Restricted Stock"-- An Award of Common Stock subject to restrictions or risk of forfeiture.

(w) "Rule 16b-3" -- Rule 16b-3 under the Exchange Act as the same may be amended, modified, superseded or replaced from time to time.

(x) "Section 162(m)" -- Section 162(m) of the Code, together with the regulations promulgated by the Internal Revenue Service thereunder, as the same may be amended, modified, superseded or replaced from time to time.

(y) "Stock Appreciation Right"-- This term has the meaning given to it in Section 6(b)(ii).

(z) "Stock Award"-- This term has the meaning given to it in Section 6(b)(iii).

(aa) "Stock Equivalent Unit"-- An Award that is valued by reference to the value of Common Stock.

(bb) "Stock Option"-- This term has the meaning given to it in Section 6(b)(iv).

3. ELIGIBILITY. All key employees of the Company and its Affiliates, including officers whether or not Directors, are eligible for the grant of Awards (other than Director Options). The selection of key employees to receive Awards (other than Director Options) will be within the discretion of the Committee. More than one Award may be granted to the same key employee.

All Non-Employee Directors are eligible for the grant of Director Options, as provided in Section 7. Non-Employee Directors are not, however, eligible for the grant of any Awards other than Director Options.

4. COMMON STOCK AVAILABLE FOR AWARDS; ADJUSTMENT.

(a) NUMBER OF SHARES OF COMMON STOCK. Subject to adjustment as provided for in Section 4(d), the aggregate number of shares of Common Stock that may be subject to Awards granted under this Plan shall be 3,869,246 shares of Common Stock. The assumption of awards granted by an organization acquired by the Company, or the grant of Awards under this Plan in substitution for any such awards, will not reduce the number of shares of Common Stock available for the grant of Awards under this Plan.

Common Stock subject to an Award that expires or is forfeited, terminated, or canceled will again be available for grant under this Plan, without reducing the number of shares of Common Stock available for grant of Awards under this Plan, except to the extent that the availability of those shares of Common Stock would cause this Plan or any Awards granted under this Plan to fail to qualify for the exemption provided by Rule 16b-3. Notwithstanding the foregoing, Common Stock subject to awards of Stock Options and Stock Appreciation Rights to Participants who are employees which expire or are forfeited, terminated, or canceled in the same year such Award is granted will, upon such expiration or forfeiture, termination, or cancellation, continue to be counted against the maximum number of shares with respect to which Options and Stock Appreciation Rights may be granted under this Plan in such year to such Participants holding the expired or forfeited, terminated or canceled Stock Options or Stock Appreciation Rights.

(b) LIMITATIONS ON CERTAIN AWARDS. (i) The aggregate number of shares of Common Stock that may be issued upon exercise of Incentive Stock Options is 3,869,246.

(ii) The maximum number of shares with respect to which Options (including Incentive Stock Options) and Stock Appreciation Rights may be granted under this Plan in any one fiscal year is (A) 200,000 as to any individual Participant who is an employee (other than the Chief Executive Officer or the Chief Operating Officer of the Company) and (B) 410,000 as to

any individual Participant who is the Chief Executive Officer or the Chief Operating Officer of the Company.

(iii) The aggregate number of shares of Restricted Stock (other than Restricted Stock which is a Performance-Based Stock Award) that may be awarded under this Plan is 3,869,246.

(c) NO FRACTIONAL SHARES. No fractional shares will be issued, and the Committee will determine the manner in which the value of fractional shares will be treated.

(d) ADJUSTMENT. In the event of any change in the number of shares of Common Stock by reason of a merger, consolidation, reorganization, recapitalization, or similar transaction, or in the event of a stock dividend, stock split, or distribution to stockholders (other than normal cash dividends), the Committee will adjust the number and class of shares that may be issued under this Plan, the number and class of shares subject to outstanding Awards, the exercise price applicable to outstanding Awards, and the Fair Market Value of the shares of Common Stock and other value determinations applicable to outstanding Awards.

5. ADMINISTRATION.

(a) COMMITTEE. This Plan will be administered by the Committee. The Committee will, subject to the terms of this Plan, have the authority to: (i) select the eligible employees who will receive Awards, (ii) grant Awards (other than Director Options), (iii) determine the number and types of Awards to be granted to employees, (iv) determine the terms, conditions, vesting periods, and restrictions applicable to Awards (other than Director Options), (v) adopt, alter, and repeal administrative rules and practices governing this Plan, (vi) interpret the terms and provisions of this Plan and any Awards granted under this Plan, (vii) prescribe the forms of any Notices of Award, Award Agreements, or other instruments relating to Awards, and (viii) otherwise supervise the administration of this Plan. Except as provided in the immediately following sentence, all decisions by the Committee will be made with the approval of not less than a majority of its members. In furtherance and not in limitation of the authority granted in clause (vi) of this paragraph, any interpretation by a majority of the Incumbent Directors then serving on the Committee as to whether a sale or other disposition of assets by the Company or an acquisition of assets of another corporation constitutes a "sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation" for purposes of clause (iii) of the definition of "Change of Control" in Section 2(e) hereof shall be final and binding for all purposes of this Plan and any Awards hereunder, notwithstanding that the transaction in question was, or is contemplated to be, submitted to stockholders of the Company for their approval and notwithstanding such approval.

(b) DELEGATION. The Committee may delegate any of its authority to any other person or persons that it deems appropriate, provided the delegation does not cause this Plan or any Awards granted under this Plan to fail to qualify for the exemption provided by Rule 16b-3 under the Exchange Act.

(c) DECISIONS FINAL. All decisions by the Committee, and by any other person or persons to whom the Committee has delegated authority, will be final and binding on all persons.

6. AWARDS.

(a) GRANT OF AWARDS. The Committee will determine the type or types of Awards to be granted to each Participant and will set forth in the related Notice of Award or Award Agreement the terms, conditions, vesting periods, and restrictions applicable to each Award. Awards may be granted singly or in combination or tandem with other Awards, except to the extent that any grants in combination or tandem would impair the exemption for performance based compensation provided for under Section 162(m). Awards may also be granted in replacement of, or in substitution for, other awards granted by the Company, whether or not granted under this Plan, except that, with respect to Performance-Based Stock Awards, the new Award must also be wholly contingent on the attainment of performance goals established by the Committee; without limiting the foregoing, if a Participant pays all or part of the exercise price or taxes associated with an Award by the transfer of Common Stock or the surrender of all or part of an Award (including the Award being exercised), the Committee may, in its discretion, grant a new Award (which, in the case of Awards intended to replace Performance-Based Stock Awards, must also be wholly contingent on the attainment of performance goals established by the Committee) to replace the shares of Common Stock that were transferred or the Award that was surrendered. The Company may assume awards granted by an organization acquired by the Company or may grant Awards in replacement of, or in substitution for, any such awards.

(b) TYPES OF AWARDS. Awards may include, but are not limited to, the following:

(i) DIRECTOR OPTION-- A right to purchase Common Stock granted to a Director pursuant to Section 7.

(ii) STOCK APPRECIATION RIGHT -- A right to receive a payment, in cash or Common Shares, equal to the excess of (A) the Fair Market Value of a specified number of shares of Common Stock on the date the right is exercised over (B) the Fair Market Value on the date the right is granted. The right may be conditioned upon the occurrence of certain events, such as a Change of Control of the Company, or may be unconditional, as determined by the Committee.

(iii) STOCK AWARD -- An Award that is made in Common Stock, Restricted Stock, or Stock Equivalent Units or that is otherwise based on, or valued in whole or in part by reference to, the Common Shares, including Performance-Based Stock Awards. All or any part of any Stock Award may be subject to such conditions, restrictions, and risks of forfeiture, as and to the extent established by the Committee and, with respect to Performance-Based Stock Awards, such conditions and restrictions as may be required under Section 162(m), so that the Performance-Based Stock Awards constitute performance-based compensation thereunder. Stock Awards may be based on the Fair Market Value of the Common Stock, or on other specified values or methods of valuation, as determined by the Committee.

(iv) STOCK OPTION -- A right to purchase a specified number of shares of Common Stock, during a specified period, and at a specified exercise price, all as determined by the Committee. A Stock Option may be an Incentive Stock

Option or a Stock Option that does not qualify as an Incentive Stock Option (a "non-qualified Stock Option"). In addition to the terms, conditions, vesting periods, and restrictions established by the Committee, Incentive Stock Options must comply with the requirements of Section 422 of the Code. The exercise price of a Stock Option, including a non-qualified Stock Option, may be no less than the Fair Market Value of the Common Shares on the date the Stock Option is granted.

(v) PERFORMANCE-BASED STOCK AWARDS-- A Stock Award granted to a Participant pursuant to Section 8.

7. DIRECTOR OPTIONS.

(a) GRANT OF DIRECTOR OPTIONS; NUMBER OF SHARES OF COMMON STOCK. Upon approval of this Plan at the 1995 Annual Meeting of Stockholders, each Non-Employee Director of the Company will receive a Director Option for 10,000 shares of Common Stock on the date of such meeting. Each Non-Employee Director who first becomes a Director at any time thereafter, will receive a Director Option for 10,000 shares of Common Stock on the date that he or she is first elected or appointed as a Non-Employee Director. Each Director who ceases to be an employee of the Company during his or her term in office will receive a Director Option on the date that he or she is first elected as a Director after ceasing to be an employee. Each Non-Employee Director who receives a Director Option under this Plan and continues in office will receive an additional Director Option for 2,000 shares of Common Stock annually on each anniversary date of the date on which the previous Director Option was received. No action by the Committee will be required to effect the grant of these Director Options. Notwithstanding the provisions of Section 14, the number of shares of Common Stock to which the annual Director Options relates may not be amended more than once every six months, other than to comport with changes in the Code, the Employee Retirement Income Security Act, as amended, or the rules thereunder.

(b) EXERCISE PRICE. The purchase price of the Common Stock subject to each Director Option will be the Fair Market Value of the Common Shares at the date of grant.

(c) DATE DIRECTOR OPTIONS BECOME EXERCISABLE. Each Director Option will become exercisable one year after the date of grant or upon the earlier occurrence of a Change of Control.

(d) EXPIRATION DATE. Unless terminated earlier pursuant to the next sentence, each Director Option will terminate, and the right of the holder to purchase Common Stock upon exercise of the Director Option will expire, at the close of business on the tenth anniversary date of the date of grant. Each Director Option will terminate, and the right of the holder to purchase Common Stock upon exercise of the Director Option will expire, upon the completion of a transaction of the type identified in Sections 2(e) (iii) and (iv), but only if provision satisfactory to the Committee is made for the payment to the holder of the Director Option of the excess of (i) the Fair Market Value of the Common Stock subject to the Director Option immediately prior to the completion of the transaction over (ii) the exercise price.

(e) NOT INCENTIVE STOCK OPTIONS. None of the Director Options will be Incentive Stock Options.

(f) CONTINUOUS SERVICE AS A DIRECTOR. No Director Option may be exercised unless the Non-Employee Director to whom the Director Option was granted has continued to be a Non-Employee Director from the time of grant through the time of exercise, except as provided in this Section 7(f).

(i) If the service in office of a Non-Employee Director is terminated due to the death of the Non-Employee Director, the Non-Employee Director's estate, executor, administrator, personal representative, or beneficiary will have the right to exercise the Director Option in whole or in part prior to the earlier of (i) 12 months after the date of the holder's death and (ii) the expiration of the Director Option.

(ii) If a Non-Employee Director ceases to be a Non-Employee Director by reason of his employment by the Company, the Director Option granted to that Non-Employee Director will be treated the same as Stock Options held by employees and will continue to be exercisable prior to the expiration of the Director Option, subject to the limitations on exercise following termination of employment established by the Committee pursuant to Section 12.

(iii) If the service in office of a Non-Employee Director is terminated for any reason other than those set forth in Sections 7(f)(i) and 7(f)(ii), the holder of the Director Option may exercise the Director Option in whole or in part only to the extent determined by the Committee.

8. PERFORMANCE-BASED STOCK AWARDS.

(a) PERFORMANCE-BASED STOCK AWARDS. The Committee may, in its discretion, grant Stock Awards valued by reference to shares of Common Stock that are wholly contingent on the attainment of performance goals established by the Committee from time to time. The performance goals will relate to one or more of the following performance measures, as determined by the Committee for each applicable performance period: (i) return to stockholders, (ii) cash flow, (iii) return on equity, (iv) Company created income (for example, income due to Company initiated cost reductions or productivity improvements), (v) sales growth, (vi) earnings and earnings growth, (vii) return on assets, (viii) stock price, (ix) earnings per share, (x) market share, (xi) customer satisfaction, and (xii) safety and/or environmental performance. Any such performance goals and the applicable performance measures will be determined by the Committee at the time of grant and reflected in a written award agreement. The number or value of Performance-Based Stock Awards that will be paid out to any Participant at the end of the applicable performance period, which may be one year or longer as determined by the Committee, will depend on the extent to which the Company attains the established performance goals.

(b) MAXIMUM AMOUNT OF PERFORMANCE-BASED STOCK AWARDS. No participant who is an employee may be awarded Performance-Based Stock Awards in any one fiscal year in excess of an aggregate of 100,000 shares of Common Stock. The maximum dollar value, based

on the Fair Market Value of the number of shares of Common Stock awarded, of any Performance-Based Stock Award to any Participant who is an employee shall not exceed \$1,200,000 in any one fiscal year.

9. DEFERRAL OF PAYMENT.

With the approval of the Committee, the delivery of the Common Stock, cash, or any combination thereof subject to an Award (other than Director Options) may be deferred, either in the form of installments or a single future delivery. The Committee may also permit selected Participants to defer the payment of some or all of their Awards, as well as other compensation, in accordance with procedures established by the Committee to assure that the recognition of taxable income is deferred under the Code. Deferred amounts may, to the extent permitted by the Committee, be credited as cash or Stock Equivalent Units. The Committee may also establish rules and procedures for the crediting of interest on deferred cash payments and dividend equivalents on Stock Equivalent Units.

10. PAYMENT OF EXERCISE PRICE. The exercise price of a Stock Option, Director Option, and any Stock Award for which the Committee has established an exercise price may be paid in cash, by the transfer of Common Stock, by the surrender of all or part of an Award (including the Award being exercised), or by a combination of these methods, as and to the extent permitted by the Committee. The Committee may prescribe any other method of paying the exercise price that it determines to be consistent with applicable law and the purpose of this Plan.

In the event shares of Restricted Stock are used to pay the exercise price of a Stock Award, a number of the shares of Common Stock issued upon the exercise of the Award equal to the number of shares of Restricted Stock used to pay the exercise price will be subject to the same restrictions as the Restricted Stock.

11. TAXES ASSOCIATED WITH AWARD. Prior to the payment of an Award, the Company may withhold, or require a Participant to remit to the Company, an amount sufficient to pay any Federal, state, and local taxes associated with the Award. The Committee may, in its discretion and subject to such rules as the Committee may adopt, permit a Participant to pay any or all taxes associated with the Award in cash, by the transfer of Common Stock, by the surrender of all or part of an Award (including the Award being exercised), including Performance-Based Stock Awards, or by a combination of these methods. The Committee may permit a Participant to pay any or all taxes associated with an Incentive Stock Option in cash, by the transfer of Common Stock, or by a combination of these methods.

12. TERMINATION OF EMPLOYMENT. Subject to Section 13, if the employment of a Participant terminates for any reason, all unexercised, deferred, and unpaid Awards may be exercisable or paid only in accordance with rules established by the Committee. Subject to the foregoing exception, these rules may provide, as the Committee deems appropriate, for the expiration, continuation, or acceleration of the vesting of all or part of the Awards.

13. CHANGE OF CONTROL. In the event of a Change of Control of the Company, unless and to the extent otherwise determined by the Board of Directors, (i) all Stock Appreciation Rights and Stock Options then outstanding will become fully exercisable as of the date of the

Change of Control and (ii) all restrictions and conditions applicable to Restricted Stock and other Stock Awards, including Performance-Based Stock Awards, will be deemed to have been satisfied as of the date of the Change of Control. Any such determination by the Board of Directors that is made after the occurrence of a Change of Control will not be effective unless a majority of the Directors then in office are Continuing Directors and the determination is approved by a majority of the Continuing Directors.

Notwithstanding any other provision of this Plan, during the 60-day period from and after a Change of Control (the "Exercise Period"), unless the Committee shall determine otherwise at the time of grant, an optionee shall have the right, whether or not the Stock Option is fully exercisable and in lieu of the payment of the exercise price for the shares of Common Stock being purchased under the Stock Option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Stock Option to the Company and to receive cash, within 30 days of such notice, in an amount equal to the amount by which the Change of Control Price per share of Common Stock on the date of such election shall exceed the exercise price per share of Common Stock under the Stock Option (the "Spread") multiplied by the number of shares of Common Stock granted under the Stock Option as to which the right granted under this Section shall have been exercised.

14. AMENDMENT, SUSPENSION, OR TERMINATION OF THIS PLAN; AMENDMENT OF OUTSTANDING AWARDS.

(a) AMENDMENT, SUSPENSION, OR TERMINATION OF THIS PLAN. The Board of Directors may amend, suspend, or terminate this Plan at any time. Stockholder approval for any such amendment will be required only to the extent necessary to preserve the exemption provided by Rule 16b-3 for this Plan and Awards granted under this Plan.

(b) AMENDMENT OF OUTSTANDING AWARDS. The Committee may, in its discretion, amend the terms of any Award (other than a Director Option), including, waiving, in whole or in part, any restrictions or conditions applicable to, or accelerating the vesting of, any Award, prospectively or retroactively, but no such amendment may impair the rights of any Participant without his or her consent or cause Awards intended to qualify as performance based compensation under Section 162(m) to fail to so qualify.

15. AWARDS TO FOREIGN NATIONALS AND EMPLOYEES OUTSIDE THE UNITED STATES. To the extent that the Committee deems appropriate to comply with foreign law or practice and to further the purpose of this Plan, the Committee may, without amending this Plan, (i) establish special rules applicable to Awards granted to Participants who are foreign nationals, are employed outside the United States, or both, including rules that differ from those set forth in this Plan, and (ii) grant Awards to such Participants in accordance with those rules.

16. NONASSIGNABILITY. Unless otherwise determined by the Committee, (i) no Award granted under this Plan may be transferred or assigned by the Participant to whom it is granted other than by will, pursuant to the laws of descent and distribution, or pursuant to a qualified domestic relations order and (ii) an Award granted under this Plan may be exercised, during the Participant's lifetime, only by the Participant or by the Participant's guardian or legal representative; except that, no Incentive Stock Option may be transferred or assigned pursuant to

a qualified domestic relations order or exercised, during the Participant's lifetime, by the Participant's guardian or legal representative.

17. GOVERNING LAW. The interpretation, validity, and enforcement of this Plan will, to the extent not governed by the Code or the securities laws of the United States, be governed by the laws of the State of Ohio.

18. RIGHTS OF EMPLOYEES. Nothing in this Plan will confer upon any Participant the right to continued employment by the Company or limit in any way the Company's right to terminate any Participant's employment at will.

19. EFFECTIVE AND TERMINATION DATES.

(a) EFFECTIVE DATE. This Plan will become effective on the date it is approved by the stockholders.

(b) TERMINATION DATE. This Plan will continue in effect until terminated by the Board of Directors.

THE GEON COMPANY
1998 INTERIM STOCK AWARD PLAN
(as amended and restated through August 31, 2000)

1. PURPOSE. The Geon Company 1998 Interim Stock Award Plan (the "Plan") is designed to foster and promote the long-term growth and performance of the Company by enhancing the Company's ability to attract and retain qualified key employees and motivating key employees through stock ownership and performance-based incentives. To achieve this purpose, this Plan provides authority for the grant of Stock Options, Restricted Stock, Stock Equivalent Units, Stock Appreciation Rights, Performance-Based Stock Awards, and other stock and performance-based incentives.

2. DEFINITIONS.

(a) "Affiliate"-- This term has the meaning given to it in Rule 12b-2 under the Exchange Act.

(b) "Award" -- The grant of Stock Options, Restricted Stock, Stock Equivalent Units, Stock Appreciation Rights, Performance-Based Stock Awards, and other stock and performance-based incentives under this Plan.

(c) "Award Agreement" -- Any agreement between the Company and a Participant that sets forth terms, conditions, and restrictions applicable to an Award.

(d) "Board of Directors "-- The Board of Directors of the Company.

(e) "Change of Control"-- A "Change of Control" means:

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

own 20% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) less than 20% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person's acquisition; or

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

(iii) the approval by the shareholders of the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation ("Business Combination") or, if consummation of such Business Combination is subject, at the time of such approval by shareholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Business Combination pursuant to which (i) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Voting Securities, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at

least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(f) "Change of Control Price" -- The higher of (i) the highest reported sales price, regular way, of a share of Common Stock in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which such shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change of Control or (ii) if the Change of Control is the result of a tender or exchange offer or a Business Combination, the highest price per share of Common Stock paid in such tender or exchange offer or Business Combination; provided, however, that, in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, the Change of Control Price shall be in all cases the Fair Market Value of the Common Stock on the date such Incentive Stock Option or Stock Appreciation Right is exercised. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other noncash consideration, the value of such securities or other noncash consideration shall be determined in the sole discretion of the Board.

(g) "Code" -- The Internal Revenue Code of 1986, or any law that supersedes or replaces it, as amended from time to time.

(h) "Committee" -- The Compensation Committee of the Board of Directors, or any other committee of the Board of Directors that the Board of Directors authorizes to administer this Plan. The Committee will be constituted in a manner that satisfies all applicable legal requirements, including satisfying the disinterested administration standard set forth in Rule 16b-3 and the outside director requirement under Section 162(m).

(i) "Common Stock" or "stock" -- (i) for periods prior to the Effective Time, Common Stock, \$.10 par value, of the Company, and (ii) for periods from and after the Effective Time, common shares, \$.01 par value, of the Company, including in both cases authorized and unissued shares, treasury shares, and shares transferred from The Geon Share Ownership Trust or the M.A. Hanna Company Associates Ownership Trust.

(j) "Company" -- (i) for periods prior to the Effective Time, The Geon Company, a Delaware corporation, and (ii) for periods from and after the Effective Time, PolyOne Corporation, an Ohio corporation.

(k) "Continuing Director" -- A Director following a Change of Control who was a Director prior to such Change of Control or who was recommended or elected to succeed a Continuing Director by a majority of the Continuing Directors then in office.

(l) "Director"-- A director of the Company.

(m) "Effective Time" -- The Effective Time as defined in the Agreement and Plan of Consolidation, dated as of May 7, 2000, as amended, by and among M.A. Hanna Company, The Geon Company and Consolidation Corp.

(n) "Exchange Act" -- The Securities Exchange Act of 1934, as amended, or any law that supersedes or replaces it, as the same may be amended from time to time.

(o) "Fair Market Value" of Common Stock -- The Fair Market Value of a share of Common Stock on any particular date means the mean of the high and low prices of the Common Stock on the relevant date or, if no sale was made on such date, then on the next preceding day on which such a sale was made (a) if the Common Stock is listed on the New York Stock Exchange, as reported on the New York Stock Exchange Composite Transactions listing (or similar report), or (b) if the Common Stock is listed on the NASDAQ National Market System, then as reported on such system, or (c) if not listed on either the New York Stock Exchange or the NASDAQ National Market System, as determined by the Board or Committee.

(p) "Incentive Stock Option"-- A Stock Option that meets the requirements of Section 422 of the Code.

(q) "Non-Employee Director"-- A Director who is not an employee of the Company.

(r) "Notice of Award" -- Any notice by the Committee to a Participant that advises the Participant of the grant of an Award or sets forth terms, conditions, and restrictions applicable to an Award.

(s) "Participant"-- Any person to whom an Award has been granted under this Plan.

(t) "Performance-Based Stock Award"-- A Stock Award granted to a Participant pursuant to Section 7.

(u) "Restricted Stock"-- An Award of Common Stock subject to restrictions or risk of forfeiture.

(v) "Rule 16b-3" -- Rule 16b-3 under the Exchange Act as the same may be amended, modified, superseded or replaced from time to time.

(w) "Section 162(m)" -- Section 162(m) of the Code, together with the regulations promulgated by the Internal Revenue Service thereunder, as the same may be amended, modified, superseded or replaced from time to time.

(x) "Stock Appreciation Right"-- This term has the meaning given to it in Section 6(b)(ii).

(y) "Stock Award"-- This term has the meaning given to it in Section 6(b)(iii).

(z) "Stock Equivalent Unit"-- An Award that is valued by reference to the value of Common Stock.

(aa) "Stock Option"-- This term has the meaning given to it in Section 6(b)(iv).

3. ELIGIBILITY. All key employees of the Company and its Affiliates, including officers whether or not Directors, are eligible for the grant of Awards. The selection of key employees to receive Awards will be within the discretion of the Committee. More than one Award may be granted to the same key employee. Non-Employee Directors are not, however, eligible for the grant of any Awards.

4. COMMON STOCK AVAILABLE FOR AWARDS; ADJUSTMENT.

(a) NUMBER OF SHARES OF COMMON STOCK. Subject to adjustment as provided for in Section 4(d), the aggregate number of shares of Common Stock that may be subject to Awards granted under this Plan shall be 375,574 shares of Common Stock. The assumption of awards granted by an organization acquired by the Company, or the grant of Awards under this Plan in substitution for any such awards, will not reduce the number of shares of Common Stock available for the grant of Awards under this Plan.

Common Stock subject to an Award that expires or is forfeited, terminated, or canceled will again be available for grant under this Plan, without reducing the number of shares of Common Stock available for grant of Awards under this Plan, except to the extent that the availability of those shares of Common Stock would cause this Plan or any Awards granted under this Plan to fail to qualify for the exemption provided by Rule 16b-3. Notwithstanding the foregoing, Common Stock subject to awards of Stock Options and Stock Appreciation Rights to Participants who are employees which expire or are forfeited, terminated, or canceled in the same year such Award is granted will, upon such expiration or forfeiture, termination, or cancellation, continue to be counted against the maximum number of shares with respect to which Options and Stock Appreciation Rights may be granted under this Plan in such year to such Participants holding the expired or forfeited, terminated or canceled Stock Options or Stock Appreciation Rights.

(b) LIMITATIONS ON CERTAIN AWARDS. (i) The aggregate number of shares of Common Stock that may be issued upon exercise of Incentive Stock Options is 375,574.

(ii) The maximum number of shares with respect to which Options (including Incentive Stock Options) and Stock Appreciation Rights may be granted under this Plan in any one fiscal year is (A) 100,000 as to any individual Participant who is an employee (other than the Chief Executive Officer or the Chief Operating Officer of the Company) and (B) 200,000 as to any individual Participant who is the Chief Executive Officer or the Chief Operating Officer of the Company.

(iii) The aggregate number of shares of Restricted Stock (other than Restricted Stock which is a Performance-Based Stock Award) that may be awarded under this Plan is 375,574.

(c) NO FRACTIONAL SHARES. No fractional shares will be issued, and the Committee will determine the manner in which the value of fractional shares will be treated.

(d) ADJUSTMENT. In the event of any change in the number of shares of Common Stock by reason of a merger, consolidation, reorganization, recapitalization, or similar transaction, or in the event of a stock dividend, stock split, or distribution to stockholders (other than normal cash dividends), the Committee will adjust the number and class of shares that may be issued under this Plan, the number and class of shares subject to outstanding Awards, the exercise price applicable to outstanding Awards, and the Fair Market Value of the shares of Common Stock and other value determinations applicable to outstanding Awards.

5. ADMINISTRATION.

(a) COMMITTEE. This Plan will be administered by the Committee. The Committee will, subject to the terms of this Plan, have the authority to: (i) select the eligible employees who will receive Awards, (ii) grant Awards, (iii) determine the number and types of Awards to be granted to employees, (iv) determine the terms, conditions, vesting periods, and restrictions applicable to Awards, (v) adopt, alter, and repeal administrative rules and practices governing this Plan, (vi) interpret the terms and provisions of this Plan and any Awards granted under this Plan, (vii) prescribe the forms of any Notices of Award, Award Agreements, or other instruments relating to Awards, and (viii) otherwise supervise the administration of this Plan. Except as provided in the immediately following sentence, all decisions by the Committee will be made with the approval of not less than a majority of its members. In furtherance and not in limitation of the authority granted in clause (vi) of this paragraph, any interpretation by a majority of the Incumbent Directors then serving on the Committee as to whether a sale or other disposition of assets by the Company or an acquisition of assets of another corporation constitutes a "sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation" for purposes of clause (iii) of the definition of "Change of Control" in Section 2(e) hereof shall be final and binding for all purposes of this Plan and any Awards hereunder, notwithstanding that the transaction in question was, or is contemplated to be, submitted to stockholders of the Company for their approval and notwithstanding such approval.

(b) DELEGATION. The Committee may delegate any of its authority to any other person or persons that it deems appropriate, provided the delegation does not cause this Plan or any Awards granted under this Plan to fail to qualify for the exemption provided by Rule 16b-3 under the Exchange Act.

(c) DECISIONS FINAL. All decisions by the Committee, and by any other person or persons to whom the Committee has delegated authority, will be final and binding on all persons.

6. AWARDS.

(a) GRANT OF AWARDS. The Committee will determine the type or types of Awards to be granted to each Participant and will set forth in the related Notice of Award or Award Agreement the terms, conditions, vesting periods, and restrictions applicable to each Award. Awards may be granted singly or in combination or tandem with other Awards. Awards

may also be granted in replacement of, or in substitution for, other awards granted by the Company, whether or not granted under this Plan, except that, with respect to Performance-Based Stock Awards, the new Award must also be wholly contingent on the attainment of performance goals established by the Committee; without limiting the foregoing, if a Participant pays all or part of the exercise price or taxes associated with an Award by the transfer of Common Stock or the surrender of all or part of an Award (including the Award being exercised), the Committee may, in its discretion, grant a new Award (which, in the case of Awards intended to replace Performance-Based Stock Awards, must also be wholly contingent on the attainment of performance goals established by the Committee) to replace the shares of Common Stock that were transferred or the Award that was surrendered. The Company may assume awards granted by an organization acquired by the Company or may grant Awards in replacement of, or in substitution for, any such awards.

(b) TYPES OF AWARDS. Awards may include, but are not limited to, the following:

(i) STOCK APPRECIATION RIGHT -- A right to receive a payment, in cash or Common Shares, equal to the excess of (A) the Fair Market Value of a specified number of shares of Common Stock on the date the right is exercised over (B) the Fair Market Value on the date the right is granted. The right may be conditioned upon the occurrence of certain events, such as a Change of Control of the Company, or may be unconditional, as determined by the Committee.

(ii) STOCK AWARD -- An Award that is made in Common Stock, Restricted Stock, or Stock Equivalent Units or that is otherwise based on, or valued in whole or in part by reference to, the Common Shares, including Performance-Based Stock Awards. All or any part of any Stock Award may be subject to such conditions, restrictions, and risks of forfeiture, as and to the extent established by the Committee. Stock Awards may be based on the Fair Market Value of the Common Stock, or on other specified values or methods of valuation, as determined by the Committee.

(iii) STOCK OPTION -- A right to purchase a specified number of shares of Common Stock, during a specified period, and at a specified exercise price, all as determined by the Committee. A Stock Option may be an Incentive Stock Option or a Stock Option that does not qualify as an Incentive Stock Option (a "non-qualified Stock Option"). In addition to the terms, conditions, vesting periods, and restrictions established by the Committee, Incentive Stock Options must comply with the requirements of Section 422 of the Code. The exercise price of an Incentive Stock Option may be no less than the Fair Market Value of the Common Shares on the date the Stock Option is granted.

(iv) PERFORMANCE-BASED STOCK AWARDS-- A Stock Award granted to a Participant pursuant to Section 7.

7. PERFORMANCE-BASED STOCK AWARDS.

(a) PERFORMANCE-BASED STOCK AWARDS. The Committee may, in its discretion, grant Stock Awards valued by reference to shares of Common Stock that are wholly contingent on the attainment of performance goals established by the Committee from time to time. The performance goals will relate to one or more of the following performance measures, as determined by the Committee for each applicable performance period: (i) return to stockholders, (ii) cash flow, (iii) return on equity, (iv) Company created income (for example, income due to Company initiated cost reductions or productivity improvements), (v) sales growth, (vi) earnings and earnings growth, (vii) return on assets, (viii) stock price, (ix) earnings per share, (x) market share, (xi) customer satisfaction, and (xii) safety and/or environmental performance. Any such performance goals and the applicable performance measures will be determined by the Committee at the time of grant and reflected in a written award agreement. The number or value of Performance-Based Stock Awards that will be paid out to any Participant at the end of the applicable performance period, which may be one year or longer as determined by the Committee, will depend on the extent to which the Company attains the established performance goals.

(b) MAXIMUM AMOUNT OF PERFORMANCE-BASED STOCK AWARDS. No participant who is an employee may be awarded Performance-Based Stock Awards in any one fiscal year in excess of an aggregate of 100,000 shares of Common Stock. The maximum dollar value, based on the Fair Market Value of the number of shares of Common Stock awarded, of any Performance-Based Stock Award to any Participant who is an employee shall not exceed \$1,200,000 in any one fiscal year.

8. DEFERRAL OF PAYMENT.

With the approval of the Committee, the delivery of the Common Stock, cash, or any combination thereof subject to an Award may be deferred, either in the form of installments or a single future delivery. The Committee may also permit selected Participants to defer the payment of some or all of their Awards, as well as other compensation, in accordance with procedures established by the Committee to assure that the recognition of taxable income is deferred under the Code. Deferred amounts may, to the extent permitted by the Committee, be credited as cash or Stock Equivalent Units. The Committee may also establish rules and procedures for the crediting of interest on deferred cash payments and dividend equivalents on Stock Equivalent Units.

9. PAYMENT OF EXERCISE PRICE. The exercise price of a Stock Option and any Stock Award for which the Committee has established an exercise price may be paid in cash, by the transfer of Common Stock, by the surrender of all or part of an Award (including the Award being exercised), or by a combination of these methods, as and to the extent permitted by the Committee. The Committee may prescribe any other method of paying the exercise price that it determines to be consistent with applicable law and the purpose of this Plan.

In the event shares of Restricted Stock are used to pay the exercise price of a Stock Award, a number of the shares of Common Stock issued upon the exercise of the Award equal to the number of shares of Restricted Stock used to pay the exercise price will be subject to the same restrictions as the Restricted Stock.

10. TAXES ASSOCIATED WITH AWARD. Prior to the payment of an Award, the Company may withhold, or require a Participant to remit to the Company, an amount sufficient to pay any Federal, state, and local taxes associated with the Award. The Committee may, in its discretion and subject to such rules as the Committee may adopt, permit a Participant to pay any or all taxes associated with the Award in cash, by the transfer of Common Stock, by the surrender of all or part of an Award (including the Award being exercised), including Performance-Based Stock Awards, or by a combination of these methods. The Committee may permit a Participant to pay any or all taxes associated with an Incentive Stock Option in cash, by the transfer of Common Stock, or by a combination of these methods.

11. TERMINATION OF EMPLOYMENT. Subject to Section 12, if the employment of a Participant terminates for any reason, all unexercised, deferred, and unpaid Awards may be exercisable or paid only in accordance with rules established by the Committee. Subject to the foregoing exception, these rules may provide, as the Committee deems appropriate, for the expiration, continuation, or acceleration of the vesting of all or part of the Awards.

12. CHANGE OF CONTROL. In the event of a Change of Control of the Company, unless and to the extent otherwise determined by the Board of Directors, (i) all Stock Appreciation Rights and Stock Options then outstanding will become fully exercisable as of the date of the Change of Control and (ii) all restrictions and conditions applicable to Restricted Stock and other Stock Awards, including Performance-Based Stock Awards, will be deemed to have been satisfied as of the date of the Change of Control. Any such determination by the Board of Directors that is made after the occurrence of a Change of Control will not be effective unless a majority of the Directors then in office are Continuing Directors and the determination is approved by a majority of the Continuing Directors.

Notwithstanding any other provision of this Plan, during the 60-day period from and after a Change of Control (the "Exercise Period"), unless the Committee shall determine otherwise at the time of grant, an optionee shall have the right, whether or not the Stock Option is fully exercisable and in lieu of the payment of the exercise price for the shares of Common Stock being purchased under the Stock Option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Stock Option to the Company and to receive cash, within 30 days of such notice, in an amount equal to the amount by which the Change of Control Price per share of Common Stock on the date of such election shall exceed the exercise price per share of Common Stock under the Stock Option (the "Spread") multiplied by the number of shares of Common Stock granted under the Stock Option as to which the right granted under this Section shall have been exercised.

13. AMENDMENT, SUSPENSION, OR TERMINATION OF THIS PLAN; AMENDMENT OF OUTSTANDING AWARDS.

(a) AMENDMENT, SUSPENSION, OR TERMINATION OF THIS PLAN. The Board of Directors may amend, suspend, or terminate this Plan at any time. Stockholder approval for any such amendment will be required only to the extent necessary to preserve the exemption provided by Rule 16b-3 for this Plan and Awards granted under this Plan.

(b) AMENDMENT OF OUTSTANDING AWARDS. The Committee may, in its discretion, amend the terms of any Award, including, waiving, in whole or in part, any

restrictions or conditions applicable to, or accelerating the vesting of, any Award, prospectively or retroactively, but no such amendment may impair the rights of any Participant without his or her consent or cause Awards intended to qualify as performance based compensation under Section 162(m) to fail to so qualify.

14. AWARDS TO FOREIGN NATIONALS AND EMPLOYEES OUTSIDE THE UNITED STATES. To the extent that the Committee deems appropriate to comply with foreign law or practice and to further the purpose of this Plan, the Committee may, without amending this Plan, (i) establish special rules applicable to Awards granted to Participants who are foreign nationals, are employed outside the United States, or both, including rules that differ from those set forth in this Plan, and (ii) grant Awards to such Participants in accordance with those rules.

15. NONASSIGNABILITY. Unless otherwise determined by the Committee, (i) no Award granted under this Plan may be transferred or assigned by the Participant to whom it is granted other than by will, pursuant to the laws of descent and distribution, or pursuant to a qualified domestic relations order and (ii) an Award granted under this Plan may be exercised, during the Participant's lifetime, only by the Participant or by the Participant's guardian or legal representative; except that, no Incentive Stock Option may be transferred or assigned pursuant to a qualified domestic relations order or exercised, during the Participant's lifetime, by the Participant's guardian or legal representative.

16. GOVERNING LAW. The interpretation, validity, and enforcement of this Plan will, to the extent not governed by the Code or the securities laws of the United States, be governed by the laws of the State of Ohio.

17. RIGHTS OF EMPLOYEES. Nothing in this Plan will confer upon any Participant the right to continued employment by the Company or limit in any way the Company's right to terminate any Participant's employment at will.

18. EFFECTIVE AND TERMINATION DATES.

(a) EFFECTIVE DATE. This Plan will become effective on the date of its adoption by the Board of Directors.

(b) TERMINATION DATE. This Plan will continue in effect until terminated by the Board of Directors.

THE GEON COMPANY
1999 INCENTIVE STOCK PLAN
(APPROVED BY STOCKHOLDERS APRIL 19, 1999)
(AMENDED AND RESTATED AS OF AUGUST 31, 2000)

1. PURPOSE. The Geon Company 1999 Incentive Stock Plan (the "Plan") is designed to foster and promote the long-term growth and performance of the Company by enhancing the Company's ability to attract and retain qualified Directors and key employees and motivating Directors and key employees through stock ownership and performance-based incentives. To achieve this purpose, this Plan provides authority for the grant of Stock Options, Restricted Stock, Stock Equivalent Units, Stock Appreciation Rights, Performance-Based Stock Awards, and other stock and performance-based incentives.

2. DEFINITIONS.

(a) "Affiliate"-- This term has the meaning given to it in Rule 12b-2 under the Exchange Act.

(b) "Award" -- The grant of Stock Options, Restricted Stock, Stock Equivalent Units, Stock Appreciation Rights, Performance-Based Stock Awards, and other stock and performance-based incentives under this Plan.

(c) "Award Agreement" -- Any agreement between the Company and a Participant that sets forth terms, conditions, and restrictions applicable to an Award.

(d) "Board of Directors "-- The Board of Directors of the Company.

(e) "Change of Control"--A "Change of Control" means:

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

beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 20% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the Outstanding Company Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) less than 20% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person's acquisition; or

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

(iii) the approval by the shareholders of the Company of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation ("Business Combination") or, if consummation of such Business Combination is subject, at the time of such approval by shareholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Business Combination pursuant to which (i) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Voting Securities, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the

corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(f) "Change of Control Price" -- The higher of (i) the highest reported sales price, regular way, of a share of Common Stock in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which such shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change of Control or (ii) if the Change of Control is the result of a tender or exchange offer or a Business Combination, the highest price per share of Common Stock paid in such tender or exchange offer or Business Combination; provided, however, that, in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, the Change of Control Price shall be in all cases the Fair Market Value of the Common Stock on the date such Incentive Stock Option or Stock Appreciation Right is exercised. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other noncash consideration, the value of such securities or other noncash consideration shall be determined in the sole discretion of the Board.

(g) "Code" -- The Internal Revenue Code of 1986, or any law that supersedes or replaces it, as amended from time to time.

(h) "Committee" -- The Compensation Committee of the Board of Directors, or any other committee of the Board of Directors that the Board of Directors authorizes to administer this Plan. The Committee will be constituted in a manner that satisfies all applicable legal requirements, including the "Non-Employee Director" standard set forth in Rule 16b-3 and the outside director requirement under Section 162(m).

(i) "Common Stock" or "stock" -- (i) for periods prior to the Effective Time, Common Stock, \$.10 par value, of the Company, and (ii) for periods from and after the Effective Time, common shares, \$.01 par value, of the Company, including in both cases authorized and unissued shares, treasury shares, and shares transferred from The Geon Share Ownership Trust or the M.A. Hanna Company Associates Ownership Trust.

(j) "Company" -- (i) for periods prior to the Effective Time, The Geon Company, a Delaware corporation, and (ii) for periods from and after the Effective Time, PolyOne Corporation, an Ohio corporation.

(k) "Continuing Director" -- A Director following a Change of Control who was a Director prior to such Change of Control or who was recommended or elected to succeed a Continuing Director by a majority of the Continuing Directors then in office.

(l) "Director"-- A director of the Company.

(m) "Effective Time"-- The Effective Time as defined in the Agreement and Plan of Consolidation, dated as of May 7, 2000, as amended, by and among M.A. Hanna Company, The Geon Company and Consolidation Corp.

(n) "Exchange Act" -- The Securities Exchange Act of 1934, as amended, or any law that supersedes or replaces it, as the same may be amended from time to time.

(o) "Fair Market Value" of Common Stock -- The Fair Market Value of a share of Common Stock on any particular date means the mean of the high and low prices of the Common Stock on the relevant date or, if no sale was made on such date, then on the next preceding day on which such a sale was made (a) if the Common Stock is listed on the New York Stock Exchange, as reported on the New York Stock Exchange Composite Transactions listing (or similar report), or (b) if the Common Stock is listed on the NASDAQ National Market System, then as reported on such system, or (c) if not listed on either the New York Stock Exchange or the NASDAQ National Market System, as determined by the Board or Committee.

(p) "Incentive Stock Option"-- A Stock Option that meets the requirements of Section 422 of the Code.

(q) "Non-Employee Director"-- A Director who is not an employee of the Company.

(r) "Notice of Award" -- Any notice by the Committee to a Participant that advises the Participant of the grant of an Award or sets forth terms, conditions, and restrictions applicable to an Award.

(s) "Participant"-- Any person to whom an Award has been granted under this Plan.

(t) "Performance-Based Stock Award"-- A Stock Award granted to a Participant pursuant to Section 7.

(u) "Restricted Stock"-- An Award of Common Stock subject to restrictions or risk of forfeiture.

(v) "Rule 16b-3" -- Rule 16b-3 under the Exchange Act as the same may be amended, modified, superseded or replaced from time to time.

(w) "Section 162(m) " -- Section 162(m) of the Code, together with the regulations promulgated by the Internal Revenue Service thereunder, as the same may be amended, modified, superseded or replaced from time to time.

(x) "Stock Appreciation Right"-- This term has the meaning given to it in Section 6(b)(ii).

(y) "Stock Award"-- This term has the meaning given to it in Section 6(b)(iii).

(z) "Stock Equivalent Unit"-- An Award that is valued by reference to the value of Common Stock.

(aa) "Stock Option"-- This term has the meaning given to it in Section 6(b)(iv).

3. ELIGIBILITY. All key employees of the Company and its Affiliates, including officers whether or not Directors, and all Non-Employee Directors are eligible for the grant of Awards, except that Non-Employee Directors shall not be eligible for the grant of Performance-Based Stock Awards under Section 7. The selection of Participants to receive Awards will be within the discretion of the Committee. More than one Award may be granted to the same Participant.

4. COMMON STOCK AVAILABLE FOR AWARDS; ADJUSTMENT.

(a) NUMBER OF SHARES OF COMMON STOCK. Subject to adjustment as provided for in Section 4(d) and subject to this Section 4(a), the aggregate number of shares of Common Stock that may be subject to Awards granted under this Plan shall be 1,705,090 shares of Common Stock. The assumption of awards granted by an organization acquired by the Company, or the grant of Awards under this Plan in substitution for any such awards, will not reduce the number of shares of Common Stock available for the grant of Awards under this Plan.

Common Stock subject to an Award that expires or is forfeited, terminated, or canceled will again be available for grant under this Plan, without reducing the number of shares of Common Stock available for grant of Awards under this Plan, except to the extent that the availability of those shares of Common Stock would cause this Plan or any Awards granted under this Plan to fail to qualify for the exemption provided by Rule 16b-3. If a Participant pays all or part of the exercise price of an Award by the transfer of shares of Common Stock or the surrender (including by attestation) of all or part of an Award (including the Award being exercised), such number of shares of Common Stock so transferred, or the number of shares of Common Stock attributable to the portion of the Award so surrendered, shall also be available for grant under this Plan. The number of shares of Common Stock attributable to any Award that is settled in cash without the actual issuance of any shares of Common Stock shall, upon such settlement, also be available for grant under this Plan.

(b) LIMITATIONS ON CERTAIN AWARDS. (i) The aggregate number of shares of Common Stock that may be issued upon exercise of Incentive Stock Options is 1,705,090.

(ii) The maximum number of shares with respect to which Options (including Incentive Stock Options) and Stock Appreciation Rights may be granted under this Plan in any period of three fiscal years to any individual Participant is 500,000.

(iii) The aggregate number of shares of Restricted Stock (other than Restricted Stock which is a Performance-Based Stock Award) that may be awarded under this Plan is 400,000.

(iv) The maximum number of shares with respect to which Options, Stock Appreciation Rights and Restricted Stock may be granted under this Plan in any one fiscal year to a Non-Employee Director is 20,000.

(v) No Participant who is an employee may be awarded Performance-Based Stock Awards in any one fiscal year in excess of an aggregate of 100,000 shares of Common Stock.

(c) NO FRACTIONAL SHARES. No fractional shares will be issued, and the Committee will determine the manner in which the value of fractional shares will be treated.

(d) ADJUSTMENT. In the event of any change in the number of shares of Common Stock by reason of a merger, consolidation, reorganization, recapitalization, or similar transaction, or in the event of a stock dividend, stock split, or distribution to stockholders (other than normal cash dividends), the Committee will adjust the number and class of shares that may be issued under this Plan, the number and class of shares subject to outstanding Awards, the exercise price applicable to outstanding Awards, and the Fair Market Value of the shares of Common Stock and other value determinations applicable to outstanding Awards.

5. ADMINISTRATION.

(a) COMMITTEE. This Plan will be administered by the Committee. The Committee will, subject to the terms of this Plan, have the authority to: (i) select the eligible employees and Non-Employee Directors who will receive Awards, (ii) grant Awards, (iii) determine the number and types of Awards to be granted to employees and Non-Employee Directors, (iv) determine the terms, conditions, vesting periods, and restrictions applicable to Awards, (v) adopt, alter, and repeal administrative rules and practices governing this Plan, (vi) interpret the terms and provisions of this Plan and any Awards granted under this Plan, (vii) prescribe the forms of any Notices of Award, Award Agreements, or other instruments relating to Awards, and (viii) otherwise supervise the administration of this Plan. All decisions by the Committee will be made with the approval of not less than a majority of its members. Except as provided in the immediately following sentence, all decisions by the Committee will be made with the approval of not less than a majority of its members. In furtherance and not in limitation of the authority granted in clause (vi) of this paragraph, any interpretation by a majority of the Incumbent Directors then serving on the Committee as to whether a sale or other disposition of assets by the Company or an acquisition of assets of another corporation constitutes a "sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation" for purposes of clause (iii) of the definition of "Change of Control" in Section 2(e) hereof shall be final and binding for all purposes of this Plan and any Awards hereunder, notwithstanding that the transaction in question was, or is contemplated to be, submitted to stockholders of the Company for their approval and notwithstanding such approval.

(b) DELEGATION. The Committee may delegate any of its authority to any other person or persons that it deems appropriate, provided the delegation does not cause this Plan or any Awards granted under this Plan to fail to qualify for the exemption provided by Rule 16b-3 under the Exchange Act.

(c) DECISIONS FINAL. All decisions by the Committee, and by any other person or persons to whom the Committee has delegated authority, will be final and binding on all persons.

6. AWARDS.

(a) GRANT OF AWARDS. The Committee will determine the type or types of Awards to be granted to each Participant and will set forth in the related Notice of Award or Award Agreement the terms, conditions, vesting periods, and restrictions applicable to each Award. Awards may be granted singly or in combination or tandem with other Awards, except to the extent that any grants in combination or tandem would impair the exemption for performance based compensation provided for under Section 162(m). Awards may also be granted in replacement of, or in substitution for, other awards granted by the Company, whether or not granted under this Plan, except that, with respect to Performance-Based Stock Awards, the new Award must also be wholly contingent on the attainment of performance goals established by the Committee; without limiting the foregoing, if a Participant pays all or part of the exercise price or taxes associated with an Award by the transfer of Common Stock or the surrender of all or part of an Award (including the Award being exercised), the Committee may, in its discretion, grant a new Award (which, in the case of Awards intended to replace Performance-Based Stock Awards, must also be wholly contingent on the attainment of performance goals established by the Committee) to replace the shares of Common Stock that were transferred or the Award that was surrendered. The Company may assume awards granted by an organization acquired by the Company or may grant Awards in replacement of, or in substitution for, any such awards. Except as provided in Section 4(d), and notwithstanding any other provision of this Plan to the contrary, any reduction in the exercise price of a Stock Option or Stock Appreciation Right previously granted under this Plan, whether through amendment, cancellation or replacement Awards or any other means, shall be subject to, and shall become effective only upon, approval of the reduction in exercise price by the stockholders of the Company.

(b) TYPES OF AWARDS. Awards may include, but are not limited to, the following:

(i) STOCK APPRECIATION RIGHT -- A right to receive a payment, in cash or Common Shares, equal to the excess of (A) the Fair Market Value of a specified number of shares of Common Stock on the date the right is exercised over (B) the Fair Market Value on the date the right is granted. The right may be conditioned upon the occurrence of certain events, such as a Change of Control of the Company, or may be unconditional, as determined by the Committee.

(ii) STOCK AWARD -- An Award that is made in Common Stock, Restricted Stock, or Stock Equivalent Units or that is otherwise based on, or valued in whole or in part by reference to, the Common Shares, including

Performance-Based Stock Awards. All or any part of any Stock Award may be subject to such conditions, restrictions, and risks of forfeiture, as and to the extent established by the Committee and, with respect to Performance-Based Stock Awards, such conditions and restrictions as may be required under Section 162(m), so that the Performance-Based Stock Awards constitute performance-based compensation thereunder. Subject to Section 11 and Section 12 below, all Stock Awards made in Restricted Stock shall be subject to risk of forfeiture upon termination of employment for any reason for a period of not less than three years from the date of grant. Stock Awards may be based on the Fair Market Value of the Common Stock, or on other specified values or methods of valuation, as determined by the Committee.

(iii) STOCK OPTION -- A right to purchase a specified number of shares of Common Stock, during a specified period, and at a specified exercise price, all as determined by the Committee. A Stock Option may be an Incentive Stock Option or a Stock Option that does not qualify as an Incentive Stock Option (a "non-qualified Stock Option"). In addition to the terms, conditions, vesting periods, and restrictions established by the Committee, Incentive Stock Options must comply with the requirements of Section 422 of the Code. The exercise price of a Stock Option, including a non-qualified Stock Option, may be no less than the Fair Market Value of the Common Shares on the date the Stock Option is granted.

(v) PERFORMANCE-BASED STOCK AWARDS-- A Stock Award granted to a Participant pursuant to Section 7.

7. PERFORMANCE-BASED STOCK AWARDS. The Committee may, in its discretion, grant Stock Awards valued by reference to shares of Common Stock that are wholly contingent on the attainment of performance goals established by the Committee from time to time. The performance goals will relate to one or more of the following performance measures, as determined by the Committee for each applicable performance period: (i) return to stockholders, (ii) cash flow, (iii) return on equity, (iv) Company created income (for example, income due to Company initiated cost reductions or productivity improvements), (v) sales growth, (vi) earnings and earnings growth, (vii) return on assets, (viii) stock price, (ix) earnings per share, (x) market share, (xi) customer satisfaction, and (xii) safety and/or environmental performance. Any such performance goals and the applicable performance measures will be determined by the Committee at the time of grant and reflected in a written award agreement. The foregoing performance goals and performance criteria shall have any reasonable definitions that the Committee may specify, which may include or exclude any or all of the following items, as the Committee may specify: extraordinary, unusual or non-recurring items; effects of accounting changes; effects of currency fluctuations; effects of financing activities (e.g., effect on earnings per share of issuing convertible debt securities); expenses for restructuring or productivity initiatives; non-operating items; acquisition expenses (e.g., pooling of interests); and effects of divestitures. Any such performance goals or combination of such goals may apply to the Participant's Performance-Based Stock Award in its entirety or to any designated portion or portions of the Performance-Based Stock Award, as the Committee may specify. The number or value of Performance-Based Stock Awards that will be paid out to any Participant at the end of

the applicable performance period will depend on the extent to which the Company attains the established performance goals. No performance period shall be less than one year long, but the performance period may, in the discretion of the Committee, be longer than one year.

8. DEFERRAL OF PAYMENT. With the approval of the Committee, the delivery of the Common Stock, cash, or any combination thereof subject to an Award may be deferred, either in the form of installments or a single future delivery. The Committee may also permit selected Participants to defer the payment of some or all of their Awards, as well as other compensation, in accordance with procedures established by the Committee to assure that the recognition of taxable income is deferred under the Code. Deferred amounts may, to the extent permitted by the Committee, be credited as cash or Stock Equivalent Units. The Committee may also establish rules and procedures for the crediting of interest on deferred cash payments and dividend equivalents on Stock Equivalent Units.

9. PAYMENT OF EXERCISE PRICE. The exercise price of a Stock Option and any Stock Award for which the Committee has established an exercise price may be paid in cash, by the transfer of Common Stock, by the surrender of all or part of an Award (including the Award being exercised), or by a combination of these methods, as and to the extent permitted by the Committee. The Committee may prescribe any other method of paying the exercise price that it determines to be consistent with applicable law and the purpose of this Plan.

In the event shares of Restricted Stock are used to pay the exercise price of a Stock Award, a number of the shares of Common Stock issued upon the exercise of the Award equal to the number of shares of Restricted Stock used to pay the exercise price will be subject to the same restrictions as the Restricted Stock.

10. TAXES ASSOCIATED WITH AWARD. Prior to the payment of an Award, the Company may withhold, or require a Participant to remit to the Company, an amount sufficient to pay any Federal, state, and local taxes associated with the Award. The Committee may, in its discretion and subject to such rules as the Committee may adopt, permit a Participant to pay any or all taxes associated with the Award in cash, by the transfer of Common Stock, by the surrender of all or part of an Award (including the Award being exercised), including Performance-Based Stock Awards, or by a combination of these methods. The Committee may permit a Participant to pay any or all taxes associated with an Incentive Stock Option in cash, by the transfer of Common Stock, or by a combination of these methods.

11. TERMINATION OF EMPLOYMENT. Subject to Section 12, if the employment of a Participant terminates for any reason, all unexercised, deferred, and unpaid Awards may be exercisable or paid only in accordance with rules established by the Committee. Subject to the foregoing exception, these rules may provide, as the Committee deems appropriate, for the expiration, continuation, or acceleration of the vesting of all or part of the Awards.

12. CHANGE OF CONTROL. In the event of a Change of Control of the Company, unless and to the extent otherwise determined by the Board of Directors, (i) all Stock Appreciation Rights and Stock Options then outstanding will become fully exercisable as of the date of the Change of Control and (ii) all restrictions and conditions applicable to Restricted Stock and other Stock Awards, including Performance-Based Stock Awards, will be deemed to have been

satisfied as of the date of the Change of Control. Any such determination by the Board of Directors that is made after the occurrence of a Change of Control will not be effective unless a majority of the Directors then in office are Continuing Directors and the determination is approved by a majority of the Continuing Directors.

Notwithstanding any other provision of this Plan, during the 60-day period from and after a Change of Control (the "Exercise Period"), unless the Committee shall determine otherwise at the time of grant, an optionee shall have the right, whether or not the Stock Option is fully exercisable and in lieu of the payment of the exercise price for the shares of Common Stock being purchased under the Stock Option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Stock Option to the Company and to receive cash, within 30 days of such notice, in an amount equal to the amount by which the Change of Control Price per share of Common Stock on the date of such election shall exceed the exercise price per share of Common Stock under the Stock Option (the "Spread") multiplied by the number of shares of Common Stock granted under the Stock Option as to which the right granted under this Section shall have been exercised.

13. AMENDMENT, SUSPENSION, OR TERMINATION OF THIS PLAN; AMENDMENT OF OUTSTANDING AWARDS.

(a) AMENDMENT, SUSPENSION, OR TERMINATION OF THIS PLAN. The Board of Directors may amend, suspend, or terminate this Plan at any time. Stockholder approval for any such amendment will be required only (i) to the extent necessary to preserve the exemption provided by Rule 16b-3 for this Plan and Awards granted under this Plan or (ii) if the proposed amendment would materially increase the benefits accruing to Participants under this Plan.

(b) AMENDMENT OF OUTSTANDING AWARDS. The Committee may, in its discretion, amend the terms of any Award, including, waiving, in whole or in part, any restrictions or conditions applicable to, or accelerating the vesting of, any Award, prospectively or retroactively, but no such amendment may impair the rights of any Participant without his or her consent or cause Awards intended to qualify as performance based compensation under Section 162(m) to fail to so qualify.

14. AWARDS TO FOREIGN NATIONALS AND EMPLOYEES OUTSIDE THE UNITED STATES. To the extent that the Committee deems appropriate to comply with foreign law or practice and to further the purpose of this Plan, the Committee may, without amending this Plan, (i) establish special rules applicable to Awards granted to Participants who are foreign nationals, are employed outside the United States, or both, including rules that differ from those set forth in this Plan, and (ii) grant Awards to such Participants in accordance with those rules.

15. NONASSIGNABILITY. Unless otherwise determined by the Committee, (i) no Award granted under this Plan may be transferred or assigned by the Participant to whom it is granted other than by will, pursuant to the laws of descent and distribution, or pursuant to a qualified domestic relations order and (ii) an Award granted under this Plan may be exercised, during the Participant's lifetime, only by the Participant or by the Participant's guardian or legal representative; except that, no Incentive Stock Option may be transferred or assigned pursuant to a qualified domestic relations order or exercised, during the Participant's lifetime, by the Participant's guardian or legal representative.

16. GOVERNING LAW. The interpretation, validity, and enforcement of this Plan will, to the extent not governed by the Code or the securities laws of the United States, be governed by the laws of the State of Ohio.

17. RIGHTS OF EMPLOYEES. Nothing in this Plan will confer upon any Participant the right to continued employment by the Company or limit in any way the Company's right to terminate any Participant's employment at will.

18. EFFECTIVE AND TERMINATION DATES.

(a) EFFECTIVE DATE. This Plan became effective on April 19, 1999, the date the stockholders approved the Plan.

(b) TERMINATION DATE. This Plan will continue in effect until terminated by the Board of Directors.

SENIOR EXECUTIVE POLYONE ANNUAL INCENTIVE PLAN

1. PURPOSE. The Senior Executive PolyOne Annual Incentive Plan (the "PolyOne AIP") has been established to provide opportunities to certain key executive personnel to receive incentive compensation as a reward for high levels of performance above the ordinary performance standards compensated by base salary, and for their contributions to strong performance of the Company. The PolyOne AIP is designed to provide a competitive level of performance-based incentive compensation when all relevant performance objectives are achieved.

2. ADMINISTRATION. The PolyOne AIP will be administered by the Compensation Committee of the Board of Directors (the "Committee"). The Committee is authorized to interpret the PolyOne AIP and to establish and maintain guidelines necessary or desirable for the administration of the PolyOne AIP. Decisions and determinations of the Committee shall be binding on all persons claiming rights under the PolyOne AIP. The Committee may delegate to the Chief Executive Officer or other officers, subject to such terms as the Committee shall determine, authority to perform such functions, including administrative functions, except that the Committee shall retain exclusive authority to determine matters relating to awards to the Chief Executive Officer and other key executive personnel that are intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code (the "Code").

3. ELIGIBILITY.

(a) Participation in the PolyOne AIP will be limited to those key executive personnel selected by the Committee who have the potential to influence significantly and positively the performance of the Company.

(b) To be eligible for participation in any particular year during the term of the PolyOne AIP (a "Plan Year"), a key executive must have assumed the duties of an incentive-eligible position and have been selected for participation in the PolyOne AIP within 90 days of the commencement of the applicable Plan Year. The foregoing and other provisions of the PolyOne AIP notwithstanding, the Committee may select any eligible employee who the Committee determines is not a "covered employee" in a given Plan Year to receive an award under the PolyOne AIP without complying with the timing and other limitations set forth in Sections 3(b), 4(b), 5 and 8(a). The Committee may also make awards to newly hired or newly promoted executives without compliance with such timing and other limitations, which awards may be based on performance during less than the full Plan Year. For purposes of the PolyOne AIP, a "covered employee" means an officer who the Committee deems likely to have compensation for the Plan Year which would be non-deductible by the Company under Code Section 162(m) if the Company did not comply with the provisions of Code Section 162(m) and the regulations thereunder with respect to such compensation.

4. PARTICIPANT CATEGORIES; TARGET AWARD LEVELS.

(a) For each Plan Year, each participant will be assigned to an incentive category based on organizational level, business unit or function, and potential impact on Company results. Each incentive category will be assigned a corresponding target level of incentive opportunity ("Incentive Percentage") stated as a percentage of base salary (up to a maximum of 200%) that will be available to the participant upon achievement of the Performance Targets (as hereinafter defined) for the respective Performance Measures (as hereinafter defined) for the applicable Plan Year. In the case of a covered employee, unless the Committee specifies a separate maximum award amount that may be earned, the base salary upon which the Incentive Percentage is based will be that in effect at the time the Committee establishes the Incentive Percentage.

(b) Category assignments for each Plan Year will be approved by the Compensation Committee within 90 days of the commencement of the applicable Plan Year. In determining category assignments other than that of Chief Executive Officer, the Committee will consider the recommendations of the Chief Executive Officer of the Company.

5. PERFORMANCE MEASURES AND TARGETS

(a) Within 90 days of the commencement of each applicable Plan Year, the Committee shall determine the performance goal targets ("Performance Targets") applicable to the measures of Company and/or business unit performance ("Performance Measures") which must be achieved in order for awards to be paid under the PolyOne AIP. If the Committee so determines, a Performance Target may include a minimum threshold performance level, a maximum performance level, and one or more intermediate performance levels or ranges, with target award levels or ranges that will correspond to the respective performance levels or ranges included in the Performance Target. The Performance Measures will include one or more of the following, as determined by the Committee for each Plan Year: (i) total return to shareholders, (ii) cash flow, (iii) return on equity, (iv) Company created income (for example, income due to Company initiated cost reductions or productivity improvements), (v) sales growth, (vi) earnings and earnings growth, (vii) return on assets, (viii) share price, (ix) earnings per share, (x) market share, (xi) customer satisfaction, (xii) safety and/or environmental performance, (xiii) electronic commerce performance, and (xiv) specific measures related to other forms of marketing or sales. The foregoing terms shall have any reasonable definitions that the Committee may specify.

(b) The Performance Measures selected by the Committee for each Plan Year will be weighted by the Committee to reflect their relative importance to the Company in the applicable Plan Year. The weightings of the Performance Measures shall also be determined by the Committee within 90 days of the commencement of each applicable Plan Year.

6. CERTIFICATION OF ACHIEVEMENT. Promptly following the end of each Plan Year the Committee will meet to certify achievement by the Company of the Performance Targets for the applicable Plan Year and, if such goals have been achieved, to review management recommendations and approve actual awards under the PolyOne AIP. The Committee shall certify in writing, in a manner conforming to applicable regulations under Section 162(m), prior to payout of each award granted to a covered employee, that the Performance Targets relating to the award and other material terms of the award upon which payout was conditioned have been satisfied.

7. DETERMINATION OF AWARDS. The amount of incentive awards available for payment to a participant under the PolyOne AIP will be the product of the participant's salary and the Incentive Percentage, adjusted to reflect the weightings assigned to the Performance Measures with respect to which the Performance Targets were met and further adjusted, in the case of any Performance Target for which the Committee determined more than one level or range of performance, to reflect the level or range of performance achieved; provided that the maximum annual dollar award (after giving effect to the 25% premium for restricted share deferrals provided for in Section 8) paid to any participant for any one Plan Year will be \$2,000,000. No awards will be paid under the PolyOne AIP if none of the Performance Targets is achieved. Notwithstanding the amount of any available incentive award under PolyOne AIP, the Committee may, in its discretion, reduce or eliminate the amount of any incentive award actually paid to a participant based on individual performance or otherwise. In no event may the Committee increase the amount of any available incentive award to a covered employee provided for under the PolyOne AIP.

8. PAYMENT OF AWARDS.

(a) Awards will be paid as soon as practicable after approval by the Committee. The Committee may determine, within 90 days of the commencement of the applicable Plan Year, that a portion of the participant's award will be paid in the form of restricted shares or share equivalent units (the "Basic Deferral"). Participants will also have the opportunity to elect, within 120 days of the commencement of the applicable Plan Year, additional optional deferrals so that they may receive up to 100% of their award, if any, as restricted shares or share equivalent units.

(b) Any award paid as restricted shares or share equivalent units will be enhanced with a 25% "premium", i.e. for every \$100 deferred, the participant will receive \$125 in restricted shares or share equivalent units. Restrictions on the restricted shares or share equivalent units will be determined by the Committee at the time awards are approved in accordance with the provisions of the stock option plan of the Company under which the shares are awarded. The number of restricted shares to be delivered or share equivalent units to be credited to a participant in respect of his or her incentive award under the PolyOne AIP shall be determined by dividing the dollar amount of the incentive award (after giving effect to the 25% premium for restricted share deferrals) under the PolyOne AIP by the fair market value of one common share of the Company on the first business day of the year immediately succeeding the Plan Year in respect of which the incentive award is made.

(c) For purposes of the PolyOne AIP, fair market value of one share shall be the mean of the high and low prices of the Company's common shares on the relevant date (or, if no sale was made on such date, then on the next preceding date on which such a sale was made) on the composite tape reporting transactions in securities listed on The New York Stock Exchange. If the Company's common shares are not listed on The New York Stock Exchange, the fair market value of one share of stock shall be as determined by the Committee.

(d) Any portion of a participant's award not paid as restricted shares or share equivalent units will be paid in cash. Other provisions of this Section 8 notwithstanding, the Committee may determine to pay out portions of the award that otherwise would be payable as restricted shares or share equivalent units in cash (without payment of any "premium") in any circumstance deemed appropriate by the Committee.

9. OTHER PROVISIONS.

(a) No awards under the PolyOne AIP are to be considered earned until received.

(b) Awards to participants who serve in incentive-eligible positions for less than a full year, or who within a year serve in two or more positions that are of significantly different size, may be adjusted on a pro rata basis.

(c) Neither the adoption of the PolyOne AIP nor its submission to the shareholders for approval shall be construed as creating any limitations on the power of the Board of Directors or Committee to adopt such other incentive arrangements, apart from the PolyOne AIP, including incentive arrangements and awards which do not qualify under Code Section 162(m), and such other arrangements may be either applicable generally or only in specific cases.

10. PAYMENT UPON CHANGE IN CONTROL.

(a) Anything to the contrary notwithstanding, within five days following the occurrence of a "Change in Control" (as defined in Attachment A hereto), the Company shall pay to each participant an interim lump-sum cash payment (the "Interim Payment") with respect to his or her participation in the PolyOne AIP. The amount of the Interim Payment shall equal the product of the number of months, including fractional months, that have elapsed until the occurrence of the Change in Control in the calendar year in which the Change in Control occurs and one-twelfth of the greater of (i) the amount most recently paid to each participant for a full calendar year, or (ii) the level of incentive opportunity for each participant in effect prior to the Change in Control for the calendar year in which the Change in Control occurs assuming that all Performance Targets were achieved at the maximum performance level, in each case under the terms of the PolyOne AIP.

(b) The Interim Payment shall not reduce the obligation of the Company to make a final payment under the terms of the PolyOne AIP, but any Interim Payment made shall be offset against any later payment required to be made under the terms of the PolyOne AIP for the Plan Year in which a Change in Control occurs. In no event shall any participant be required to refund to the Company, or have offset against any other payment due any participant from or on behalf of the Company, all or any portion of the Interim Payment.

11. AMENDMENT; TERM OF THE POLYONE AIP.

(a) The PolyOne AIP may be amended by the Committee to the extent required in order to comply with the provisions of Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder regarding "performance-based" compensation.

(b) The PolyOne AIP will be effective on August 31, 2001, and will remain in effect thereafter until terminated by the Committee.

ATTACHMENT A

SENIOR EXECUTIVE POLYONE ANNUAL INCENTIVE PLAN

DEFINITION OF "CHANGE IN CONTROL"

For purposes of the Senior Executive PolyOne Annual Incentive Plan, "Change in Control" shall mean:

- - The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of the Company where such acquisition causes such Person to own 20% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of paragraph the following acquisitions shall not be deemed to result in a Change of Control: (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (D) any acquisition by any corporation pursuant to a transaction that complies with clauses (A), (B) and (C) of the third paragraph below; provided, further, that if any Person's beneficial ownership of the Outstanding Company Voting Securities reaches or exceeds 20% as a result of a transaction described in clause (A) or (B) above, and such Person subsequently acquires beneficial ownership of additional voting securities of the Company, such subsequent acquisition shall be treated as an acquisition that causes such Person to own 20% or more of the Outstanding Company Voting Securities; and provided, further, that if at least a majority of the members of the Incumbent Board determines in good faith that a Person has acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of the Outstanding Voting Securities inadvertently, and such Person divests as promptly as practicable a sufficient number of shares so that such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) less than 20% of the Outstanding Company Voting Securities, then no Change of Control shall have occurred as a result of such Person's acquisition; or
- - individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

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

[Date]

[Name]
[Title]
[Address]

Dear _____:

PolyOne Corporation (the "Company") considers the establishment and maintenance of a sound and vital senior management to be essential to protecting and enhancing the best interests of the Company and its shareholders. In this connection, the Company recognizes that, as is the case with many publicly-held corporations, the possibility of a change of control may exist and that such possibility, and the uncertainty and questions that it may raise among management, may result in the distraction and even the departure of senior management personnel to the detriment of the Company and its shareholders. Accordingly, the Company's Board of Directors has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's senior management, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change of control of the Company.

In order to induce you to remain in the employ of the Company, and to continue your employment notwithstanding the occurrence or threat of occurrence of a transaction that results in a change of control of the Company, this letter agreement ("Agreement") sets forth the benefits that the Company agrees shall be provided to you in the event a Change of Control (as hereinafter defined in Paragraph 3) should occur during the term of this Agreement and in the event that your employment is thereafter terminated under such circumstances as are expressly provided in Paragraph 4.

In making provision for the payment of these benefits, it is not the Company's intention to alter in any way the compensation and benefits that would be paid to you in the absence of a Change of Control.

1. TERM. This Agreement shall commence on [Date] and shall continue through December 31, 2003, provided, however, that commencing on January 1, 2002 and each January 1st thereafter, the term of this Agreement shall automatically be extended for one additional year, unless at least 90 days prior to such January 1st date, the Company shall have given notice that it does not wish to extend this Agreement. Upon the occurrence of a Change of Control during the term of this Agreement, including any extensions thereof, this Agreement

shall automatically be extended until the end of your Period of Employment (as hereinafter defined in Paragraph 2), and may not be terminated by the Company during such time.

2. PERIOD OF EMPLOYMENT. Your "Period of Employment" shall commence on the date on which a Change of Control occurs and shall end on the date that is ___ months after the date on which such Change of Control occurs. Notwithstanding the foregoing, however, your Period of Employment shall not extend beyond the Mandatory Retirement Date (as hereinafter defined in Paragraph 3) applicable to you.

3. CERTAIN DEFINITIONS. For purposes of this Agreement:

(a) A "Change of Control" shall mean

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

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board" (as modified by this clause (ii)) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (either by a specific vote or by approval of the

proxy statement of the Company in which such person is named as a nominee for director, without objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

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

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company except pursuant to a Business Combination that complies with clauses (A), (B) and (C) of subsection (iii), above.

(b) The term "Mandatory Retirement Date" shall mean the compulsory retirement date, if any, established by the Company for those executives of the Company who, by reason of their positions and the size of their nonforfeitable annual retirement benefits under the Company's pension, profit-sharing, and deferred compensation plans, are exempt from the provisions of the Age Discrimination in Employment Act, 29 U.S.C. Sections 621, et seq., which date shall not in any event be earlier for any executive than the last day of the month in which such executive reaches age 65.

4. COMPENSATION UPON TERMINATION OF EMPLOYMENT. If, during the Period of Employment, the Company shall terminate your employment for any reason (other than for a reason and as expressly provided in Paragraph 5 hereof), or if you shall terminate your employment for "Good Reason" (as hereinafter defined in subparagraph 4(f)), then the Company shall be obligated to compensate you as follows:

(a) The Company shall, at your election (which shall be made on the signing of this Agreement and which may be changed by you as of any January 1st that occurs prior to a Change of Control by giving prior written notice of such change to the Company), either (i) continue your base salary at the rate in effect immediately prior to the Change of Control or, if greater, immediately prior to the Date of Termination (as hereinafter defined in Paragraph 7) ("Base Salary") for a period equal to the shorter of (A) [one (1)/two (2)/three (3)] years, commencing on the Date of Termination, or (B) the period from the Date of Termination to your Mandatory Retirement Date, if any (whichever period applies shall hereinafter be known as the "Payment Period") or (ii) pay to you in a lump sum, by not later than the fifth day following the Date of Termination, an amount equal to one-twelfth of your annualized Base Salary, multiplied by the number of months, including fractional months, in the Payment Period;

(b) By not later than the fifth day following the Date of Termination, the Company shall pay you in a lump sum an amount equal to the product of (x) the number of months, including fractional months, in the Payment Period and (y) under the Company's annual bonus or similar incentive plan (the "Annual Incentive Plan"), one-twelfth of your "target annual incentive amount" in effect prior to the Change of Control for the calendar year in which the Change of Control occurs. Your "target annual incentive amount" under the Annual Incentive Plan is determined by multiplying your salary range midpoint by the incentive target percentage that is applicable to your incentive category under such Plan;

(c)

(i) The Company shall maintain in full force and effect, for your continued benefit, for the Payment Period, all health and welfare benefit plans and programs or arrangements in which you were entitled to participate immediately prior to the Date of Termination, as long as your continued participation is possible under the general terms and provisions of such plans and programs. In the event that your participation in any such plan or program is barred, the Company shall provide you with benefits substantially similar to those to which you would have been entitled to receive under such plans and programs, had you continued to participate in them as an employee of the Company plus an amount in cash equal to the amount necessary to cause the amount of the aggregate after-tax compensation and employee benefits you receive pursuant to this provision to be equal to the aggregate after-tax value of the benefits that you would have received if you continued to receive such benefits as an employee. Notwithstanding the preceding two sentences, this subsection 4(c)(i) shall not restrict the Company's right to modify or discontinue any benefit; provided, however, that you shall not be treated less favorably than similarly situated active employees (including non-highly compensated, salaried employees as similarly situated for such purpose) who were employed by the Company immediately prior to the Change of Control.

(ii) If you have met the requirements for retirement eligibility under the Company's general retirement policies on the Date of Termination, the Company shall provide you after the end of the Payment Period with those health and welfare benefits, if any, as in effect from time to time, to which you would have been entitled under the Company's general retirement policies if you had been eligible to retire and you had retired immediately prior to the Change of Control, with the Company paying that

percentage of the premium cost of the plans that it would have paid under the terms of the plans in effect immediately prior to the Change of Control with respect to individuals who retire at age 65, regardless of your actual age on the Date of Termination. If the percentage of premium cost that the Company pays for you is greater than the percentage of premium cost that the Company pays for other similarly situated retirees, the Company may treat the differential amount as taxable to you and pay you an additional amount in cash equal to the amount necessary to cause the after-tax value of the benefit that you receive to be equal to the after-tax value of the benefit you would have received had the Company not treated the differential amount as taxable to you. Notwithstanding the preceding two sentences, this subsection 4(c)(ii) shall not restrict the Company's right to modify or discontinue any benefit, or the portion of the premium cost thereof paid by the Company; provided, however, that you shall not be treated less favorably with respect to any such modification or discontinuance than similarly situated individuals (including non-highly compensated, salaried employee retirees as similarly situated for such purpose) who retired at or after age 65 under the terms and conditions in effect immediately prior to the Change of Control (or under the terms and conditions that would have applied to persons who were eligible to retire, if they had retired, immediately prior to the Change of Control);

(d) The Company shall, for one year after the Date of Termination, provide financial planning services substantially similar to what you were entitled to receive immediately prior to the Change of Control; and

(e)

(i) The Company shall, in addition to the benefits to which you are entitled under the retirement plans or programs in which, as of immediately prior to the Change of Control, you both participate and are actually accruing benefits, pay you in a lump sum in cash at your normal retirement date (or earlier retirement date should you so elect), as defined in such retirement plans or programs, an amount equal to the excess, if any, of (A) the actuarial equivalent of the retirement pension to which you would have been entitled under the terms of such retirement plans or programs had you accumulated additional years of continuous service under such plans equal in length to your Payment Period, over (B) the actuarial equivalent of the retirement pension to which you are entitled under the terms of such retirement plans or programs, determined without regard to this subsection (i). For purposes of subsection (i), (w) the terms of a retirement plan or program shall be those in effect immediately prior to the Change of Control or the Date of Termination, whichever is more favorable to you; (x) the length of the Payment Period shall be added to total years of continuous service for determining vesting and the amount of benefit accrual and to the age that you will be considered to be for the purposes of determining eligibility for normal or early retirement calculations; (y) your actual age shall be used for determining the amount of any actuarial reduction; and (z) for the purposes of calculating benefit accrual, the amount of compensation you shall be deemed to have received during each month of your Payment Period shall be equal to the sum of your Base Salary prorated on a monthly basis, plus under the Annual Incentive Plan, one-twelfth of your "target annual incentive amount" in effect prior to the Change of Control for the calendar year in which the Change of Control occurs. For purposes of

this subsection (i), "retirement plan or program" shall mean any plan or program to the extent such plan or program is a "defined benefit plan," within the meaning of Section 3(35) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); and "actuarial equivalent" shall be determined using the same methods and assumptions as those utilized immediately prior to the Change of Control under the applicable retirement plan or program in which you participate for purposes of this subsection (i).

(ii) The Company shall, in addition to the benefits to which you are entitled under any defined contribution plans and programs in which, as of immediately prior to the Change of Control, you are eligible to participate and receive employer contributions, pay you in a lump sum in cash within 30 calendar days following the Date of Termination an amount equal to the product of (A) the sum of all amounts payable to you under subparagraphs 4(a) and 4(b), multiplied by (B) the sum of (x) the aggregate maximum percentage(s) of eligible compensation you were eligible to receive as employer matching contributions under all such defined contribution plans for the plan year(s) in which occurs the Change of Control or the Date of Termination, whichever is more favorable to you, determined without regard to any change in any such plan adverse to you adopted after the Change of Control, plus (y) the aggregate maximum percentage(s) of eligible compensation you were eligible to receive as employer non-elective contributions under all such defined contribution plans for the plan year(s) in which occurs the Change of Control or the Date of Termination, whichever is more favorable to you, determined without regard to any change in any such plan adverse to you adopted after the Change of Control. For purposes of this subsection (ii), defined contribution plan or program shall mean any plan or program to the extent such plan or program is a "defined contribution plan," within the meaning of Section 3(34) of ERISA; "employer matching contributions" shall mean those employer contributions that are conditioned upon your making employee after-tax contributions and/or employee pre-tax contributions and that are not "discretionary contributions" (as hereinafter defined), but in no event shall employer matching contributions be deemed to include employee pre-tax contributions regardless of whether employee pre-tax contributions are considered employer contributions for any purpose; "employer non-elective contributions" shall mean employer contributions that are not employer matching contributions and that are not "discretionary contributions" (as hereinafter defined); "discretionary contributions" shall mean employer contributions that under the terms of the applicable defined contribution plan as in effect immediately prior to the Change of Control or the Date of Termination, whichever is more favorable to you, were not required to be made, determined without regard to any requirement that the participant be employed during the plan year or at another relevant time in order to be eligible to receive such contributions, except that an employer contribution that would otherwise be considered a discretionary contribution under this definition shall not be considered a discretionary contribution if prior to the Date of Termination, the Company (or other employer related to the Company maintaining the plan) has communicated to participants in such plan that such contribution will, or is likely to, be made. For purposes of determining the maximum percentage of eligible compensation you were eligible to receive as employer matching contributions and/or for purposes of determining the maximum percentage of eligible compensation you were eligible to receive as employer non-elective contributions, if under the terms of the applicable defined

contribution plan the contribution structure is a per capita structure or a step-rate or similar structure, or if the contribution structure has changed during the plan year, then the maximum percentage shall be determined or adjusted as necessary or appropriate to carry out the intent of this subsection (ii); provided that if you are also covered with respect to any such defined contribution plan (the "first plan") by another defined contribution plan that provides for contributions in respect of any limitations under the terms of the first plan, there shall be no duplication of payment with respect to those arrangements.

(f) For purposes of this Agreement, "Good Reason" shall mean:

(i) except as a result of the termination of your employment pursuant to Paragraph 5 hereof and without your express written consent, (A) one or more changes in your duties, responsibilities, reporting relationships and status that, when considered in the aggregate as compared with your duties, responsibilities, reporting relationships and status immediately prior to a Change of Control, constitute a material demotion, except that a diminution in your duties or responsibilities that occurs solely because the Company is no longer an independent publicly-held entity shall not be deemed to be a reduction in your duties or responsibilities, (B) the assignment to you of new duties or responsibilities that, in the aggregate, (1) are materially inconsistent with, and (2) materially and adversely change, your positions, duties, responsibilities, reporting relationships and status as in effect immediately prior to a Change of Control, (C) a reduction in your annual Base Salary or target annual incentive amount, (D) the failure to continue your health, welfare and retirement benefits, perquisites, vacation policy, fringe benefits, long-term incentive compensation programs, and relocation benefits and policies (including indemnification against loss on the sale of your residence in connection with your relocation) on either a substantially similar basis or with substantially similar aggregate economic value, as compared with immediately prior to a Change of Control, (E) the Company requires that you change the principal location of your work, which results in an additional commute of more than 50 miles, or (F) the Company requires you to travel away from your office in the course of discharging your responsibilities or duties at least one-third more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison) than was required of you for the calendar year immediately preceding the Change of Control;

(ii) the failure of the Company to obtain the assumption of and the agreement to perform this Agreement by any successor as contemplated in Paragraph 11 hereof; or

(iii) any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Paragraph 6 hereof.

In order to have Good Reason, you must give the Company a Notice of Termination satisfying the requirements of Paragraph 6 within 60 calendar days of the occurrence of the event that constitutes Good Reason. For purposes of subsections (i)(A), (i)(B) and (i)(D) of subparagraph 4(f), Good Reason shall exist only if the Company fails to remedy the event or events constituting Good Reason within (x) 90 calendar days after receipt of the Notice of

Termination from you, if the Notice was received by the Company within 90 calendar days after a Change of Control, or (y) 30 calendar days, for all other Notices. For purposes of subsection (i)(C) of subparagraph 4(f), Good Reason shall exist only if the Company fails to remedy the event or events constituting Good Reason within five business days after receipt of the Notice of Termination from you.

5. TERMINATION FOR CAUSE. If your employment is terminated for any of the following reasons and in accordance with the provisions of this Paragraph 5, you shall not be entitled by virtue of this Agreement to any of the benefits provided in the foregoing Paragraph 4:

(a) If, as a result of your incapacity due to physical or mental illness, you shall have been absent from your duties with the Company on a full-time basis for 120 consecutive business days, and within thirty (30) days after a written Notice of Termination (as hereinafter defined in Paragraph 6) is given, you shall not have returned to the full-time performance of your duties;

(b) If the Company shall have Cause. For the purposes of this Agreement, the Company shall have "Cause" to terminate your employment hereunder upon (i) the willful and continued failure by you to substantially perform your duties with the Company, which failure causes material and demonstrable injury to the Company (other than any such failure resulting from your incapacity due to physical or mental illness), after a demand for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not substantially performed your duties, and after you have been given a period (hereinafter known as the "Cure Period") of at least thirty (30) days to correct your performance, or (ii) the willful engaging by you in other gross misconduct materially and demonstrably injurious to the Company. For purposes of this paragraph, no act, or failure to act, on your part shall be considered "willful" unless conclusively demonstrated to have been done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interests of the Company.

Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a Notice of Termination which shall include a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board (excluding you for this purpose, if you are then a member of the Board) at a meeting of the Board called and held for the purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses (i), including the expiration of the Cure Period without the correction of your performance, or (ii) of the preceding subparagraph and specifying the particulars thereof in detail.

(c) If you die while employed by the Company or if you retire from such employment during your Period of Employment, then you shall not be entitled to any of the benefits provided by this Agreement and the benefits to which you or your beneficiary shall be entitled shall be determined without regard to the provisions hereof.

6. NOTICE OF TERMINATION. Any termination of your employment by the Company or any termination by you for Good Reason shall be communicated by written notice

to the other party hereto. For purposes of this Agreement, such notice shall be referred to as a "Notice of Termination." Such notice shall, to the extent applicable, set forth the specific reason for termination, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

7. DATE OF TERMINATION. "Date of Termination" shall mean:

(a) If you terminate your employment for Good Reason, the date specified in the Notice of Termination, but in no event more than sixty (60) days after Notice of Termination is given, subject, however, to the expiration of the 90-day or five-day period specified in subparagraph 4(f), if applicable, in which the Company may remedy the event or events constituting Good Reason, except to the extent such remedy period is waived by the Company;

(b) If your employment is terminated for Cause under subparagraph 5(b), the date on which a Notice of Termination is given, except that the Date of Termination shall not be any date prior to the date on which the Cure Period expires without the correction of your performance;

(c) If your employment pursuant to this Agreement is terminated following absence due to physical incapacity, under subparagraph 5(a), then the Date of Termination shall be thirty (30) days after Notice of Termination is given (provided that you shall not have returned to the performance of your duties on a full-time basis during such thirty (30) day period); or

(d) If your employment is terminated by the Company other than under subparagraph 7(b) or 7(c), the date specified in the Notice of Termination.

Subject to subparagraph 10(b), a termination of employment by either the Company or by you shall not affect any rights you or your surviving spouse may have pursuant to any other agreement or plan of the Company providing benefits to you, except as provided in such agreement or plan.

8. CERTAIN ADDITIONAL PAYMENTS.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined (as hereafter provided) that any payment or distribution by the Company or any of its affiliates to you or for your benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Paragraph 8) (a "Payment") would be subject to the excise tax imposed by Section 4999 (or any successor provisions) of the Internal Revenue Code of 1986, as amended (the "Code"), or to any similar tax imposed by state or local law, or any interest or penalties are incurred by you with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then you shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment") in an amount such that after payment by you of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed on the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. For purposes of determining the amount of the Gross-Up Payment, you shall be considered to pay (x) federal income taxes at the highest

rate in effect in the year in which the Gross-Up Payment will be made and (y) state and local income taxes at the highest rate in effect in the state or locality in which the Gross-Up Payment would be subject to state or local tax, net of the maximum reduction in federal income tax that could be obtained from deduction of such state and local taxes.

(b) Subject to the provisions of subparagraph 8(c), all determinations required to be made under this Paragraph 8, including whether and when such a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the accounting firm that was, immediately prior to the Change of Control, the Company's independent auditor (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and to you within fifteen (15) business days of the receipt of notice from you that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, you shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Paragraph 8, shall be paid by the Company to you within five (5) days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by you, it shall furnish you with a written opinion that you have substantial authority not to report any Excise Tax on your federal, state or local income or other tax return with respect to such benefit or amount. Any determination by the Accounting Firm shall be binding upon the Company and you. As a result of the uncertainty of the application of Section 4999 of the Code and the possibility of similar uncertainty regarding applicable state or local tax law at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments that will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to subparagraph 8(c) and you thereafter are required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to you or for your benefit.

(c) You shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of the Gross-Up payment. Such notification shall be given as soon as practicable but no later than ten (10) business days after you are informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. You shall not pay such claim prior to the expiration of the thirty (30) day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold you harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this subparagraph 8(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of any such claim and may, at its sole option, either direct you to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and you agree to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs you to pay such claim and sue for a refund, the Company shall advance the amount of such payment to you, on an interest-free basis and shall indemnify and hold you harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for your taxable year with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and you shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by you of an amount advanced by the Company pursuant to subparagraph 8(c), you become entitled to receive any refund with respect to such claim, you shall (subject to the Company's complying with the requirements of subparagraph 8(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by you of an amount advanced by the Company pursuant to subparagraph 8(c), a determination is made that you shall not be entitled to any refund with respect to such claim and the Company does not notify you in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

(e) You and the Company shall each provide the Accounting Firm access to and copies of any books, records and documents in your possession or the Company's possession, as the case may be, as reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by this Paragraph 8.

(f) The federal, state and local income or other tax returns filed by you shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by you. You shall report and make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of your federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of your federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, you shall within five business days pay to the Company the amount of such reduction.

(g) Notwithstanding any provision of this Agreement to the contrary, but giving effect to any redetermination of the amount of Gross-Up payments otherwise required by this Paragraph 8, if (i) but for this sentence, the Company would be obligated to make a Gross-Up Payment to you, and (ii) the aggregate "present value" of the "parachute payments" to be paid or provided to you under this Agreement or otherwise does not exceed 1.05 multiplied by three times your "base amount," then the payments and benefits to be paid or provided under this Agreement shall be reduced (or repaid to the Company, if previously paid or provided) to the minimum extent necessary so that no portion of any payment or benefit to you, as so reduced or repaid, constitutes an "excess parachute payment." For purposes of this subparagraph 8(g), the terms "excess parachute payment," "present value," "parachute payment," and "base amount" shall have the meanings assigned to them by Section 280G of the Code. The determination of whether any reduction in or repayment of such payments or benefits to be provided under this Agreement is required pursuant to this subparagraph 8(g) shall be made at the expense of the Company, if requested by you or the Company, by the Accounting Firm. Appropriate adjustments shall be made to amounts previously paid to you, or to amounts not paid pursuant to this subparagraph 8(g), as the case may be, to reflect properly a subsequent determination that you owe more or less Excise Tax than the amount previously determined to be due. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced or repaid pursuant to this subparagraph 8(g), you shall be entitled to designate the payments and/or benefits to be so reduced or repaid in order to give effect to this subparagraph 8(g). The Company shall provide you with all information reasonably requested by you to permit you to make such designation. In the event that you fail to make such designation within 10 business days prior to the Date of Termination or other due date, the Company may effect such reduction or repayment in any manner it deems appropriate.

9. COVENANTS.

(a) [For two- and three-year Agreements only.] During the term of this Agreement specified in Paragraph 1 (the "Term") and for a period ending one year following the Date of

Termination, if you have received or are receiving benefits under this Agreement, you shall not, without the prior written consent of an officer of the Company, directly or indirectly, engage in any Competitive Activity. For this purpose, "Competitive Activity" means your participation in the management of any business enterprise if such enterprise engages in substantial and direct competition with the Company and such enterprise's sales of any product or service competitive with any product or service of the Company amounted to 10% of such enterprise's net sales for its most recently completed fiscal year and if the Company's net sales of said product or service amounted to 10% of the Company's net sales for its most recently completed fiscal year. "Competitive Activity" shall not include (i) the mere ownership of securities in any publicly-traded enterprise, if such ownership is less than 5% of the outstanding voting securities or units of such enterprise or (ii) participation in the management of any such enterprise other than in connection with the competitive operations of such enterprise.

(b) During the Term, the Company agrees that it will disclose to you its confidential or proprietary information (as defined in this subparagraph 9(b)) to the extent necessary for you to carry out your obligations to the Company. You hereby covenant and agree that you will not during the Term or thereafter disclose to any person not employed by the Company, or use in connection with engaging in competition with the Company, any confidential or proprietary information of the Company. For purposes of this Agreement, the term "confidential or proprietary information" shall include all information of any nature and in any form that is owned by the Company and that is not publicly available (other than by your breach of this subparagraph 9(b)) or generally known to persons engaged in businesses similar or related to those of the Company. Confidential or proprietary information shall include, without limitation, the Company's financial matters, customers, employees, industry contracts, strategic business plans, product development (or other proprietary product data), marketing plans, and all other secrets and all other information of a confidential or proprietary nature. For purposes of the preceding two sentences, the term "Company" shall also include any subsidiary controlled by the Company (collectively, the "Restricted Group"). The foregoing obligations imposed by this subparagraph 9(b) shall not apply (i) during the Term, in the course of the business of and for the benefit of the Company, (ii) if such confidential or proprietary information has become, through no fault of yours, generally known to the public or (iii) if you are required by law to make disclosure (after giving the Company notice and an opportunity to contest such requirement). These rights of the Company are in addition to and without limitation to those rights and remedies otherwise available by law for protection of the types of such confidential or proprietary information.

(c) You hereby covenant and agree that during the Term and for a period ending one year after the Date of Termination you will not, without the prior written consent of the Company, on your behalf or on behalf of any person, firm or company, directly or indirectly, attempt to influence, persuade or induce, or assist any other person in so persuading or inducing, any employee or customer of the Restricted Group to give up, or to not commence, employment or a business relationship with the Restricted Group.

(d) You and the Company agree that the covenants contained in this Paragraph 9 are reasonable under the circumstances, and further agree that if in the opinion of any court of competent jurisdiction any such covenant is not reasonable in any respect, such court shall have the right, power and authority to excise or modify any provision or provisions of such covenants as to the court will appear not reasonable and to enforce the remainder of the covenants

as so amended. You acknowledge and agree that the remedy at law available to the Company for breach of any of your obligations under this Paragraph 9 would be inadequate and that damages flowing from such a breach may not readily be susceptible to being measured in monetary terms. Accordingly, you acknowledge, consent and agree that, in addition to any other rights or remedies that the Company may have at law, in equity or under this Agreement, upon adequate proof of your violation of any such provision of this Agreement, the Company shall be entitled to immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach, without the necessity of proof of actual damage.

10. NO OBLIGATION TO MITIGATE DAMAGES; NO EFFECT ON OTHER CONTRACTUAL RIGHTS.

(a) You shall not be required to refund the amount of any payment or employee benefit provided for or otherwise mitigate damages under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for under this Agreement be reduced by any compensation or the value of any benefits earned by you as the result of any employment by another employer after the date of termination of your employment with the Company, or otherwise. Subject to subparagraph 10(b), the provisions of this Agreement, and any payment or benefit provided for hereunder, shall not reduce any amount otherwise payable, or in any way diminish your existing rights, or rights which would occur solely as a result of the passage of time, under any other agreement, contract, plan or arrangement with the Company.

(b) To the extent, and only to the extent, a payment or benefit that is paid or provided under this Agreement would also be paid or provided under the terms of another plan, program, agreement or arrangement of, or assumed by, the Company or any of its affiliates, including, without limitation, any Employment Agreement or Management Continuity Agreement, such applicable plan, program, agreement or arrangement shall be deemed to have been satisfied by the payment made or benefit provided under this Agreement.

11. SUCCESSORS AND BINDING AGREEMENT.

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to you, to assume and agree to perform this Agreement.

(b) This Agreement shall be binding upon the Company and any successor of or to the Company, including, without limitation, any person acquiring directly or indirectly all or substantially all of the assets of the Company whether by merger, consolidation, sale or otherwise (and such successor shall thereafter be deemed "the Company" for the purposes of this Agreement), but shall not otherwise be assignable by the Company.

(c) This Agreement shall inure to the benefit of and be enforceable by you and your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amounts would still be payable to you

pursuant to Paragraph 4 hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee, or other designee or, if there be no such designee, to your estate.

12. NOTICES. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Chief Executive Officer of the Company with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

13. GOVERNING LAW. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Ohio, without giving effect to the principles of conflict of laws of such State.

14. MISCELLANEOUS. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in a writing signed by you and the Company. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof, have been made by either party which are not set forth expressly in this Agreement. References to Paragraphs and subparagraphs are to paragraphs and subparagraphs of this Agreement. Any reference in this Agreement to a provision of a statute, rule or regulation shall also include any successor provision thereto.

15. VALIDITY. The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement which shall remain in full force and effect.

16. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same agreement.

17. WITHHOLDING OF TAXES. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or government regulation or ruling.

18. NONASSIGNABILITY. This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Paragraph 11 above. Without limiting the foregoing, your right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by your will or by the laws of descent and distribution and in the event of any attempted assignment or

transfer contrary to this Paragraph 18, the Company shall have no liability to pay any amounts so attempted to be assigned or transferred.

19. DISPUTE RESOLUTION.

(a) All disputes arising out of, relating to or concerning this Agreement, the breach of this Agreement, your termination, or the termination of your employment shall be resolved pursuant to this Paragraph 19. This includes all claims or disputes whether arising in tort or contract and whether arising under statute or common law, including, without limitation, Ohio Revised Code Chapter 4112.01 et seq., Ohio Revised Code Section 4117.01, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Age Discrimination in Employment Act of 1967, as amended, and all other federal and state employment statutes. Any such dispute shall be resolved by arbitration held in Cleveland, Ohio, under the then-current Employment Dispute rules of the American Arbitration Association ("AAA"). The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. Sections 1-16, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. This agreement to arbitrate shall be specifically enforceable. Notwithstanding the foregoing, the Company shall not be required to seek or participate in arbitration regarding any breach of your covenants contained in Paragraph 9, but may pursue its remedies for such breach in a court of competent jurisdiction in the city in which the Company's principal executive offices are based.

(b) You and the Company agree that you or it must file any request for arbitration with the AAA and serve on the other party within six (6) months after the date on which the dispute arose and hereby waive any statute of limitations to the contrary.

(c) The arbitrator shall have no authority to extend, modify, or suspend any of the terms of this Agreement. The arbitrator is not empowered to award damages in excess of compensatory damages and you and the Company hereby waive any right to recover such damages with respect to any dispute resolved by arbitration. The Company shall pay the fees and costs of the arbitrator. The arbitrator shall make his award in writing and shall accompany it with an opinion discussing the evidence and setting forth the reasons for his award. The decision of the arbitrator within the scope of the submission shall be final and binding on you and the Company, and any right to judicial action on any matter subject to arbitration hereunder is waived (unless otherwise required by applicable law), except suit to enforce this arbitration award. If the rules of the AAA differ from those of this Paragraph 19, the provisions of this Paragraph 19 shall control.

20. LEGAL FEES AND EXPENSES. If a Change of Control shall have occurred, thereafter the Company shall pay and be solely responsible for:

(i) 100% of the first \$100,000 and

(ii) 70% of any excess above \$100,000, of

any and all attorneys' and related fees and expenses incurred by you to successfully (in whole or in part, and whether by modification of the Company's position, agreement, compromise, settlement, or administrative or judicial determination) enforce this Agreement or any provision

hereof or as a result of the Company or any shareholder of the Company contesting the validity or enforceability of this Agreement or any provision hereof. To secure the foregoing obligation, the Company shall, within 90 days after being requested by you to do so, enter into a contract with an insurance company, open a letter of credit or establish an escrow in a form satisfactory to you.

21. EMPLOYMENT RIGHTS. Nothing expressed or implied in this Agreement shall create any right or duty on your part or on the part of the Company to have you remain in the employment of the Company prior to the commencement of the Period of Employment; provided, however, that any termination of your employment, for any reason other than those set forth in Paragraph 5, following the commencement of any discussion with a third party, or the announcement by a third party of the commencement of, or the intention to commence, a tender offer, or other intention to acquire all or a portion of the equity securities of the Company that ultimately results in a Change of Control shall (unless such termination is conclusively demonstrated to have been wholly unrelated to any such activity relating to a Change of Control) be deemed to be a termination of your employment after a Change of Control for purposes of this Agreement and both the Period of Employment and the Payment Period shall be deemed to have begun on the date of such termination.

22. RIGHT OF SETOFF. There shall be no right of setoff or counterclaim against, or delay in, any payment by the Company to you or your designated beneficiary or beneficiaries provided for in this Agreement in respect of any claim against you or any debt or obligation owed by you, whether arising hereunder or otherwise.

23. RIGHTS TO OTHER BENEFITS. Except as provided in subparagraph 10(b), the existence of this Agreement and your rights hereunder shall be in addition to, and not in lieu of, your rights under any other of the Company's compensation and benefit plans and programs, and under any other contract or agreement between you and the Company.

24. RELEASE. Notwithstanding any provision of this Agreement to the contrary, the Company shall not pay or provide any compensation or benefits hereunder in connection with the termination of your employment unless you first sign a general release substantially in the form attached hereto as Exhibit A and you do not revoke such release during the time period set forth therein for revocation.

25. SURVIVAL. Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Paragraphs 4, 8, 9, 19, 20 and 21 shall survive any termination or expiration of this Agreement or the termination of your employment following a Change of Control for any reason whatsoever.

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

ACCEPTED AND AGREED TO
AS OF THE DATE HEREOF.

Sincerely,
POLYONE CORPORATION
By direction of the Compensation Committee
of the Board of Directors

- -----
[Name]

By -----
[Name]

I hereby elect to take any base salary amounts which may be payable under subparagraph 4(a)

_____ in a lump sum
 or
_____ in installments

(check one)

[Name]

EXHIBIT 13.1

One team.

One resource.

[GRAPHIC]

2000 ANNUAL REPORT

[POLYONE LOGO]

Financial Highlights	1
Letter to Shareholders	2
PolyOne At a Glance	6
Results of Operations	8
Consolidated Statements of Income	13
Consolidated Balance Sheets	14
Consolidated Statements of Cash Flows	16
Consolidated Statements of Shareholders' Equity	18
Notes to Consolidated Financial Statements	19
Report of Independent Auditors and Management Report	37
PolyOne Leadership Team	38
Shareholder Information	38
Board of Directors	39

On the cover

- - The team at PolyOne's Pasadena, Texas, compound plant includes, from left, control board operator James Idzi, process engineer Bill Kelty and material handler Al J. Singleton.

PRESENTING

PolyOne's

inaugural

ANNUAL REPORT

- - WE ARE PROUD TO SUBMIT the first annual report of PolyOne Corporation, which was formed on August 31, 2000, from the combination of The Geon Company and M.A. Hanna Company. As PolyOne, we are one team -- 9,000 people strong -- with 80 manufacturing sites worldwide. As the world's largest polymer services company, we are dedicated to being the key partner, the one resource that our customers depend on to meet their needs and achieve success.

With this annual report, we aimed to produce a clear, concise document that is easy to use and understand. We departed from the practice of PolyOne's predecessor companies in that we did not include a section of detailed narrative information on the new Company. This information, highlighting PolyOne's industry, businesses, people and strengths, will appear in our first corporate brochure, which will be available after April 15, 2001.

For complete information on PolyOne, we suggest that shareholders visit the Investor Relations section of our Web site, www.polyone.com. Here shareholders can find historic as well as recent information on PolyOne, including Securities and Exchange Commission filings, webcasts of conference calls, analyst presentations, past annual reports and our corporate brochure.

(Dollars in Millions, Except Per Share Data)	Year Ended December 31		
	2000	1999	1998

REPORTED RESULTS (1, 2)			
Sales	\$ 1,887.8	\$ 1,261.2	\$ 1,284.4
Operating income	64.8	99.7	41.0
Net income, before cumulative effect of a change in accounting	15.9	106.2	13.8
Capital expenditures	62.7	60.1	40.7
Depreciation and amortization	57.4	44.4	57.9
Total debt(year end)	682.2	353.3	187.1
Stockholders' equity(year end)	827.6	334.7	214.1
Earnings per share, before cumulative effect of a change in accounting, diluted	\$ 0.26	\$ 2.18	\$ 0.29
Weighted-average common shares used to compute earnings per share(in millions, year end)	62.0	48.6	47.2
PRO FORMA RESULTS (1)			
Sales	\$ 3,139.7	\$ 3,039.9	\$ 2,915.5
Operating income	115.5	181.8	151.2
Net income	52.4	79.9	56.2
Depreciation and amortization	101.6	104.3	95.4
Other data:			
Number of employees (year end)	9,000	3,100	2,400
Employee and management stock ownership	11%	14%	14%
Stockholders (estimated at December 31)	11,000	7,000	7,000

(1) See Management's Analysis on page 8 for a description of the audited reported results and the pro forma results giving effect to the merger.

(2) 1998 and 1999 represent Geon results only; 2000 represents eight months of Geon and four months of PolyOne.

CHECK OUT OUR WEBSITE:
- - www.polyone.com

2000
PRO FORMA

SALES BY SEGMENT*

Dollars in millions

PERFORMANCE PLASTICS \$ 2,180
69%
[PIE CHART]

ELASTOMERS
AND ADDITIVES DISTRIBUTION
\$ 507 \$ 482
16% 15%

*Excluding corporate, eliminations
and other of \$29.9 million

2000
PRO FORMA SALES
BY GEOGRAPHIC REGION

Dollars in millions

UNITED STATES EUROPE
\$ 2,490 \$ 362
79% 12%
[PIE CHART]

OTHER CANADA
\$ 59 \$ 229
2% 7%

we help people

WORK WONDERS WITH POLYMERS

[PICTURE OF THOMAS A. WALTERMIRE]

THOMAS A. WALTERMIRE
Chairman of the Board, President
and Chief Executive Officer

TO OUR SHAREHOLDERS:

ON SEPTEMBER 1, 2000, WE LAUNCHED PolyOne Corporation by combining M.A. Hanna Company and The Geon Company. Our predecessor companies had long, proud traditions and distinct identities. Yet, we joined together because we both saw the opportunity to create the world's largest polymer services company. - PolyOne is much stronger than our predecessors, with a comprehensive offering of complementary products and services and a powerful presence in the global marketplace. Further, we gained a significant increase in market capitalization and liquidity. In sum, we are well positioned to pursue our mission of bringing our technical skills to people who make products from plastics and rubber - helping them create something special, something unique. We've distilled this mission to a simple phrase: "We Help People Work Wonders with Polymers." - Although we are feeling the effects of the weak U.S. economic climate and high energy costs, we are seizing many opportunities never available to Geon or M.A. Hanna. The talents of our people and the growth potential of our businesses fill us with excitement and confidence that our future is bright indeed.

"Our goal is to create a culture of excellence that engages everyone."

WHAT'S IN A NAME?

- - PLENTY, WHEN THE NAME IS POLYONE. It communicates several characteristics that are important to our new company.

Poly denotes our industry, polymer services. One works on multiple levels:

- One leader in whatever we do
- One resource, a single source where our customers can find solutions to all their needs
- One team - 9,000 people united by a common vision, core values, and a commitment to market leadership and shareholder value

We developed our name internally, with the input of our employees but without the assistance of pricey consultants, because we felt that the people charged with building this organization could best express its verbal identity. We are proud of the result. Proud to be known as PolyOne.

- - TWO KEY TASKS: UNIFY THE TEAM, IMPROVE RESULTS

On our first day as PolyOne, members of the leadership team were honored to ring the opening bell at the New York Stock Exchange in celebration of our new listing (NYSE: POL). To our delight, the gallery was filled with PolyOne employees who had trekked from our Farmingdale, New Jersey, site to share in the launch of our new company.

What a heartening beginning! This spirit is all the more important because we are, in effect, merging more than a dozen cultures, given the large number of acquisitions that M.A. Hanna and Geon made. We are still hard at work on the integration of our operations, but I think by any measure, we've come a long way:

BUILDING A UNIFIED TEAM Beginning with our senior leadership team, we assembled a lineup as talented and experienced as any group in our industry. Through the efforts of these leaders, we integrated our business teams, particularly in vinyl compounds, engineered materials and colors, which are now known as Plastic Compounds and Colors (PCC).

Within 60 days of our launch of PolyOne, we had named the key personnel in PCC, our largest business group, and had formed nine market-defined business teams. We have begun training our sales and marketing organization so we can offer customers one of the most comprehensive product lines in our industry. We continue to believe our customers will be the real winners, and their success will contribute to our growth.

As part of our team-building, we defined a new mission and vision for our employees. The rollout of our vision, which began in late 2000, will engage all 9,000 PolyOne employees in discussions on how all of us can make the vision a reality. As a global services company harnessing multiple technologies, we view teamwork as an explicit part of our strategy. Our goal is to create a culture of excellence that engages everyone.

We established the Founders Grant program, which awarded each employee 200 stock options, exercisable in three years. We did this because we believe every employee should be a shareholder and should benefit from the success we are creating.

IMPROVING OUR PERFORMANCE We are driving to attain earnings of \$2.00 per share in 2003(1). To get there, we must increase operating income more than \$150 million over the 1999 pro forma level. We know how to do this; already, we have identified more than \$100 million in savings through reduced corporate overhead, purchasing improvements and asset rationalization, combined with business growth. Guided by this strategy, we have taken a number of critical steps.

In January 2001, we announced the closing of four manufacturing plants, the first action to result from Project Triple Crown, a comprehensive analysis and reconfiguration of our North American PCC sites. This move, which will yield annual savings of \$6 million, is only the first of a series that we anticipate in 2001 as we focus on improving customer service and quality while reducing costs.

In our distribution business, we established four regional service centers and organized our support staff to make it easier for customers to do business with us. This new structure, coupled with our talented staff of experts, positions us to grow into regions that we previously did not serve and to serve customers better by offering all functions at each regional site.

Shortly after our formation, we set about implementing new procurement processes for raw materials and other purchases covering a broad range of supplies and services. By centralizing our key common raw material purchases across all our businesses, we expect to realize more than \$20 million in annual savings. Through an Internet-based program dubbed SmartSource, we have set a goal to reduce purchases of supplies and services by an additional \$20 million annually by 2002.

We are implementing a new information technology (IT) system for most of our businesses. By the end of this year, our North American vinyl compound, engineered materials, color, specialty resin and elastomer business groups, as well as much of our European operation, will be on a common platform. We intend to add most of our remaining businesses in 2002.

We realized early on that we needed to revamp our IT system. Throughout PolyOne, we are running on no fewer than 12 information platforms. Our vinyl compound and specialty resin businesses, however, have run on a single IT system for five years, with excellent results: uniform business practices, reduced inventories, improved reliability for customers and rapidly expanding electronic links with suppliers and customers. We are building on our tradition of excellence in this area.

Our vinyl compound unit also has demonstrated the value of business-to-business technology. In 2000, more than 20 percent of our customers used our Web-based order system. Moreover, five suppliers were linked electronically to our information system, and additional suppliers are expected to join us.

When a customer places a Web-based sales order today, he or she gets immediate confirmation. The transaction automatically updates our production planning and inventory delivery dates, and a raw materials order flows seamlessly to our suppliers, without human intervention. This is speed and accuracy 24 hours a day, seven days a week.

I am proudest of all that our manufacturing sites have reduced worker injury rates more than 50 percent since the formation of PolyOne, establishing us as the clear industry leader in safety. We are fortunate to have inherited a legacy of excellent safety and environmental performance. PolyOne is building on this legacy as the foundation of our culture: respect for each person and devotion to operating precision.

Our strong safety performance signifies that we are sending our employees home as healthy as when they arrived at work, and that our people are showing the same operating discipline they bring to making defect-free products every minute of every day.

- - SHORT-TERM SLOWDOWN

We are pleased with our integration progress, but it has not been our only focus. In the midst of building a unified team and improving our performance, we find ourselves with a third major task: managing our short-term costs and cash to mitigate the impact of the recession affecting most manufacturers.

A marked slowdown in key customer end markets and resulting inventory adjustments, notably in the automotive and building materials markets, have reduced demand for our products. In addition, we face high energy and raw material costs. These factors caused a second-half earnings decline that wiped out a reasonable start to 2000. Looking at our 2000 results on a pro forma basis - - as if Geon and M.A. Hanna had been merged the entire year - we followed first-half net earnings of \$60.8 million with a second-half net loss of \$8.4 million.

Most significantly affected was PolyOne's share of results from our 24 percent equity investment in the OxyVinyls polyvinyl chloride (PVC) resin joint venture. Weak demand for PVC resin, declining prices and higher costs for ethylene led to a sharp downturn in results during the second half.

As the economy weakened, our North American businesses saw second-half shipment decreases ranging from 9 to 15 percent compared with first-half 2000.

"the ultimate key to success is our people."

We are addressing this slowdown by aggressively reducing costs and accelerating changes in how our operations function. We have imposed hiring and discretionary spending freezes, and we have greatly reduced capital spending, except for safety or environmental projects and key strategic projects such as our new information system.

As we assess the markets we serve, it is apparent that the economic weakness of second-half 2000 continues into early 2001. These conditions, along with high energy costs, will hurt our earnings performance at least in the early months of 2001.

If there is a bright side, it is that PolyOne is better positioned to respond to these conditions than either predecessor company would have been. Also, the entire organization is infused with a sense of urgency in reaching our goals. The need to improve has brought us together in a common cause.

- - LOOKING FORWARD

We at PolyOne are building the foundation to provide our shareholders a competitive return on investment. I am confident we will deliver on this pledge. My optimism is grounded in the reasons we formed PolyOne:

We are the industry leader, offering a broader suite of polymer products and services to an expanded customer base. Once the economy he ultimate key to success is our people." recovers and our own earnings improvements materialize, we will have the financial strength to continue growing through acquisition and to expand our technology portfolio and our international presence. We serve a diverse array of markets, and our businesses have solid growth potential.

The ultimate key to success is our people. From Day One as PolyOne, they have put their hearts into building a polymer services company that returns value to shareholders by creating value for customers. I have visited many PolyOne locations, including most in Europe and Asia, and I see this energetic spirit everywhere I go. Rich in human talent, we will achieve our goals.

Some of you have been with us throughout our transformation, and I thank you for your faith in PolyOne. If you are new to us, or are interested in investing in PolyOne, I invite you to visit our Web site at www.polyone.com - or come visit us. You'll like what you see.

/s/ TOM WALTERMIRE

THOMAS A. WALTERMIRE
CHAIRMAN OF THE BOARD, PRESIDENT
AND CHIEF EXECUTIVE OFFICER

March 16, 2001

(1) See Forward-Looking Statements, page 34.

POLYONE IS THE WORLD'S LARGEST POLYMER SERVICES COMPANY. THAT SOUNDS GOOD, BUT WHAT DOES IT MEAN?

Polymer
Services:

THE ESSENTIAL link

Polymer services companies bridge the gulf between two groups of giants:

- - Our suppliers are large chemical producers with household names such as Dow and DuPont, which provide us with commodity polymers and related materials.
- - Our customers are designers, fabricators and processors in scores of industries that manufacture industrial and consumer end products, including items that people rely on daily.

Between these groups is PolyOne. Using proprietary compounding techniques, we blend unique raw materials with base polymers to help our customers meet exacting specifications for particular applications.

Distinguished by our expertise in compounding and color, we can satisfy the most stringent requirements. Our customers know that we are industry leaders in bringing materials together. On three continents, they look to us for solutions to their polymer needs.

WE HELP PEOPLE WORK WONDERS WITH POLYMERS

WORLD OF OPPORTUNITY

POLYONE AT A GLANCE

Three business segments. One team.

- 1 Performance Plastics
ANNUALIZED REVENUES
\$ 2.1 billion

PLASTIC COMPOUNDS
and COLORS

- ANNUALIZED REVENUES
\$ 1.6 billion

PRODUCTS

High-performance polymer compounds derived from vinyl and engineering resins and additives; specialty colorant and additive systems

MARKETS

Appliance, automotive, building materials, business equipment, consumer goods, wire and cable

COMPOUND END USES

Appliance components, automotive trim, business equipment housing, computer disk drive components, bottles, pipe and pipe fittings, windows, vertical blinds, wire and cable insulation

COLORANT END USES

Plastic parts in virtually every market

MANUFACTURING SITES

United States, Canada, Mexico, Belgium, Denmark, England, France, Germany, Hungary, Italy, Norway, Spain, Sweden, Thailand, Turkey, China, Singapore

KNOWN FOR

Proprietary compounds and technologies, including SPEEDECOLOR(TM), a computerized color-matching system

SPECIALTY RESINS
and FORMULATORS

- ANNUALIZED REVENUES
\$ 300 million

PRODUCTS

Emulsion polymer and microdispersion specialty resins; vinyl plastisols, powders and inks; rigid and flexible urethane and urethane foams

MARKETS

Appliance, apparel, automotive, flooring, medical, packaging, sports and recreation, toy, wire and cable

PRODUCT END USES

Air filters; automotive instrument panels; vinyl flooring and carpet backing; appliance and fabric coatings; fan, dishwasher and closet rack coatings; medical examination gloves; footwear; screen printing inks; signage

MANUFACTURING LOCATIONS

United States, England, Australia

KNOWN FOR

High quality and consistency in specialty resins and the expertise to offer unique technical solutions for vinyl plastisols and urethane system applications

ENGINEERED FILMS

- ANNUALIZED REVENUES
\$ 200 million

PRODUCTS

Flexible vinyl sheeting, thermoplastic olefin (TPO) and thermoplastic urethane (TPU) polymer films, polyvinyl chloride (PVC)/polyolefin foam laminates, TPO/polyolefin foam laminates, vinyl laminates

MARKETS

Automotive, home furnishing, medical, office supply, packaging, pond/pool/spa

PRODUCT END USES

Automotive instrument panels, door trim panels, armrests, airbag doors and covers, glovebox doors; furniture fabrics; loose-leaf binder covers; medical blood bags and intravenous sets; hospital inflatable mattresses; pool liners

MANUFACTURING LOCATIONS

United States

KNOWN FOR

Value-added film finishing technologies such as embossing, painting and laminating

2 Elastomers and Performance Additives

ANNUALIZED REVENUES
\$ 500 million

PRODUCTS/SERVICES

Thermoset elastomer (rubber) compounds, rubber compounds for roller and specialty applications, elastomer-enhancing colorants and additives, tolling (mixing of raw materials) for the rubber industry

MARKETS

Aerospace, agriculture, automotive, electrical, industrial, medical, sporting goods, wire and cable

PRODUCT END USES

Automobile hoses and belts, footwear, escalator railings, industrial conveyers

MANUFACTURING SITES

United States, Mexico, Canada

KNOWN FOR

The leading non-tire rubber compounder in North America

3 Distribution

ANNUALIZED REVENUES
\$ 500 million

SERVICES

Delivery of more than 3,500 grades of engineering and commodity resins from approximately 20 major material suppliers, as well as standard and custom-compounded materials

MARKETS

Custom molders and extruders of applications for agriculture, automotive, building materials, consumer goods, electrical/electronics, industrial, medical, packaging, wire and cable

DISTRIBUTION SITES

United States, Canada, Mexico

KNOWN FOR

Adding value, not only through rapid delivery, but through engineers and technical specialists who provide customers with application expertise and processing support

joint ventures

- Australian Vinyls Corporation, Australia Partner: Orica Limited
- Decillion, United States Partner: Owens Corning
- DH Compounding Company, United States Partner: Dow Chemical Company
- Geon/Polimeros Andinos, Colombia Partner: Petroquímica Colombiana S.A.
- OxyVinyls, LP, United States Partner: Occidental Chemical Corporation
- So.F.teR S.p.A., Italy Partner: So.F.teR S.p.A.
- SPCGeon PTE Limited, Singapore Partner: Singapore Polymers Corporation
- Star Color Company Limited, Thailand Majority owned by PolyOne
- Sunbelt Chlor-Alkali, United States Partner: Olin Corporation
- Techmer, PM, LLC, United States Partner: Techmer PM
- Tekno Polimer, Turkey Majority owned by PolyOne

www.polyone.com

RESULTS OF OPERATIONS

PolyOne Corporation (PolyOne or Company) was formed on August 31, 2000, from the consolidation of The Geon Company (Geon) and M.A. Hanna Company (Hanna). PolyOne is the world's largest polymer services company, with annual sales of approximately \$3.1 billion and more than 9,000 employees at 80 sites worldwide.

The PolyOne consolidation has been accounted for as a purchase business combination, with Geon as the acquiring enterprise. Accordingly, PolyOne's "Reported Results" under generally accepted accounting principles (GAAP) for the year ended December 31, 2000, reflect the operating results of Geon for eight months prior to the consolidation and four months of PolyOne (which include the operating results of Hanna from the date of consolidation).

In the commentary that follows, "Pro Forma Operating Results" will also be provided because of the significant and pervasive impact of the merger on comparative data. The pro forma operating results assume that the consolidation of Geon and Hanna occurred prior to the periods presented. Further, the pro forma operating results assume that Hanna's sale of its Cadillac Plastic business in the second quarter of 2000 and Geon's 1999 transactions with OxyChem and its acquisition of O'Sullivan Corporation occurred prior to the periods presented. A preliminary assessment of the fair value of the tangible and intangible assets and liabilities of the former Hanna business on August 31, 2000, has been reflected in both the reported and pro forma operating results. The purchase price allocation reflected may be adjusted as estimated fair values of assets acquired and liabilities assumed are finalized. The pro forma operating results do not include future profit improvements and cost savings or associated costs, including restructuring costs expected to result from the integration of Geon and Hanna. The pro forma operating results are provided for illustrative purposes only, and may not necessarily indicate the operating results that would have occurred or future operating results of PolyOne.

- - 2000 RESULTS OF OPERATIONS

REPORTED RESULTS Total sales for 2000 were \$1.888 billion, an increase of \$626.6 million from 1999. This change in sales included four months of former Hanna operations totaling approximately \$560.0 million. The mid-year 1999 acquisitions of O'Sullivan and formulators contributed additional sales of approximately \$152.0 million in 2000. The formation of OxyVinyls at the end of April 1999 resulted in the previous polyvinyl chloride (PVC) resin operation sales, which totaled approximately \$144.0 million in 1999, no longer being consolidated.

Operating income for 2000 was \$64.8 million compared with \$99.7 million in 1999. Operating income before special items, depreciation and amortization was \$138.9 million compared with \$148.6 million in 1999. The decrease in 2000 operating income is due primarily to declines in construction and automotive-related sales, particularly in the vinyl compound and engineered films operations, partially offset by four months of earnings contributed by former Hanna operations.

Net income in 2000 was \$15.9 million and, before special items, was \$25.0 million compared with \$52.5 million in 1999 before special items. The effective income tax rate in 2000 was 39.1%, which approximated 1999.

PRO FORMA RESULTS Total sales for 2000 were \$3.140 billion, an increase of \$99.8 million, or 3%, over 1999. The sales growth was primarily in the Performance Plastics segment. Sales growth significantly slowed in the second half of 2000, particularly in construction and automotive-related markets.

Operating income was \$115.5 million in 2000 versus \$181.8 million in 1999. Operating income before special items, depreciation and amortization in 2000 was \$230.0 million, or \$58.6 million below 1999. The decrease in 2000 was attributable largely to lower earnings in the Performance Plastics segment, which were partially offset by higher Resin & Intermediates earnings.

Net income before special items was \$48.5 million in 2000 and \$85.0 million in 1999.

SUMMARY OF CONSOLIDATED OPERATING RESULTS

In millions, except per share data

	2000	Year Ended December 31, 1999	1998
	-----	-----	-----
REPORTED RESULTS			
Sales	\$ 1,887.8	\$ 1,261.2	\$ 1,284.4
Operating income before special items, depreciation and amortization	138.9	148.6	113.5
Operating income	64.8	99.7	41.0
Operating income before special items	81.5	105.4	55.6
Net income	15.9	104.7	13.8
Special items (income) - after tax	9.1	(52.2)	8.9
Net income before special items	\$ 25.0	\$ 52.5	\$ 22.7
Earnings per share, diluted	\$ 0.26	\$ 2.15	\$ 0.29
Effect on earnings per share of excluding special items, increase (decrease)	\$ 0.15	\$ (1.07)	\$ 0.19
PRO FORMA RESULTS			
Sales	\$ 3,139.7	\$ 3,039.9	\$ 2,915.5
Operating income before special items, depreciation and amortization	230.0	288.6	270.8
Operating income	115.5	181.8	151.2
Operating income before special items	128.4	184.3	175.4
Net income	52.4	79.9	56.2
Special items (income) - after tax	(3.9)	5.1	19.8
Net income before special items	\$ 48.5	\$ 85.0	\$ 76.0
Earnings per share, diluted	\$ 0.57	\$ 0.86	\$ 0.61
Effect on earnings per share of excluding special items, increase (decrease)	\$ (0.04)	\$ 0.05	\$ 0.21

SENIOR MANAGEMENT USES (1) OPERATING INCOME BEFORE SPECIAL ITEMS AND/OR (2) OPERATING INCOME BEFORE SPECIAL ITEMS AND DEPRECIATION AND AMORTIZATION (SIMILAR TO EBITDA, WHICH IS USED BY STOCK MARKET ANALYSTS) TO ASSESS PERFORMANCE AND ALLOCATE RESOURCES TO BUSINESS SEGMENTS. SPECIAL ITEMS INCLUDE GAINS AND LOSSES ASSOCIATED WITH SPECIFIC STRATEGIC INITIATIVES SUCH AS RESTRUCTURING OR CONSOLIDATION OF OPERATIONS, GAINS OR LOSSES ATTRIBUTABLE TO ACQUISITIONS OR FORMATION OF JOINT VENTURES, AND CERTAIN OTHER ONE-TIME ITEMS. FOR A DESCRIPTION OF SPECIAL ITEMS, REFER TO THE TABLE TITLED "SUMMARY OF SPECIAL ITEMS" ON PAGE 12. IN ADDITION, THE COMPANY'S MANAGEMENT USES NET INCOME BEFORE SPECIAL ITEMS AS A MEASURE OF THE COMPANY'S OVERALL EARNINGS PERFORMANCE. OPERATING INCOME BEFORE SPECIAL ITEMS AND NET INCOME BEFORE SPECIAL ITEMS ARE NON-GAAP MEASURES AND MAY NOT BE COMPARABLE TO FINANCIAL PERFORMANCE MEASURES PRESENTED BY OTHER COMPANIES.

RESULTS OF OPERATIONS

PERFORMANCE PLASTICS had 2000 sales of \$2.181 billion, an increase of \$90.7 million over 1999. Sales growth was strongest in formulators (\$50.0 million) and international (\$35.0 million), reflecting both higher organic growth rates and the effects of acquisitions. The 2000 sales in this segment comprise the following primary product groups: vinyl compounds (39%), engineered materials (23%), color and additive systems (16%), specialty resins and formulators (13%) and engineered films (9%). Operating income before special items, depreciation and amortization was \$153.4 million in 2000 versus \$234.0 million in 1999. The 2000 earnings decrease is attributable largely to the sales slowdown in the second half of 2000 that resulted from the weak automotive and construction markets and higher raw material costs. Segment sales in the first half of 2000 increased 11% versus a 2% decrease in the second half of 2000 (8% decrease in the fourth quarter) compared with the same periods in 1999. The average industry market price for PVC resin was \$0.09 per pound, or 35% higher in 2000 versus 1999. The international operations, which account for 18% of this segment's revenue, were not affected by the sales slowdown. Consolidated international earnings were adversely impacted due to currency exchange in 2000, with a weak euro versus the U.S. dollar.

ELASTOMERS & ADDITIVES sales in 2000 were \$482.2 million, a decrease of \$5.4 million from 1999. Sales were adversely impacted by the slowdown in the production of North American automobiles in the third and fourth quarters of 2000. Automotive applications comprise more than 40% of this segment's sales. The 2000 operating income before special items, depreciation and amortization was \$45.3 million compared with \$50.3 million in 1999.

DISTRIBUTION had sales in 2000 of \$506.7 million, an increase of \$23.3 million, or 5%, over 1999. Operating income before special items, depreciation and amortization was \$14.6 million in 2000, \$1.0 million below 1999, due to higher selling and administrative expense resulting primarily from increased sales personnel.

RESIN & INTERMEDIATES (R&I) operating income before special items, consisting of equity income from joint ventures, allocated overhead support cost and cost associated with past operations, was \$27.9 million in 2000, an increase of \$24.3 million over 1999. The OxyVinyls equity income in 2000 was \$35.7 million, an increase of \$17.9 million over 1999. The Sunbelt chlor-alkali joint venture recorded higher 2000 earnings of \$12.7 million, which were partially offset by lower earnings of the Australian joint venture. The domestic PVC resin and chlor-alkali industry dynamics were stronger in 2000 versus 1999. Domestic PVC resin industry spreads (selling prices of PVC resin over the cost of ethylene and chlorine) averaged approximately \$0.02 per pound higher in 2000 versus 1999. Also, caustic soda and chlorine industry price averages were higher by approximately \$25 per ton and \$120 per ton, respectively. Domestic PVC resin industry selling prices and margins began to rise in the third quarter of 1999 and increased through the first half of 2000. In the third quarter of 2000, sales demand slowed significantly with the economy, and inventory reductions occurred through the commercial distribution chain. With the decrease in sales demand, selling prices declined. Margins narrowed as a result of the selling price decline, unusually high costs for natural gas used directly in manufacturing and high ethylene costs. In the last six months of 2000, PolyOne recorded a loss from OxyVinyls of \$5.7 million.

"OTHER" consists primarily of corporate governance costs that are not allocated to the business segments. These unallocated costs before special items were \$11.2 million in 2000 compared with \$14.9 million in 1999.

- - 1999 RESULTS OF OPERATIONS

REPORTED RESULTS Total sales for 1999 were \$1.261 billion, a decrease of \$23.2 million, or 2%, from 1998. This change in sales included an increase of \$267.9 million in Performance Plastics sales, driven by acquisitions and organic growth. This growth was offset by the discontinuance of Resin & Intermediates sales upon the formation of OxyVinyls on April 30, 1999.

Operating income was \$99.7 million compared with \$41.0 million in 1998. Operating income before special items, depreciation and amortization was \$148.6 million compared with \$113.5 million in 1998. The Performance Plastics and R&I segments each had improved earnings in 1999 versus 1998 of approximately \$20.0 million.

Net income before special items was \$52.5 million in 1999 compared with \$22.7 million in 1998. The effective income tax rate was 39% in 1999 versus 41.5% in 1998, reflecting the effect of a change in foreign versus domestic earnings and the effect of permanent differences such as non-deductible goodwill on the lower pre-tax earnings in 1998.

PRO FORMA BUSINESS SEGMENT INFORMATION

In millions	Year Ended December 31,		
	2000	1999	1998
	-----	-----	-----
Sales:			
Performance Plastics	\$2,180.7	\$2,090.0	\$1,940.7
Elastomers & Additives	482.2	487.6	496.9
Distribution	506.7	483.4	499.6
Resin & Intermediates	--	--	--
Other	(29.9)	(21.1)	(21.7)
	-----	-----	-----
	\$3,139.7	\$3,039.9	\$2,915.5
	=====	=====	=====
Operating income before special items, depreciation and amortization:			
Performance Plastics	\$ 153.4	\$ 234.0	\$ 211.4
Elastomers & Additives	45.3	50.3	55.7
Distribution	14.6	15.6	14.3
Resin & Intermediates	27.9	3.6	(6.0)
Other	(11.2)	(14.9)	(4.6)
	-----	-----	-----
	\$ 230.0	\$ 288.6	\$ 270.8
	=====	=====	=====
Operating income before special items:			
Performance Plastics	\$ 73.9	\$ 151.2	\$ 140.0
Elastomers & Additives	26.5	32.4	37.7
Distribution	11.3	12.0	11.7
Resin & Intermediates	27.9	3.6	(6.0)
Other	(11.2)	(14.9)	(8.0)
	-----	-----	-----
	\$ 128.4	\$ 184.3	\$ 175.4
	=====	=====	=====

SEE PAGE 32 OF NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR REPORTED BUSINESS SEGMENT DISCLOSURES.

PRO FORMA RESULTS Total sales for 1999 were \$3.040 billion compared with \$2.916 billion in 1998, an increase of 4%. All of the sales growth occurred in the Performance Plastics business segment.

Operating income was \$181.8 million in 1999, an increase of \$30.6 million over 1998. Operating income before special items, depreciation and amortization in 1999 was \$288.6 million versus \$270.8 million in 1998. The Performance Plastics business segment recorded increased 1999 operating income before special items, depreciation and amortization of \$22.6 million.

Net income before special items was \$85.0 million in 1999 and \$76.0 million in 1998.

PERFORMANCE PLASTICS had 1999 sales of \$2.090 billion, an increase of \$149.3 million, or 8%. The increase was primarily from higher formulator (approximately \$77.0 million) and international (approximately \$49.0 million) sales reflecting both organic growth and the impact of acquisitions. Operating income before special items, depreciation and amortization was \$234.0 million in 1999, \$22.6 million above 1998. Higher operating income in 1999 was attributable primarily to increased sales demand.

ELASTOMERS & ADDITIVES sales in 1999 were \$487.6 million, a \$9.3 million decrease from 1998. Lower 1999 sales were due primarily to lower pricing, partially offset by higher volumes. The 1999 operating income before special items, depreciation and amortization was \$50.3 million, a decrease from 1998 of \$5.4 million due to the aforementioned decline in sales as well as plant start-up costs in Mexico and the United States and additional expenses associated with lean manufacturing and supply chain initiatives.

DISTRIBUTION had 1999 sales of \$483.4 million, a decrease of \$16.2 million from 1998 due to the sale of the Company's thermoset resin distribution business, which was partially offset by higher volumes from the Company's thermoplastic

RESULTS OF OPERATIONS

resin distribution business. Despite lower sales, 1999 operating income of \$15.6 million increased \$1.3 million over 1998. Improved operating earnings were attributable primarily to better cost control in 1999.

RESIN & INTERMEDIATES operating income before special items was \$3.6 million in 1999, an improvement of \$9.6 million over 1998. The improved earnings were the net result of higher average spreads of PVC resin selling prices over the cost of ethylene and chlorine of approximately \$0.03 per pound for the domestic industry. This improvement was partially offset by lower average selling prices in the chlor-alkali industry. Domestic industry caustic soda and chlorine selling prices in 1999 averaged below 1998 by approximately \$85 per ton and \$30 per ton, respectively.

OTHER unallocated costs before special items, depreciation and amortization totaled \$14.9 million in 1999 compared with \$4.6 million in 1998. The increase was due to business development activities and other expenses.

SUMMARY OF SPECIAL ITEMS

In millions	Year Ended December 31,		
	2000	1999	1998
	-----	-----	-----
Reported Results			
Merger and integration costs	\$ (9.5)	\$ --	\$ --
Acquired profit in inventory	(2.8)	(3.2)	--
Employee separation and plant phase-out costs	(2.8)	(0.5)	(14.6)
Directors' pension termination	(0.8)	--	--
Write-off of debt placement cost	(0.8)	--	--
Other restructuring costs - accelerated depreciation	(0.6)	(1.2)	--
Restructuring costs incurred by OxyVinyls	--	(0.8)	--
Gain on formation of joint ventures	--	93.5	--
	-----	-----	-----
Subtotal - pretax	(17.3)	87.8	(14.6)
	-----	-----	-----
- after tax	(10.6)	53.7	(8.9)
German tax rate reduction	1.5	--	--
Cumulative effect of a change in accounting	--	(1.5)	--
	-----	-----	-----
Total - after-tax income (expense)	\$ (9.1)	\$ 52.2	\$ (8.9)
	=====	=====	=====
Pro Forma Results			
Employee separation and plant phase-out costs	\$ (3.4)	\$ 0.1	\$ (43.2)
Directors' pension termination	(0.8)	--	--
Write-off of debt placement cost	(0.8)	--	--
Other restructuring costs - accelerated depreciation	--	(1.2)	--
Executive separation cost	(8.5)	--	(2.2)
Restructuring costs incurred by OxyVinyls	--	(0.8)	--
Reversal of Hanna dock operations reserves	--	1.2	--
Gain on sale of assets	--	13.2	1.0
Loss on sale of business	--	(10.9)	--
	-----	-----	-----
Subtotal - pretax	(13.5)	1.6	(44.4)
	-----	-----	-----
- after tax	(8.1)	(3.6)	(27.3)
Cumulative effect of a change in accounting	--	(1.5)	(2.0)
German tax rate reduction	1.5	--	--
Hanna reversal of income tax reserve	10.5	--	9.5
	-----	-----	-----
Total - after-tax income (expense)	\$ 3.9	\$ (5.1)	\$ (19.8)
	=====	=====	=====

CONSOLIDATED STATEMENTS OF INCOME

In millions, except per share data	Year Ended December 31,		
	2000	1999	1998
	-----	-----	-----
Sales	\$ 1,887.8	\$ 1,261.2	\$ 1,284.4
Operating costs and expenses:			
Cost of sales	1,598.8	1,028.9	1,084.3
Selling and administrative	191.5	97.4	90.3
Depreciation and amortization	57.4	44.4	57.9
Employee separation and plant phase-out	2.8	0.5	14.6
Merger and integration costs	9.5	--	--
(Income) from equity affiliates and minority interest	(37.0)	(9.7)	(3.7)
	-----	-----	-----
	1,823.0	1,161.5	1,243.4
	-----	-----	-----
Operating income	64.8	99.7	41.0
Interest expense	(36.7)	(17.7)	(16.0)
Interest income	1.6	2.1	1.2
Other expense, net	(3.6)	(3.6)	(2.6)
Gain on formation of joint ventures, net of formation costs	--	93.5	--
	-----	-----	-----
Income before income taxes and cumulative effect of a change in accounting for start-up costs	26.1	174.0	23.6
Income tax expense	(10.2)	(67.8)	(9.8)
	-----	-----	-----
Income before cumulative effect of a change in accounting	15.9	106.2	13.8
Cumulative effect of a change in accounting for start-up costs, net of income tax benefit of \$0.9 million	--	(1.5)	--
	-----	-----	-----
Net income	\$ 15.9	\$ 104.7	\$ 13.8
	=====	=====	=====
Earnings per common share:			
Basic earnings per share before effect of a change in accounting	\$ 0.26	\$ 2.28	\$ 0.30
Cumulative effect of a change in accounting	--	(.03)	--
	-----	-----	-----
Basic earnings per share	\$ 0.26	\$ 2.25	\$ 0.30
	=====	=====	=====
Diluted earnings per share before effect of a change in accounting	\$ 0.26	\$ 2.18	\$ 0.29
Cumulative effect of a change in accounting	--	(.03)	--
	-----	-----	-----
Diluted earnings per share	\$ 0.26	\$ 2.15	\$ 0.29
	=====	=====	=====
Weighted-average shares used to compute earnings per share:			
Basic	61.4	46.6	45.8
Diluted	62.0	48.6	47.2

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED BALANCE SHEETS

The consolidated balance sheet at December 31, 2000, reflects the financial position of PolyOne Corporation and, therefore, includes the merged assets and liabilities of the former Geon and Hanna companies. The December 31, 1999, consolidated balance sheet reflects only the former Geon.

- - ASSETS

Total assets were \$2.461 billion at December 31, 2000, an increase of \$1.298 billion from December 31, 1999. The increase in total assets is the result of the consolidation with M.A. Hanna Company in August 2000 to form PolyOne Corporation.

- - LIABILITIES AND EQUITY

Short-term bank debt was \$237.2 million at December 31, 2000, compared with short-term bank debt of \$222.0 million at December 31, 1999. Long-term debt increased \$311.5 million, from \$130.9 million at December 31, 1999, to \$442.4 million at December 31, 2000, due primarily to the outstanding debt of Hanna, which consists of both senior and medium-term notes. This debt, along with the outstanding debentures from the former Geon business, has investment-grade credit rating.

During 2000, the Company entered into two revolving credit agreements that provide up to \$200.0 million in borrowings through October 2001 and up to \$200.0 million in borrowings through October 2005. These agreements replaced existing credit agreements that would have expired between May 2001 and January 2003. There were \$210.0 million in borrowings under these agreements at December 31, 2000.

In connection with the consolidation of Geon and Hanna to form PolyOne, each outstanding share of Geon common stock was converted into two shares of PolyOne and each outstanding share of Hanna common stock was converted into one share of PolyOne. In addition, the authorized common stock of the Company was increased from 100.0 million shares to 400.0 million shares and the par value per share of common stock was decreased from \$0.10 per share to \$0.01 per share.

In September 2000, PolyOne's Board of Directors authorized the purchase of up to 9.6 million, or approximately 10%, of the Company's outstanding shares. Through December 31, 2000, PolyOne had repurchased 2.6 million shares at an average cost of \$7.15 per share. Also, the Company returned \$14.9 million to its shareholders in the form of cash dividends.

- - MARKET RISK DISCLOSURES

The Company is exposed to market risk from changes in interest rates on debt obligations. The Company's long-term debt at December 31, 2000, is primarily fixed-rate obligations. To manage interest rate risk, the Company periodically enters into interest rate exchange contracts, which generally convert fixed-rate obligations to floating rates. No such interest rate exchange contracts were outstanding at December 31, 2000.

The Company is also exposed to foreign currency exchange risk in the ordinary course of business, due to the fact that the Company's products are provided in numerous countries around the world, and collection of revenues and payment of certain expenses may give rise to currency exposure. Management has reviewed the Company's exposure to this risk and has concluded that the Company's exposure in this area is not material to fair values, cash flows or earnings. The Company also enters into intercompany lending transactions and foreign currency forward exchange contracts related to this foreign currency exposure. For additional discussion, refer to Note U to the Consolidated Financial Statements.

- - ENVIRONMENTAL MATTERS

The Company is subject to various laws and regulations concerning environmental matters. The Company is committed to a long-term environmental protection program that reduces releases of hazardous materials into the environment as well as to the remediation of identified existing environmental concerns.

The Company has been notified by federal and state environmental agencies and by private parties that it may be a potentially responsible party in connection with several environmental sites. The Company has accrued \$58.4 million to cover future environmental remediation expenditures, and does not believe any of the matters either individually or in the aggregate will have a material adverse effect on its capital expenditures, earnings, cash flow or liquidity. The accrual represents the Company's best estimate for the remaining remediation costs, based upon information and technology currently available. Depending upon the results of future testing and the ultimate remediation alternatives taken at these sites, it is possible that the ultimate costs to be incurred could be more or less than the accrual at December 31, 2000, by as much as \$19.0 million or \$15.0 million, respectively.

In millions, except per share data	December 31,	
	2000	1999
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 37.9	\$ 51.2
Accounts receivable		
Trade (less allowance of \$9.8 million in 2000 and \$3.8 million in 1999)	330.4	100.6
Other	17.1	4.8
Inventories	337.1	168.2
Deferred income tax assets	53.9	27.2
Other current assets	20.1	5.7
	-----	-----
TOTAL CURRENT ASSETS	796.5	357.7
Property, net	703.8	338.4
Investment in equity affiliates	311.6	265.1
Goodwill and other intangible assets, net	540.3	183.1
Other non-current assets	108.5	18.3
	-----	-----
TOTAL ASSETS	\$2,460.7	\$1,162.6
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term bank debt	\$ 237.2	\$ 222.0
Accounts payable, including amounts payable to related party (see Note N)	319.4	148.3
Accrued expenses	175.7	70.0
Current portion of long-term debt	2.6	0.4
	-----	-----
TOTAL CURRENT LIABILITIES	734.9	440.7
Long-term debt	442.4	130.9
Deferred income tax liabilities	132.8	106.5
Post-retirement benefits other than pensions	129.9	83.9
Other non-current liabilities, including pensions	179.1	60.2
Minority interest in consolidated subsidiaries	14.0	5.7
	-----	-----
TOTAL LIABILITIES	1,633.1	827.9
SHAREHOLDERS' EQUITY		
Preferred stock in 2000, 40.0 shares authorized, no shares issued; and in 1999, 10.0 shares authorized, no shares issued	--	--
Common stock in 2000, \$0.01 par, 400.0 shares authorized, 122.2 shares issued; and in 1999, \$0.10 par, 100.0 shares authorized, 28.0 shares issued	1.2	2.8
Additional paid-in capital	1,057.6	297.3
Retained earnings	169.3	168.3
Common stock held in treasury, 28.3 shares in 2000 and 4.2 shares in 1999	(321.9)	(104.5)
Share ownership trust	(25.5)	--
Accumulated other non-owner equity changes	(53.1)	(29.2)
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	827.6	334.7
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$2,460.7	\$1,162.6
	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The 2000 statement of cash flows comprises eight months' operations of the former Geon Company and four months' operations of PolyOne. The 1999 and 1998 statements of cash flows are those of only The Geon Company.

In 2000, net cash provided by operating and investing activities was \$84.3 million. Significant sources of cash included operating activities (\$63.9 million); proceeds from the sale of assets, primarily Hanna's Cadillac Plastic net assets (\$44.2 million); and net Hanna cash received at the time of merger (\$28.1 million). Contributing to a \$60.0 million reduction in accounts receivable in 2000 was a significant slowdown in fourth-quarter 2000 sales demand, particularly in the construction and automotive markets. The 2000 investing activities included capital expenditures of \$62.7 million.

In 1999, net cash used by operating and investing activities was \$23.2 million, excluding the impact on cash of the OxyChem transactions of \$127.7 million and the net cash paid for the businesses acquired of \$233.5 million. The transactions with OxyChem generated cash of \$127.7 million consisting of cash received upon the formation of OxyVinyls of \$77.5 million and collection of \$61.6 million of the \$62.3 million of R&I working capital retained upon formation of OxyVinyls, less cash payments of \$11.4 million for certain costs directly related to the OxyChem transactions. Geon paid \$27.0 million to acquire OxyChem's engineered film and vinyl compounding operations.

Operating activities provided \$53.0 million of cash in 1999, before collection of retained R&I working capital, compared with \$106.6 million in 1998. The decrease in operating cash flow is primarily the result of the increase in operating working capital. The 1999 investing activities consisted primarily of investment in new businesses. Businesses acquired included O'Sullivan, Acrol, Dennis Chemical, and the Burlington compound and engineered film and the Pasadena compound operations from OxyChem. "Investment in Equity Affiliates" consists primarily of Geon's investment in a Colombian compound joint venture. The 1999 increase in the purchases of property is attributable largely to the modernization of the Company's Henry, Illinois, specialty resin plant, which was announced in the fourth quarter of 1998. Partially offsetting the expenditures described above was the net cash received in conjunction with the OxyVinyls formation.

Financing activities in 2000 reflect PolyOne's repurchase of approximately 2.6 million shares through December 31, 2000, with an additional authorization to repurchase 7.0 million shares under a September 2000 Board of Directors resolution. Also, \$72.9 million of long-term debt was repaid in 2000 after the Company entered into two revolving credit agreements totaling \$400.0 million in October 2000. Upon formation, PolyOne commenced the payment of quarterly dividends at the annual rate of \$0.25 per common share.

The Company believes it has and/or can obtain sufficient funds to support dividends, debt service requirements, and normal capital and operating expenditures under its existing working capital facilities and other available borrowings.

Certain factors that may affect these forward-looking comments are discussed on page 34.

- - INFLATION

The Company employs a number of strategies to mitigate the impact of inflation on financial results. A considerable amount of capital spending is directed toward cost reduction and productivity improvement projects. Moreover, through its research and development efforts, the Company is continually exploring ways to reduce the cost of existing products and to develop new products with improved characteristics that will command premium prices. The Company is also reviewing and re-engineering its administrative activities on an ongoing basis to streamline operations and reduce costs.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions	Year Ended December 31,		
	2000	1999	1998
	-----	-----	-----
OPERATING ACTIVITIES			
Net income	\$ 15.9	\$ 104.7	\$ 13.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on formation of joint ventures, net of formation costs	--	(93.5)	--
Employee separation and plant phase-out	2.8	0.5	14.6
Depreciation and amortization	57.4	44.4	57.9
Companies carried at equity:			
Income	(37.0)	(9.7)	(3.7)
Dividends received	27.0	4.6	0.3
Provision (benefit) for deferred income taxes	8.3	60.4	(1.0)
Changes in assets and liabilities:			
Operating working capital:			
Accounts receivable	60.0	(31.1)	50.7
Inventories	9.9	(23.9)	16.5
Accounts payable	(19.2)	36.4	(32.7)
Realization of retained working capital of contributed PVC business	--	61.6	--
Accrued expenses	(46.2)	(29.1)	(2.3)
Income taxes payable/receivable, net	(1.7)	(3.3)	3.3
Other	(13.3)	(7.4)	(10.8)
	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	63.9	114.6	106.6
INVESTING ACTIVITIES			
Business acquisitions, net of cash acquired	(2.4)	(233.5)	(57.1)
Cash received in connection with OxyVinyls formation, net of formation costs paid	--	66.1	--
Cash received in connection with consolidation of M.A Hanna Company, net of transaction costs paid	28.1	--	--
Proceeds from sale of assets	44.2	--	--
Capital expenditures	(62.7)	(60.1)	(40.7)
Return of cash (investment in) equity affiliates	5.3	(16.1)	2.9
Other	7.9	--	--
	-----	-----	-----
NET CASH PROVIDED (USED) BY OPERATING AND INVESTING ACTIVITIES	84.3	(129.0)	11.7
FINANCING ACTIVITIES			
Change in short-term debt	8.7	167.5	(34.4)
Net issuance (repayment) of long-term debt	(72.9)	2.0	(0.9)
Net proceeds from issuance of common stock	0.6	7.1	1.8
Repurchase of common stock	(18.7)	--	--
Dividends	(14.9)	(11.8)	(11.7)
	-----	-----	-----
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(97.2)	164.8	(45.2)
Effect of exchange rate changes on cash	(0.4)	1.0	(1.2)
	-----	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13.3)	36.8	(34.7)
Cash and cash equivalents at beginning of year	51.2	14.4	49.1
	-----	-----	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 37.9	\$ 51.2	\$ 14.4
	=====	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

In millions, except per share data; shares in thousands	Common Shares	Common Shares Held in Treasury	Total	Common Stock	Additional Paid-in Capital
-----	-----	-----	-----	-----	-----
BALANCE DECEMBER 31, 1997	27,877	4,700	\$ 223.8	\$ 2.8	\$ 295.8
Non-owner equity changes:					
Net income			13.8		
Translation adjustment			(8.8)		
Adjustment of minimum pension liability			(6.6)		

Total non-owner equity changes			(1.6)		
Stock-based compensation and exercise of options	97	(78)	3.6		0.3
Cash dividends (\$0.25 per share)			(11.7)		
	-----	-----	-----	-----	-----
BALANCE DECEMBER 31, 1998	27,974	4,622	214.1	2.8	296.1
Non-owner equity changes:					
Net income			104.7		
Translation adjustment			7.9		
Adjustment of minimum pension liability			7.6		

Total non-owner equity changes			120.2		
Stock-based compensation and exercise of options		(377)	12.2		1.2
Cash dividends (\$0.25 per share)			(11.8)		
	-----	-----	-----	-----	-----
BALANCE DECEMBER 31, 1999	27,974	4,245	334.7	2.8	297.3
Non-owner equity changes:					
Net income			15.9		
Translation adjustment			(4.7)		
Adjustment of minimum pension liability			(19.2)		

Total non-owner equity changes			(8.0)		
Two-for-one stock split	27,979	3,654		2.8	(2.8)
Reduction in par value from \$0.10 per share to \$0.01 per share				(5.1)	5.1
Shares issued in business combination merger	66,234	18,406	536.7	0.7	781.3
Formation of share ownership trust		(500)			
Stock-based compensation and benefits and exercise of options	5	(90)	(2.2)		(7.5)
Purchase of shares for treasury		2,600	(18.7)		
Adjustment to market value					(15.8)
Cash dividends (\$0.25 per share)			(14.9)		
	-----	-----	-----	-----	-----
BALANCE DECEMBER 31, 2000	122,192	28,315	\$ 827.6	\$ 1.2	\$ 1,057.6
	=====	=====	=====	=====	=====

In millions, except per share data; shares in thousands	Retained Earnings	Common Stock Held in Treasury	Share Ownership Trust	Accumulated Other Non- Owner Equity Changes
-----	-----	-----	-----	-----
BALANCE DECEMBER 31, 1997	\$ 73.3	\$ (118.0)	\$ --	\$ (30.1)
Non-owner equity changes:				
Net income	13.8			
Translation adjustment				(8.8)
Adjustment of minimum pension liability				(6.6)
Total non-owner equity changes				
Stock-based compensation and exercise of options		2.9		0.4
Cash dividends (\$0.25 per share)	(11.7)			
	-----	-----	-----	-----
BALANCE DECEMBER 31, 1998	75.4	(115.1)	--	(45.1)
Non-owner equity changes:				
Net income	104.7			
Translation adjustment				7.9
Adjustment of minimum pension liability				7.6
Total non-owner equity changes				
Stock-based compensation and exercise of options		10.6		0.4
Cash dividends (\$0.25 per share)	(11.8)			
	-----	-----	-----	-----
BALANCE DECEMBER 31, 1999	168.3	(104.5)	--	(29.2)
Non-owner equity changes:				
Net income	15.9			
Translation adjustment				(4.7)

Adjustment of minimum pension liability				(19.2)
Total non-owner equity changes				
Two-for-one stock split				
Reduction in par value from \$0.10 per share to \$0.01 per share				
Shares issued in business combination merger	(215.6)	(29.7)		
Formation of share ownership trust	13.4	(13.4)		
Stock-based compensation and benefits and exercise of options	3.5	1.8		
Purchase of shares for treasury	(18.7)			
Adjustment to market value		15.8		
Cash dividends (\$0.25 per share)	(14.9)			
	-----	-----	-----	-----
BALANCE DECEMBER 31, 2000	\$ 169.3	\$ (321.9)	\$ (25.5)	\$ (53.1)
	=====	=====	=====	=====

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

Note A

- - FORMATION OF POLYONE AND BASIS OF PRESENTATION

PolyOne Corporation (Company or PolyOne) is the world's largest international polymer services company, with operations in thermoplastic compounds, specialty polymer formulations, engineered films, color and additive systems, elastomer compounds and additives, and thermoplastic resin distribution. PolyOne was formed on August 31, 2000, as a result of the consolidation of The Geon Company (Geon) and M.A. Hanna Company (Hanna). The consolidation was accounted for as a purchase business combination under generally accepted accounting principles with Geon as the acquiring entity. Hanna was a leading international specialty polymers company with operations in thermoplastic compounds, color and additive systems, elastomer compounds and additives, and thermoplastic resin distribution. In connection with the consolidation, each outstanding share of Geon common stock was converted into two shares of PolyOne and each outstanding share of Hanna common stock was converted into one share of PolyOne. The conversion of the Geon shares has been treated in a manner similar to a two-for-one stock split. All per-share data for all periods presented has been restated to reflect the effects of the conversion.

The purchase price approximated \$546.0 million, including direct acquisition costs. The excess of the purchase price paid over the fair value of net assets acquired, totaling approximately \$301.0 million, has been recorded as goodwill. The purchase price allocation reflected in these financial statements for the consolidation is preliminary and may be adjusted as estimated fair values of assets acquired and liabilities assumed are finalized, including the finalization of restructuring plans relating to the operations of Hanna, which the Company has begun to assess. Such activities may include employee separation, asset rationalization and certain plant closures expected to be finalized during 2001.

PolyOne's operations are located primarily in the United States, Europe, Canada, Mexico and Asia/Pacific, in four business segments: Performance Plastics, Elastomers and Additives, Distribution, and Resin and Intermediates. See Note S for further information on the Company's business segments.

Note B

- - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION The consolidated financial statements include the accounts of the Company and its subsidiaries. All majority-owned affiliates where the Company has control are consolidated. Investments in affiliates where the Company's ownership is 50% or less, or where the Company does not have control but has the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. Intercompany transactions are eliminated.

CASH AND CASH EQUIVALENTS The Company considers all highly liquid investments purchased with a maturity of less than three months to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

CONCENTRATIONS OF CREDIT RISK Financial instruments that potentially subject the Company to credit risk are trade accounts receivable and foreign exchange contracts. Concentration of credit risk with respect to trade accounts receivable is limited, due to a large number of customers comprising the Company's customer base and their distribution among many different industries and geographic locations. The Company is exposed to credit risk with respect to forward foreign exchange contracts in the event of non-performance by the counterparties to these financial instruments. Management believes the risk of incurring material losses related to this credit risk is remote.

INVENTORIES Inventories are stated at the lower of cost or market. Approximately 43% of the Company's inventories at December 31, 2000, have been valued by the last-in, first-out (LIFO) cost method. Inventories not valued by the LIFO method are valued principally by the first-in, first-out (FIFO), or average cost method. The excess of current cost over LIFO cost was \$24.1 million and \$20.1 million at December 31, 2000, and 1999, respectively.

PROPERTY AND DEPRECIATION Property, plant and equipment are recorded at cost, net of depreciation and amortization computed principally using the straight-line method over the estimated useful life of the assets, ranging from three to 15 years for machinery and equipment and up to 40 years for buildings. Computer software is amortized over periods not exceeding 10 years. Property, plant and equipment are generally depreciated on accelerated methods for income tax purposes. Repair and maintenance costs are expensed as incurred.

GOODWILL AND OTHER INTANGIBLE ASSETS The excess of the purchase price paid over the fair value of the net assets of businesses acquired is recorded as goodwill and amortized over a 35-year period on a straight-line basis. Goodwill and other long-lived assets are reviewed for impairment. When undiscounted cash flows are not sufficient to recover the assets' carrying amount, an impairment loss is charged to expense in the period identified. Measurement of impairment is based upon discounted cash flows, asset appraisals or market values of similar assets. At December 31, 2000, and 1999, goodwill totaled \$474.8 million and \$180.0 million, net of accumulated amortization of \$14.8 million and \$6.2 million, respectively.

Other intangible assets include values assigned to technology and related patents and workforce. At December 31, 2000, and 1999, other intangible assets totaled \$65.5 million and \$3.1 million, net of accumulated amortization of \$3.7 million and \$0.1 million, respectively. These assets are being amortized over periods ranging from four to 20 years on a straight-line basis.

Amortization expense related to goodwill and other intangibles was \$11.5 million, \$3.8 million and \$2.1 million in 2000, 1999 and 1998, respectively.

DERIVATIVE FINANCIAL INSTRUMENTS The Company periodically enters into interest rate exchange and forward foreign exchange contracts. Interest rate exchange contracts are generally used to convert fixed-rate to floating-rate debt in order to take advantage of lower floating rates. At December 31, 2000, the Company had no interest rate exchange contracts outstanding. Forward foreign exchange contracts are used to minimize the risk related to certain foreign currency receivables, payables and intercompany lending transactions. Gains and losses related to these contracts are recognized in other income or expense, and offset the foreign exchange gains and losses on the underlying transactions. In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Financial Instruments and Hedging Activities," which was required to be adopted effective January 1, 2001. Because of the Company's minimal use of derivative financial instruments, the adoption of this statement will not have a material impact on the earnings or financial position of the Company.

REVENUE RECOGNITION The Company recognizes revenues at the point of passage of title, which is based on shipping terms for product sales or when service is performed.

SHIPPING AND HANDLING COSTS Shipping and handling costs are reflected in cost of sales.

INCOME AND LOSSES FROM EQUITY AFFILIATES The Company recognizes its proportionate share of the income of equity affiliates. Losses of equity affiliates are recognized to the extent of the Company's investment, advances, financial guarantees and other commitments to provide financial support to the investee. Any losses in excess of this are deferred, and reduce the amount of future earnings of the equity investee recognized by the Company. At December 31, 2000, and 1999, there were no deferred losses related to equity investees.

ENVIRONMENTAL COSTS The Company expenses, on a current basis, recurring costs associated with managing hazardous substances and pollution in ongoing operations. Costs associated with the remediation of environmental contamination are accrued when it becomes probable that a liability has been incurred and the Company's proportionate share of the amount can be reasonably estimated.

RESEARCH AND DEVELOPMENT EXPENSE Research and development costs, which were \$21.4 million, \$18.5 million and \$15.0 million in 2000, 1999 and 1998, respectively, are charged to expense as incurred.

INCOME TAXES Deferred tax liabilities and assets are determined based on the differences between the financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rate and laws currently in effect.

FOREIGN CURRENCY TRANSLATION Income statement items are translated at average currency exchange rates. Transaction gains and losses are included in determining net income. All balance sheet accounts of foreign subsidiaries and equity investees are translated at the exchange rate at the end of the period. The Company's share of the resulting translation adjustment is recorded as accumulated other non-owner equity changes. The cumulative unrecognized translation adjustment loss was \$32.5 million, \$27.8 million and \$35.7 million at December 31, 2000, 1999 and 1998, respectively.

STOCK OPTIONS The Company accounts for stock options in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

CHANGE IN ACCOUNTING METHOD In January 1999, the Company adopted the American Institute of Certified Public Accountants Statement of Position (SOP) 98-5, "Reporting on the Costs of Start-up Activities," which required that all pre-operating costs be expensed as incurred. Adoption of this statement resulted in a one-time charge of \$2.4 million (\$1.5 million net of income tax benefit) and was reported as a cumulative effect of a change in accounting principle in 1999 earnings.

USE OF ESTIMATES 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 those estimates.

RECLASSIFICATION Certain amounts for 1999 and 1998 have been reclassified to conform to the 2000 presentation.

Note C

- - OXYVINYLJS JOINT VENTURE FORMATION

On April 30, 1999, the Company completed certain transactions with Occidental Chemical Corporation (OxyChem), which included the formation of OxyVinyls, LP (OxyVinyls), a manufacturer and marketer of PVC resins. OxyVinyls is the largest producer of PVC resins in North America.

PolyOne contributed to OxyVinyls five PVC suspension and mass resin plants and one VCM plant as well as related assets and all the outstanding capital stock of LaPorte Chemicals Corporation, a subsidiary of the Company. In exchange, PolyOne received a 24% interest in OxyVinyls and OxyVinyls assumed certain liabilities and obligations of PolyOne. OxyChem contributed to OxyVinyls one PVC plant; one VCM plant; a 50% interest in OxyMar, a Texas general partnership that operates a VCM plant; and a portion of a chlor-alkali chemical complex, together with other related assets. In exchange, OxyChem received a 76% interest in OxyVinyls, and OxyVinyls assumed certain liabilities and obligations of OxyChem, including certain OxyMar debt. For accounting purposes, PolyOne's contribution to OxyVinyls was treated as a sale of 76% of its PVC business net assets to OxyChem.

In addition, PolyOne and OxyChem formed Powder Blends, a small powder compounding partnership that is 90% owned by PolyOne. PolyOne also acquired from OxyChem a PVC engineered film and pellet compounding plant located in Burlington, New Jersey, and a pellet compound business located in Pasadena, Texas.

In conjunction with the above transactions, PolyOne realized approximately \$104.0 million through retention of certain working capital from its businesses contributed to OxyVinyls and the distribution of cash from OxyVinyls. This \$104.0 million comprises cash received from OxyChem of \$77.5 million and retained working capital of \$62.0 million, less \$27.0 million paid by PolyOne to OxyChem for the purchase of the acquired businesses and \$9.0 million representing PolyOne's incremental share of OxyVinyls' incremental financing.

The Company recognized a pre-tax gain of \$93.5 million as a result of these transactions, representing the excess of the fair value received over the book value of the 76% and 10% of PolyOne's net assets contributed to Oxy-Vinyls and Powder Blends, respectively. This gain is net of certain one-time costs directly related to the transactions.

In conjunction with the transactions above, Poly-One entered into PVC resin and VCM supply agreements with OxyVinyls under which PolyOne purchases a substantial portion of its PVC resin and VCM. The agreements have an initial term of 15 years with renewal options. The Company also has entered into various service agreements with the partnerships.

Note D

- - BUSINESS COMBINATIONS

On July 7, 1999, the Company acquired O'Sullivan Corporation (O'Sullivan), a Virginia corporation, for approximately \$192.0 million, including direct acquisition costs. Included in the acquired assets of O'Sullivan was \$36.0 million in cash, which was used to partially finance the acquisition. O'Sullivan is a leading producer of engineered polymer films for the automotive and industrial markets.

The Company also acquired Acrol Holdings Limited (Acrol) on July 1, 1999, and Dennis Chemical Company, Inc. (Dennis Chemical) on September 8, 1999. Acrol, headquartered in Widnes, England, is the United Kingdom's leading formulator of vinyl plastisols. Acrol is also a leading distributor of compounding additives, and manufactures a range of specialty polymer-coated textiles. Dennis Chemical is a custom plastisol formulator of specialty vinyl resins and urethanes, and is headquartered in St. Louis, Missouri. The combined purchase price for these formulator acquisitions was approximately \$57.0 million.

These acquisitions have been accounted for under the purchase method of accounting and, accordingly, the assets acquired and liabilities assumed are recorded at their estimated fair values on the acquisition dates. The excess of the purchase price paid over the fair value of net assets acquired, totaling approximately \$97.0 million, has been recorded as goodwill. The acquisitions of O'Sullivan, Acrol and Dennis Chemical were financed with short-term credit facilities and available cash on hand, including a portion of the cash held by O'Sullivan at the acquisition date. The Company's results of operations include the results of the acquired businesses from the date of acquisition.

Note E

- - PRO FORMA FINANCIAL INFORMATION

The following table sets forth certain unaudited pro forma financial information for the Company, assuming that the transactions with Hanna (discussed in Note A), OxyChem (discussed in Note C) and O'Sullivan (discussed in Note D) had occurred on January 1, 1999. In addition, the pro forma financial information reflects the effect of Hanna's sale of its Cadillac Plastic business as if it had occurred prior to the periods shown. The net proceeds from the sale of Cadillac were assumed to be used to repay long-term debt. The unaudited pro forma information is not necessarily indicative of the results of operations that would have occurred had the aforementioned transactions been made at the beginning of the periods presented.

In millions, except per share data	2000	1999
	-----	-----
Sales	\$ 3,139.7	\$ 3,039.9
Income before cumulative effect of a change in accounting principle	52.4	79.9
	-----	-----
Basic earnings per share	0.57	0.88
	-----	-----
Diluted earnings per share	0.57	0.86
	=====	=====

Note F

- - FINANCIAL INFORMATION OF R&I SEGMENT EQUITY AFFILIATES

The Company's R&I segment consists primarily of investments in equity affiliates. Summarized financial information for OxyVinyls, which was formed in April 1999, is presented below.

In millions	2000 -----	1999 -----
OxyVinyls:		
Net sales	\$1,892.3	\$1,102.1
Operating income	148.2	71.8
Partnership income as reported by OxyVinyls	146.2	63.7
PolyOne's ownership of OxyVinyls	24%	24%
	-----	-----
PolyOne's proportionate share of OxyVinyls' earnings	35.1	15.3
Amortization of the difference between PolyOne's investment and its underlying share of OxyVinyls' equity	0.6	1.2
	-----	-----
Earnings of equity affiliate recorded by PolyOne	\$ 35.7 =====	\$ 16.5 =====
Current assets	\$ 338.1	\$ 367.7
Non-current assets	1,045.1	1,021.1
	-----	-----
Total assets	\$1,383.2 =====	\$1,388.8 =====
Current liabilities	\$ 238.2	\$ 272.0
Non-current liabilities	93.9	102.5
	-----	-----
Total liabilities	\$ 332.1 =====	\$ 374.5 =====

The Company's R&I segment also includes the Sun-belt and AVC equity affiliates. Combined summarized financial information for Sunbelt (owned 50%) and AVC (owned 37.4%) is presented in the following table. The amounts shown represent the entire operations of these businesses, rather than the Company's proportionate share.

In millions	2000 -----	1999 -----
Net sales	\$ 239.2	\$ 200.3
Operating income	24.5	9.6
Net income (loss) before cumulative effect of a change in accounting	3.1	(13.5)
Net income (loss)	\$ 3.1 =====	\$ (18.3) =====
Current assets	\$ 52.5	\$ 67.7
Non-current assets	204.6	226.6
	-----	-----
Total assets	\$ 257.1 =====	\$ 294.3 =====
Current liabilities	\$ 22.1	\$ 57.6
Non-current liabilities	219.1	201.3
	-----	-----
Total liabilities	\$ 241.2 =====	\$ 258.9 =====

Note G

- - FINANCING ARRANGEMENTS

Long-term debt at December 31 consists of the following:

In millions	2000 -----	1999 -----
9.375% senior notes due 2003	\$ 91.1	\$ --
6.875% debentures due 2005	75.0	75.0
7.500% debentures due 2015	50.0	50.0
Medium-term notes - interest rates from 6.52% to 7.16% with a weighted average of 6.85% - due between 2004 and 2011	149.4	--
Bank borrowings	79.5	6.3

	-----	-----
	445.0	131.3
Less current portion	2.6	0.4
	-----	-----
	\$ 442.4	\$ 130.9
	=====	=====

Aggregate maturities of long-term debt for the next five years are:
2001 - \$2.6 million; 2002 - \$2.4 million; 2003 - \$137.4 million; 2004 - \$40.6
million; and 2005 - \$99.4 million.

In October 2000, the Company entered into two revolving credit agreements that provide for up to \$200.0 million in borrowings through October 2001 and up to \$200.0 million in borrowings through October 2005. The agreements replaced existing revolving credit facilities that would have expired between May 2001 and January 2003. The new agreements provide for interest rates to be determined at the time of borrowing based on a choice of formulas specified in the agreement. There were \$210.0 million in borrowings under these agreements at December 31, 2000.

Bank borrowings include committed and uncommitted credit lines. At December 31, 2000, the Company had \$20.0 million of borrowings from uncommitted credit lines and \$210.0 million of borrowing from committed bank lines at rates ranging from 7.1% to 7.6%, with a weighted-average rate of 7.5%. The Company has a 5.1% fixed-rate borrowing for 90 million DM (\$43.2 million as of December 31, 2000) due in 2003.

The weighted-average interest on short-term borrowings was 7.5% and 6.6% at December 31, 2000, and 1999, respectively.

Interest paid amounted to \$38.6 million, \$16.7 million and \$14.5 million in 2000, 1999 and 1998, respectively.

The Company's bank agreements require, among other things, that the Company comply with interest coverage and debt-to-cash earnings ratios.

Note H

- - LEASING ARRANGEMENTS

The Company leases certain manufacturing facilities, warehouse space, machinery and equipment, automobiles and railcars under operating leases. Rent expense amounted to \$21.3 million, \$20.9 million and \$32.2 million during 2000, 1999 and 1998, respectively.

The future minimum lease payments under non-cancelable operating leases with initial lease terms in excess of one year at December 31, 2000, are as follows: 2001 - \$11.1 million; 2002 - \$8.9 million; 2003 - \$6.0 million; 2004 - \$5.0 million; 2005 - \$3.5 million; and thereafter - \$7.9 million.

Note I

- - SALE OF ACCOUNTS RECEIVABLE

The Company has an agreement with a bank to sell an undivided interest in certain trade accounts receivable under which, on an ongoing basis, a maximum of \$100.0 million (\$85.0 million in 1999) can be sold from a designated pool subject to limited recourse. Payments are collected from the sold accounts receivable; the collections are reinvested in new accounts receivable for the buyers, and a yield based on defined short-term market rates is transferred to the buyers. Buyers have collection rights to recover payments from the receivables in the designated pool. Sales of accounts receivable averaged \$87.5 million, \$69.6 million and \$78.4 million in 2000, 1999 and 1998, respectively. Accounts receivable at December 31, 2000, and 1999 were net of \$100.0 million and \$85.0 million, respectively, representing the interests in receivables sold under these agreements. The discount from the Company's sale of receivables is included in "Other expense, net" in the Consolidated Statements of Income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In September 2000, the FASB issued Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which the Company is required to adopt prospectively for transactions beginning in April 2001. Based on current circumstances, the Company believes that the adoption of Statement No. 140 will not have a material impact on its financial statements.

Note J

- - INVENTORIES

In millions	December 31,	
	2000	1999
	-----	-----
At FIFO or average cost, which approximates current costs:		
Finished products and in process	\$ 201.4	\$ 96.3
Raw materials and supplies	159.8	92.0
	-----	-----
	361.2	188.3
Reserve to reduce certain inventories to LIFO basis	(24.1)	(20.1)
	-----	-----
	\$ 337.1	\$ 168.2
	=====	=====

Approximately 43% and 53% of the Company's inventory was valued by the LIFO method at December 31, 2000, and 1999, respectively.

Note K

- - PROPERTY

In millions	December 31,	
	2000	1999
	-----	-----
Land and land improvements	\$ 55.3	\$ 22.0
Buildings	287.5	153.0
Machinery and equipment	823.6	584.3
	-----	-----
	1,166.4	759.3
Less accumulated depreciation and amortization	(462.6)	(420.9)
	-----	-----
	\$ 703.8	\$ 338.4
	=====	=====

Note L

- - OTHER BALANCE SHEET LIABILITIES

In millions	Accrued Expenses		Non-current Liabilities	
	December 31,		December 31,	
	2000	1999	2000	1999
	-----	-----	-----	-----
Employment costs	\$ 80.9	\$ 28.8	\$ 43.7	\$ 9.7
Environmental	10.0	7.1	48.4	37.0
Taxes, other than income	8.3	10.4	--	--
Post-retirement benefits	12.7	7.7	--	--
Pension	--	--	37.8	12.6
Employee separation and plant phase-out	2.4	2.7	--	--
Other	61.4	13.3	49.2	0.9
	-----	-----	-----	-----
	\$ 175.7	\$ 70.0	\$ 179.1	\$ 60.2
	=====	=====	=====	=====

Note M

- - EMPLOYEE BENEFIT PLANS

The Company has four defined benefit pension plans covering some of the former Geon U.S. employees. The Company's salaried plan closed participation to employees after December 31, 1999. The plans generally provide benefit payments using a formula that is based on employee compensation and length of service. Annual contributions to the plans are sufficient to satisfy legal requirements. Plan assets consist principally of corporate and government obligations and funds invested in equities, including stock of the Company. Two of the Company's pension plans are unfunded non-qualified pension plans that provide supplemental pension benefits for senior executives. In connection with the acquisition of Hanna and O'Sullivan, the Company assumed the obligations and assets of Hanna's

and O'Sullivan's defined benefit pension plans, covering certain Hanna and O'Sullivan employees. Benefits earned under Hanna's and O'Sullivan's defined benefit pension plans have been frozen.

A charge of \$9.0 million for curtailment and special termination benefits was recorded in 1999 relating to the transfer of R&I employees from Geon to OxyVinyls. This charge is included in the gain on formation of joint ventures, net of formation expenses, in the Consolidated Statements of Income. The Company has recorded an intangible asset of \$1.8 million and \$3.2 million related to both funded and unfunded pension plans as of December 31, 2000, and 1999, respectively. At December 31, 2000, and 1999, the Company's accumulated other non-owner equity changes included \$20.6 million and \$1.3 million, respectively, related to the accumulated minimum pension liability.

The Company reports other non-owner equity changes net of the related income tax expense or benefit in the Consolidated Statements of Shareholders' Equity. The income tax (expense) benefit related to the adjustment of the minimum pension liability was \$11.1 million, \$(4.1) million and \$3.6 million in 2000, 1999 and 1998, respectively.

The Company sponsors several unfunded defined benefit post-retirement plans that provide certain health care and life insurance benefits to eligible employees. The health care plans are contributory, with retiree contributions adjusted periodically, and contain other cost-sharing features such as deductibles and coinsurance. The life insurance plans are generally non-contributory.

The following tables set forth the change in benefit obligation, change in plan assets funded status and amounts recognized in the Consolidated Balance Sheets related to the defined benefit pension and post-retirement health care benefit plans.

In millions	Pension Benefits		Health Care Benefits	
	2000	1999	2000	1999
	-----	-----	-----	-----
Change in benefit obligation				
Benefit obligation - beginning of year	\$ 292.5	\$ 302.1	\$ 86.2	\$ 95.8
Service cost	4.1	3.7	0.8	0.5
Interest cost	24.3	21.1	7.9	6.2
Participant contributions	--	--	0.9	0.5
Benefits paid	(25.5)	(23.5)	(12.7)	(8.0)
Curtailment and special termination benefits	--	9.0	--	--
Acquired businesses and plan amendments	79.5	10.6	54.3	2.4
Transfer to OxyVinyls	--	--	--	(2.7)
Change in discount rate and other	18.1	(30.5)	17.6	(8.5)
	-----	-----	-----	-----
Benefit obligation - end of year	393.0	292.5	155.0	86.2
Projected salary increases	26.4	22.7	--	--
	-----	-----	-----	-----
Accumulated benefit obligation	\$ 366.6	\$ 269.8	\$ 155.0	\$ 86.2
	=====	=====	=====	=====
Change in plan assets				
Plan assets - beginning of year	\$ 256.5	\$ 243.9	\$ --	\$ --
Actual return on plan assets	6.8	14.2	--	--
Company contributions	7.3	9.8	--	--
Acquired businesses	107.7	9.5	--	--
Benefits paid	(25.1)	(20.9)	--	--
	-----	-----	-----	-----
Plan assets - end of year	\$ 353.2	\$ 256.5	\$ --	\$ --
	=====	=====	=====	=====
Funded status				
Plan assets less than projected benefit obligation	\$ 39.8	\$ 36.0	\$ 155.0	\$ 86.2
Unamortized				
Transition liability	(1.4)	(2.3)	--	--
Prior service cost	(0.8)	(1.6)	--	--
Net actuarial gain (loss)	(62.7)	(24.7)	(12.4)	5.4
Adjustment to recognized minimum liability	33.5	5.2	--	--
	-----	-----	-----	-----
Accrued benefit cost	\$ 8.4	\$ 12.6	\$ 142.6	\$ 91.6

The following table summarizes the assumptions used by the consulting actuaries, and the related benefit cost information.

Dollars in millions	Pension Benefits			Health Care Benefits		
	2000	1999	1998	2000	1999	1998
Assumptions						
Discount rate	7.5%	7.7%	7.0%	7.5%	7.7%	7.0%
Future compensation	4.0-7.0%	4.0-7.0%	4.0-7.0%	--	--	--
Expected long-term return on plan assets	9.0%	9.5%	9.5%	--	--	--
Components of net periodic benefit costs						
Service cost	\$ 4.1	\$ 3.7	\$ 3.9	\$ 0.8	\$ 0.5	\$ 0.4
Interest cost	24.3	21.1	20.1	7.9	6.2	6.5
Curtailement loss and special termination benefits	--	9.0	--	--	--	--
Expected return on plan assets	(26.8)	(22.6)	(22.5)	--	--	--
Amortization of unrecognized losses, transition obligation and prior service cost	1.9	2.6	2.6	--	--	--
	-----	-----	-----	-----	-----	-----
	\$ 3.5	\$ 13.8	\$ 4.1	\$ 8.7	\$ 6.7	\$ 6.9
	=====	=====	=====	=====	=====	=====

The combined projected benefit obligation (PBO) includes the PBO of unfunded plans of \$8.9 million and \$7.0 million at December 31, 2000, and 1999, respectively. The accumulated benefit obligation (ABO) of these unfunded plans was \$6.4 million and \$6.3 million at December 31, 2000, and 1999, respectively. The remaining PBO relates to the Company's funded pension plans, including the acquired Hanna and O'Sullivan plans. At December 31, 2000, the Company had three plans with a PBO and an ABO in excess of the related plan assets. These include the Company's salaried plan and two plans acquired with O'Sullivan. At December 31, 2000, the PBO, ABO and fair value of plan assets for these plans were \$276.0 million, \$253.0 million and \$216.7 million, respectively.

For measurement purposes, the Company assumed an average annual rate of increase in the per capita cost of health care benefits (health care cost trend rates) of 8.5% for 2000, declining gradually to 5.5% in 2007 and thereafter. A change in the assumed health care cost trend rates of 1% in each year would increase or decrease the benefit obligation as of December 31, 2000, by approximately \$11.0 million, and the aggregate of the service and interest cost components of net periodic post-retirement benefit cost for 2000 by \$1.1 million.

The Company maintains voluntary retirement savings plans (RSP) for most employees. Under provisions of the RSP, eligible employees can receive Company matching contributions up to the first 6% of their eligible earnings. For 2000, 1999 and 1998, Company contributions amounted to \$9.2 million, \$7.6 million and \$5.4 million, respectively. In addition, the Company makes profit-sharing payments to the RSP for those employees not covered by management incentive compensation plans. In 1999 and 1998, these profit-sharing payments totaled \$2.2 million and \$1.5 million, respectively. There were no payments made in 2000. In addition, the Company continues to sponsor defined contribution plans for certain former Hanna employees, which provide for Company contributions of a specified percentage of each employee's compensation. In 2000, these contributions amounted to \$1.4 million.

Note N

- - COMMITMENTS AND RELATED PARTY INFORMATION

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

The Company believes that compliance with current governmental regulations at all levels will not have a material adverse effect on its financial condition. Based on estimates prepared by the Company's environmental engineers and consultants, the Company, at December 31, 2000, had accruals totaling \$58.4 million to cover probable future environmental expenditures related to previously contaminated sites. The accrual represents the Company's best estimate for the remaining remediation costs, based upon information and technology currently available. Depending upon the results of future testing and the ultimate remediation alternatives undertaken at these sites, it is possible that the ultimate costs to be incurred could be more or less than the accrual at December 31, 2000, by as much as \$19.0 million or \$15.0 million, respectively. The Company's estimate of the liability may be revised as new regulations, technologies or additional information is obtained. Environmental expense incurred was \$2.2 million, \$1.7 million and \$2.4 million in the years ended December 31, 2000, 1999 and 1998, respectively.

GUARANTEES In connection with the formation of OxyVinyls, the Company has guaranteed \$42.0 million of OxyVinyls borrowings from Occidental Petroleum Corporation. The Company also has guaranteed \$97.5 million of Sunbelt's outstanding senior secured notes, maturing in 2017.

RELATED PARTY TRANSACTIONS The Company purchases a substantial portion of its raw materials under the terms of supply agreements with OxyVinyls. The agreements have an initial term of 15 years with renewal options. The Company also has entered into various service agreements with OxyVinyls. At December 31, 2000, and 1999, net amounts owed to OxyVinyls, primarily for raw material purchases, totaled approximately \$16.0 million and \$26.0 million, respectively. During 2000 and 1999, the Company's purchases of raw materials from OxyVinyls totaled approximately \$336.0 million and \$220.0 million, respectively.

Note O

- - OTHER EXPENSE, NET

In millions	2000	1999	1998
	-----	-----	-----
Currency exchange gain (loss)	\$ 2.8	\$ (0.4)	\$ 1.8
Discount on sale of trade receivables	(5.8)	(3.5)	(4.6)
Other income (expense), net	(0.6)	0.3	0.2
	-----	-----	-----
	\$ (3.6)	\$ (3.6)	\$ (2.6)
	=====	=====	=====

Note P

- - INCOME TAXES

Income (loss) before income taxes and cumulative effect of a change in accounting consists of the following:

In millions	2000	1999	1998
	-----	-----	-----
Domestic	\$ 23.8	\$ 179.6	\$ 5.1
Foreign	2.3	(5.6)	18.5
	-----	-----	-----
	\$ 26.1	\$ 174.0	\$ 23.6
	=====	=====	=====

A summary of income tax expense (benefit) is as follows:

In millions	2000	1999	1998
	-----	-----	-----
Current:			
Federal	\$ 0.1	\$ --	\$ 0.2
State	1.0	1.2	0.6
Foreign	0.8	5.3	10.0
	-----	-----	-----
Total current	1.9	6.5	10.8
Deferred:			
Federal	8.7	61.3	2.0
State	(1.2)	6.8	(0.4)
Foreign	0.8	(6.8)	(2.6)
	-----	-----	-----
Total deferred	8.3	61.3	(1.0)
	-----	-----	-----
Total tax expense	\$ 10.2	\$ 67.8	\$ 9.8
	=====	=====	=====

The income tax rate for financial reporting purposes varied from the federal statutory rate as follows:

	2000	1999	1998
	----	----	----
Federal statutory income tax rate	35.0%	35.0%	35.0%
State tax, net of federal benefit	(0.4)	3.0	0.8
Goodwill	7.7	0.5	2.6
Differences in rates of foreign operations	3.4	--	1.5
Enacted tax rate reduction	(5.4)	--	--
Other, net	(1.2)	0.5	1.6
	----	----	----
Effective income tax rate	39.1%	39.0%	41.5%
	=====	=====	=====

Significant components of the Company's deferred tax liabilities and assets at December 31 are as follows:

In millions	2000	1999
	-----	-----
Deferred tax liabilities:		
Tax over book depreciation	\$ 70.6	\$ 39.3
Intangibles	17.3	(2.0)
Equity investments	142.2	146.4
State taxes	5.0	6.2
Other, net	15.2	12.5
	-----	-----
Total deferred tax liabilities	250.3	202.4
	-----	-----
Deferred tax assets:		
Post-retirement benefits other than pensions	49.9	32.1
Employment cost and pension	33.7	14.0
Environmental	19.9	15.7
Net operating loss carryforward	41.5	34.2
LIFO inventory	1.7	4.8
Alternative minimum tax credit carryforward	5.6	5.2
Foreign net operating losses and tax credit carryforward	13.7	5.6
Foreign net operating losses and tax credit carryforward valuation allowance	(13.7)	(5.6)
Other, net	14.7	17.1
	-----	-----
Total deferred tax assets	167.0	123.1
	-----	-----
Net deferred tax liabilities	\$ 83.3	\$ 79.3
	=====	=====

SFAS No. 109, "Accounting for Income Taxes," requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. As realization of the foreign tax credit carryforwards is considered uncertain, a valuation allowance has been recorded. Approximately \$6.5 million of the valuation allowance relates to the consolidation with Hanna, and will reduce goodwill upon subsequent recognition of the related tax benefit. The Company believes that the timing of the reversal of its deferred tax liabilities will be sufficient to fully recognize its remaining deferred tax assets.

The Company has provided for U.S. federal and foreign withholding tax on \$22.0 million, or 12%, of foreign subsidiaries' undistributed earnings as of December 31, 2000. Regarding the undistributed earnings on which no federal and foreign withholding tax has been provided, earnings are intended to be reinvested indefinitely. It is not practical to determine the amount of income tax liability that would result had such earnings actually been repatriated.

During 2000, 1999 and 1998, the Company paid income taxes net of refunds of \$4.2 million, \$8.8 million and \$7.8 million, respectively. The Company has a net operating loss carryforward of approximately \$118.6 million, of which \$11.9 million will expire in 2011, \$22.2 million will expire in 2012, \$66.6 million will expire in 2018, \$5.6 million will expire in 2019 and the remaining \$12.3 million will expire in 2020. In addition, the Company has an alternative minimum tax loss carryforward of \$30.7 million and an alternative minimum tax credit carryforward of \$5.6 million.

Note Q

- - EMPLOYEE SEPARATION AND PLANT PHASE-OUT CHARGES

During 2000, the Company recorded employee separation and plant phase-out charges of \$3.4 million (\$0.6 million of which pertained to inventory write-offs and was recorded in cost of sales) relating to the closing of an engineered films facility. The facility is expected to be closed by the end of

the first quarter in 2001. The charge of \$2.8 million included \$2.3 million for involuntary severance benefits for 80 employees whose positions will be eliminated, a \$0.3 million write-off of intangible assets and a \$0.2 million pension curtailment charge. At December 31, 2000, two positions had been eliminated and approximately \$0.2 million in severance benefits had been paid. The Company expects most of the remaining positions to be eliminated by the end of the first quarter of 2001, and the remaining \$2.1 million in cash payments for severance to be paid by the end of 2001.

During 1999, the Company recorded net employee separation and plant phase-out charges totaling \$0.5 million, plus \$1.2 million of additional depreciation expense related to the consolidation of its compounding operations, which began in the fourth quarter of 1998 when the Company recorded employee separation and plant phase-out charges totaling \$14.6 million. The plan included the closing of two manufacturing facilities and the partial closing of manufacturing lines at other plants. The consolidation resulted in the write-off of software, machinery and equipment; cost associated with the elimination of 201 positions; and costs associated with demolition and lease termination. At December 31, 1999, all positions were eliminated and all manufacturing lines were closed. The cash costs related to site demolition and severance were fully paid in 2000.

Note R

- - SHAREHOLDERS' EQUITY

The Company's incentive stock plans provide for the awarding or granting of options to purchase common stock of the Company. Generally, options granted become exercisable at the rate of 35% after one year, 70% after two years and 100% after three years. Certain options granted under the Company's long-term incentive plan are exercisable after six years, with accelerated vesting based upon achievement of target stock prices. The term of each option cannot extend beyond 10 years from the date of grant. Certain options carry limited stock appreciation rights exercisable in the event of a change in control. All options under the plans have been granted at 100% of market (as defined) on the date of the grant. The Company also has a stock plan for non-employee directors under which options are granted.

During 1998, the Company issued 2.2 million stock options under a three-year, long-term incentive plan. Two-thirds of these options become exercisable after six years, with accelerated vesting if target stock prices are met. The remainder of these options is exercisable only if the target stock prices are met. As a result of the consolidation, all outstanding options, with the exception of unearned challenge grant options, became vested under the change in control provisions of the then stock plans.

In August 2000, shareholders approved the 2000 Stock Incentive Plan (Incentive Plan). The Incentive Plan is administered by a committee of the Board of Directors. Officers, employees and non-employee directors are eligible to participate. The Incentive Plan provides for the award of a broad variety of stock-based compensation alternatives such as non-qualified stock options, incentive stock options, restricted stock, performance awards and stock appreciation rights. The total number of shares that may be granted under the Incentive Plan is 4.5 million shares. Options granted will expire no more than 10 years after the grant date. The exercise price is equal to 100% of the fair market value on the date of grant.

A summary of stock option activity follows:

In thousands, except per share data	Shares	Weighted-Average Exercise Price
	-----	-----
Outstanding at January 1, 1998	5,068	\$10.41
Issued	2,924	10.49
Exercised	(252)	9.47
Forfeited	(124)	12.44
	-----	-----
Outstanding at January 1, 1999	7,616	10.44
Issued	298	12.33
Exercised	(902)	9.82
Forfeited	(74)	10.93
	-----	-----
Outstanding at December 31, 1999	6,938	10.63
Hanna options assumed at merger date	4,295	15.24
Issued	2,628	10.19
Exercised	(121)	10.32
Forfeited	(815)	14.85
	-----	-----
Outstanding at December 31, 2000	12,925	11.79
Exercisable at December 31, 2000	10,099	12.46
Exercisable at December 31, 1999	4,586	10.58
Exercisable at December 31, 1998	4,292	10.35
	-----	-----
At December 31, 2000:		
Exercisable options:		
Exercise price: \$7.46 - \$17.00	8,989	11.42
Exercise price: \$17.01 - \$26.82	1,110	20.96
Unexercisable options:		
Exercise price: \$7.46 - \$17.00	2,826	9.40
Exercise price: \$17.01 - \$26.82	--	--
	=====	=====

At December 31, 2000, the weighted-average remaining life for options with an exercise price of \$17.00 or less was 4.5 years. Options with an exercise price of more than \$17.00 had a remaining life of 5.4 years.

Under the Company's incentive programs, senior executives and other key employees are also eligible to receive annual bonus awards, consisting of stock or a combination of stock and cash. Under these plans, performance measures are established and used to determine the payout, if any. The Company granted 0.2 million shares of stock under these annual incentive stock plans in each of the past three years. These annual stock awards are restricted, with the restriction generally lapsing over three years. As a result of the consolidation, all restrictions lapsed under the change in control provisions of the then plan.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its incentive plans. Accordingly, no compensation cost has been recognized for its fixed-option plans because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant. Had the compensation cost for the stock options granted been determined based upon the fair value at the grant date, consistent with the fair value method of FASB Statement No. 123, "Accounting for Stock-Based Compensation," the Company's net earnings and earnings per share would have been reduced by \$4.0 million (\$0.06 per diluted share) in 2000, \$2.1 million (\$0.05 per diluted share) in 1999 and \$1.9 million (\$0.04 per diluted share) in 1998. The weighted-average fair value of stock options granted per share was \$1.06, \$4.76 and \$3.27 for 2000, 1999 and 1998, respectively. The fair value of the stock options at the grant date was estimated using the Black-Scholes option pricing model, with an assumed risk-free interest rate of 5.2%, 6.1% and 4.8%; an assumed dividend yield of 2.0%, 1.7% and 2.5%; and stock price volatility of 36.7%, 32.7% and 29.9% for 2000, 1999 and 1998, respectively. A seven-year weighted-average life was used for all periods.

The compensation cost recognized relating to the stock portion of the annual incentive plans, three-year incentive plan and amortization of restricted stock awarded at the IPO amounted to \$10.3 million, \$5.8 million and \$4.9 million in 2000, 1999 and 1998, respectively. The weighted-average fair value per share of restricted stock and stock awards under the long-term incentive plan on the grant date was \$14.95, \$11.69 and \$10.38 for 2000, 1999 and 1998, respectively.

At December 31, 2000, approximately 12.9 million shares were reserved for future issuance upon exercise of stock options previously granted, and approximately 8.8 million shares were available for future grants under the Company's incentive plans.

In May 2000, the Company established a Share Ownership Trust (SOT) with an initial contribution of 1.0 million shares from treasury. The SOT will serve over time as a vehicle to minimize future share dilution by issuing shares associated with the exercise of stock options and by funding contributions to other equity-related programs. Hanna also has a SOT, which is used to fund a portion of employee compensation and employee benefit plans. Shares remaining in the SOT are adjusted at each balance sheet date to their respective market value, with the offsetting entry to additional paid-in capital. Shares remaining in the SOT are not considered outstanding for purposes of computing earnings per share.

Note S

- - SEGMENT INFORMATION

The Company operates primarily in four business segments: the Performance Plastics segment, the Elastomers and Additives (E&A) segment, the Distribution segment, and the Resin and Intermediates (R&I) segment. The addition of the E&A and Distribution segments in 2000 is a result of the merger with Hanna. The Performance Plastics segment is a combination of the former Geon Performance Polymers & Services segment and Hanna's Plastic Processing segment. The accounting policies of each business segment are consistent with those described in the "Summary of Significant Accounting Policies." Inter-segment sales are accounted for at prices generally approximating those for similar transactions with unaffiliated customers. The elimination of inter-segment sales revenue in 1998 and 1999 is primarily for sales from the R&I segment to the Performance Plastics segment, and is included in the "Other" segment. Certain other corporate expenses and eliminations are also included in the "Other" segment. Business segment assets consist primarily of customer receivables, inventories, net property and goodwill. Cash, sales of accounts receivable and certain other assets not identified with a specific segment are included in the "Other" segment.

POLYONE CORPORATION

In millions	Total	Performance Plastics	Elastomers & Additives	Distribution	Resins & Inter- mediates	Other
	-----	-----	-----	-----	-----	-----
YEAR ENDED DECEMBER 31, 2000						
Net sales	\$1,887.8	\$1,594.7	\$ 145.8	\$ 158.9	\$ --	\$ (11.6)
Operating income (loss)	64.8	52.5	7.6	2.1	27.9	(25.3)
Employee separation and plant phase-out	2.8	2.8				
Charge for acquired profit in inventory	2.8	2.3	0.5			
Merger and integration costs	9.5					9.5
Pension termination and debt placement costs	1.6					1.6
	-----	-----	-----	-----	-----	-----
Operating income (loss) before restructuring costs, acquired profit in inventory, merger and integration costs, and pension termination and debt placement costs	81.5	57.6	8.1	2.1	27.9	(14.2)
Depreciation and amortization	57.4	49.5	5.8	2.1		
	-----	-----	-----	-----	-----	-----
Operating income (loss) before depreciation and amortization, restructuring costs, acquired profit in inventory, merger and integration costs, and pension termination and debt placement costs	138.9	107.1	13.9	4.2	27.9	(14.2)
	-----	-----	-----	-----	-----	-----
Total assets	2,460.7	1,607.6	320.9	167.0	262.5	102.7
Capital expenditures	62.7	42.9	7.1	0.6		12.1
	=====	=====	=====	=====	=====	=====
YEAR ENDED DECEMBER 31, 1999						
Net sales	\$1,261.2	\$1,107.1			\$ 191.5	\$ (37.4)
Operating income (loss)	99.7	104.1			1.3	(5.7)
Employee separation and plant phase-out	0.5	0.5				
Other restructuring costs - accelerated depreciation	1.2	1.2				
Restructuring costs incurred by OxyVinyls	0.8				0.8	
Charge for acquired profit in inventory	3.2	3.2				
	-----	-----	-----	-----	-----	-----
Operating income (loss) before restructuring costs and acquired profit in inventory	105.4	109.0			2.1	(5.7)
Depreciation and amortization	43.2	33.1			10.1	
	-----	-----	-----	-----	-----	-----
Operating income (loss) before depreciation and amortization, restructuring costs, and acquired profit in inventory	148.6	142.1			12.2	(5.7)
	-----	-----	-----	-----	-----	-----
Total assets	1,162.6	905.2			247.7	9.7
Capital expenditures	60.1	49.1			4.0	7.0
	=====	=====	=====	=====	=====	=====
YEAR ENDED DECEMBER 31, 1998						
Net sales	\$1,284.4	\$ 839.2			\$ 577.7	\$ (132.5)
Operating income (loss)	41.0	79.2			(36.4)	(1.8)
Employee separation and plant phase-out	14.6	14.6				
	-----	-----	-----	-----	-----	-----
Operating income (loss) before restructuring costs	55.6	93.8			(36.4)	(1.8)
Depreciation and amortization	57.9	28.6			28.8	0.5
	-----	-----	-----	-----	-----	-----
Operating income (loss) before depreciation and amortization and restructuring costs	113.5	122.4			(7.6)	(1.3)
	-----	-----	-----	-----	-----	-----
Total assets	802.0	463.4			347.8	(9.2)
Capital expenditures	40.7	21.7			18.8	0.2
	=====	=====	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Earnings of equity affiliates are included in the related business segment earnings (loss) and the investment in equity affiliates is included in related business segment assets. Amounts related to equity affiliates included in the business segment information are as follows:

In millions	2000	1999	1998
	-----	-----	-----
Earnings of equity affiliates:			
Performance Plastics	\$ 1.0	\$ 0.1	\$ 0.5
R&I	37.9	9.6	3.2
	-----	-----	-----
Total	\$ 38.9	\$ 9.7	\$ 3.7
	=====	=====	=====
Investment in equity affiliates:			
Performance Plastics	\$ 60.0	\$ 17.5	\$ 3.2
R&I	251.6	247.6	16.6
	-----	-----	-----
Total	\$ 311.6	\$ 265.1	\$ 19.8
	=====	=====	=====

The Company's sales are principally to customers in the United States, Europe, Canada and Asia/Pacific, and the majority of the Company's assets are located in these countries. Below is a summary of sales based on the country from which the sales originated, and assets by location.

In millions	2000	1999	1998
	-----	-----	-----
Net sales:			
United States	\$1,502.9	\$1,056.1	\$1,004.7
Europe	132.2	--	--
Canada	215.4	190.6	279.7
Other	37.3	14.5	--
	-----	-----	-----
Long-lived assets:			
United States	\$1,322.6	\$ 690.2	\$ 443.7
Europe	194.6	--	--
Canada	61.8	60.9	105.5
Other	85.2	53.8	18.1
	=====	=====	=====

Note T

- - WEIGHTED-AVERAGE SHARES USED IN COMPUTING EARNINGS PER SHARE

In millions	2000	1999	1998
	----	----	----
Weighted-average shares - basic:			
Weighted-average shares outstanding	61.8	47.4	46.6
Less unearned portion of restricted stock awards included in outstanding shares	(0.4)	(0.8)	(0.8)
	----	----	----
	61.4	46.6	45.8
	=====	=====	=====
Weighted-average shares - diluted:			
Weighted-average shares outstanding	61.8	47.4	46.6
Plus dilutive impact of stock options and stock awards	0.2	1.2	0.6
	----	----	----
	62.0	48.6	47.2
	=====	=====	=====

The historical share amounts have been restated to reflect the conversion of each outstanding share of Geon common stock into two shares of PolyOne.

Note U

- - FINANCIAL INSTRUMENTS

The Company transacts business in various foreign currencies and is subject to financial exposure from foreign exchange rate movement between the date a foreign currency transaction is recorded and the date it is consummated. To mitigate this risk, the Company enters into foreign exchange contracts. Gains and losses on these contracts generally offset gains or losses on the assets and liabilities being hedged, and are recorded as other income or expense. Additionally, the Company enters into intercompany lending transactions. The Company also enters into foreign exchange contracts related to this foreign

exchange exposure. Realized and unrealized gains and losses on these contracts are recorded as other income or expense. The Company does not hold or issue financial instruments for trading purposes.

The table below summarizes by currency the contractual amounts of the Company's foreign exchange contracts at December 31, 2000 (in millions). Foreign currency amounts are translated at exchange rates as of December 31, 2000. The "Buy" amounts represent the U.S. dollar equivalent of commitments to purchase foreign currencies, and the "Sell" amounts represent the U.S. dollar equivalent of commitments to sell foreign currencies.

Currency	Buy	Sell
	-----	-----
U.S. dollar	\$75.2	\$39.6
Euro	3.5	76.7
British pound sterling	--	9.3
Canadian dollar	35.7	--
Other	7.6	--

The following methods and assumptions were used by the Company in estimating fair value disclosures for financial instruments:

CASH AND CASH EQUIVALENTS: The carrying amounts reported in the balance sheet approximate fair value.

LONG- AND SHORT-TERM DEBT: The carrying amount of the Company's short-term borrowings approximates fair value. The fair value of the Company's senior notes, debentures and medium-term notes is based on quoted market prices. The carrying amount of the Company's borrowings under its variable interest rate long-term revolving credit agreements and other long-term borrowings approximates fair value.

FOREIGN EXCHANGE CONTRACTS: The fair value of short-term foreign exchange contracts is based on exchange rates at December 31, 2000. The fair value of long-term foreign exchange contracts is based on quoted market prices for contracts with similar maturities.

The carrying amounts and fair values of the Company's financial instruments at December 31, 2000, are as follows (in millions). Carrying amounts of the Company's financial instruments at December 31, 1999, approximate fair value.

	Carrying Amount	Fair Value
	-----	-----
Cash and cash equivalents	\$ 37.9	\$ 37.9
Long-term debt		
9.375% senior notes	91.1	93.4
6.875% debentures	75.0	65.9
7.500% debentures	50.0	48.6
Medium-term notes	149.4	155.2
Bank borrowings	279.5	279.5
Foreign exchange contracts	(3.7)	(3.7)

- - CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This annual report contains statements concerning trends and other forward-looking information affecting or relating to PolyOne Corporation and its industries that are intended to qualify for the protections afforded "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from such statements for a variety of factors including, but not limited to: (1) the risk that the former Geon and M.A. Hanna businesses will not be integrated successfully; (2) inability to achieve or delays in achieving savings related to the consolidation and restructuring programs; (3) unanticipated delays in achieving or inability to achieve cost reduction and employee productivity goals; (4) costs related to the consolidation of Geon and M.A. Hanna; (5) the effect on foreign operations of currency fluctuations, tariffs, nationalization, exchange controls, limitations on foreign investment in local businesses and other political, economic and regulatory risks; (6) unanticipated changes in world, regional or U.S. plastic, rubber and PVC consumption growth rates affecting the Company's markets; (7) unanticipated changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online in the PVC, VCM, chlor-alkali or other industries in which the Company participates; (8) fluctuations in raw material prices and supply, in particular fluctuations outside the normal range of industry cycles; (9) unanticipated production outages or material costs associated with scheduled or unscheduled maintenance programs; (10) unanticipated delay in realizing, or inability to realize, expected cost savings from acquisitions; (11) unanticipated costs or difficulties and delays related to the operation of the joint venture entities; (12) lack of day-to-day operating control, including procurement of raw material feedstocks, of the OxyVinyls partnership; (13) lack of direct control over the reliability of delivery and quality of the primary raw materials utilized in the Company's products; (14) partial control of investment decisions and dividend distribution policy of the OxyVinyls partnership.

QUARTERLY DATA

(Unaudited)	2000 QUARTERS				1999 QUARTERS			
	Fourth	Third	Second	First	Fourth	Third	Second	First
In millions, except per share data								
Sales	\$ 702.8	\$ 478.3	\$ 361.2	\$ 345.5	\$ 319.2	\$ 319.3	\$ 296.9	\$ 325.8
Employee separation and plant phase-out	--	--	2.8	--	(1.9)	--	1.3	1.1
Operating income (loss)	(6.4)	11.1	30.4	29.7	27.7	26.0	24.2	21.8
Income (loss) before cumulative effect of a change in accounting	(13.2)	0.5	14.8	13.8	13.9	12.7	68.5	11.1
Net income (loss)	(13.2)	0.5	14.8	13.8	13.9	12.7	68.5	9.6
Earnings (loss) per share, before cumulative effect of a change in accounting:								
Basic	\$ (0.15)	\$ 0.01	\$ 0.31	\$ 0.29	\$ 0.30	\$ 0.27	\$ 1.48	\$ 0.24
Diluted	(0.15)	0.01	0.31	0.29	0.28	0.26	1.40	0.23
Earnings (loss) per share:								
Basic	\$ (0.15)	\$ 0.01	\$ 0.31	\$ 0.29	\$ 0.30	\$ 0.27	\$ 1.48	\$ 0.21
Diluted	(0.15)	0.01	0.31	0.29	0.28	0.26	1.40	0.20
Dividend paid per common share	\$ 0.0625	\$ 0.0625	\$ 0.0625	\$ 0.0625	\$ 0.0625	\$ 0.0625	\$ 0.0625	\$ 0.0625
Common stock price								
High	\$ 8.44	\$ 9.88	\$ 13.00	\$ 17.25	\$ 16.75	\$ 17.88	\$ 18.50	\$ 12.94
Low	4.56	6.19	8.69	8.53	12.34	12.50	11.47	10.78

2000: Second-quarter results include \$2.8 million (\$1.7 million after tax) for employee separation and plant phase-out, a \$0.6 million charge (\$0.4 million after tax) for inventory write-off associated with a restructuring, a \$0.8 million charge (\$0.5 million after tax) for Board of Directors pension buyout and a \$0.8 million charge (\$0.5 million after tax) for write-off of costs associated with postponed debt placement. Third-quarter results include a charge of \$7.8 million (\$3.2 million after tax) for merger and integration costs and a \$1.2 million charge (\$0.8 million after tax) related to acquired profit on inventory of acquired businesses. Fourth-quarter results include a \$1.7 million charge (\$1.0 million after tax) for merger and integration costs, a \$1.6 million charge (\$0.9 million after tax) related to acquired profit on inventory of acquired businesses and a tax credit of \$1.5 million from a reduction of deferred taxes due to a change in German income tax rates.

1999: First-quarter results include a \$1.7 million charge (\$1.0 million after tax) for employee separation and plant phase-out (\$0.6 million of accelerated depreciation is included in depreciation and amortization expense). Second-quarter results include a \$1.9 million charge (\$1.1 million after tax) for employee separation and plant phase-out, including accelerated depreciation of \$0.6 million included in depreciation and amortization expense. Second-quarter results also include Geon's share of a restructuring charge recognized by OxyVinyls of \$0.8 million (\$0.5 million after tax) and a \$92.9 million gain (\$56.8 million after tax) on the formation of joint ventures. Third-quarter results include a \$3.2 million charge (\$2.0 million after tax) related to acquired profit on inventory of acquired businesses. Fourth-quarter results include a reduction in the restructuring charge of \$1.9 million (\$1.1 million after tax) to reflect revised estimates of remaining costs. Fourth-quarter results also include an adjustment to increase the gain recognized on the joint venture formation of \$0.6 million (\$0.4 million after tax).

SELECTED FINANCIAL DATA

In millions, except per share data	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Sales	\$ 1,887.8	\$ 1,261.2	\$ 1,284.4	\$ 1,250.0	\$ 1,144.4
Employee separation and plant phase-out	2.8	0.5	14.6	15.0	--
Operating income	64.8	99.7	41.0	51.7	30.9
Income before extraordinary item and cumulative effect of a change in accounting	15.9	106.2	13.8	22.5	12.2
Cumulative effect of change in method of accounting	--	(1.5)	--	--	--
Net income	15.9	104.7	13.8	22.5	12.2
	-----	-----	-----	-----	-----
Basic earnings per share:					
Before extraordinary item and change in method of accounting	\$ 0.26	\$ 2.28	\$ 0.30	\$ 0.49	\$ 0.25
Change in method of accounting	--	(0.03)	--	--	--
Net income	0.26	2.25	0.30	0.49	0.25
	-----	-----	-----	-----	-----
Diluted earnings per share:					
Before extraordinary item and change in method of accounting	\$ 0.26	\$ 2.18	\$ 0.29	\$ 0.48	\$ 0.25
Change in method of accounting	--	(0.03)	--	--	--
Net income	0.26	2.15	0.29	0.48	0.25
Dividends per common share	0.25	0.25	0.25	0.25	0.25
Total assets	\$ 2,460.7	\$ 1,162.6	\$ 802.0	\$ 872.9	\$ 736.9
Long-term debt	442.4	130.9	135.4	136.4	137.2

The historical results include the following business acquisitions, from the acquisition date indicated forward: Synergistics Industries Limited, from October 31, 1997; Plast-O-Meric, Inc. and the Wilflex division of Flexible Products Company, from June 1, 1998; Adchem, Inc., from September 1, 1998; Acrol Holdings Limited, from July 1, 1999; O'Sullivan Corporation, from July 8, 1999; Dennis Chemical Company, Inc., from September 8, 1999; and M.A. Hanna Company, from September 1, 2000. In addition, 1999 results of operations reflect the formation of OxyVinyls, LP on May 1, 1999, and the contribution of substantially all of Geon's formerly consolidated R&I business segment operations to the partnership. In connection with this, the Company acquired businesses from Occidental Chemical Corporation and formed a powder compounding joint venture, all of which is included in the Company's consolidated results of operations from May 1, 1999.

REPORT OF INDEPENDENT AUDITORS AND MANAGEMENT REPORT

- - TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF POLYONE CORPORATION:

We have audited the accompanying consolidated balance sheets of PolyOne Corporation and subsidiaries as of December 31, 2000, and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000, appearing on pages 13, 15, and 17 through 34. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of Oxy Vinyls, LP (a limited partnership in which the Company has a 24% interest) have been audited by other auditors whose reports have been furnished to us; insofar as our opinion relates to data included for Oxy Vinyls, LP, it is based solely on their reports.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of PolyOne Corporation and subsidiaries at December 31, 2000, and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

Cleveland, Ohio
January 30, 2001

- - MANAGEMENT REPORT

Management is responsible for the preparation of PolyOne Corporation's consolidated financial statements and all of the related information appearing in this annual report in accordance with generally accepted accounting principles. Where necessary, this information reflects estimates that are based upon currently available information and management's judgments.

Management is also responsible for maintaining a system of internal accounting controls, with the objective of providing reasonable assurance that PolyOne's assets are safeguarded against material loss from unauthorized use or disposition and that authorized transactions are properly recorded to permit the preparation of accurate financial information. Cost/benefit judgments are an important consideration in this regard. The effectiveness of internal controls is maintained by personnel selection and training, division of responsibilities, establishment and communication of policies, and ongoing internal review programs and audits.

Management believes that PolyOne's system of internal accounting controls as of December 31, 2000, was effective and adequate to accomplish the objectives described above.

Thomas A. Waltermire
Chairman of the Board, President and Chief Executive Officer

W. David Wilson
Vice President and Chief Financial Officer

January 30, 2001

CORPORATE INFORMATION

EXECUTIVES AND OFFICERS

THOMAS A. WALTERMIRE

Chairman of the Board, President and Chief Executive Officer

ROGER W. AVAKIAN

Chief Technology Officer

BERNARD BAERT

Vice President,
International, Plastic Compounds and Colors Group

DENIS L. BELZILE

Vice President,
Specialty Resins and Formulators

DENNIS A. COCCO

Chief Investor and Communications Officer

DIANE J. DAVIE

Chief Human Resources Officer

RONALD C. KAMINSKI SR.

Chief Environment, Safety and Quality Officer

DANIEL L. KICKEL

Chief Sourcing Officer

DONALD P. KNECHTGES

Chief Development Officer

V. LANCE MITCHELL

Group Vice President,
Plastic Compounds and Colors

DAVID D. QUESTER

Vice President, Engineered Films

JOHN E. QUINN

Group Vice President, Elastomers and Performance Additives

MICHAEL L. RADEMACHER

Group Vice President, Distribution

JOHN L. RASTETTER

Treasurer

GREGORY L. RUTMAN

Chief Legal Officer

GREGORY P. SMITH

Controller

KENNETH M. SMITH

Chief Information Officer

W. DAVID WILSON

Chief Financial Officer

STOCK EXCHANGE LISTING

PolyOne Corporation Common Stock is listed on the New York Stock
Exchange.SYMBOL: POL.

STOCKHOLDER INQUIRIES

If you have any questions concerning your account as a stockholder, name or
address changes, inquiries regarding dividend checks or stock certificates, or
if you need tax information regarding your account, please contact our transfer
agent:

EquiServe Trust Company, N.A.
P.O. Box 2500
Jersey City, New Jersey 07303
PHONE: (800) 317-4445

Complimentary copies of Form 10-K and other reports filed with the Securities
and Exchange Commission are available online at www.polyone.com or from:

Investor Affairs Administrator
PolyOne Corporation
Suite 36-5000
200 Public Square
Cleveland, Ohio 44114
PHONE: (216) 589-4376

ANNUAL MEETING

The annual meeting of stockholders of PolyOne Corporation will be held May 2,
2001, at 9:00 a.m. at The Forum Conference and Education Center, One Cleveland
Center, 1375 East 9th Street, Cleveland, Ohio.

The meeting notice and proxy materials were mailed to stockholders with this
report. PolyOne Corporation urges all stockholders to vote their proxies so that
they can participate in the decisions at the annual meeting.

FINANCIAL INFORMATION

Security analysts and representatives of financial institutions are invited to contact:

W. David Wilson
Chief Financial Officer
PHONE: (216) 589-4038
FAX: (216) 589-4280
E-MAIL: wdavid.wilson@polyone.com

FINANCIAL INFORMATION AND MEDIA CONTACT

Dennis A. Cocco
Chief Investor and Communications Officer
PHONE: (216) 589-4018
FAX: (216) 589-4077
E-MAIL: dennis.cocco@polyone.com

AUDITORS

Ernst & Young LLP
1300 Huntington Building
925 Euclid Avenue
Cleveland, Ohio 44115-1405

INTERNET ACCESS

Information on PolyOne's products and services, news releases, EDGAR filings, Form 10-K, 10-Q, etc., as well as an electronic version of this annual report, are available on the Internet at www.polyone.com.

BOARD OF DIRECTORS

THOMAS A. WALTERMIRE, 51
Chairman of the Board, President and Chief Executive Officer

JAMES K. BAKER, 69
Retired Chairman and Chief Executive Officer, Arvin Industries, Inc.
Committees:(4*, 5)

J. DOUGLAS CAMPBELL, 59
Retired President and Chief Executive Officer, Arcadian Corporation
Committees:(1, 4)

DR. CAROL A. CARTWRIGHT, 59
President, Kent State University
Committees:(3, 4)

GALE DUFF-BLOOM, 61
Retired President, Company Communications and Corporate Image, J. C. Penney Company, Inc. Committees:(2*, 5)

WAYNE R. EMBRY, 63
Retired President and Chief Operating Officer,
Team Division, Cleveland Cavaliers Committees:(2, 3)

ROBERT A. GARDA, 61
Executive-in-Residence, The Fuqua School of Business, Duke University
Committees:(1, 4)

GORDON D. HARNETT, 58
Chairman, President and Chief Executive Officer, Brush Engineered Materials Inc.
Committees:(1*, 3)

DAVID H. HOAG, 61
Retired Chairman, LTV Corporation Committees:(4, 5)

MARVIN L. MANN, 67
Retired Chairman,
Lexmark International, Inc. Committees:(2, 5*)

D. LARRYMOORE, 64
Retired President and Chief Operating Officer, Honeywell, Inc.
Committees:(1, 3*)

FARAH M. WALTERS, 56
President and Chief Executive Officer, University Hospitals Health System and
University Hospitals of Cleveland Committees:(2, 3)

COMMITTEES:

- (1) Audit
- (2) Compensation
- (3) Environmental, Health and Safety
- (4) Financial Policy
- (5) Nominating and Governance

* Denotes Chairperson

OXY VINYLs, LP AND SUBSIDIARIES

Consolidated Financial Statements
As Of December 31, 2000 and 1999

Together with Report of Independent Public Accountants

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Oxy Vinyls, LP:

We have audited the accompanying consolidated balance sheets of Oxy Vinyls, LP and subsidiaries (the "Partnership") as of December 31, 2000 and 1999, and the related consolidated statements of operations, changes in partners' capital, and cash flows for the year ended December 31, 2000 and for the period from April 30, 1999 through December 31, 1999. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the year ended December 31, 2000, and for the period from April 30, 1999 through December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Dallas, Texas
January 29, 2001

OXY VINYLs, LP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2000 and 1999

(Amounts in thousands)

	2000	1999
	-----	-----
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,942	\$ 19,842
Trade receivables, net of allowance for doubtful accounts of \$1,000 and \$300	21,133	10,522
Other receivables	9,602	3,866
Foreign income taxes receivable	5,000	--
Loans receivable from OxyMar	--	12,500
Receivable from Occidental Receivables, Inc.	149,691	200,041
Receivable from Occidental Chemical Corporation, net	8,952	12,239
Inventories	122,807	105,830
Prepaid expenses	4,951	2,849
	-----	-----
Total current assets	338,078	367,689
Loans receivable from Occidental Petroleum Corporation, net	46,000	28,790
Property, plant and equipment, net	980,084	974,394
Other assets, net	18,994	17,903
	-----	-----
TOTAL ASSETS	\$1,383,156	\$1,388,776
	=====	=====
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 296	\$ 296
Accounts payable	171,188	205,753
Accrued liabilities	41,371	40,777
Accrued property taxes	18,410	15,600
Payable to PolyOne Corporation, net	6,894	6,270
Foreign income taxes payable	--	3,278
	-----	-----
Total current liabilities	238,159	271,974
Long-term debt, net of current maturities	37,964	54,260
Equity investment in unconsolidated subsidiary	29,069	25,519
Postretirement benefit obligations	14,883	13,268
Deferred credits and other liabilities	11,973	9,464
COMMITMENTS AND CONTINGENCIES (NOTE 7)		
PARTNERS' CAPITAL	1,051,108	1,014,291
	-----	-----
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$1,383,156	\$1,388,776
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

OXY VINYLs, LP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

For the Year Ended December 31, 2000 and For the Period from April 30, 1999
through December 31, 1999

(Amounts in thousands)

	Year Ended December 31, 2000	April 30, 1999 through December 31, 1999
	-----	-----
REVENUES		
Net sales	\$ 1,892,292	\$ 1,102,099
Equity in (losses) earnings of unconsolidated subsidiary	(3,550)	10,480
	-----	-----
	1,888,742	1,112,579
COSTS AND OTHER DEDUCTIONS		
Cost of sales	1,683,052	997,505
Selling, general and administrative and other operating expenses	58,423	43,295
(Gain) on sale of assets	(912)	--
Interest expense, net	1,394	4,420
	-----	-----
INCOME FROM OPERATIONS BEFORE INCOME TAXES	146,785	67,359
Provision for income taxes	593	3,699
	-----	-----
NET INCOME	\$ 146,192	\$ 63,660
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

OXY VINYLs, LP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

For the Year Ended December 31, 2000 and For the Period from April 30, 1999
through December 31, 1999

(Amounts in thousands)

	Occidental PVC LP Inc.	Occidental PVC LLC	1999 PVC Partner Inc.	Total Partners' Capital
	-----	-----	-----	-----
Initial capitalization on April 30, 1999	\$ 723,717	\$ 9,650	\$ 231,589	\$ 964,956
Net income	47,745	637	15,278	63,660
Distributions to partners	(10,745)	(142)	(3,438)	(14,325)
	-----	-----	-----	-----
Balance at December 31, 1999	\$ 760,717	\$ 10,145	\$ 243,429	\$ 1,014,291
	=====	=====	=====	=====
Net Income	109,645	1,461	35,086	146,192
Distributions to partners	(82,031)	(1,095)	(26,249)	(109,375)
	-----	-----	-----	-----
Balance at December 31, 2000	\$ 788,331	\$ 10,511	\$ 252,266	\$ 1,051,108
	=====	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

OXY VINYLs, LP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2000 and For the Period from April 30, 1999
through December 31, 1999

(Amounts in thousands)

	Year Ended December 31, 2000	April 30, 1999 through December 31, 1999
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$ 146,192	\$ 63,660
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	60,112	48,166
Equity in losses (earnings) of unconsolidated subsidiary	3,550	(10,480)
Gain on disposition of assets, net	(912)	--
Deferred foreign income taxes	1,322	316
Other noncash charge to income	7,998	1,533
Changes in operating assets and liabilities:		
(Increase) decrease in trade and other receivables	(17,043)	105,236
Decrease in loans receivable from OxyMar	12,500	12,500
Increase in inventories	(16,977)	(23,220)
Decrease (increase) in receivables from Occidental Receivables, Inc.	50,350	(200,041)
(Increase) decrease in foreign income taxes receivable/payable	(8,278)	3,278
Increase in prepaid expenses	(2,102)	(549)
(Decrease) increase in accounts payable, accrued liabilities and accrued property taxes	(31,161)	133,023
Decrease (increase) in receivable from Occidental Chemical Corporation, net	3,287	(12,239)
Increase in payable to PolyOne Corporation, net	624	6,270
Other operating, net	(6,808)	(6,007)
Net cash provided by operating activities	202,654	121,446
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	3,328	--
Capital expenditures	(67,001)	(24,525)
Net cash used by investing activities	(63,673)	(24,525)
CASH FLOW FROM FINANCING ACTIVITIES:		
(Payments) proceeds of/from long-term debt	(16,296)	44,000
Distributions to partners	(109,375)	(14,325)
Increase in loans receivable from Occidental Petroleum Corporation, net	(17,210)	(106,790)
Net cash used by financing activities	(142,881)	(77,115)
(Decrease) Increase in cash and cash equivalents	(3,900)	19,806
Cash and cash equivalents, beginning of period	19,842	36
Cash and cash equivalents, end of period	\$ 15,942	\$ 19,842

The accompanying notes are an integral part of these consolidated financial statements.

OXY VINYLs, LP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(1) FORMATION AND OPERATIONS -

Oxy Vinyls, LP ("OxyVinyls" or the "Partnership"), a Delaware limited partnership, was formed on April 6, 1999, pursuant to a Limited Partnership Agreement among Occidental PVC LP, Inc. (the "Oxy Limited Partner") and Occidental PVC, LLC (the "Oxy General Partner"), wholly-owned subsidiaries of Occidental Chemical Corporation (OCC) and 1999 PVC Partner Inc., (the "PolyOne Limited Partner"), a subsidiary of The PolyOne Corporation ("PolyOne") (formerly The Geon Company). The contributions and related transactions hereinafter described in this Note were effective, and the Partnership commenced operations, as of April 30, 1999, at which time the Limited Partnership Agreement was amended pursuant to a First Amended and Restated Limited Partnership Agreement dated as of April 30, 1999 (collectively with the Limited Partnership Agreement, the "Partnership Agreement"). Through the Oxy General Partner and the Oxy Limited Partner, OCC indirectly owns a seventy-six percent interest in the Partnership. OCC is an indirect, wholly-owned subsidiary of Occidental Petroleum Corporation (OPC). Through the PolyOne Limited Partner, PolyOne indirectly owns a twenty-four percent interest in the Partnership.

The Partnership owns and operates polyvinyl chloride (PVC) and vinyl chloride monomer (VCM) assets in the United States that were contributed on behalf of the Oxy General Partner and the Oxy Limited Partner by OCC, and on behalf of the PolyOne Limited Partner, by PolyOne. These assets consist of several manufacturing facilities on the U.S. Gulf Coast, as well as manufacturing facilities in Kentucky and New Jersey and two chlor-alkali and cogeneration facilities near Houston, Texas. A fifty percent equity interest in OxyMar, a Texas general partnership between Oxy VCM Corporation ("Oxy VCM"), an indirect wholly-owned subsidiary of OPC, and U.S. VCM Corporation ("U.S. VCM"), a wholly-owned subsidiary of Marubeni Corporation, a Japanese corporation, was contributed to the Partnership through the merger of Oxy VCM into the Oxy General Partner and the subsequent transfer by the Oxy General Partner of its equity interest in OxyMar to the Partnership. (See Note 2.)

The Partnership also owns and operates two PVC manufacturing facilities located in Ontario and Alberta, Canada. Ownership of these Canadian assets was acquired through a transfer by PolyOne Canada Inc., a wholly-owned Canadian subsidiary of PolyOne, of the capital stock of Oxy Vinyls Canada Inc. ("OxyVinyls Canada") to 3547728 Canada, Inc., an indirect Canadian subsidiary of the Partnership. For the capital stock of OxyVinyls Canada, 3547728 Canada Inc. paid \$36 million U.S. dollars borrowed by the Partnership from OPC and contributed by the Partnership as capital to its subsidiary, LaPorte Chemicals Corp. ("LaPorte") and further contributed by LaPorte to 3547728 Canada Inc. 3547728 Canada Inc. and OxyVinyls Canada were amalgamated with OxyVinyls Canada as the surviving entity.

The assets and liabilities contributed on behalf of the Oxy General Partner and the Oxy Limited Partner were recorded at OCC's book basis by the Partnership. The assets and liabilities contributed on behalf of the PolyOne Limited Partner were recorded at their fair value by the Partnership.

Under terms of the Partnership Agreement, net income is allocated among the partners pro rata based on their percentage ownership of the Partnership. Distributions to the partners and any additional cash contributions required by the Partnership are also based on the partners' percentage ownership of the Partnership.

The consolidated financial statements include the accounts of OxyVinyls and its wholly-owned subsidiary, LaPorte, as well as LaPorte's subsidiary, OxyVinyls Canada, whose functional currency is the U.S. dollar. All intercompany accounts and transactions have been eliminated.

OXY VINYLs, LP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

Risks and uncertainties -

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts, generally by immaterial amounts. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of OxyVinyls' financial position and results of operations.

Since OxyVinyls' major products are commodities, significant changes in the prices of chemical products could have a significant impact on OxyVinyls' results of operations for any particular period. OxyVinyls had one major customer, PolyOne, during the periods presented, which accounted for 20.5% of total sales for the year ended December 31, 2000, and 14.5% of total sales during the period from April 30, 1999 through December 31, 1999. PolyOne's trade receivable balance with OxyVinyls was \$23 million and \$32 million at December 31, 2000 and 1999, respectively.

Substantially all key raw materials are supplied by related parties.
(see Note 11)

OxyVinyls purchases all VCM for its Alberta, Canada facility from one supplier. These purchases totaled approximately \$67 million for the year ended December 31, 2000, and \$45 million during the period from April 30, 1999 through December 31, 1999. Starting January 1, 2001, all VCM for the Alberta Canada facility, will be provided under an exchange agreement. (see Exchanges below)

Revenue recognition -

Revenue from product sales is recognized upon shipment of product to the customer.

Income taxes -

The Partnership is generally not subject to income taxes except for Canadian income taxes related to OxyVinyls Canada, certain U.S. state income taxes and U.S. federal income taxes associated with LaPorte.

The Partnership follows SFAS No. 109, "Accounting for Income Taxes", pursuant to which the liability method is used in accounting for taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and regulations that will be in effect when the differences are expected to reverse.

OXY VINYLs, LP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Recent accounting pronouncements -

During 2000, OxyVinyls adopted EITF No. 00-10 - "Accounting for Shipping and Handling Fees and Costs" ("EITF No. 00-10") which establishes accounting and reporting standards for the treatment of shipping and handling costs. Among its provisions, EITF No. 00-10 requires that transportation costs that had been accounted for as deductions from net sales should now be recorded in cost of sales. The implementation of EITF 00-10 had no effect on net income. Prior year balances have been reclassified to reflect this accounting change. The transportation costs that have been reclassified from net sales and included in cost of sales on the accompanying consolidated statements of operations totaled \$58.6 million for the year ended December 31, 2000 and \$34.2 million for the period from April 30 through December 31, 1999.

In 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). In 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133." In 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of SFAS No. 133." SFAS No. 133, as amended, is effective for OxyVinyls as of January 1, 2001. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments and hedging activities and requires an entity to recognize all derivatives in the statement of financial position and measure those instruments at fair value. Changes in the derivative instruments' fair value must be recognized into earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement, to the extent effective, and requires that a company formally document, designate and assess the effectiveness of transactions that receive hedge accounting. Management believes the adoption of SFAS 133, as amended, will not have a significant impact on the partnership's financial position or results of operations on January 1, 2001.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements". ("SAB No. 101") SAB No. 101 summarizes the Staff's views in applying generally accepted accounting principles to revenue recognition in the financial statements. The bulletin was effective in the fourth quarter of 2000. OxyVinyls was in compliance with these standards; accordingly, the adoption of SAB No. 101 did not have an impact on its consolidated financial statements.

In the fourth quarter of 2000, OxyVinyls adopted the disclosure provisions of SFAS No. 140 - "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a Replacement of FASB Statement No. 125," ("SFAS No. 140") which revises disclosure standards for asset securitizations and other financial asset transfers. SFAS No. 140 also contains provisions which revise certain criteria for accounting for securitization, financial asset transfers and collateral. These accounting provisions will be adopted by OxyVinyls on April 1, 2001. Management believes the implementation of all of these provisions of SFAS No. 140 will not have an impact on OxyVinyls' consolidated financial positions or results of operations.

OXY VINYLs, LP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Reclassifications -

Certain prior year amounts have been reclassified to conform to the December 31, 2000 presentation.

Foreign currency -

The functional currency applicable to OxyVinyls Canadian operations is the U.S. dollar since cash flows are denominated principally in U.S. dollars. The effect of exchange-rate changes on transactions denominated in nonfunctional currencies generated a loss of \$4.0 million for the year ended December 31, 2000, and a gain of \$2.2 million for the period from April 30, 1999 through December 31, 1999. These amounts are included in the expense category of the item that gave rise to the related transaction gain or loss.

Cash and cash equivalents -

Cash equivalents consist of highly liquid certificates of deposits and a restricted bank deposit (see Note 7) with initial maturities of three months or less. Cash equivalents totaled \$6.6 million and \$7.9 million at December 31, 2000 and 1999, respectively.

Interest income on deposits with unrelated parties was \$1.1 million for the year ended December 31, 2000, and \$.4 million for the period from April 30, 1999 through December 31, 1999.

Cash overdrafts are reclassified to accounts payable and amounted to \$9.9 million and \$13.9 million as of December 31, 2000 and 1999, respectively.

Equity investment in OxyMar -

OxyMar owns a VCM manufacturing facility at Ingleside, Texas which is operated on OxyMar's behalf by OCC pursuant to an operating agreement. OxyMar is not subject to federal or state income taxes as income is reportable directly by the individual partners. The investment in OxyMar is accounted for under the equity method.

Effective November 29, 2000, U.S. VCM transferred 28.6 percent of the ownership of OxyMar to Oxy VCM, LP ("Oxy VCM"), an indirect wholly-owned subsidiary of OCC. In connection with such transfer, OxyVinyls, Oxy VCM and U.S. VCM entered into the Second Amended and Restated Partnership Agreement, dated as of November 29, 2000, pertaining to the ownership and operation of OxyMar. Pursuant to this Agreement, U.S. VCM and OxyVinyls retained 50/50 management control of OxyMar. The percentage ownership interest held by each partner of OxyMar is:

OxyVinyls	50%
Oxy VCM	28.6%
U.S. VCM	21.4%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Equity investment in OxyMar -

Under the terms of the OxyMar Partnership Agreement, net income is allocated among the partners pro rata based on their percentage interest in the earnings of OxyMar. Distributions to the partners are also based on the partners' percentage interest in OxyMar. Subject to certain qualifications described below, the OxyMar Partnership Agreement requires cash calls from each partner when the quarterly cash flow forecast approved by the OxyMar managing committee shows a deficit in any month. Each partner is required to contribute a pro rata portion, based on their respective percentage interests, of the deficit in the form of an equity contribution or subordinated loan. The foregoing obligations are qualified to the extent that during the period from November 29, 2000 until April 30, 2004 (the "Restricted Period") OxyMar may not require any partner to make any contribution or loan for any purpose and the funding requirements of OxyMar shall be met by loans arranged or provided by OPC. To implement such loans during the Restricted Period, effective as of December 27, 2000, OxyMar entered into a \$100 million Cash Management and Revolving Credit Facility Agreement with OPC (the "OPC Revolver"). Effective February 28, 2001, the credit facility limit under the OPC Revolver was increased to \$200 million.

Pursuant to the terms of the OxyMar Partnership Agreement, upon the expiration of the Restricted Period, U.S. VCM may elect to require OCC (or any affiliate designated by OCC) to purchase U.S. VCM's remaining 21.4% equity interest in OxyMar and in connection with such transfer require OPC to assume Marubeni's guarantee of OxyMar's outstanding indebtedness. For purposes of such transfer, the value of U.S. VCM's remaining interest in OxyMar is calculated based upon an agreed deemed value of the OxyMar partnership less partnership indebtedness, subject to certain adjustments for accrued taxes, interest and available cash.

At December 31, 2000 and 1999, the historical underlying equity in net assets of OxyMar exceeded the Partnership's investment in OxyMar by \$7.5 million and \$8 million, respectively. The deficiency is being amortized on a straight-line basis into income over 25 years. Amortization amounted to \$.5 million for the year ended December 31, 2000, and \$.4 million for the period from April 30, 1999 through December 31, 1999 and is included in equity in (losses)/earnings of unconsolidated subsidiary. The following table presents summarized financial information of OxyMar (in thousands):

	For the Year Ended December 31, 2000 -----	April 30, 1999 Through December 31, 1999 -----
Net sales	\$ 431,555	\$ 303,273
Costs and expenses	439,836	281,601
	-----	-----
Net (loss) income	\$ (8,281)	\$ 21,672
	=====	=====
Current assets	\$ 68,423	\$ 92,408
Noncurrent assets	\$ 346,642	\$ 363,308
Current liabilities	\$ 36,255	\$ 325,861
Noncurrent liabilities	\$ 421,651	\$ 164,415
Partners' capital	\$ (42,841)	\$ (34,560)

At December 31, 2000, OPC unconditionally provides guarantees of \$302.5 million of OxyMar's obligations, which include private placement bonds and a revolving credit line.

See Note 11 regarding OxyVinyls' purchase commitment from OxyMar. Unrealized profits on inventory purchased from OxyMar are deferred by OxyVinyls based on ownership percentage and are recognized upon the ultimate sale to an unaffiliated customer.

OXY VINYLs, LP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Other assets, net -

Other assets, net includes certain tangible assets and deferred charges that are amortized over the estimated periods to be benefited (3 - 10 years).

Other assets, net also includes trade receivable balances of \$9.0 million due from two customers which filed bankruptcy in the current year. Management believes the amounts are collectible over a period greater than one year and the receivables have been reduced to their net realizable value. The allowance for doubtful long-term receivables was \$4.5 million on December 31, 2000.

Major maintenance expenditures -

OxyVinyls uses the accrue-in-advance method to account for major maintenance turnaround expenditures. Under this method, an estimate is made of the costs expected to be incurred in connection with the next planned periodic maintenance shutdown. That estimate is then accrued on a straight-line basis over the period of time until the next planned major maintenance shutdown occurs. The liability for major maintenance turnaround included in accrued liabilities was \$10.1 million and \$13.2 million as of December 31, 2000 and 1999, respectively.

Exchanges -

Finished product exchange transactions, which involve homogeneous commodities held for sale in the ordinary course in the same line of business and do not involve the payment or receipt of cash, are not accounted for as purchases and sales. Any resulting volumetric exchange balances are accounted for as inventory in accordance with the normal inventory valuation policy.

Environmental costs -

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Reserves for estimated costs that relate to existing conditions caused by past operations and that do not contribute to current or future revenue generation are recorded when environmental remedial efforts are probable and the costs can be reasonably estimated. In determining the reserves, OxyVinyls uses the most current information available, including similar past experiences, available technology, regulations in effect, the timing of remediation and cost-sharing arrangements. The environmental reserves are based on management's estimate of the most likely cost to be incurred and are reviewed periodically and adjusted as additional or new information becomes available. Probable recoveries or reimbursements are recorded as an asset.

Pursuant to the asset contribution agreements of the Partnership, the contributors (OCC and PolyOne) have an obligation to indemnify OxyVinyls for health, safety and environmental claims that relate to pre-May 1, 1999 activities and that existed as of April 30, 1999, or arise within ten years of that date, except to the extent that OxyVinyls exacerbated or accelerated the claim.

As of December 31, 2000, management believes no environmental reserve is required.

Research and development costs -

Research and development costs, which are charged to selling, general and administrative and other operating expenses as incurred, were \$6.9 million for the year ended December 31, 2000, and \$4.4 million for the period from April 30, 1999 through December 31, 1999.

OXY VINYLs, LP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

Supplemental cash flow information -

Cash payments for income taxes during the year ended December 31, 2000, and the period from April 30, 1999 through December 31, 1999, totaled \$7.4 million and \$.1 million, respectively. Net interest paid totaled \$4.1 million during the year ended December 31, 2000, and \$4.2 million during the period from April 30, 1999 through December 31, 1999.

During the year ended December 31, 2000, and the period from April 30, 1999 through December 31, 1999, OxyVinyls transferred trade receivables to an affiliate, Occidental Receivables, Inc. (ORI), in noncash transactions. (See Note 3)

Fair value of financial instruments -

OxyVinyls values financial instruments as required by SFAS No. 107, "Disclosures about Fair Value of Financial Instruments." The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity of those instruments. OxyVinyls estimates the fair value of its long-term debt based on the quoted market prices for the same or similar issues or on the yields offered to OxyVinyls for debt of similar rating and similar remaining maturities. The estimated fair value of OxyVinyls' long-term debt at December 31, 2000 and 1999 was approximately \$37.7 million and \$54.5 million, respectively, compared with a carrying value of \$38.3 million and \$54.6 million, respectively. (See Note 6.) The carrying value of all other financial instruments approximates fair value.

(3) RECEIVABLES -

During the year ended December 31, 2000, and during the period from April 30, 1999 through December 31, 1999, OxyVinyls sold, with limited recourse, to Occidental Receivables, Inc. (ORI) certain trade receivables under a revolving sale program in connection with the ultimate sale for cash of an undivided ownership interest in such receivables by ORI. OxyVinyls has retained the collection responsibility with respect to the receivables sold. An interest in new receivables is sold monthly in noncash transactions representing the net difference between newly created receivables and collections made from customers. In January 2001, OxyVinyls entered into a new similar type of program. The net receivables balance sold as of December 31, 2000 and 1999, was \$150 million and \$200 million, respectively.

OXY VINYLs, LP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(4) INVENTORIES -

Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) method was used to determine the cost of \$81 million and \$65 million of inventories at December 31, 2000 and 1999, respectively. The remaining inventories are accounted for using the first-in, first-out (FIFO) and weighted-average-cost methods. Inventories consisted of the following (in thousands):

	2000	1999
	-----	-----
Raw materials	\$ 24,209	\$ 15,262
Materials and supplies	22,574	24,834
Finished goods	96,300	78,150
	-----	-----
	143,083	118,246
LIFO and lower of cost or market reserve	(20,276)	(12,416)
	-----	-----
Total inventories	\$ 122,807	\$ 105,830
	=====	=====

(5) PROPERTY, PLANT AND EQUIPMENT -

Property additions and major renewals and improvements are capitalized at cost. Interest costs incurred in connection with major capital expenditures are capitalized and amortized over the lives of the related assets. Capitalized interest amounted to \$1.5 million at December 31, 2000. There was no capitalized interest at December 31, 1999. Depreciation of plant and equipment is primarily provided using the units-of-production method based on estimated total productive life. The partnership has reviewed its long-lived assets to be held and used for impairment during the year ended December 31, 2000, and during the period from April 30, 1999 to December 31, 1999. Management believes no circumstances exist that would indicate the carrying value of a long-lived asset may not be recoverable. Property, plant and equipment consisted of the following (in thousands):

	2000	1999
	-----	-----
Land and land improvements	\$ 30,998	\$ 28,715
Buildings	54,215	53,659
Machinery and equipment	1,195,727	1,113,538
Construction in progress	68,498	93,561
	-----	-----
	1,349,438	1,289,473
Accumulated depreciation	(369,354)	(315,079)
	-----	-----
Property, plant and equipment, net	\$ 980,084	\$ 974,394
	=====	=====

OXY VINYLs, LP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2000 and 1999

(6) LONG-TERM DEBT -

Long-term debt consisted of the following (in thousands):

	2000	1999
	-----	-----
Pollution control revenue bonds, 6%, due through 2007	\$ 9,760	\$ 10,056
Pollution control revenue bonds, 6.75%, due through 2009	500	500
Loan payable to Canadian bank under credit agreement, variable rate, 7.8% and 7.2% at December 31, 2000, and 1999, respectively due in 2004	28,000	44,000
	-----	-----
	38,260	54,556
Current maturities	(296)	(296)
	-----	-----
	\$ 37,964	\$ 54,260
	=====	=====

Minimum principal payments on long-term debt subsequent to 2000 are as follows (in thousands):

2001	\$ 296
2002	296
2003	322
2004	28,322
2005	422
Thereafter	8,602

	\$ 38,260
	=====

The pollution control revenue bonds are secured by the equipment purchased with the proceeds of the financing.

The Canadian bank loan is payable in U.S. dollars under the terms of the Credit Agreement ("Credit Agreement") entered into by OxyVinyls Canada in December 1999. OxyVinyls Canada may borrow up to \$48 million U.S. dollars under the terms of the Credit Agreement, which is guaranteed by OPC. Interest is payable quarterly.

Interest expense related to long-term external debt was \$4.1 million for the year ended December 31, 2000, and \$.5 million for the period April 30, 1999 through December 31, 1999.

OXY VINYLs, LP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(7) COMMITMENTS AND CONTINGENCIES -

Leases -

At December 31, 2000, future net minimum rental commitments under noncancelable operating leases with terms in excess of one year are as follows (in thousands):

2001	\$ 29,987
2002	19,949
2003	17,097
2004	9,488
2005	6,985
Thereafter	52,453

	\$ 135,959
	=====

OxyVinyls leases certain manufacturing facilities in LaPorte, Texas, and railcars under the terms of various related agreements dated April 30, 1999 (collectively, the "LaPorte Lease"). The initial lease term extends through April 20, 2004, and has a provision for annual renewals for an additional five years. Upon termination of the LaPorte Lease, OxyVinyls may purchase the assets based upon their estimated fair values. In the event OxyVinyls does not purchase the assets, the LaPorte Lease provides a residual value guarantee by OxyVinyls of approximately \$152 million. Currently, OxyVinyls does not expect to make payments under this provision. Total estimated future rental commitments of \$32.5 million under the LaPorte Lease are included in the operating lease commitments above. Actual rent payments under the LaPorte Lease are calculated using variable interest rates. OxyVinyls has restricted bank deposits, recorded in cash and cash equivalents on the consolidated balance sheets, associated with the LaPorte Lease of \$3.6 million and 3.5 million as of December 31, 2000 and 1999, respectively. OxyVinyls earns interest on these deposits which will be returned to OxyVinyls upon termination of the LaPorte Lease. All obligations under the LaPorte Lease are guaranteed by OPC.

Rent expense was approximately \$29.9 million for the year ended December 31, 2000, and \$21.5 million for the period from April 30, 1999 through December 31, 1999. Rent expense is included in cost of sales on the consolidated statement of operations.

OXY VINYLs, LP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(7) COMMITMENTS AND CONTINGENCIES - (continued)

Other -

OxyVinyls has entered into an agreement providing for the following future payments (in thousands) to purchase brine, a raw material utilized in chlor-alkali production. At December 31, 2000, the net present value of the fixed and determinable portion of the obligation under this agreement was used to collateralize financing of the brine supplier.

2001	\$	790
2002		760
2003		730
2004		700
2005		670
Thereafter		4,356

	\$	8,006
		=====

OxyVinyls has certain other commitments under contracts to purchase electrical power and raw materials and other obligations, all in the ordinary course of business and at market prices.

The Partnership also becomes involved in certain legal proceedings in the normal course of business. Management believes that the outcome of such matters will not significantly affect the Partnership's consolidated financial position or results of operations.

Also, see Note 2 and Note 9 related to income taxes and Note 10 and 11 related to related parties.

(8) RETIREMENT PLANS AND POSTRETIREMENT BENEFITS -

Retirement plans -

OxyVinyls participates in various defined contribution retirement plans sponsored by OPC for its salaried, domestic union and nonunion hourly, and certain foreign national employees that provide for periodic contributions by OxyVinyls based on plan-specific criteria, such as base pay, age level, and/or employee contributions. OxyVinyls contributed and expensed approximately \$8.2 million for the year ended December 31, 2000, and \$4.7 million during the period from April 30, 1999 through December 31, 1999, under the provisions of these plans.

OXY VINYLs, LP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(8) RETIREMENT PLANS AND POSTRETIREMENT BENEFITS - (continued)

Medical and postretirement benefits -

OxyVinyls provides medical and dental benefits and life insurance coverage for certain active, retired and disabled employees and their eligible dependents. The benefits generally are funded by OxyVinyls as they are paid during the year. The cost of providing these benefits is based on claims filed and insurance premiums paid for the period. The total benefits costs, including postretirement costs, were approximately \$7.2 million for the year ended December 31, 2000, and \$5 million during the period from April 30, 1999 through December 31, 1999.

The following table sets forth the components of the net periodic benefit costs for OxyVinyls' postretirement benefit plans (in thousands):

	For the Year Ended December 31, 2000 -----	April 30, 1999 Through December 31, 1999 -----
Service cost - benefits earned during the period	\$ 573	\$ 625
Interest cost on benefit obligations	1,057	827
	-----	-----
Net periodic postretirement benefit cost	\$ 1,630 =====	\$ 1,452 =====

OxyVinyls' postretirement benefit plans are accrued based on various assumptions and discount rates, as described below. The actuarial assumptions used could change in the near term as a result of changes in expected future trends and other factors which, depending on the nature of the changes, could cause increases or decreases in the liabilities accrued.

The following table sets forth the reconciliation of the beginning and ending balances of the benefit obligation for OxyVinyls' postretirement benefit plans (in thousands):

	For the Year Ended December 31, 2000 -----	April 30, 1999 Through December 31, 1999 -----
Changes in benefit obligation:		
Benefit obligation - beginning of period	\$ 11,942	\$ 11,816
Service cost - benefits earned during the period	573	625
Interest cost on projected benefit obligations	1,057	827
Actuarial (gain) loss	1,697	(1,326)
Benefits paid	(15)	-
	-----	-----
Benefit obligation - end of period	\$ 15,254 =====	\$ 11,942 =====

The postretirement benefit obligations were determined by application of the terms of medical and dental benefits and life insurance coverage, including the effect of established maximums on covered costs, together with relevant actuarial assumptions and health care cost trend rates projected at a Consumer Price Index (CPI) increase of 3 percent as of December 31, 2000 and 1999. Participants pay for all medical cost increases in excess of increases in the CPI. Consequently, increases in the assumed healthcare cost trend rates beyond the CPI increase would have no impact on the postretirement benefit obligation at December 31, 2000 and 1999. The discount rate used in determining the benefit obligation was 7.75 percent as of December 31, 2000 and 1999.

OXY VINYLs, LP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(8) RETIREMENT PLANS AND POSTRETIREMENT BENEFITS - (continued)

Medical and postretirement benefits - (continued)

Pursuant to the asset contribution agreements of the Partnership, the contributors (OCC and PolyOne) retained liability for, and have an obligation to indemnify the Partnership with respect to, such contributors' employee benefit and welfare plans and programs (including existing retirees and disabled) and any claims by or on behalf of employees of OxyVinyls that are attributable to their employment with the contributor prior to May 1, 1999. Obligations related to postretirement benefits attributable to active employees at April 30, 1999, were assumed by OxyVinyls.

The following sets forth the funded status and amount recognized in OxyVinyls' consolidated balance sheet for the postretirement benefit obligations (in thousands):

	2000	1999
	-----	-----
Funded status	\$ (15,254)	\$ (11,942)
Unrecognized net loss (gain)	371	(1,326)
	-----	-----
Postretirement benefit obligations	\$ (14,883)	\$ (13,268)
	=====	=====

(9) INCOME TAXES -

Deferred foreign income taxes reflect the future tax consequences of temporary differences between the tax basis of assets and liabilities and their financial reporting amounts. At December 31, 2000 and 1999, OxyVinyls had deferred tax liabilities of \$1.6 million and \$.3 million, respectively, which are included in deferred credits and other liabilities on the consolidated balance sheets. The temporary differences resulting in deferred tax liabilities are primarily related to property, plant and equipment.

The current and deferred (benefit)/provision for Canadian income tax was \$(1.4) million and \$1.3 million, respectively, for the year ended December 31, 2000, and \$3.4 million and \$.3 million, respectively, for the period from April 30, 1999 through December 31, 1999. Additionally, the Partnership paid certain minimum state and federal taxes of approximately \$.7 million for the year ended December 31, 2000.

OxyVinyls is subject to audit by taxing authorities in various tax jurisdictions. Management believes that any required adjustments to OxyVinyls' tax liabilities will not have a material adverse impact on its financial position or results of operations.

OXY VINYLs, LP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(10) CASH MANAGEMENT AND CREDIT AND DEPOSIT FACILITIES AGREEMENT WITH OPC -

OxyVinyls participates in OPC's centralized cash management system for its domestic operations. OxyVinyls maintains a concentration account to collect cash receipts and to fund disbursements. OPC funds any negative cash balances and collects any excess cash balances on a daily basis in the concentration account under the terms of a Cash Management and Credit and Deposit Facilities Agreement between OPC and OxyVinyls (the "Agreement").

Under terms of the Agreement, OPC has committed to loan OxyVinyls, on a revolving basis, up to \$66 million as of December 31, 2000.

PolyOne has guaranteed \$42.3 million of the OxyVinyls' loans payable to OPC. This guarantee terminates on the later of April 30, 2002, or when OxyVinyls attains a defined amount of earnings before income taxes, depreciation and amortization.

OPC loans to OxyVinyls cannot decrease below a minimum required balance of \$42.3 million before the termination of the PolyOne guarantee. As of December 31, 2000 and 1999, loans payable to OPC under the Agreement were \$42.3 million. In order to maintain the loan at the minimum required balance, any excess cash collected by OPC is held in the form of interest bearing deposits under terms of the Agreement. These deposits are considered loans receivable from OPC. As of December 31, 2000 and 1999, the balance of loans receivable from OPC was \$88.3 million and \$71.1 million, respectively. The OxyVinyls' loans payable and receivable to/from OPC, including interest, has been combined and recorded as loans receivable from OPC, net in the accompanying consolidated balance sheet.

Loans payable to OPC accrue interest at the reported one-month London Interbank Offered Rate (LIBOR) plus a calculated variable margin. Loans receivable from OPC accrue interest at the reported one-month LIBOR. Interest income under the Agreement was \$.1 million for the year ended December 31, 2000, and \$.4 million for the period from April 30, 1999 through December 31, 1999. Net interest expense under the Agreement totaled \$.3 million for the year ended December 31, 2000, and \$.4 million for the period from April 30, 1999 through December 31, 1999. Fees payable to OPC under the Agreement totaled \$.3 million for the year ended December 31, 2000, and \$.4 million for the period from April 30, 1999 through December 31, 1999, and are included in other operating expenses.

The Agreement may be terminated by either OxyVinyls or OPC after the termination of the PolyOne guarantee, at which date any outstanding loans as well as any accrued interest and fees payable become due.

OXY VINYLs, LP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(11) RELATED PARTY TRANSACTIONS -

OxyVinyls sells PVC to PolyOne under the terms of a sales agreement that expires on December 31, 2013. The agreement requires PolyOne and its majority affiliates' to purchase their annual PVC requirements in North America from OxyVinyls in excess of 290 million pounds. On the first 880 million pounds of PVC supplied in any calendar year, PolyOne will pay a price which is based upon cost and market considerations. PolyOne will purchase all volumes over 880 million pounds in any calendar year at a competitive market price.

OxyVinyls sells VCM to OCC and PolyOne under the terms of separate sales agreements that expire on December 31, 2013. The agreements require that OCC and PolyOne purchase at market price all of their VCM requirements for production of PVC in North America from OxyVinyls. Under the terms of the agreements, PolyOne and OCC receive an integration credit on the first 210 million and 215 million pounds purchased in any year, respectively, to compensate for surrendered purchasing power on major feedstocks.

OxyVinyls' sales of VCM to OCC under the terms of these agreements was approximately \$45.2 million and \$25.9 million for the year ended December 31, 2000 and during the period from April 30, 1999 through December 31, 1999, respectively. OxyVinyls' sales of PVC and VCM to PolyOne under the terms of these agreements was approximately \$297 million and \$220 million for the year ended December 31, 2000, and during the period from April 30, 1999 through December 31, 1999, respectively.

OxyVinyls sells chlor-alkali and other specialty products to OCC under the terms of a sales agreement that expires on December 31, 2013. This agreement requires OCC to purchase at market price all chlor-alkali products produced by OxyVinyls that are not required for its internal uses. This agreement also requires OCC to purchase all specialty products produced by OxyVinyls at full manufacturing cost. This agreement also requires OxyVinyls to pay OCC a fee for marketing excess chlor-alkali products to third parties. OxyVinyls sold \$181.7 million and \$102.7 million of chlor-alkali and specialty products to OCC during the year ended December 31, 2000, and during the period from April 30, 1999 through December 31, 1999, respectively. OxyVinyls paid \$22.0 million and \$14.7 million to OCC for the marketing fee during the year ended December 31, 2000, and during the period from April 30, 1999 through December 31, 1999, respectively.

OxyVinyls purchases ethylene from Equistar Chemicals LP ("Equistar"), an equity investee of OCC, under the terms of two agreements. The first agreement requires that OxyVinyls purchase ethylene at market price, 250 million pounds during the year 2000 and 200 million pounds in each of the years 2001 through 2003 for the LaPorte VCM facility. This agreement expires December 31, 2003. Under the terms of the second agreement, OxyVinyls purchases ethylene requirements for the Deer Park VCM and OxyMar facilities at Equistar's weighted average selling price, as defined in the agreement. This agreement expires on December 31, 2013. OxyVinyls purchased \$67.1 million and \$91.3 million of ethylene from Equistar under the terms of these agreements during the year ended December 31, 2000, and the period from April 30, 1999 through December 31, 1999, respectively.

OxyVinyls purchases chlorine from Sunbelt Chlor Alkali Partnership, an equity investee of PolyOne ("Sunbelt"), under the terms of an agreement that expires on December 31, 2004. This agreement requires OxyVinyls to purchase at market price, less a discount, all chlorine produced by Sunbelt at its chlorine manufacturing process facility in McIntosh, Alabama, up to a maximum of 250 thousand tons per year. OxyVinyls purchased \$38.7 million and \$16.4 million of chlorine from Sunbelt under the terms of this agreement during the year ended December 31, 2000, and the period from April 30, 1999 through December 31, 1999, respectively.

OXY VINYLs, LP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(11) RELATED PARTY TRANSACTIONS - (continued)

OxyVinyls purchases VCM from OxyMar under the terms of a VCM purchase agreement that runs until such time as OPC, either directly or through its affiliates, ceases to own an equity interest in OxyMar. The agreement requires OxyVinyls to purchase each year at market prices a minimum of 700 million of the first 1.1 billion pounds of VCM produced and 530 million pounds of the next 1 billion pounds produced by OxyMar. Total purchases under this agreement were \$308.9 million and \$204.6 million for the year ended December 31, 2000, and the period from April 30, 1999 through December 31, 1999, respectively.

OxyVinyls incurs costs charged by OCC and PolyOne under the terms of various service and shared facilities agreements. These agreements are in effect generally so long as services continue to be provided between parties and/or facilities continue to be shared. Under the provisions of these agreements, OxyVinyls receives from and makes payments to PolyOne and OCC for shared facilities at Louisville, Kentucky, Pedricktown, New Jersey and Pasadena, Texas. In some cases the agreements contain renewal options at negotiated prices. The net total of these costs was approximately \$0.5 million and \$0.1 million for the year ended December 31, 2000, and for the period from April 30, 1999 through December 31, 1999, respectively. Additionally, OxyVinyls incurs costs for administrative and other support services paid to OCC and PolyOne which totaled approximately \$12.2 million and \$7.8 million and \$6.9 million and \$6.2 million, respectively, for the year ended December 31, 2000, and for the period from April 30, 1999 through December 31, 1999, respectively. OxyVinyls incurred net railcar rent expense/(income) payable/(receivable) to/from OCC and PolyOne of approximately \$4.8 million and \$(0.2) million and \$4.3 million and \$.5 million, respectively, for the year ended December 31, 2000, and for the period from April 30, 1999 through December 31, 1999, respectively.

As of December 31, 2000 and 1999, OxyVinyls had a net receivable from OCC of \$9.0 million and \$12.2 million and a net payable to PolyOne of \$6.9 million and \$6.3 million, respectively. The amounts due to PolyOne are net of trade receivables sold to ORI. (see Note 2 and Note 3)

OXY VINYLs, LP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000 and 1999

(12) VALUATION AND QUALIFYING ACCOUNTS -

Approximately 30 employees at various manufacturing facilities were identified in a workforce reduction plan. Certain severance costs of \$.9 million and relocation costs of \$.9 million were accrued in connection with the formation of the Partnership. Also severance and relocation costs of \$2.1 million and \$.2 million, respectively, were accrued and charged to expense during the period from April 30, 1999 through December 31, 1999. Total accrued severance and relocation costs are recorded in accrued liabilities and the amount charged to expense during the period from April 30, 1999 to December 31, 1999, is recorded in selling, general and administrative and other operating expenses.

The following table presents the activity of accrued severance and relocation liabilities and allowance for doubtful accounts for the year ended December 31, 2000, and for the period from April 30, 1999 through December 31, 1999 (in millions).

	Balance at Beginning of Period -----	Charged to Expense -----	Deductions -----	Balance at End of Adjustment -----	Period -----
For the Year Ended December 31, 2000					
Allowance for doubtful accounts	\$.3	\$ 5.2	\$ -	-	\$ 5.5
Accrued severance and relocation	\$ 3.2 =====	\$ - =====	\$ (2.6)(a) =====	\$ (.6)(b) =====	\$ - =====
For the period from April 30 through December 31, 1999					
Allowance for doubtful accounts	\$ -	\$.3	\$ -	-	\$.3
Accrued severance and relocation	\$ 1.8	\$ 2.3	\$ (.9)(a)	-	\$ 3.2

(a) Payments under the Partnership's plan for termination and relocation of certain employees.

(b) Adjustment to cost of acquisition.

POLYONE CORPORATION
SUBSIDIARIES

Name - - - - -	Jurisdiction of Incorporation -----
1997 Chlor-Alkali Venture Inc.	Alabama
The Geon Company Australia Limited	Australia
Auseon Limited	Australia
Australian Vinyls Corporation (1)	Australia
PolyOne Wilflex Australasis, PTY Ltd.	Australia
Diversified Compounds, Inc.	California
PolyOne Canada, Inc.	Canada
LP Holdings, Inc.	Canada
Geon Polimeros Andinos S.A. (2)	Columbia (6)
Resintech, S.A.	Costa Rica
1999 General Compounding Partnership Inc.	Delaware (6)
1999 Limited Compounding Partnership Inc.	Delaware
1999 PVC Partner Inc.	Delaware (6)
Decillion Inc.	Delaware (5)
Lincoln & Southern Railroad Company	Delaware
Oxy Vinyls, LP (3)	Delaware (6)
PVC Powder Blends, LP (4)	Delaware (6)
Sunbelt Chlor-Alkali Partnership (2)	Delaware (6)
Acrol Holdings Limited	England
PolyOne Engineering Vinyls UK, Ltd.	England
PolyOne Wilflex Europe, Ltd.	England
Regalite Plastics Corporation	Massachusetts
O'Sullivan Plastics Corporation	Nevada
Geon Development Inc.	Ohio
Polymer Diagnostics, Inc.	Ohio
SPC Geon PTE LTD. (2)	Singapore
Shawnee Holdings, Inc.	Virginia
PolyOne Engineered Films, Inc.	Virginia
Burton Rubber Compounding, LP	Delaware (6)
PolyOne Elastomers Canada, Inc.	Ontario
Bifan S.A.	Luxembourg
M.A. Hanna Plastic Group, Inc.	Michigan
Compounding Technology, Euro S.A.	France
PolyOne Singapore, Ltd.	Singapore
DH Compounding Company	Delaware (6)
Hanna France SARL	France
Hanna PAR Corporation	Delaware
Hollinger Development Company	Nevada
PolyOne Compuestos, S.A. de C.V.	Mexico
PolyOne - Suzhou, China	China
PolyOne Hungary, Ltd.	Hungary

Name - - - - -	Jurisdiction of Incorporation -----
PolyOne Shanghai, China	China
M.A. Hanna Asia Holding Company	Delaware
M.A. Hanna Export Services Company	Barbados
M.A. Hanna International Financial Services Company	Ireland
M.A. Hanna de Mexico, S.A. de C.V.	Mexico
PolyOne Distribution Company	Delaware
MAH Plastics Company	Delaware
PolyOne E.C. De Mexico, S.A. de C.V.	Mexico
MAHRC Servicios S.A. De C.V.	Mexico
PolyOne Werk Melos, GmbH	Germany
PolyOne Spain, S.A.	Spain
So.F.teR S.p.A.	Italy
Star Color Co., Ltd.	Thailand
Techmer PM, LLC	Delaware (7)
Tekno Polimer Group	Turkey
PolyOne Th. Bergmann, GmbH	Germany
UBE-Hanna Compounding Company, LLC	Delaware (8)
UBE-Hanna Compounding GmbH	Germany (8)
PolyOne Compounds & Colors U.K., Ltd.	England
PolyOne Belgium S.A.	Belgium
PolyOne Norway A.S.	Norway
PolyOne France, S.A.	France
PolyOne Sweden, A.B.	Sweden
RA Products, Inc.	Michigan
Conexus, Inc.	Nevada
PolyOne Distribution Canada, Inc.	Canada
PolyOne Colors and Additives Germany, GmbH	Germany
Hanna Deutschland, GmbH	Germany
PolyOne Werk Krause, GmbH	Germany
L.E. Carpenter, Inc.	Delaware
Polyanna Srl	Italy
Geplast Srl	Italy
PolyOne Distribution De Mexico S.A., de C.V.	Mexico
M.A. Hanna UK, Ltd.	England

Notes:

- - - - -

- (1) Owned 37.4% by the Company
- (2) Owned 50% by the Company
- (3) Owned 24% by the Company
- (4) Owned 90% by the Company
- (5) Owned 40% by the Company
- (6) Partnership
- (7) Owned 51% by the Company
- (8) Owned 52% by the Company

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of PolyOne Corporation of our report dated January 30, 2001, included in the 2000 Annual Report to the Shareholders of PolyOne Corporation.

Our audits also included the financial statement schedule of PolyOne Corporation listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements and related Prospectuses, appearing on Exhibit 1, of our report dated January 30, 2001, with respect to the consolidated financial statements of PolyOne Corporation incorporated herein by reference in this Annual Report (Form 10-K) for the year ended December 31, 2000, and of our report included in the preceding paragraph with respect to the financial statement schedule of PolyOne Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 2000.

/s/ Ernst & Young LLP

Cleveland, Ohio
March 23, 2001

Consent of Independent Auditors
Exhibit 1

Form S-3 No. 33-29624 pertaining to the M.A. Hanna Company Dividend Reinvestment and Stock Purchase Plan.

Form S-3 No. 33-66128 pertaining to various employee compensation and benefit plans of M.A. Hanna Company.

Form S-8 No. 2-70755 pertaining of the M.A. Hanna Company 1979 Executive Incentive Compensation Plan.

Form S-8 No. 33-29622 pertaining to the M.A. Hanna Company 1988 Long-Term Incentive Plan.

Form S-8 No. 33-35654 pertaining to the M.A. Hanna Company Restated 1979 Executive Compensation Plan and 1988 Long-Term Incentive Plan.

Form S-8 No. 33-38938 pertaining to the M.A. Hanna Company Capital Accumulation Plan.

Form S-8 No. 33-41461 pertaining to the M.A. Hanna Company Capital Accumulation and Savings Plan for Salaried Employees of Day International Corporation.

Form S-8 No. 33-45420 pertaining to the M.A. Hanna Company Pay for Performance Plans.

Form S-8 No. 33-51517 pertaining to Wilson Color Profit Sharing Plan.

Form S-8 No. 33-51519 pertaining to Texapol Corporation Employees' 401(k) Savings Plan.

Form S-8 No. 33-51555 pertaining to PMS Profit Sharing and Retirement Savings Plan.

Form S-8 No. 33-51513 pertaining to Fiberchem, Inc. 401(k) Plan.

Form S-8 No. 33-51497 pertaining to DH Compounding Company Savings and Retirement Plan.

Form S-8 No. 33-51499 pertaining to Dayton Plastics Profit Sharing Plan.

Form S-8 No. 33-51491 pertaining to Burton Rubber Processing, Inc. Savings and Retirement Plan.

Form S-8 No. 33-51507 pertaining to Bruck Plastics Company Profit Sharing Plan.

Form S-8 No. 33-51503 pertaining to Allied Color Industries, Inc. Savings and Retirement Plan for Associates of the Vonore, TN, Kansas City, MO, San Francisco, CA and Vancouver, WA Operations, formerly the Avecor, Inc. Savings and Retirement Plan.

Form S-8 No. 33-51501 pertaining to Allied Color Industries, Inc. Profit Sharing Plan for Associates of the Broadview Heights, OH, Greenville, SC, and Phoenix. AZ Operations, formerly the Allied Color Industries, Inc. Profit Sharing Plan.

Form S-8 No. 33-53093 pertaining to the M.A. Hanna Company Directors' Deferred Fee Plan.

Form S-8 No. 33-57021 pertaining to 401(k) Savings and Retirement Plan for Polymer Associates.

Form S-3 No. 33-80522 pertaining to The Geon Company.

Form S-8 No. 33-92398 pertaining to The Geon Retirement Savings Plan.

Form S-8 No. 33-80262 pertaining to The Geon Company Deferred Compensation Plan for Non-Employee Directors.

Form S-8 No. 33-62112 pertaining to The Geon Company Incentive Stock Plan.

Form S-8 No. 33-65520 pertaining to The Geon Company Retirement Plus Savings Plan.

Form S-8 No. 33-65518 pertaining to The Geon Company Retirement Plus Savings Plan for Wage Employees.

Form S-8 No. 333-81027 pertaining to The Geon Company 1998 Interim Stock Plan.

Form S-8 No. 333-81025 pertaining to The Geon Company 1999 Incentive Stock Plan.

Form S-8 No. 333-47796 pertaining to the Post Effective Amendment No. 1 on Form S-4.

Form S-8 No. 333-48002 pertaining to the PolyOne Corporation 2000 Stock Incentive Plan.

Consent of Independent Public Accountants

As independent public accountants, we hereby consent to the incorporation by reference of our report on OxyVinyls, LP consolidated financial statements as of December 31, 2000 and 1999, and for the year ended December 31, 2000, and for the period from April 30, 1999 through December 31, 1999 incorporated by reference in this Form 10-K, into PolyOne Corporation's previously filed Registration Statement File Nos. 33-29624, 33-66128, 2-70755, 33-29622, 33-35654, 33-38938, 33-41461, 33-45420, 33-51517, 33-51519, 33-51555, 33-51513, 33-51497, 33-51499, 33-51491, 33-51507, 33-51503, 33-51501, 33-53093, 33-57021, 33-80522, 33-80262, 33-62112, 33-65520, 33-65518, 33-92398, 333-81027, 333-81025, 333-47796, and 333-48002.

/s/ Arthur Andersen LLP

Dallas, Texas
March 27, 2001