POLYONE CORP
Form 10-K
February 15, 2018

United States
Securities and Exchange Commission

Washington, DC 20549
FORM 10-K
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .
Commission file number 1-16091
PolyOne Corporation
(Exact name of registrant as specified in its charter)

Ohio	34-1730488
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
33587 Walker Road, Avon Lake, Ohio	44012 (Zip Code)
(Address of principal executive offices)	

Registrant's telephone number, including area code (440) 930-1000
Securities registered pursuant to Section 12(b) of the Act:

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

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ 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. þ
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Emerging growth company ¨ (Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

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

The aggregate market value of the registrant's outstanding common shares held by non-affiliates on June 30, 2017, determined using a per share closing price on that date of $38.74, as quoted on the New York Stock Exchange, was $3.2 billion.

The number of shares of common shares outstanding as of February 1, 2018 was 80,888,155.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K incorporates by reference certain information from the registrant's definitive Proxy Statement with respect to the 2018 Annual Meeting of Shareholders.

POLYONE CORPORATION

PART I

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

In this Annual Report on Form 10-K, statements that are not reported financial results or other historical information are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give current expectations or forecasts of future events and are not guarantees of future performance. They are based on management’s expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of meaning in connection with any discussion of future operating or financial performance and/or sales. In particular, these include statements relating to future actions; prospective changes in raw material costs, product pricing or product demand; future performance; estimated capital expenditures; results of current and anticipated market conditions and market strategies; sales efforts; expenses; the outcome of contingencies such as legal proceedings and environmental liabilities; and financial results. Factors that could cause actual results to differ materially from those implied by these forward-looking statements include, but are not limited to:

- effects on foreign operations due to currency fluctuations, tariffs and other political, economic and regulatory risks;
- changes in polymer consumption growth rates and laws and regulations regarding the disposal of plastic materials where we conduct business;
- changes in global industry capacity or in the rate at which anticipated changes in industry capacity come online in the industries in which we participate;
- fluctuations in raw material prices, quality and supply, and in energy prices and supply;
- production outages or material costs associated with scheduled or unscheduled maintenance programs;
- unanticipated developments that could occur with respect to contingencies such as litigation and environmental matters, including any developments that would require any increase in our costs and/or reserves for such contingencies;
- an inability to achieve or delays in achieving or achievement of less than the anticipated financial benefit from initiatives related to acquisition and integration, working capital reductions, cost reductions and employee productivity goals;
- disruptions, uncertainty or volatility in the credit markets that may limit our access to capital;
- our ability to pay regular quarterly cash dividends and the amounts and timing of any future dividends;
- information systems failures and cyberattacks; and
- other factors described in this Annual Report on Form 10-K under Item 1A, “Risk Factors.”

We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Investors should bear this in mind as they consider forward-looking statements. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise, except as otherwise required by law. You are advised, however, to consult any further disclosures we make on related subjects in our reports on Forms 10-Q, 8-K and 10-K filed with the SEC. You should understand that it is not possible to predict or identify all risk factors. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

ITEM 1. BUSINESS

Business Overview

We are a premier provider of specialized polymer materials, services and solutions with operations in specialty engineered materials, advanced composites, color and additive systems and polymer distribution. We are also a highly specialized developer and manufacturer of performance enhancing additives, liquid colorants and fluoropolymers and silicone colorants. Headquartered in Avon Lake, Ohio, we have employees at sales, manufacturing and distribution facilities in North America, South America, Europe, Asia and Africa. When used in this Annual Report on Form 10-K, the terms “we,” “us,” “our”, "PolyOne" and the “Company” mean PolyOne Corporation and its consolidated subsidiaries.

PolyOne was formed on August 31, 2000 from the consolidation of The Geon Company (Geon) and M.A. Hanna Company (Hanna). Geon’s roots date back to 1927 when B.F.Goodrich scientist Waldo Semon produced the first usable vinyl polymer. In 1948, B.F.Goodrich created a vinyl plastic division that was subsequently spun off through a public offering in 1993, creating The Geon Company, a separate publicly-held company. Hanna was formed in 1885 as a privately-held company and became publicly-held in 1927. In the mid-1980s, Hanna began to divest its historic mining and shipping businesses to focus on polymers. Hanna purchased its first polymer company in 1986 and completed its 26^{th} polymer company acquisition in 2000.

PolyOne Corporation is incorporated in Ohio and headquartered in Avon Lake, Ohio. We employ approximately 6,300 people and have 70 manufacturing sites and eight distribution facilities in North America, South America, Europe, Asia and Africa. We offer more than 35,000 polymer solutions to over 10,000 customers across the globe. In 2017, we had sales of $3.2 billion, 41% of which were to customers outside the United States.

We are able to leverage our polymer and formulation expertise with our operational capabilities, creating an essential link between large chemical producers (our raw material suppliers) and designers, assemblers and processors of plastics (our customers). We believe that our role in the value chain continues to become more vital as our customers increasingly need reliable suppliers with global reach and more effective material-based solutions to improve their profitability and competitive advantage. Our goal is to provide our customers with specialized materials and service solutions through our global footprint, broad market knowledge, technical expertise, product breadth, efficient manufacturing operations, a fully integrated information technology network and raw material procurement leverage. Our end markets include healthcare, transportation, packaging, consumer, building and construction, industrial, wire and cable, electrical and electronics and appliance.

Polymer Industry Overview

Polymers are a class of organic materials that are generally produced by converting natural gas or crude oil derivatives into monomers, such as ethylene, propylene, vinyl chloride and styrene. These monomers are then polymerized into chains called polymers, or plastic resin, such as polyethylene and polypropylene, in their most basic forms. Large petrochemical companies, including some in the petroleum industry, produce a majority of the monomers and base resins because they have direct access to the raw materials needed for production. Monomers make up the majority of the variable cost of manufacturing the base resin. As a result, the cost of a base resin tends to move in tandem with the industry market prices for monomers and the cost of raw materials and energy used during production. Resin selling prices can move in tandem with costs, but are largely driven by supply and demand.

Thermoplastic polymers make up a substantial majority of the resin market and are characterized by their ability to be reshaped repeatedly into new forms after heat and pressure are applied. Thermoplastics offer versatility and a wide range of applications. The major types of thermoplastics include polyethylene, polyvinyl chloride, polypropylene, polystyrene, polyester and a range of specialized engineering resins. Each type of thermoplastic has unique qualities and characteristics that make it appropriate for use in a particular application. Thermoplastic composites include these base resins, but are combined with a structural filler such as glass, wood, carbon or polymer fibers to enhance strength, rigidity and structure. Further performance can be delivered through an engineered thermoplastic sheet or thick film, which may incorporate more than one resin formulation or composite in multiple layers to impart additional properties such as gas barrier, structural integrity and lightweighting.

Thermoplastics and polymer composites are found in a variety of end-use products and markets, including packaging, building and construction, wire and cable, transportation, medical, furniture and furnishings, durable goods, outdoor high performance, electrical and electronics, adhesives, inks and coatings. Each type of thermoplastic resin has unique characteristics (such as flexibility, strength or durability) suitable for use in a particular end-use application. The packaging industry requires plastics that help keep food fresh and free of contamination while providing a variety of options for product display, and offering advantages in terms of weight and user-friendliness. In the building and construction industry, plastic provides an economical and energy efficient replacement for other traditional materials in piping applications, siding, flooring, insulation, windows and doors, as well as structural and interior or decorative uses. In the wire and cable industry, thermoplastics serve to protect by providing electrical insulation, flame resistance, durability, water resistance and color coding to wire coatings and connectors. In the transportation industry, plastic has proven to be durable, lightweight and corrosion resistant while offering fuel savings, design flexibility and high performance, often replacing traditional materials such as metal and glass. In the medical industry, plastics are used for a vast array of devices and equipment, including blood and intravenous bags, medical tubing, catheters, lead replacement for radiation shielding, clamps and connectors to bed frames, curtains and sheeting, electronic enclosures and equipment housings. In the outdoor high performance industry, plastic applications are used for components and colorants for all terrain vehicles and reinforced polymers are used for various outdoor activities. In the electronics industry, plastic enclosures and connectors not only enhance safety through electrical insulation, but thermally and electrically conductive plastics provide heat transferring, cooling, antistatic, electrostatic discharge, and electromagnetic shielding performance for critical applications including integrated circuit chip packaging.

Various additives can be formulated with a base resin and further engineered into a structure to provide them with greater versatility and performance. Polymer formulations and structures have advantages over metals, wood, rubber, glass and other traditional materials, which have resulted in the replacement of these materials across a wide spectrum of applications that range from automobile parts to construction materials. These specialized polymers offer advantages compared to traditional materials that include design freedom, processability, weight reduction, chemical resistance, flame retardance and lower cost. Plastics are renowned for their durability, aesthetics, ease of handling and recyclability.

PolyOne Segments

We operate in four reportable segments: (1) Color, Additives and Inks; (2) Specialty Engineered Materials; 3) Performance Products and Solutions; and (4) PolyOne Distribution. Previously, PolyOne had five reportable segments. However, as a result of the divestiture of the Designed Structures & Solutions segment (DSS), we have removed DSS as a separate operating segment and its results are presented as a discontinued operation. Historical information has been retrospectively adjusted to reflect these changes. Please see Note 3, Discontinued Operations for additional information.

On January 2, 2018, the Company completed the acquisition of IQAP Masterbatch Group S.L. (IQAP), an innovative producer of specialty colorants and additives based in Spain with customers throughout Europe. The results of operations of IQAP will be reported in the Color, Additives and Inks segment. The acquisition of IQAP is expected to add approximately $45.0 million in annual sales.

On July 5, 2017, the Company completed the acquisition of assets from Mesa Industries, Inc. (Mesa), a producer of solid and liquid colorant technologies.

On June 8, 2017, the Company completed the acquisition of Rutland Holding Company (Rutland). Rutland is a leading producer of specialty inks and an innovator in textile screen printing solutions and services.

On January 3, 2017, the Company completed the acquisition of SilCoTec, Inc. (SilCoTec), a leading producer of innovative silicone colorants, dispersions and formulations.

The results of operations of the 2017 acquisitions are reported in the Color, Additives and Inks segment subsequent to their respective acquisition dates. The 2017 acquisitions collectively added $57.7 million to total sales for the year ended December 31, 2017.

Our segments are further detailed in Note 14, Segment Information.

Competition

The production of plastics and the manufacturing of custom and proprietary formulated color and additives systems for the plastics industry are highly competitive. Competition is based on service, performance, product innovation, product recognition, speed, delivery, quality and price. The relative importance of these factors varies among our products and services. We believe that we are the largest independent formulator of plastic materials and producer of custom and proprietary color and additive systems in the United States and Europe, with a growing presence in Asia and South America. Our competitors range from large international companies with broad product offerings to local independent custom producers whose focus is a specific market niche or product offering.

The distribution of polymer resin is also highly competitive. Speed, service, reputation, product line, brand recognition, delivery, quality and price are the principal factors affecting competition. We compete against other national independent resin distributors in North America, along with other regional distributors. Growth in the polymer distribution market is highly correlated with growth in the base polymer resins market. We believe that the strength of our company name and reputation, the broad range of product offerings from our suppliers and our speed and responsiveness, combined with the quality of products and agility of our distribution network, allow us to compete effectively.

Raw Materials

The primary raw materials used by our manufacturing operations are polyolefin and other thermoplastic resins, polyvinyl chloride (PVC) resin, plasticizers, inorganic and organic pigments, all of which we believe are in adequate supply. Oxy Vinyls LP sells PVC to PolyOne under terms of a Resin Purchase Agreement that expires on December 31, 2020. The agreement requires PolyOne to purchase a majority of its annual requirements in North America from Oxy Vinyls LP. This contract provides a year-by-year evergreen renewal provision, unless terminated by either party with a one-year advance notice. We believe this contract assures the availability of adequate amounts of PVC resin. We also believe that the pricing under this contract provides PVC resin to PolyOne at a competitive price. See the discussion of risks associated with raw material supply and costs in Item 1A, “Risk Factors”.

Patents and Trademarks

We own and maintain a number of patents and trademarks in the United States and other key countries that contribute to our competitiveness in the markets we serve because they protect our inventions and product names against infringement by others. Patents exist for 20 years from filing date, and trademarks have an indefinite life based upon continued use. While we view our patents and trademarks to be valuable because of the broad scope of our products and services and brand recognition we enjoy, we do not believe that the loss or expiration of any single patent or trademark would have a material adverse effect on our results of operations, financial position or cash flows. Nevertheless, we have management processes designed to rigorously protect our inventions and trademarks.

Seasonality and Backlog

Sales of our products and services are seasonal as demand is generally slower in the first and fourth calendar quarters of the year. Because of the nature of our business, we do not believe that our backlog is a meaningful indicator of the level of our present or future business.

Working Capital Practices

Our products are generally manufactured with a short turnaround time, and the scheduling of manufacturing activities from customer orders generally includes enough lead time to assure delivery of an adequate supply of raw materials. We offer payment terms to our customers that are competitive. We generally allow our customers to return merchandise if pre-agreed quality standards or specifications are not met; however, we employ quality assurance practices that seek to minimize customer returns. Our customer returns are immaterial.

Significant Customers

No customer accounted for more than 3% of our consolidated revenues in 2017, and we do not believe we would suffer a material adverse effect to our consolidated financial statements if we were to lose any single customer.

Research and Development

We have substantial technology and development capabilities. Our efforts are largely devoted to developing new product formulations to satisfy defined market needs, by providing quality technical services to evaluate alternative raw materials, assuring the continued success of our products for customer applications, providing technology to improve our products, processes and applications and providing support to our manufacturing plants for cost reduction, productivity and quality improvement programs. We operate research and development centers that support our commercial development activities and manufacturing operations. These facilities are equipped with state-of-the-art analytical, synthesis, polymer characterization and testing equipment, along with pilot plants and polymer manufacturing operations that simulate specific production processes that allow us to rapidly translate new technologies into new products. Our investment in product research and development was $52.1 million in 2017, $50.4 million in 2016 and $48.9 million in 2015.

Methods of Distribution

We sell products primarily through direct sales personnel, distributors, including our PolyOne Distribution segment, and commissioned sales agents. We primarily use truck carriers to transport our products to customers, although some customers pick up product at our manufacturing facilities or warehouses. We also ship some of our manufactured products to customers by rail.

Employees
As of December 31, 2017, we employed approximately 6,300 people. Approximately 2% of our employees are represented by labor unions under collective bargaining agreements. We believe that relations with our employees are good, and we do not anticipate significant operating issues to occur as a result of current negotiations, or when we renegotiate collective bargaining agreements as they expire.
Environmental, Health and Safety
We are subject to various environmental laws and regulations that apply to the production, use and sale of chemicals, emissions into the air, discharges into waterways and other releases of materials into the environment and the generation, handling, storage, transportation, treatment and disposal of waste material. We endeavor to ensure the safe and lawful operation of our facilities in the manufacture and distribution of products, and we believe we are in material compliance with all applicable laws and regulations.
We maintain a disciplined environmental and occupational safety and health compliance program and conduct periodic internal and external regulatory audits at our facilities to identify and correct potential environmental exposures, including compliance matters and operational risk reduction opportunities. This effort can result in process or operational modifications, the installation of pollution control devices or cleaning up grounds or facilities. We believe that we are in material compliance with all applicable requirements.
We are strongly committed to safety as evidenced by our injury incidence rate of 0.69 per 100 full-time workers per year in 2017 and 0.74 in 2016. The 2016 average injury incidence rate for our NAICS Code (326 Plastics and Rubber Products Manufacturing) was 3.9. Further, we recently achieved the American Chemistry Council's certification as a Responsible Care Management System® (RCMS) company. Certification was granted based on PolyOne's conformance to the RCMS's comprehensive environmental health, safety and security requirements. The RCMS certification affirms the importance PolyOne places on having world-class environmental, health, safety and security performance.
In our operations, we must comply with product-related governmental law and regulations affecting the plastics industry generally and also with content-specific law, regulations and non-governmental standards. We believe that compliance with current governmental laws and regulations and with non-governmental content-specific standards will not have a material adverse effect on our financial position, results of operations or cash flows. The risk of additional costs and liabilities, however, is inherent in certain plant operations and certain products produced at these plants, as is the case with other companies in the plastics industry. Therefore, we may incur additional costs or liabilities in the future. Other developments, such as increasingly strict environmental, safety and health laws, regulations and related enforcement policies, including those under the Restrictions on the Use of Certain Hazardous Substances (RoHS), Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), the Dodd-Frank Wall Street Reform and Consumer Protection Act (covering Conflict Minerals), and the Consumer Product Safety Improvement Act, the implementation of additional content-specific standards, discovery of unknown conditions, and claims for damages to property, persons or natural resources resulting from plant emissions or products, could also result in additional costs or liabilities.
We incurred environmental expenses, before insurance recoveries, of $14.8 million in 2017, $8.3 million in 2016 and $9.3 million in 2015. Our environmental expense in 2017, 2016 and 2015 related mostly to ongoing remediation projects. In 2017, 2016 and 2015, we recognized gains associated with insurance recoveries of $9.1 million, $6.1 million and $3.5 million, respectively, as reimbursement of previously incurred environmental remediation costs.
We also conduct investigations and remediation at certain of our active and inactive facilities and have assumed responsibility for the resulting environmental liabilities from operations at certain sites we, or our predecessors, formerly owned or operated. With respect to the former Goodrich Corporation Calvert City site, contrary to prior understanding, the United States Environmental Protection Agency (USEPA) issued a proposed plan on December 1, 2017 identifying significant remedial actions beyond containment. During the public comment period, we had meaningful discussions with the USEPA regarding an alternative remedy, performed additional technical analysis to support our remedy, and have provided this information to the USEPA in our formal comment response. We believe this alternative is equally protective of human health and the environment, can commence contamination removal much more quickly, is less disruptive to the business operating at the site, and is more cost effective. These

discussions, along with our technical analysis of an alternative remedy, give us reason to believe that there are two likely outcomes, the EPA’s proposed plan and our proposed alternative remedy, with neither outcome being more likely than the other. As such, we have not adjusted our current reserve of $107.0 million, which reflects the low end of the range of these two outcomes. Based on the USEPA's proposed plan issued on December 1, 2017, the cost estimate for their proposed remedy is $244.0 million. The USEPA could issue its Record of Decision as early as the first quarter of 2018, and if the USEPA determines our alternative remedy is not appropriate, there could be an adjustment to increase our current reserve based on the proposed plan issued on December 1, 2017.

Environmental reserves for all other sites totaled $10.1 million as of December 31, 2017, covering probable future environmental expenditures that we can reasonably estimate related to previously contaminated sites, other third party liabilities, alleged contributions of contamination and contractual indemnification of other parties. This amount represents our best estimate of probable costs, based upon the information and technology currently available. We continue to pursue available insurance coverage related to all matters and recognize gains as we receive reimbursement. No receivable has been recognized for future recoveries.

Refer to Note 11, Commitments and Contingencies, for further discussion of the Calvert City site and our overall environmental liability.

We expect 2018 cash environmental expenditures to approximate $10.0 million.

International Operations

Our international operations are subject to a variety of risks, including currency fluctuations and devaluations, exchange controls, currency restrictions and changes in local economic conditions. While the impact of these risks is difficult to predict, any one or more of them could adversely affect our future operations. For more information about our international operations, see Note 14, Segment Information, to the accompanying consolidated financial statements.

Where You Can Find Additional Information

Our principal executive offices are located at 33587 Walker Road, Avon Lake, Ohio 44012, and our telephone number is (440) 930-1000. We are subject to the information reporting requirements of the Exchange Act, and, in accordance with these requirements, we file annual, quarterly and other reports, proxy statements and other information with the SEC relating to our business, financial results and other matters. The reports, proxy statements and other information we file may be inspected and copied at prescribed rates at the SEC's Public Reference Room and via the SEC's website (see below for more information).

You may inspect a copy of the reports, proxy statements and other information we file with the SEC, without charge, at the SEC's Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549, and you may obtain copies of the reports, proxy statements and other information we file with the SEC, from those offices for a fee. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our filings are available to the public at the SEC's website at http://www.sec.gov.

Our Internet address is www.polyone.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available, free of charge, on our website (www.polyone.com, select Investors and then SEC Filings) or upon written request, as soon as reasonably practicable after we electronically file or furnish them to the SEC. The contents of our website are not part of this Annual Report on Form 10-K, and the reference to our website does not constitute incorporation by reference into this Form 10-K of the information contained at that site.

ITEM 1A. RISK FACTORS

The following are certain risk factors that could affect our business, results of operations, financial position or cash flows. These risk factors should be considered along with the forward-looking statements contained in this Annual Report on Form 10-K because these factors could cause our actual results or financial condition to differ materially from those projected in forward-looking statements. The following discussion is not an all-inclusive listing of risks, although we believe these are the more material risks that we face. If any of the following occur, our business, results of operations, financial position or cash flows could be adversely affected.

Demand for and supply of our products and services may be adversely affected by several factors, some of which we cannot predict or control.

Several factors may affect the demand for and supply of our products and services, including:

- economic downturns or other volatility in the significant end markets that we serve;
- product obsolescence or technological changes that unfavorably alter the value/cost proposition of our products and services;

• competition from existing and unforeseen polymer and non-polymer based products;

- declines in general economic conditions or reductions in industrial production growth rates, both domestically and globally, which could impact our customers' ability to pay amounts owed to us;
- changes in environmental regulations that would limit our ability to sell our products and services in specific markets;
- changes in laws and regulations regarding the disposal of plastic materials; and
- inability to obtain raw materials or supply products to customers due to factors such as supplier work stoppages, supply shortages, plant outages or regulatory changes that may limit or prohibit overland transportation of certain hazardous materials and exogenous factors, like severe weather.

If any of these events occur, the demand for and supply of our products and services could suffer and potentially lead to asset impairment or otherwise adversely affect our results.

Our manufacturing operations are subject to hazards and other risks associated with polymer production and the related storage and transportation of raw materials, products and wastes.

The occurrence of an operating problem at our facilities (e.g., an explosion, mechanical failure, chemical spills or discharges) may have a material adverse effect on the productivity and profitability of a particular manufacturing or distribution facility or on our operations as a whole, during and after the period of these operating difficulties. Operating problems may cause personal injury and/or loss of life, customer attrition and severe damage to or destruction of property and equipment and environmental damage. We are subject to present claims and potential future claims with respect to workplace exposure, workers' compensation and other matters. Our property and casualty insurance, which we believe is of the types and in the amounts that are customary for the industry, may not fully insure us against all potential hazards that are incident to our business or otherwise could occur.

Extensive environmental, health and safety laws and regulations impact our operations and financial statements.

Our operations on, and ownership of, real property are subject to extensive environmental, health and safety laws and regulations at the national, state and local governmental levels (including, but not limited to, the Restrictions on the Use of Certain Hazardous Substances and the Consumer Product Safety Information Act of 2008). The nature of our business exposes us to compliance costs and risks of liability under these laws and regulations due to the production, storage, transportation, recycling or disposal and/or sale of materials that can cause contamination and other harm to the environment or personal injury if they are improperly handled and released. Environmental compliance requirements on us and our vendors may significantly increase the costs of these activities involving raw materials, energy, finished products and wastes. We may incur substantial costs, including fines, criminal or civil sanctions, damages, remediation costs or experience interruptions in our operations for violations of these laws.

Our operations could be adversely affected by various risks inherent in conducting operations worldwide.

Our operations are subject to risks; including, but not limited to, the following:

- changes in local government regulations and policies including, but not limited to foreign currency exchange controls or monetary policy, repatriation of earnings, expropriation of property, duty or tariff restrictions, investment limitations and tax policies;
- political and economic instability and disruptions, including labor unrest, civil strife, acts of war, guerrilla activities, insurrection and terrorism;
- legislation that regulates the use of chemicals;
- disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations, including the Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act;
- compliance with international trade laws and regulations, including export control and economic sanctions;
- difficulties in staffing and managing multi-national operations;
- limitations on our ability to enforce legal rights and remedies;
- reduced protection of intellectual property rights;
- other risks arising out of foreign sovereignty over the areas where our operations are conducted; and
- increasingly complex laws and regulations concerning privacy and data security, including the European Union's General Data Protection Regulation.

In addition, we could be adversely affected by violations of the FCPA, U.K Bribery Act and similar worldwide anti-bribery laws as well as export controls and economic sanction laws. The FCPA, U.K. Bribery Act and similar anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these laws. We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We cannot assure you that our internal controls and procedures will always protect us from the reckless or criminal acts committed by our employees or agents. If we are found to be liable for FCPA, U.K Bribery Act, export control or sanction violations, we could suffer from criminal or civil penalties or other sanctions, including loss of export privileges or authorization needed to conduct aspects of our international business, which could have a material adverse effect on our business.

Any of these risks could have an adverse effect on our international operations by reducing demand for our products.

We engage in acquisitions and joint ventures, and may encounter unexpected difficulties integrating those businesses.

Attainment of our strategic plan objectives require, in part, acquisitions or joint ventures intended to complement or expand our businesses globally or add product technology that accelerates our specialization strategy, or both. Success will depend on our ability to complete these transactions or arrangements, and integrate the businesses acquired in these transactions as well as develop satisfactory working arrangements with our strategic partners in the joint ventures. Unexpected difficulties in integrating recent and future acquisitions with our existing operations and in managing strategic investments could occur. Furthermore, we may not realize the degree, or timing, of benefits initially anticipated.

Natural gas, electricity, fuel and raw material costs could cause volatility in our results.

The cost of our natural gas, electricity, fuel and raw materials, may not correlate with changes in the prices we receive for our products, either in the direction of the price change or in absolute magnitude. Natural gas and raw materials costs represent a substantial part of our manufacturing costs. Most of the raw materials we use are commodities and the price of each can fluctuate widely for a variety of reasons, including changes in availability because of major capacity additions or reductions or significant facility operating problems. Other external factors beyond our control can also cause fluctuations in raw materials prices, which could negatively impact demand for our products and cause volatility in our results.

We face competition from other companies and customers' in-house production.

We encounter competition in price, payment terms, delivery, service, performance, product innovation, product recognition and quality, depending on the product involved.

We expect that our competitors will continue to develop and introduce new and enhanced products, which could cause a decline in the market acceptance of our products. In addition, our competitors could cause a reduction in the selling prices of some of our products as a result of intensified price competition. Competitive pressures can also result in the loss of customers.

Additionally, some of our customers may already be or may become large enough to justify developing in-house production capabilities. Any significant reduction in customer orders as a result of a shift to in-house production could adversely affect our sales and operating profits.

Increased information systems security threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks and products, which could harm our business.

We depend on integrated information systems to conduct our business. Increased global information systems security threats and more sophisticated and targeted computer crime pose a risk to the security of our systems and networks and the confidentiality, availability and integrity of our data and communications. Our systems, networks and products may be vulnerable to advanced persistent threats or other types of system failures. Depending on their nature and scope, such threats and system failures could potentially lead to the compromising of confidential information and communications, improper use of our systems and networks, manipulation and destruction of data, defective products, production downtimes and operational disruptions, which in turn could cause customers to cancel orders or otherwise adversely affect our reputation, competitiveness and results of operations.

Disruptions in the global credit, financial and/or currency markets could limit our access to credit or otherwise harm our financial results, which could have a material adverse impact on our business.

Global credit and financial markets experience volatility, including volatility in security prices, liquidity and credit availability, declining valuations of certain investments and significant changes in the capital and organizational structures of certain financial institutions. Market conditions may limit our ability to access the capital necessary to grow and maintain our business. Accordingly, we may be forced to delay raising capital, issue shorter tenors than we prefer or pay unattractive interest rates, which could increase our interest expense, decrease our profitability and significantly reduce our financial flexibility.

We are exposed to fluctuations in foreign currency exchange rates. Any significant change in the value of the currencies of the countries in which we do business against the U.S. dollar, whether precipitated by governmental monetary policy or otherwise, could affect our ability to sell products competitively and control our cost structure, which could have a material adverse effect on our business, financial condition and results of operations. For additional detail related to this risk, see Item 7A, "Quantitative and Qualitative Disclosure About Market Risk."

The agreements governing our debt, including our revolving credit facility, term loan and other debt instruments, contain various covenants that limit our ability to take certain actions and also require us to meet financial maintenance tests, failure to comply with which could have a material adverse effect on us.

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

In addition, certain of these agreements require us to comply under certain circumstances with specific financial tests, under which we are required to achieve certain or specific financial and operating results. Our ability to comply with these provisions may be affected by events beyond our control. A breach of any of these covenants would result in a default under such agreements and instruments, which in certain circumstances could be a default under all of these agreements and instruments. In the event of any default, our lenders could elect to declare all amounts borrowed under the agreements, together with accrued interest thereon, to be due and payable. In such event, we cannot assure that we would have sufficient assets to pay debt then outstanding under the agreements governing our debt.

Furthermore, certain of these agreements condition our ability to obtain additional borrowing capacity, engage in certain transactions or take certain other actions, on our achievement of certain or specific financial and operating results, although our failure to achieve such results would not result in a default under such agreements. Any future refinancing of the revolving credit facility or other debt may contain similar restrictive covenants.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to pay interest on our debt and to satisfy our other debt obligations will depend in part upon our future financial and operating performance and that of our subsidiaries and upon our ability to renew or refinance borrowings. Prevailing economic conditions and financial, business, competitive, legislative, regulatory and other factors, many of which are beyond our control, will affect our ability to make these payments. While we believe that cash flow from our current level of operations, available cash and available borrowings under our revolving credit facilities will provide adequate sources of liquidity for at least the next twelve months, a significant drop in operating cash flow resulting from economic conditions, competition or other uncertainties beyond our control could create the need for alternative sources of liquidity. If we are unable to generate sufficient cash flow to meet our debt service obligations, we will have to pursue one or more alternatives, such as reducing or delaying capital or other expenditures, refinancing debt, selling assets, or raising equity capital.

We have a significant amount of goodwill, and any future goodwill impairment charges could adversely impact our results of operations.

As of December 31, 2017, we had goodwill of $610.5 million. The future occurrence of a potential indicator of impairment, such as a significant adverse change in legal factors or business climate, an adverse action or assessment by a regulator, unanticipated competition, a material negative change in relationships with customers, strategic decisions made in response to economic or competitive conditions, loss of key personnel or a more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit will be sold or disposed of, could result in goodwill impairment charges, which could adversely impact our results of operations. We have recorded goodwill impairment charges in the past, and such charges materially impacted our historical results of operations and financial condition. Based on our 2017 goodwill impairment test, performed as of October 1, 2017, no reporting units were identified as being at risk of future impairment. For additional information, see Note 4, Goodwill and Intangible Assets, to the accompanying consolidated financial statements and “Critical Accounting Policies” included in Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Risks related to our pension plans may adversely impact our results of operations, cash flows and financial position.

Significant changes in the actual investment return on pension assets, discount rates, and other factors have and may continue to adversely affect our results of operations, financial position and pension contributions in future periods. U.S. generally accepted accounting principles require that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates. Changes in these assumptions have resulted in material gains and losses to income in recent years and may continue to do so in future periods. For a discussion regarding the significant assumptions used to estimate pension expense, including discount rate, expected long-term rate of return on plan assets and mortality, and how our financial statements can be affected by pension plan accounting policies, see "Critical Accounting Policies" and estimates included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Poor investment performance by our pension plan assets resulting from a decline in prices in the equity and/or fixed income markets could impact the funded status of our plans. Should the assets earn an average return less than our assumed rate, future pension expenses and funding requirements could increase. Further, we cannot predict whether changing market or economic conditions, regulatory changes or other factors will further increase our pension expense or funding obligations, diverting funds we would otherwise apply to other uses.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Headquartered in Avon Lake, Ohio we operate globally with principal locations consisting of 70 manufacturing sites and eight distribution facilities in North America, South America, Europe, Asia and Africa. We own the majority of our manufacturing sites and lease our distribution facilities. We believe that the quality and production capacity of our facilities is sufficient to maintain our competitive position for the foreseeable future. The following table identifies the principal facilities of our segments:

Performance Products and Solutions	Specialty Engineered Materials	Color, Additives and Inks		PolyOne Distribution
1. Carson, California	1. McHenry, Illinois	1. Glendale, Arizona	Shenzhen, China [1]	1. Rancho Cucamonga, California
2. Terre Haute, Indiana	2. Avon Lake, Ohio	2. Kennesaw, Georgia	23. Tianjin, China	
3. Louisville, Kentucky	Dyersburg, Tennessee [1]	Suwanee, Georgia [3]	24. Novo Hamburgo, Brazil	2. Chicago, Illinois
4. Avon Lake, Ohio	3. North Haven, Connecticut	3. Elk Grove Village, Illinois	25. Berea, Ohio	3. Eagan, Minnesota
5. Clinton, Tennessee	Seabrook, Texas [1]	4. St. Louis, Missouri	26. Richland Hills, Texas	4. Edison, New Jersey
6. Dyersburg, Tennessee	4. Gaggenau, Germany	5. Massillon, Ohio	27. Bethel, Connecticut	5. Statesville, North Carolina
7. Pasadena, Texas	5. Istanbul, Turkey	6. Norwalk, Ohio	28. Knowsley, United Kingdom	
8. Seabrook, Texas	6. Barbastro, Spain	7. North Baltimore, Ohio		6. Elyria, Ohio
9. Orangeville, Ontario, Canada	7. Melle, Germany	8. Lehigh, Pennsylvania	29. Eindhoven, Netherlands	7. La Porte, Texas
	8. & 9. Suzhou, China [2]	9. Mountain Top, Pennsylvania	30. Suzhou, China	8. Brampton, Ontario, Canada
10. St. Remi de Napierville, Quebec, Canada	10. Shenzhen, China		31. & 32. Shanghai, China [4]	
	Shanghai, China [3]	10. Vonore, Tennessee	33. Itupeva, Brazil	(8 Distribution Facilities)
11. Dongguan, China	11. Birmingham, Alabama	11. Toluca, Mexico	34. Odkarby, Finland	
12. Lockport, New York	12. Englewood, Colorado	12. Assesse, Belgium	35. Cape Town, South Africa	
13. Ramos Arizpe, Mexico	13. Montrose, Colorado	13. Cergy, France	36. Diez, Germany	
(13 Manufacturing Plants)	Pune, India[1]	14. Tossiat, France	37. La Porte, Indiana	
	(13 Manufacturing Plants)	15. Gyor, Hungary	38. Pineville, NC	
		16. Milan, Italy	39. Lima, Peru	
		17. Kutno, Poland	40. Phoenix, Arizona	
		18. Pune, India	41. Fort Smith, Arkansas	
		19. Pamplona, Spain	42. Barcelona, Spain	
		20. Bangkok, Thailand	43. Alicante, Spain	
		21. Pudong (Shanghai), China	44. Tabor, Czech Republic	
			Pamplona, Spain [3]	

22. Jeddah, Saudi Arabia	(44 Manufacturing Plants)

(1) Facility is not included in manufacturing plants total as it is also included as part of another segment.
(2) There are two manufacturing plants located at Suzhou, China.
(3) Facility is not included in manufacturing plants total as it is a design center/lab.
(4) There are two manufacturing plants located at Shanghai, China

ITEM 3. LEGAL PROCEEDINGS

Information regarding other legal proceedings can be found in Note 11, Commitments and Contingencies, to the consolidated financial statements and is incorporated by reference herein.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers are elected by our Board of Directors to serve one-year terms. The following table lists the name of each person currently serving as an executive officer of the Company, their age as of February 15, 2018 and current position with the Company.

Name	Age	Position
Robert M. Patterson	45	Chairman, President and Chief Executive Officer
Bradley C. Richardson	59	Executive Vice President, Chief Financial Officer
Mark D. Crist	59	Senior Vice President, President of Color, Additives and Inks
Michael A. Garratt	54	Senior Vice President, Chief Commercial Officer
J. Scott Horn	62	Senior Vice President, President of Distribution
Lisa K. Kunkle	49	Senior Vice President, General Counsel and Secretary
M. John Midea, Jr.	53	Senior Vice President, Global Operations and Process Improvement
Craig M. Nikrant	56	Senior Vice President, President of Specialty Engineered Materials
Joel R. Rathbun	45	Senior Vice President, Mergers & Acquisitions
João José San Martin Neto	57	Senior Vice President, Chief Human Resource Officer
Donald K. Wiseman	50	Senior Vice President, President of Performance Products and Solutions

Robert M. Patterson: Chairman, President and Chief Executive Officer, May 2016 to date. President and Chief Executive Officer, May 2014 to May 2016. Executive Vice President and Chief Operating Officer, March 2012 to May 2014. Executive Vice President and Chief Financial Officer, January 2011 to March 2012. Senior Vice President and Chief Financial Officer, May 2008 to January 2011. Vice President and Treasurer of Novelis, Inc. (an aluminum rolled products manufacturer) from 2007 to May 2008. Vice President, Controller and Chief Accounting Officer of Novelis from 2006 to 2007. Mr. Patterson served as Vice President and Segment Chief Financial Officer, Thermal and Flow Technology Segments of SPX Corporation (a multi-industry manufacturer and developer) from 2005 to 2006 and as Vice President and Chief Financial Officer, Cooling Technologies and Services of SPX from 2004 to 2005.

Bradley C. Richardson: Executive Vice President, Chief Financial Officer, November 2013 to date. Executive Vice President, Chief Financial Officer of Diebold, Incorporated (an integrated self-service delivery manufacturer for the banking industry and security systems) from November 2009 through November 2013. Executive Vice President, Corporate Strategy and Chief Financial Officer at Modine Manufacturing Company (a manufacturer of thermal management systems and components) from 2003 to 2009. Vice President, Performance Management Planning and Control, Chief Financial Officer, Upstream, BP Amoco, London, (a producer of oil, natural gas, and petro chemicals) from 2000 to 2003. Mr. Richardson serves on the Board of Directors of Brady Corporation and is Chair of its Audit Committee.

Mark D. Crist: Senior Vice President, President of Color, Additives and Inks, July 2017 to date. Senior Vice President, President of Distribution, June 2014 to July 2017. Vice President, Global Key Accounts and Vice President of Asia January 2012 to May 2014. Global Commercial Director of Geon Performance Materials, June 2008 to December 2011. General Manager, Nalco Chemical Company Europe (a manufacturer of specialty chemicals, services and systems) from April 2006 to March 2008. General Manager, Nalco Chemical Company North America from June 2003 to March 2006.

Michael A. Garratt: Senior Vice President, Chief Commercial Officer, April 2016 to date. Senior Vice President, President of Performance Products and Solutions, September 2013 to April 2016. President, Marmon Utility (a manufacturer of medium-high voltage utility, subsea and down-hole power cables and molded insulator systems) from March 2011 to September 2013. Chief Operating Officer, Excel Polymers (a custom thermoset rubber formulator) from November 2009 to December 2010. Vice President and General Manager - Americas Compounding and Performance Additives, Excel Polymers from March 2009 to November 2009. Vice President and General Manager - Industrial and Consumer, Excel Polymers from December 2005 to March 2009. From April 1996 to June 2005, Mr. Garratt worked for DuPont Dow Elastomers, a joint venture of Dupont and Dow (global manufacturers of engineered thermoset rubber and thermoplastic elastomer materials) in market development and product management positions, culminating in a regional commercial leadership role for Europe, the Middle East and Africa.

J. Scott Horn: Senior Vice President, President of Distribution, July 2017 to date. General Manager, PolyOne Distribution, 2000 to July 2017. Vice President of M.A. Hanna Resin Distribution from 1995 to 2000, when PolyOne was formed. President, Fiberchem, Inc. (a leading regional distributor of thermoplastic and thermoset resins) from 1991, upon acquisition of Fiberchem by PolyOne's predecessor, M.A. Hanna Company, to 1995. Mr. Horn worked in various roles of increasing responsibility at Fiberchem from 1981 to 1991.

Lisa K. Kunkle: Senior Vice President, General Counsel and Secretary, May 2015 to date. Vice President, General Counsel and Secretary, August 2007 to May 2015, Assistant General Counsel February 2007 to August 2007. Partner, Jones Day (a global law firm) from January 2006 to February 2007. Associate, Jones Day from August 1995 to January 2006.
M. John Midea, Jr.: Senior Vice President, Global Operations and Process Improvement, February 2015 to date. President and Chief Executive Officer, Resco Products (a refractory products company) from August 2012 to October 2014. President and Chief Operating Officer, Ennis Traffic Safety Solutions (a traffic safety and infrastructure company) from June 2008 to July 2012. Vice President, North American - General Industrial, Valspar Corporation (a manufacturer of paints and coatings) from June 2007 to May 2008. Vice President and General Manager, Power Coatings, Valspar Corporation from February 2002 to June 2007.
Craig M. Nikrant: Senior Vice President, President of Specialty Engineered Materials, January 2010 to date. Vice President and General Manager, Specialty Engineered Materials, September 2006 to December 2009. General Manager, Specialty Film & Sheet, General Electric Plastics (a former division of General Electric specializing in supplying plastics) from June 2004 to September 2006. Director, Global Commercial Effectiveness, General Electric Plastics from December 2003 to June 2004. Six Sigma Master Black Belt, General Electric Company Plastics Business from March 2001 to December 2002. General Manager, Commercial Operations, North Central Region, General Electric Plastics from June 1999 to March 2001.
Joel R. Rathbun: Senior Vice President, Mergers and Acquisitions, January 2016 to date. General Manager, Specialty Engineered Material North America, February 2013 to January 2016. Vice President, Mergers and Acquisitions, June 2011 to February 2013. Mr. Rathbun served as Senior Vice President, Mergers and Acquisitions, Moelis & Company (an American global independent investment bank) from January 2008 to June 2011. He also served as Executive Director, Mergers and Acquisitions of CIBC World Markets (an investment bank in the domestic and international equity and debt capital markets) from 2006 to 2008.
João José San Martin Neto: Senior Vice President, Chief Human Resources Officer, November 2016 to date. Senior Director, Human Resources, Color, Additives and Inks, February 2013 to November 2016. Group Global Director, Human Resources, Engineered Products and Solutions from November 2012 to February 2013. Vice President Human Resources, Alcoa Power and Propulsion (a business unit of Alcoa Inc. specializing in titanium and aluminum castings) from May 2009 to October 2012. Vice President Human Resources, Alcoa Electrical & Electronic Solutions (a business unit of Alcoa Inc. specializing in the design, development and production of electrical and electronic distribution systems) from August 2003 to April 2009.
Donald K. Wiseman: Senior Vice President, President of Performance Products and Solutions, April 2016 to date. General Manager of Geon Performance Materials, September 2015 to April 2016. Prior to PolyOne, he worked at Johns Manville (a manufacturer of insulation, roofing materials and engineered products), where he had responsibility for its Performance Materials business from December 2013 to September 2015. Managing Director, Cabot Microelectronics Corporation (a provider of chemical mechanical planarization solutions) from June 2012 to December 2013. Global Business Director, Cabot Microelectronics Corporation from June 2007 to June 2012. Vice President of Operations, Michelman (a manufacturer of advanced materials used in coatings, printing & packaging and industrial markets) from May 2005 to June 2007.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The following table sets forth the range of the high and low sale prices for our common shares, $0.01 par value per share, as reported by the New York Stock Exchange, where the shares are traded under the symbol "POL," for the periods indicated:

	2017 Quarters				2016 Quarters			
Common share price:	Fourth	Third	Second	First	Fourth	Third	Second	First
High	$46.79	$40.61	$40.88	$35.06	$34.68	$38.34	$38.41	$31.30
Low	$40.06	$34.15	$33.19	$31.68	$28.77	$31.25	$29.74	$22.35

As of February 1, 2018, there were 1,856 holders of record of our common shares.

The following table presents quarterly dividends declared per common share for the fiscal year ended December 31, 2017 and 2016:

Quarter Ended:	2017	2016
March 31,	$0.135	$0.120
June 30,	0.135	0.120
September 30,	0.135	0.120
December 31,	0.175	0.135
Total	$0.580	$0.495

We currently have an authorized common share repurchase program; however, we did not repurchase any common shares during the three months ended December 31, 2017. For the full year 2017, we repurchased 2.0 million common shares at a weighted average share price of $35.38.

Period	Total Number of Shares Purchased	Weighted Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet be Purchased Under the Program(1)
October 1 to October 31	—	$ —	—	6,485,874
November 1 to November 30	—	—	—	6,485,874
December 1 to December 31	—	—	—	6,485,874
Total	—	$ —	—	

(1) On August 18, 2008, we announced that our Board of Directors approved a common shares repurchase program authorizing PolyOne to purchase up to 10.0 million of its common shares. On October 11, 2011 and October 23, 2012, we further announced that our Board of Directors had increased the common shares repurchase authorization by an additional 5.3 million and 13.2 million, respectively. On May 16, 2016, we announced that we would increase our share buyback by 7.3 million to 10.0 million. As of December 31, 2017, approximately 6.5 million shares remain available for purchase under these authorizations. Purchases of common shares may be made by open market purchases or privately negotiated transactions and may be made pursuant to Rule 10b5-1 plans and accelerated share repurchases.

ITEM 6. SELECTED FINANCIAL DATA

Refer to Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Part II of this Annual Report on Form 10-K and the notes to our accompanying consolidated financial statements for additional information regarding the financial data presented below, including matters that might cause this data not to be indicative of our future financial condition, results of operations or cash flows.

(In millions, except per share data)	2017	2016	2015	2014	2013
Sales	$3,229.9	$2,938.6	$2,928.8	$3,219.0	$3,173.9
Operating income	277.5	286.3	257.6	150.6	243.0
Net income from continuing operations	173.6	166.2	148.5	74.7	100.2
Net income from continuing operations attributable to PolyOne shareholders	173.5	166.4	148.4	75.5	101.3
Cash dividends declared per common share	$0.580	$0.495	$0.420	$0.340	$0.260
Earnings per share from continuing operations attributable to PolyOne shareholders:					
Basic	$2.13	$1.98	$1.69	$0.82	$1.06
Diluted	$2.11	$1.96	$1.67	$0.81	$1.05
Total assets	$2,705.3	$2,735.8	$2,620.3	$2,666.3	$2,896.6
Long-term debt	$1,276.4	$1,239.4	$1,127.6	$948.5	$952.6

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide information that is supplemental to, and should be read together with, our consolidated financial statements and the accompanying notes contained in this Annual Report on Form 10-K. Information in this Item 7 is intended to assist the reader in obtaining an understanding of our consolidated financial statements, the changes in certain key items in those financial statements from year to year, the primary factors that accounted for those changes, and any known trends or uncertainties that we are aware of that may have a material effect on our future performance, as well as how certain accounting principles affect our consolidated financial statements.

The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in "Cautionary Note on Forward-Looking Statements" and Item 1A, "Risk Factors."

Our Business

We are a premier provider of specialized polymer materials, services and solutions with operations in specialty engineered materials, advanced composites, color and additive systems and polymer distribution. We are also a highly specialized developer and manufacturer of performance enhancing additives, liquid colorants, and fluoropolymer and silicone colorants. Headquartered in Avon Lake, Ohio, with 2017 sales of $3.2 billion, we have manufacturing sites and distribution facilities in North America, South America, Europe, Asia and Africa. We currently employ approximately 6,300 people and offer more than 35,000 polymer solutions to over 10,000 customers across the globe. We provide value to our customers through our ability to link our knowledge of polymers and formulation technology with our manufacturing and supply chain capabilities to provide value-added solutions to designers, assemblers and processors of plastics (our customers).

Key Challenges

Our business faces macroeconomic exposures resulting from economic downturns, especially as it relates to cyclical markets such as building and construction, automotive and industrial. In addition, with 54% and 52% of our respective Color, Additives and Inks and Specialty Engineered Materials segments' sales outside the United States, we experience volatility related to foreign currency fluctuations, most significantly the Euro. Increasing profitability during periods of raw material price volatility is another challenge. Further, we strive to capitalize on the opportunity to accelerate development of products that meet a growing body of environmental laws and regulations such as lead and phthalate restrictions included in the Restrictions on the Use of Certain Hazardous Substances and the Consumer Product Safety Information Act of 2008.

Strategy and Key Trends

To address these challenges and achieve our vision, we have implemented a strategy with four core components: specialization, globalization, operational excellence and commercial excellence. Specialization differentiates us through products, services, technology and solutions that add value. Globalization allows us to service our customers with consistency wherever their operations might be around the world. Operational excellence empowers us to respond to the voice of the customer while focusing on continuous improvement. Commercial excellence enables us to deliver value to customers by supporting their growth and profitability with superior customer service.

In the short term, we will maintain our focus on sales growth with expanding margins, with a goal of offsetting weaker foreign currencies and raw material volatility. Longer term, we will continue to focus on accelerating the launch of new products and collaborating with our customers to develop new and unique solutions for their benefit. Capital expenditures will be focused primarily to support sales growth, investment in recent acquisitions, and other strategic investments. We also continue to consider acquisitions and other synergy opportunities that complement our core platforms. These actions will ensure that we continue to invest in our core capabilities and continue to support growth in key markets and product offerings.

We will continue our enterprise-wide Lean Six Sigma program directed at improving margin, profitability and cash flow by applying proven management techniques and strategies to key areas of the business, such as pricing, supply chain and operations management, productivity and quality. Long-term trends that currently provide opportunities to leverage our strategy include improving health and wellness, protecting the environment, globalizing and localizing and increasing energy efficiency. Examples of how our strategy supports these trends can be found in numerous initiatives: active participation in the medical device market, leveraging our global footprint to deliver consistent solutions globally, lightweighting and metal replacement and development of solutions that respond to ever-changing market needs by offering alternatives to traditional materials.

Recent Developments

On January 2, 2018, the Company completed the acquisition of IQAP Masterbatch Group S.L. (IQAP), an innovative producer of specialty colorants and additives based in Spain with customers throughout Europe. The results of operations of IQAP will be reported in the Color, Additives and Inks segment. The acquisition of IQAP is expected to add approximately $45.0 million in annual sales.

On July 5, 2017, the Company completed the acquisition of assets from Mesa Industries, Inc. (Mesa), a United States producer of color and additive materials and services.

On June 8, 2017, the Company completed the acquisition of Rutland Holding Company (Rutland), a leading producer of specialty inks and an innovator in textile screen printing solutions and services.

On January 3, 2017, the Company completed the acquisition of SilCoTec, Inc. (SilCoTec), a leading producer of innovative silicone colorants, dispersions and formulations.

The results of operations of the 2017 acquisitions are included in the Color, Additives and Inks segment subsequent to their respective acquisition dates. The 2017 acquisitions collectively added $57.7 million to total sales for the year ended December 31, 2017.

On July 19, 2017, PolyOne divested its Designed Structures and Solutions (DSS) segment to an affiliate of Arsenal Capital Partners. Previously, DSS was included as a separate operating segment. As a result of the sale, the DSS operating segment results are now reported as discontinued operations. Historical information has been retrospectively adjusted to reflect these changes.

Highlights and Executive Summary

A summary of PolyOne’s sales, operating income, income from continuing operations net of income taxes, net income from continuing operations attributable to PolyOne common shareholders, liquidity and total debt is included in the following table:

(In millions)	2017	2016	2015
Sales	$3,229.9	$2,938.6	$2,928.8
Operating income	277.5	286.3	257.6
Net income from continuing operations	173.6	166.2	148.5
Net income from continuing operations attributable to PolyOne common shareholders	173.5	166.4	148.4
Liquidity	$573.9	$611.7	$615.5
Long-term debt	$1,276.4	$1,239.4	$1,127.6

Results of Operations

				Variances — Favorable (Unfavorable)			
				2017 versus 2016		2016 versus 2015	
(Dollars in millions, except per share data)	2017	2016	2015	Change	% Change	Change	% Change
Sales	$3,229.9	$2,938.6	$2,928.8	$291.3	9.9 %	$9.8	0.3 %
Cost of sales	2,510.9	2,261.5	2,277.3	(249.4)	(11.0)%	15.8	0.7 %
Gross margin	719.0	677.1	651.5	41.9	6.2 %	25.6	3.9 %
Selling and administrative expense	441.5	390.8	393.9	(50.7)	(13.0)%	3.1	0.8 %
Operating income	277.5	286.3	257.6	(8.8)	(3.1)%	28.7	11.1 %
Interest expense, net	(60.8)	(59.7)	(64.0)	(1.1)	(1.8)%	4.3	6.7 %
Debt extinguishment costs	(0.3)	(0.4)	(16.4)	0.1	25.0 %	16.0	97.6 %
Other (expense) income, net	(4.1)	0.4	(3.2)	(4.5)	nm	3.6	112.5 %
Income from continuing operations before income taxes	212.3	226.6	174.0	(14.3)	(6.3)%	52.6	30.2 %
Income tax expense	(38.7)	(60.4)	(25.5)	21.7	35.9 %	(34.9)	(136.9)%
Net income from continuing operations	$173.6	$166.2	$148.5	$7.4	4.5 %	$17.7	11.9 %
Loss from discontinued operations, net of income taxes	(231.2)	(1.2)	(3.8)	(230.0)	nm	2.6	(68.4)%
Net (loss) income	(57.6)	165.0	144.7	(222.6)	(134.9)%	20.3	14.0 %
Net (income) loss attributable to noncontrolling interests	(0.1)	0.2	(0.1)	(0.3)	(150.0)%	0.3	300.0 %
Net (loss) income attributable to PolyOne common shareholders	$(57.7)	$165.2	$144.6	$(222.9)	(134.9)%	$20.6	14.2 %

Earnings (loss) per share attributable to PolyOne common shareholders - basic:			
Continuing operations	$2.13	$1.98	$1.69
Discontinued operations	(2.84)	(0.01)	(0.04)
Total	$(0.71)	$1.97	$1.65
Earnings (loss) per share attributable to PolyOne common shareholders - diluted:			
Continuing operations	$2.11	$1.96	$1.67
Discontinued operations	(2.81)	(0.01)	(0.04)
Total	$(0.70)	$1.95	$1.63

nm - not meaningful

Sales

Sales increased $291.3 million, or 9.9%, in 2017 compared to 2016. Previous commercial investments drove organic sales growth of 6.6% and acquisitions increased sales by 3.2%.

Sales increased $9.8 million, or 0.3%, in 2016 compared to 2015. Growth within the industrial and consumer markets positively impacted sales by 4.3%, while acquisitions increased sales by 1.7%. Declining hydrocarbon based raw material costs that led to reduced overall average selling prices, particularly for the Performance Products and Solutions and PolyOne Distribution segments, reduced sales by 4.7% and unfavorable foreign exchange impacted sales 1.0%.

Cost of sales

As a percent of sales, cost of sales increased from 77.0% in 2016 to 77.7% in 2017 primarily as a result of raw material cost inflation.

As a percent of sales, cost of sales decreased from 77.8% in 2015 to 77.0% in 2016 primarily due to lower hydrocarbon based raw material costs.

Selling and administrative expense

These costs include selling, technology, administrative functions, corporate and general expenses. Selling and administrative expense in 2017 increased $50.7 million, primarily related to $20.3 million in additional compensation and employee costs, which was impacted by our investment in commercial resources, as well as acquired businesses of $16.3 million. The remaining increase is primarily related to our 2017 pension mark-to-market adjustment compared to 2016, which increased expense $11.3 million. See Note 10, Employee Benefit Plans, for further discussion on our mark-to-market adjustment.

Selling and administrative expense in 2016 decreased $3.1 million, primarily related to an $18.7 million reduction in our pension mark-to-market adjustment. See Note 10, Employee Benefit Plans, for further discussion on our mark-to-market adjustment. Offsetting this decrease were selling and administrative expenses associated with acquired businesses of $6.7 million and an increase in employee costs, including incentives, of $4.0 million.

Interest expense, net

Interest expense, net increased $1.1 million in 2017 compared to 2016 due to the impact of increased market interest rates and higher borrowings on our senior secured revolving credit facility. Partially offsetting these increases were interest rate reductions from amending the senior secured term loan in January and August to reduce the margin by 50 basis points and 25 basis points, respectively.

Interest expense, net decreased $4.3 million in 2016 compared to 2015 due to the refinancing of higher interest debt during the fourth quarter of 2015.

Debt extinguishment costs

Debt extinguishment costs of $0.3 million and $0.4 million for 2017 and 2016 includes the write-off of unamortized deferred financing costs and premium and consent payments in connection with the amendments of the senior secured term loan due 2022 and the senior secured revolving credit facility. See Note 5, Financing Arrangements for additional information.

Debt extinguishment costs of $16.4 million for 2015 include $13.4 of premium and consent payments and $3.0 million associated with the write-off of unamortized deferred financing costs due to the early repurchase of the remaining $316.6 million aggregate principal of our 7.375% senior notes due 2020.

Income taxes

The Company is subject to taxation in the U.S. and numerous foreign jurisdictions. In determining the effective income tax rate, the Company analyzes various factors, including annual earnings, the laws of taxing jurisdictions in which the earnings were generated, the impact of state and local income taxes, the ability to use tax credits, net operating loss carryforwards, and available tax planning alternatives. Discrete items, including the effect of changes in tax laws, statutory tax rates, and valuation allowances or other non-recurring tax adjustments are reflected in the period in which they occur as an addition to, or reduction from, the income tax provision.

The Tax Cuts and Jobs Act (TCJA) was enacted on December 22, 2017. Among other things, effective in the first taxable year after the enactment, the TCJA reduces the US federal corporate tax rate from 35% to 21% and exempts from U.S. federal income taxation dividends from certain foreign corporations to their U.S. shareholders. The TCJA also requires U.S. companies to pay a one-time transition tax on earnings of certain foreign corporate subsidiaries that were previously deferred from U.S. taxation. Further, the TCJA impacts certain deductions by limiting or eliminating them and it subjects certain foreign earnings to U.S. tax.

At December 31, 2017, we have not completed our accounting for the tax effects of the enactment of the TCJA; however, in compliance with the SEC's Staff Accounting Bulletin (SAB) 118 (issued December 22, 2017), we have made a reasonable estimate of the effects on our existing deferred income tax balances and the one-time transition tax, which is included as a component of income tax expense from continuing operations in the following tabular reconciliation. We do not anticipate the resulting cash tax payable for the one-time transition tax to be greater than $10.0 million. Once we have finalized our 2017 tax returns, we will update our estimates based on our completed review, including the consideration of additional clarifications on the TCJA from the U.S. government. Any adjustments to our provisional amounts will be disclosed in our respective filings within the one-year measurement period provided by SAB 118.

At December 31, 2017, we have not completed our analysis with respect to the impact of the TCJA on our continuing assertion that our foreign earnings are indefinitely reinvested pursuant to Accounting Principles Board (APB) 23 of Accounting Standards Codification (ASC) 740-30. APB 23 provides guidance that US companies do not

need to recognize tax effects on foreign earnings that are indefinitely reinvested. Upon completion of our analysis, if our assertion were to change in the future, that change could result in a recognition of tax liabilities.
At December 31, 2017, we have not completed our analysis with respect to the impact of the TCJA on our 2018 effective tax rate, but we reasonably estimate it to be approximately 25% excluding the effect of future or unknown changes in tax laws, statutory tax rates, uncertain tax positions, valuation allowances and other non-recurring tax adjustments.
A reconciliation of the applicable U.S. federal statutory tax rate to the consolidated effective income tax rate from continuing operations along with a description of significant or unusual reconciling items is included below.

	2017	2016	2015
Federal statutory income tax rate	35.0 %	35.0 %	35.0 %
Foreign tax rate differential	(11.1)	(5.6)	(5.3)
State and local tax, net	1.4	2.1	2.5
Tax benefits on certain foreign investments	(6.8)	(1.9)	—
Domestic production activities deduction	(1.9)	(1.5)	(1.8)
Amended prior period tax returns and corresponding favorable audit adjustments	(3.6)	(1.3)	(17.7)
Net impact of uncertain tax positions	2.2	(1.1)	0.5
Permanent tax differences	1.2	0.9	1.7
U.S. credit for research activities	(1.1)	(0.4)	(0.5)
Changes in valuation allowances	0.7	0.4	0.3
U.S. tax reform, transition tax	11.3	—	—
U.S. tax reform, tax effect on net deferred tax liabilities	(9.5)	—	—
Other	0.4	0.1	—
Effective income tax rate	18.2 %	26.7 %	14.7 %

2017
The increase in the Foreign tax rate differential line item in the table above, compared to 2016, primarily related to a European legal entity realignment.
Tax benefits on certain foreign investments decreased the effective tax rate by 6.8% ($14.4 million) related to distributions from foreign subsidiaries with net foreign tax credits.
U.S. tax reform had a net unfavorable impact of 1.8% ($3.8 million) that included the unfavorable impact of the transition tax of 11.3% ($24.0 million) and was partially offset by the lower U.S. federal corporate tax rate reducing our net deferred tax liabilities, which reduced the tax rate by 9.5% ($20.2 million).
2016
Tax benefits on certain foreign investments decreased the effective tax rate by 1.9% ($4.3 million) primarily related to the dissolution of an entity.
The Net impact of uncertain tax positions decreased the effective tax rate by 1.1% ($2.5 million) and primarily related to the reversal of an uncertain tax position due to the expiration of the statute of limitations.
2015
Amending U.S. federal income tax returns for 2004 through 2012 to use foreign tax credits decreased the effective tax rate by 17.7% ($30.8 million). This is reflected in the Amended prior period tax returns and corresponding favorable audit adjustments line in the table above.
The Net impact of uncertain tax positions increased the effective tax rate by 0.5% ($0.9 million). The reversal of an uncertain tax position due to the expiration of the statute of limitations decreased the effective tax rate by 5.7% ($9.9 million). A foreign court ruling, which settled an uncertain position taken in a prior year, increased the effective tax rate by 4.6% ($8.0 million). Other unfavorable uncertain tax positions increased the effective tax rate by 1.6%, which offset the net decrease in the effective tax rate of the two items noted.

Segment Information

Operating income is the primary measure that is reported to our chief operating decision maker for purposes of making decisions about allocating resources to the segments and assessing their performance. Operating income at the segment level does not include: corporate general and administrative costs that are not allocated to segments; intersegment sales and profit eliminations; charges related to specific strategic initiatives, such as the consolidation of operations; restr