HEXCEL CORPORATION
281 Tresser Boulevard
Stamford, Connecticut 06901, U.S.A.

PROSPECTUS

Published in Connection with the Admission of Hexcel Corporation's Common Stock to Listing and Trading on the Professional Segment of NYSE Euronext in Paris

AUTORITÉ
DES MARCHÉS FINANCIERS

Pursuant to Articles L. 412-1 and L. 621-8 of the *Code Monétaire et Financier* and Articles 211-1 to 216-1 of its General Regulation, the *Autorité des marchés financiers* ("AMF") granted visa number 11-219 dated June 14, 2011 on this prospectus. This prospectus has been prepared by the issuer and its signatory accepts the responsibility for its contents. In accordance with the provisions of Article L. 621-8-1-I of the *Code Monétaire et Financier*, the visa was granted after the AMF verified that the document was complete and comprehensible and that the information it contains was internally consistent. It does not imply that the AMF endorses the proposed transaction nor that it has validated the accounting and financial information presented herein.

Copies of this prospectus may be obtained free of charge from Hexcel Corporation at the address indicated above and from its paying agent, Société Générale (Postal address: 32, rue du Champ de Tir, BP 81236, 44312 Nantes Cedex 3, France), and on the websites of Hexcel Corporation (www.hexcel.com) and the AMF (www.amf-france.org).

NOTE TO THE PROSPECTUS

This prospectus is published solely in connection with the admission of Hexcel Corporation's Common Stock to listing and trading on the Professional Segment of NYSE Euronext in Paris ("Euronext"). This prospectus is not published in connection with and does not constitute an offer of securities by or on behalf of Hexcel Corporation ("Hexcel").

Pursuant to Article 516-19 of the AMF General Regulation, an investor other than a qualified investor, within the meaning of b) of Point 4 of II of Article L. 411-2 of the Monetary and Financial Code, may not purchase Hexcel's Common Stock on the Professional Segment of Euronext unless such investor takes the initiative to do so and has been duly informed by the investment services provider about the characteristics of the segment.

The distribution of this prospectus in certain jurisdictions may be restricted by law, and therefore persons into whose possession this prospectus comes should inform themselves of and observe any such restrictions.

This prospectus contains forward-looking statements concerning, among other things, the prospects for Hexcel's operations, which are subject to certain risks, uncertainties and assumptions. The various assumptions Hexcel uses in its forward−looking statements, as well as risks and uncertainties relating to those statements, are set out in Item 1A. Risk Factors on pages 12 – 13 of Hexcel's 10-K (as defined below). Factors exist that could cause Hexcel's actual results to differ materially from these forward-looking statements.

This prospectus, which contains material information concerning Hexcel, was established pursuant to Articles 211-1 to 216-1 of the AMF General Regulation. Pursuant to Article 25 of Commission Regulation (EC) No 809/2004 of 29 April 2004 (the "Prospectus Regulation"), this prospectus is composed of the following parts in the following order:

(1) a table of contents;

(2) the summary provided for in Article 5(2) of Directive 2003/71/EC;

(3) the risk factors linked to the issuer and the type of security covered by the issue; and

(4) the cross-reference lists stipulated in Article 25.4 of the Prospectus Regulation presenting the information in the order stipulated in Annexes I and III of the Prospectus Regulation which, by application of Articles 3, 4, and 6 thereof, are required for this transaction.

This prospectus also contains in Chapter C supplemental information concerning Hexcel and its business, provided at the AMF's request. For a better understanding of the summary of the prospectus in Chapter A, the reader should read the entire prospectus, including Chapter C: Supplemental Information concerning Hexcel, contained on pages 19 – 29.

Further, the prospectus contains the following documents:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed by Hexcel with the U.S. Securities and Exchange Commission (the "SEC") on February 10, 2011, ("Hexcel's 10-K");

- Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, filed by Hexcel with the SEC on April 25, 2011 ("Hexcel's 10-Q");

- Definitive Proxy Statement on Schedule 14A, filed by Hexcel with the SEC on March 18, 2011 ("Hexcel's Proxy Statement");

- Restated Certificate of Incorporation of Hexcel and Certificate of Amendment of the Restated Certificate of Incorporation of Hexcel;

- Amended and Restated Bylaws of Hexcel;

- Excerpts from the press release issued by Hexcel on April 25, 2011, relating to the financial results of Hexcel for the quarter ended March 31, 2011; and

- Consolidated Financial Statements of Hexcel as of December 31, 2009 and December 31, 2008, and for each of the three years in the period ended December 31, 2009.

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COMPANY REPRESENTATIVE FOR PROSPECTUS

1.1 David E. Berges, Chairman and Chief Executive Officer of Hexcel Corporation, acting for and on behalf of Hexcel Corporation.

1.2 I hereby declare, after taking all reasonable measures for this purpose and to the best of my knowledge, that the information contained in this prospectus is in accordance with the facts and that the prospectus makes no material omission.

/s/ David E. Berges
David E. Berges
Chairman and Chief Executive Officer
of Hexcel Corporation

Stamford, Connecticut, June 13, 2011

CHAPTER A:
PROSPECTUS SUMMARY

NOTE TO THE PROSPECTUS SUMMARY

VISA NUMBER 11-219 DATED JUNE 14, 2011 OF THE AMF

Note to the reader

This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the European Community or States party to the European Economic Area Agreement, have to bear the costs of translating the prospectus before the legal proceedings are initiated. Civil liability attaches to the persons who presented the summary, and any translation thereof, only if the content of the summary is misleading, inaccurate or inconsistent when read with other parts of the prospectus.

The following is a summary of some of the information contained in this prospectus. We urge you to read this entire document carefully, including the risk factors, our historical consolidated financial statements and the notes to those financial statements. Unless the context requires otherwise, references in this prospectus to the "Company," "we," "us," "our," and "Hexcel" are to Hexcel Corporation, a Delaware corporation, and its subsidiaries collectively.

I. GENERAL DESCRIPTION OF HEXCEL CORPORATION

1.1 Introduction

Hexcel is a leading advanced composites company. Hexcel develops, manufactures, and markets lightweight, high-performance composites, including carbon fibers, reinforcements, prepregs, honeycomb, matrix systems, adhesives and composite structures, for use in Commercial Aerospace, Space & Defense and Industrial Applications. Its products are used in a wide variety of end applications, such as commercial and military aircraft, space launch vehicles and satellites, wind turbine blades, automotive, bikes, skis and a wide variety of recreational products and other industrial applications.

Hexcel serves international markets through manufacturing facilities, sales offices and representatives located in the Americas, Asia Pacific and Europe. Hexcel is also an investor in a joint venture in Malaysia, which manufactures composite structures for Commercial Aerospace applications.

Hexcel is a manufacturer of products within a single industry: Advanced Composites. Hexcel has two segments, Composite Materials and Engineered Products. The Composite Materials segment is comprised of its carbon fiber, reinforcements for composites, honeycomb core and matrix product lines. The Engineered Products segment is comprised of lightweight high strength composite structures and specially machined honeycomb product lines.

The following table summarizes net sales to third-party customers by segment and end market segment in 2010, 2009 and 2008:

(In millions)	Commercial Aerospace	Space & Defense	Industrial	Total
2010 Net Sales				
Composite Materials	**$ 459.4**	**$ 229.3**	**$ 215.8**	**$ 904.5**
Engineered Products	**185.3**	**81.2**	**2.6**	**269.1**
Total	**$ 644.7**	**$ 310.5**	**$ 218.4**	**$ 1,173.6**
	55%	**26%**	**19%**	**100%**
2009 Net Sales				
Composite Materials	$ 384.7	$ 220.5	$ 251.3	$ 856.5
Engineered Products	171.5	78.9	1.4	251.8
Total	$ 556.2	$ 299.4	$ 252.7	$ 1,108.3
	50%	27%	23%	100 %
2008 Net Sales				
Composite Materials	$ 530.7	$ 235.9	$ 308.7	$ 1,075.3
Engineered Products	179.6	66.0	4.0	249.6
Total	$ 710.3	$ 301.9	$ 312.7	$ 1,324.9
	54%	23 %	23%	100 %

1.2 Business Trends

For the fiscal year ended December 31, 2010

Hexcel returned to sales growth in 2010 with a 6% increase over 2009. In constant currency, its Commercial Aerospace sales increased 17%, Space & Defense sales increased 5%, while its Industrial sales declined 11%. The Commercial Aerospace market represents 55% of its sales, followed by Space & Defense at 26% and Industrial at 19%.

- In 2010, Hexcel's Commercial Aerospace sales increased by 16% (17% in constant currency). Airbus Industrie ("Airbus"), a business division of European Aeronautic Defence and Space Company ("EADS"), and Boeing related sales, which comprised 83% of its Commercial Aerospace sales, were up over 20% led by new programs and increased production for their legacy programs.

- Airbus and Boeing combined deliveries in 2010 were 972 aircraft, just short of the previous high of 979 in 2009. The demand for new commercial aircraft is principally driven by two factors. The first is airline passenger traffic (measured by revenue passenger miles) and the second is the replacement rate for existing aircraft. After the current poor global economic environment resulted in a decline in 2009 passenger and freight traffic, 2010 revenue passenger miles returned to growth. The International Air Transport Association estimates 2010 revenue passenger miles were 8.2% higher than 2009. Backlog at the end of 2010 increased to 6,995 planes, about seven years of backlog at the current delivery pace. Airbus and Boeing have announced rate increases for each of their current production models in the past year. Based on Airbus and Boeing projections, 2011 deliveries are estimated between 1,005 and 1,030 aircraft, which would surpass the previous high of 979.

- Overall the Commercial Aerospace industry continues to utilize a greater proportion of advanced composite materials with each new generation of aircraft. These new programs include the A380, B787, B747-8 and the A350. In 2010, Hexcel's sales on these four new programs almost doubled from 2009 and comprised more than 20% of its total Commercial Aerospace sales and Hexcel expects them to represent an increasing percent of its Commercial Aerospace sales in the future.

- Hexcel's business and regional jet sales peaked at almost $200 million in 2008 after several years of over 20% growth per year. This segment of the market was significantly impacted by the general deterioration of the global economy and announced production cut-backs in 2009, and declined about 40% in 2009 from the peak 2008 sales. Sales for this submarket for the last three quarters were higher than the corresponding quarter from a year ago, though as a result of strong sales in the first quarter of 2009, full year 2010 sales of $111.8 million were 6.6% lower than 2009.

- Hexcel's Space & Defense constant currency sales increased 4.5% over 2009. If you exclude the F-22 sales from both 2010 and 2009, then Space & Defense sales increased 8.7% in constant currency in 2010.

- Hexcel's Industrial sales declined by 14% (11% decline in constant currency) in 2010 from 2009. Industrial sales include wind energy, recreation, and transportation and general industrial applications, with wind being the largest submarket. Excluding wind energy sales, the rest of the Industrial sales were just above the 2009 sales.

- Wind energy revenues for 2010 were down over 20% from 2009 in constant currency. A major inventory correction in the first quarter by Hexcel's largest wind customer (Vestas), and the fourth quarter closure of a number of their European plants and an associated inventory realignment, negatively impacted both Hexcel's sales and operations in 2010. Hexcel does expect wind energy sales to return to double digit growth starting the first quarter of 2011, primarily as a result of Vestas achieving record orders of over 8,600 megawatts in 2010 and the introduction of Vestas' new, larger, 55 meter blade.

For the first quarter 2011

- Net sales for the first quarter of 2011 were $331.6 million, 26.1% higher (26.2% in constant currency) than the $263.0 million reported for the first quarter of 2010. The growth was led by new programs in the commercial aerospace market but Hexcel experienced solid growth across all of its other markets.

- Commercial aerospace sales increased 30.0% for the quarter as compared to the first quarter of 2010. Airbus and Boeing related sales (which combined accounted for over 80% of our sales to this market) were up over 27% as revenues attributed to new aircraft programs (A380, A350, B787, B747-8) more than doubled versus the same period last year and now comprise more than 25% of Commercial Aerospace sales. Airbus and Boeing legacy aircraft related sales for the quarter were up about 5% as compared to the first quarter of 2010.

- Sales to other commercial aerospace, which includes regional and business aircraft customers, were up more than 40% from a year ago, reaching the highest level since the first quarter of 2009 as revenues for business jets gained traction.

- Space and Defense sales of $79.7 million were 9.9% higher than the first quarter of 2010. Hexcel continues to benefit from rotorcraft related growth. Rotorcraft sales represent just over 50% of the Space and Defense market and were about 15% higher than a year ago.

- Industrial sales of $54.3 million for the first quarter of 2011 were 41.0% higher (41.8% in constant currency) than the first quarter of 2010. Wind sales for the quarter were up significantly from the first quarter of 2010 as last year was impacted by production shutdowns at Hexcel's largest wind energy customer, but were in line with the 2010 full year run-rate. Based on the announced backlog of its wind turbine customers, Hexcel expects steady improvement in the sales each quarter this year.

A significant number of orders received in 2010[1] by Hexcel's key commercial aerospace and wind customers has led to a much improved environment for its markets. Due to the strong start to the year, Hexcel's current expectations are that total revenues for 2011 will be in the range of $1,275 to $1,350

[1] Twelve-month order backlog is not a meaningful trend indicator for Hexcel.

million, on a constant currency basis. Hexcel expects capital expenditures to be $150 to $175 million and targets cash flow to be break-even by year-end.

II. INFORMATION RELATING TO ADMISSION TO LISTING AND TRADING ON EURONEXT

Issuer	Hexcel Corporation, a Delaware corporation, with its principal executive offices at 281 Tresser Boulevard, Stamford, Connecticut 06901, U.S.A.
Stock Exchange Listing	Our Common Stock (as defined below) is listed on the New York Stock Exchange ("NYSE") under the symbol "HXL." We have applied for admission to listing and trading on the Professional Segment of Euronext of 100,034,444 shares of Common Stock issued as of June 1, 2011. On June 10, 2011, Euronext approved our application for listing and trading of our Common Stock on Euronext. Our Common Stock will be listed under the symbol "HXL." The Euronext listing is intended to promote additional liquidity for all investors and provide greater access to Hexcel's Common Stock among European fund managers who may be required to invest in Euro-zone markets or currencies only.
Transfer Agent	American Stock Transfer & Trust Company.
Paying Agent	Société Générale (Postal address: 32, rue du Champ de Tir, BP 81236, 44312 Nantes Cedex 3, France).
Securities Identification Code	The CUSIP number assigned to the Common Stock is 428291108. The ISIN is US4282911084.
Authorized Capital	Our authorized capital stock consists of 200,000,000 shares of common stock, par value $0.01 per share (the "Common Stock"), and 20,000,000 shares of preferred stock, par value $0.01 per share (the "Preferred Stock"). As of June 1, 2011, approximately 98,160,303 shares of Common Stock were issued and outstanding, and approximately 1,874,141 shares of Common Stock were held in treasury. No shares of Preferred Stock are currently issued and outstanding.
Authorized but Unissued Capital Stock	Delaware law does not require stockholder approval for any issuance of authorized shares other than in connection with certain mergers to which we may be a party. See "Voting Rights" on pages 20 – 21 of this prospectus. However, the NYSE rules require stockholder approval of certain issuances of Common Stock or securities convertible into or exchangeable for Common Stock equal to or exceeding 20% of the then outstanding number of our Common Stock. Accordingly, subject to the above limitations, Hexcel's board of directors (the "Board") may issue up to a maximum of 99,965,556 shares of Common Stock at a price equal to or higher than the par value of $0.01 per share without authorization from the stockholders. Any issue of Common Stock would give rise to a registration requirement under the SEC rules,

	absent any available exemption, such as an issue of Common Stock solely to qualified institutional buyers. The Company has equity compensation plans under which Common Stock may be provided to directors and employees of the Company. The Company expects to satisfy its obligations in this respect by newly issued shares of Common Stock. As of June 1, 2011, there were approximately 8,690,947 shares of Common Stock (consisting of 6,608,225 shares of Common Stock underlying grants previously made and 2,082,722 shares of Common Stock available for future grant) that could be issued under Hexcel's equity compensation plans on a worldwide basis, representing approximately 8.7% of Hexcel's issued Common Stock as of such date. For further information regarding these equity compensation plan awards, refer to Note 11 of the Notes to Consolidated Financial Statements on pages 63 – 66 of Hexcel's 10-K and page 37 of Hexcel's Proxy Statement.
Dividend Policy	Hexcel did not declare or pay any dividends in 2010, 2009 or 2008. The payment of dividends is limited under the terms of certain of Hexcel's debt agreements. Hexcel does not have any intent of paying dividends in the foreseeable future, as cash generated from operations will be used primarily to support capital expenditures or pay down debt. See "Dividend Rights" on page 20 of this prospectus.
First Paris Trading Date	Trading in the Common Stock on the Professional Segment of Euronext is expected to start on June 20, 2011. Hexcel will be continuously traded on Euronext.
Use of Proceeds	We will not receive any proceeds from the admission to listing and trading of our Common Stock on Euronext.
Currency of Trading	Trading of our Common Stock on Euronext will be in Euros.
Settlement	Settlement of any transactions on Euronext is expected to occur through the book-entry facilities of Euroclear France.
Liquidity	At this time, Hexcel does not intend to enter into any agreement with a liquidity provider in connection with the listing of its Common Stock on Euronext. However, Hexcel reserves the right to enter into such agreement in the future, subject to compliance with applicable legislation in France and the U.S.A. Until such time that an agreement is entered into with a liquidity provider (if ever), liquidity in the Common Stock will result initially from execution on Euronext of sell orders in respect of Common Stock currently traded on the NYSE and future trading in the Common Stock on Euronext with settlement through Euroclear France.

Market Capitalization for the US and French Markets	Based on 98,160,303 outstanding shares of Common Stock issued and outstanding as of June 1, 2011 (excluding the 1,874,141 shares of Common Stock held in treasury), and the closing price of the Common Stock on the NYSE on June 13, 2011 ($19.35), Hexcel had a market capitalization of approximately $1.90 billion, which, based on the reference exchange rate of the European Central Bank on June 13, 2011 ($1 = EUR 0.6967), corresponds to approximately EUR 1.32 billion. The market capitalization on Euronext is calculated on the total issued Common Stock, including the treasury shares. Based on the above figures, the market capitalization on June 13, 2011 was approximately $1.94 billion / EUR 1.35 billion.

III. MAJOR SHAREHOLDERS

The following table shows information for each person known by Hexcel to beneficially own more than 5% of the outstanding Common Stock as of February 28, 2011.

Name and Address	Number of Shares of Common Stock[2]	Percent of Common Stock[1]
Lord, Abbett & Co. LLC[3] 90 Hudson Street Jersey City, NJ 07302, U.S.A.	9,612,573	9.8%
T. Rowe Price Associates, Inc.[4] 100 E. Pratt Street Baltimore, MD 21202, U.S.A.	6,554,820	6.7%
BlackRock, Inc.[5] 40 East 52nd Street New York, NY 10022, U.S.A.	5,160,332	5.3%
Earnest Partners LLC[6] 1180 Peachtree Street NE, Suite 2300 Atlanta, GA 30309, U.S.A.	5,039,088	5.2%

IV. RISK FACTORS

Set forth below and in Chapter B – Risk Factors in this prospectus are summaries of certain of the risks, uncertainties and other factors that may affect our future results. The full description of these and other risk factors is included on pages 10 – 13 of Hexcel's 10-K, attached as Exhibit I to this prospectus. The risk factors summarized below should be read in conjunction with the other risk factors and forward-looking statements in Hexcel's 10-K and Hexcel's 10-Q.

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2 "Number of Shares" is based on information contained in a Statement on Schedule 13D, 13D/A, 13G or 13G/A filed with the SEC as indicated in footnotes (2) through (5) below. The "Percent of Common Stock" is based on such number of shares and on 97,767,747shares of common stock issued and outstanding as of February 28, 2011.

3 Based on information contained in a Statement on Schedule 13G/A filed with the SEC on February 14, 2011.

4 Based on information contained in a Statement on Schedule 13G filed with the SEC on February 9, 2011.

5 Based on information contained in a Statement on Schedule 13G filed by BlackRock, Inc. and related entities with the SEC on February 4, 2011.

6 Based on information contained in a Statement on Schedule 13G/A filed with the SEC on February 10, 2011. On May 10, 2011, Earnest Patners LLC filed a Statement on Schedule 13G/A with the SEC declaring that as of April 30,2011, it beneficially owned 4,678,306 shares of Common Stock, representing 4.8% of the outstanding Common Stock as of April 20, 2011.

- The markets in which Hexcel operates can be cyclical, and downturns in them may adversely affect the results of its operations.
- A significant decline in business with Boeing, EADS, Vestas, or other significant customers could materially impact Hexcel's business, operating results, prospects and financial condition.
- Reductions in space and defense spending could result in a decline in Hexcel's net sales.
- A decrease in supply, interruptions at key facilities or an increase in cost of raw materials could result in a material decline in Hexcel's profitability.
- Hexcel has substantial international operations subject to uncertainties which could affect its operating results.
- Hexcel could be adversely affected by environmental and safety requirements.

V. RECENT DEVELOPMENTS

On April 25, 2011, Hexcel reported results for the first quarter of 2011. Net sales during the quarter were $331.6 million, 26.1% higher than the $263.0 million reported for the first quarter of 2010. Operating income for the period was $47.2 million, compared to $23.8 million last year. Net income for the first quarter of 2011 was $26.4 million, or $0.26 per diluted share, compared to $15.8 million or $0.16 per diluted share in 2010. The 2010 results include $2.9 million ($0.03 per diluted share) of benefits from reversing valuation allowances against U.S. deferred tax assets. For further information, please see Exhibit VI.

VI. FINANCIAL INFORMATION CONCERNING HEXCEL CORPORATION FOR THE FISCAL YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008 AND THE QUARTERS ENDED MARCH 31, 2011 AND 2010

The consolidated financial statements of Hexcel set out in this prospectus have been prepared in accordance with U.S. GAAP, as authorized by the decision of the European Commission of December 12, 2008.

The following selected financial data of Hexcel have been derived from the historical consolidated financial statements referred to below and should be read in conjunction with such consolidated financial statements and the notes included therein.

For the audited consolidated balance sheets of Hexcel as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2010 and the report of the independent registered public accounting firm with respect to such consolidated financial statements, the reader's attention is called to Hexcel's consolidated financial statements contained in Hexcel's 10-K, which is attached a Exhibit I to this prospectus.

For the audited consolidated balance sheets of Hexcel as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended December 31, 2009, and the report of the independent registered public accounting firm with respect to such consolidated financial statements, the reader's attention is called to Hexcel's consolidated financial statements attached as Exhibit VII to this prospectus.

The following selected condensed consolidated statements of operations data for the quarters ended March 31, 2011 and 2010, and condensed consolidated balance sheet data at March 31, 2011, are derived from Hexcel's condensed consolidated unaudited financial statements contained on pages 3 – 14 of Hexcel's 10-Q.

SELECTED THREE YEAR FINANCIAL DATA
(In millions, except per share data)

Statements of Operations

	Years ended December 31,		
	2010	2009	2008
Net sales	$ 1,173.6	$ 1,108.3	$ 1,324.9
Operating income	129.8	103.7	130.9
Income before income taxes and equity in earnings	99.8	77.6	110.7
Income before equity in earnings	76.9	55.6	95.1
Net income	$ 77.4	$ 56.3	$ 111.2
Basic net income per common share	$ 0.79	$ 0.58	$ 1.15
Diluted net income per common share	$ 0.77	$ 0.57	$ 1.14
Weighted average common shares outstanding:			
Basic	97.6	96.9	96.4
Diluted	99.9	98.2	97.6
Dividends declared per common share	-	-	-

Balance Sheets

	Years ended December 31,		
	2010	2009	2008
Cash and cash equivalents	$ 117.2	$ 110.1	$ 50.9
Total assets	1,258.1	1,246.6	1,210.3
Total current liabilities	205.9	201.7	224.2
Total liabilities	598.7	671.0	701.1
Total stockholders' equity	659.4	575.6	509.2

Statements of Cash Flows

	Years ended December 31,		
	2010	2009	2008
Net cash provided by operating activities	$ 126.5	$ 172.8	$ 97.5
Net cash used for investing activities	(48.8)	(104.4)	(153.6)
Net cash (used for) provided by financing activities	(65.2)	(12.7)	80.1
Net increase in cash and cash equivalents	7.1	59.2	22.8
Cash and cash equivalents at end of year	117.2	110.1	50.9

SELECTED QUARTERLY FINANCIAL DATA
(In millions, except per share data – Unaudited)

Statements of Operations

	Three Months Ended	
	March 31, 2011	March 31, 2010
Net sales	$ 331.6	$ 263.0
Operating income	47.2	23.8
Income before income taxes and equity in earnings of affiliated companies	38.1	17.2

	Three Months Ended	
	March 31, 2011	March 31, 2010
Income before equity in earnings of affiliated companies	25.9	15.7
Net income	26.4	15.8
Net income per common share:		
Basic	0.27	0.16
Diluted	0.26	0.16
Weighted average common shares outstanding:		
Basic	98.2	97.3
Diluted	100.4	99.0

Balance Sheets

	March 31, 2011	December 31, 2010*
Cash and cash equivalents	$ 50.6	$ 117.2
Total assets	1,276.9	1,258.1
Total current liabilities	208.5	205.9
Total liabilities	557.9	598.7
Total stockholders' equity	719.0	659.4

* Derived from audited consolidated balance sheet.

Statements of Cash Flows

	Three Months Ended	
	March 31, 2011	March 31, 2010
Net cash provided by operating activities	$ 16.9	$ 2.9
Net cash used for investing activities	(35.9)	(12.6)
Net cash used in financing activities	(52.9)	(30.1)
Net decrease in cash and cash equivalents	(66.6)	(44.4)
Cash and cash equivalents at end of period	50.6	65.7

VII. DOCUMENTS ON DISPLAY

The Company's internet website is www.hexcel.com. The Company makes available, free of charge through its website, its Form 10-Ks, 10-Qs and 8-K's, and any amendments to these forms, as soon as reasonably practicable after filing with the SEC. In addition, investors can obtain copies of the Company's SEC filings free of charge from the SEC website at www.sec.gov.

The Company expects to issue after market close on July 25, 2011, its earnings release for the quarter ended June 30, 2011. The quarterly report on Form 10-Q for such quarter will be filed with the SEC no later than August 9, 2011. These documents will be available on the websites of the Company and the SEC indicated above.

Copies of the above referenced information will also be made available, free of charge, by calling + 1 203 352 6826 or upon written request to:

Hexcel Corporation
Investor Relations
281 Tresser Boulevard
Stamford, Connecticut 06901, U.S.A.

CHAPTER B:
RISK FACTORS

I. BUSINESS RISK FACTORS

Set forth below are summaries of the risks, uncertainties and other factors that may affect our future business and results. The full description of these and other risk factors is included on pages 10 – 13 of Hexcel's 10-K (Item 1A. Risk Factors).

- The markets in which we operate can be cyclical, and downturns in them may adversely affect the results of our operations.

- A significant decline in business with Boeing, EADS, Vestas, or other significant customers could materially impact our business, operating results, prospects and financial condition. We have concentrated customers in the Commercial Aerospace and wind energy markets. For the years ended December 31, 2010 and December 31, 2009, approximately 31% and 27% of our total consolidated net sales was made to Boeing and its related subcontractors, respectively, and approximately 24% and 22% of our total consolidated net sales, respectively, was made to EADS, including Airbus and its related subcontractors. In the wind energy market, our primary customer is Vestas Wind Systems A/S. The loss of, or significant reduction in purchases by, Boeing, EADS or Vestas or any of our other significant customers could materially impair our business, operating results, prospects and financial condition.

- Reductions in space and defense spending could result in a decline in our net sales.

- A decrease in supply, interruptions at key facilities or an increase in cost of raw materials could result in a material decline in our profitability. Our profitability depends largely on the price and continuity of supply of raw materials, which are supplied through a sole source or a limited number of sources. We purchase large volumes of raw materials, such as epoxy and phenolic resins, aluminum foil, carbon fiber, fiberglass yarn and aramid paper. Any restrictions on the supply, or an increase in the cost, of our raw materials could significantly reduce our profit margins.

- We have substantial international operations subject to uncertainties which could affect our operating results. We believe that revenue from sales outside the U.S. will continue to account for a material portion of our total revenue for the foreseeable future.

- We could be adversely affected by environmental and safety requirements.

- Our forward-looking statements and projections may turn out to be inaccurate.

II. MARKET RISK FACTORS

As a result of our global operating and financing activities, we are exposed to various market risks that may affect our consolidated results of operations and financial position. These market risks include, but are not limited to, fluctuations in interest rates, which impact the amount of interest we must pay on certain debt instruments, and fluctuations in currency exchange rates, which impact the U.S. dollar value of transactions, assets and liabilities denominated in foreign currencies. Our primary currency exposures are in Europe, where we have significant business activities. To a lesser extent, we are also exposed to fluctuations in the prices of certain commodities, such as electricity, natural gas, aluminum, acrylonitrile and certain chemicals.

We attempt to net individual exposures, when feasible, taking advantage of natural offsets. In addition, we employ interest rate swap agreements, cross-currency swap agreements and foreign currency forward exchange contracts for the purpose of hedging certain specifically identified interest rates and net currency exposures. The use of these financial instruments is intended to mitigate some of the risks associated with fluctuations in interest rates and currency exchange rates, but does not eliminate such risks. We do not use financial instruments for trading or speculative purposes.

Interest Rate Risks

Our long-term debt bears interest at both fixed and variable rates. From time to time we have entered into interest rate swap agreements to change the underlying mix of variable and fixed interest rate debt. These interest rate swap agreements have modified the percentage of total debt that is exposed to changes in market interest rates. Assuming a 10% favorable and a 10% unfavorable change in the underlying weighted average interest rates of our variable rate debt and swap agreements, interest expense for 2010 of $23.2 million would have decreased to $22.6 million and increased to $23.8 million, respectively.

Interest Rate Swaps

In 2010, we entered into approximately $98 million of interest rate swaps that trade the LIBOR on our term loan for a fixed rate at an average rate of 1.03%. These interest rate swaps are designated as cash flow hedges to our term loan and expire by March 2014. The fair value of interest rate swap agreements is recorded in other assets or other long-term liabilities with a corresponding amount to Other Comprehensive Income. Based on our leverage ratio at December 31, 2010, the interest rate for the term loan in the first quarter 2011 is 1.03% plus 2.00%, or 3.03%.

Cross-Currency Interest Rate Swap Agreement

In September 2006, we entered into a cross-currency interest rate swap agreement to hedge a portion of our net Euro investment in Hexcel France SA. To the extent it is effective, gains and losses are recorded as an offset in the cumulative translation account, the same account in which translation gains and losses on the investment in Hexcel France SA are recorded. All other changes, including any difference in current interest, are excluded from the assessment of effectiveness and are included in income as a component of interest expense. The agreement has a notional value of $63.4 million, a term of five years, and is scheduled to mature on September 20, 2011. We receive interest in U.S. dollars quarterly and pay interest in Euros on the same day. U.S. interest is based on the three month LIBOR. Euro interest is based on the three month EURIBOR. The fair value of the swap at December 31, 2010 and December 31, 2009 was a liability of $3.0 million and $8.2 million, respectively. A net charge to interest expense of $0.3 million and a net credit to interest expense of $0.3 million related to the excluded portion of the derivative were recorded in 2010 and 2009, respectively. Net charges to interest expense of $0.3 million and $0.6 million related to the interest coupons were recorded during 2010 and 2009, respectively. The net amount of gains/losses included in the CTA adjustment during the reporting periods were a gain of 5.4 million, a loss of $1.2 million, a gain of $3.2 million in 2010, 2009 and 2008, respectively. The impact of applying prescribed credit risk adjustments was immaterial for the three years.

Foreign Currency Exchange Risks

We operate nine manufacturing facilities in Europe, which generated approximately 48% of our 2010 consolidated net sales. Our European business activities primarily involve three major currencies — the U.S. dollar, the British pound, and the Euro. We also conduct business or have joint venture investments in China, Malaysia, Japan and Australia, and sell products to customers throughout the world.

In 2010, our European subsidiaries had third-party sales of $538.3 million of which approximately 48% were denominated in U.S.dollars, 48% were denominated in Euros and 4% were denominated in British pounds. While we seek to reduce the exposure of our European subsidiaries to their sales in non-functional currencies through the purchase of raw materials in the same currency as that of the product sale, the net contribution of these sales to cover the costs of the subsidiary in its functional currency will vary with changes in foreign exchange rates, and as a result, so will vary the European subsidiaries' percentage margins and profitability. For revenues denominated in the functional currency of the subsidiary, changes in foreign currency exchange rates increase or decrease the value of these revenues in U.S. dollars but do not affect the profitability of the subsidiary in its functional currency. The value of our investments in these countries could be impacted by changes in currency exchange rates over time, and could impact our ability to profitably compete in international markets.

We attempt to net individual functional currency positions of our various European subsidiaries, to take advantage of natural offsets and reduce the need to employ foreign currency forward exchange contracts. We attempt to hedge some, but not necessarily all, of the net exposures of our European subsidiaries resulting from sales they make in non-functional currencies. The benefit of such hedges varies with time and the foreign exchange rates at which the hedges are set. For example, when the Euro strengthened against the U.S. dollar, the benefit of new hedges placed was much less than the value of hedges they replaced that were entered into when the U.S. dollar was stronger. We seek to place additional foreign currency hedges when the dollar strengthens against the Euro or British pound. We do not seek to hedge the value of our European subsidiaries' functional currency sales and profitability in U.S. dollars. We also enter into short-term foreign currency forward exchange contracts, usually with a term of ninety days or less, to hedge net currency exposures resulting from specifically identified transactions. Consistent with the nature of the economic hedge provided by such contracts, any unrealized gain or loss would be offset by corresponding decreases or increases, respectively, of the underlying transaction being hedged.

We have performed a sensitivity analysis as of December 31, 2010 using a modeling technique that measures the changes in the fair values arising from a hypothetical 10% adverse movement in the levels of foreign currency exchange rates relative to the U.S. dollar with all other variables held constant. The analysis covers all of our foreign currency hedge contracts. The sensitivity analysis indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would have an immaterial impact on our results. However, it should be noted that over time as the adverse movement (in our case a weaker dollar as compared to the Euro or the GBP) continues and new hedges are layered in at the adverse rate, the impact would be more significant. For example, had we not had any hedges in place for 2010, a 10% adverse movement would have reduced our operating income by about $9.7 million.

Foreign Currency Forward Exchange Contracts

A number of our European subsidiaries are exposed to the impact of exchange rate volatility between the U.S. dollar and the subsidiaries' functional currencies, being either the Euro or the British Pound Sterling. We entered into contracts to exchange U.S. dollars for Euros and British Pound Sterling through May 2013. The aggregate notional amount of these contracts was $124.2 million and $100.1 million at December 31, 2010 and 2009, respectively. The purpose of these contracts is to hedge a portion of the forecasted transactions of European subsidiaries under long-term sales contracts with certain customers. These contracts are expected to provide us with a more balanced matching of future cash receipts and expenditures by currency, thereby reducing our exposure to fluctuations in currency exchange rates. For the three years ended December 31, 2010, hedge ineffectiveness was immaterial. Cash flows associated with these contracts are classified within net cash provided by operating activities of continuing operations.

The activity in "accumulated other comprehensive income (loss)" related to foreign currency forward exchange contracts for the years ended December 31, 2010, 2009 and 2008 was as follows:

(In millions)	**2010**	**2009**	**2008**
Unrealized gains (losses) at beginning of period	**$ (1.4)**	$ (8.9)	$ 3.2
(Gains) losses reclassified to net sales	**3.9**	4.3	(1.3)

(Decrease) increase in fair value, net of tax	**(2.7)**	3.2	(10.8)
Unrealized gains (losses) at end of period	**$ (0.2)**	**$** (1.4)	$ (8.9)

Unrealized losses of $0.3 million recorded in “accumulated other comprehensive income (loss),” net of tax, as of December 31, 2010 are expected to be reclassified into earnings over the next twelve months as the hedged sales are recorded. The impact of credit risk adjustments was immaterial for the three years.

In addition, non-designated foreign exchange forward contracts are used to hedge balance sheet exposures. The notional amounts outstanding at December 31, 2010 and 2009, respectively were U.S. $85.9 million and GBP 1.0 million against EUR, and U.S. $53.8 million and GBP 3.0 million against EUR. The change in fair value of these forward contracts are recorded in the consolidated statements of operations and were immaterial for the years 2010, 2009 and 2008.

Utility Price Risks

We have exposure to utility price risks as a result of volatility in the cost and supply of energy and in natural gas. To minimize the risk, from time to time we enter into fixed price contracts at certain of our manufacturing locations for a portion of our energy usage for periods of up to one year. Although these contracts would reduce the risk to us during the contract period, future volatility in the supply and pricing of energy and natural gas could have an impact on our future consolidated results of operations.

CHAPTER C:
SUPPLEMENTAL INFORMATION CONCERNING HEXCEL CORPORATION

I. RIGHTS RELATED TO THE REGISTERED SHARES

1.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code

Our authorized capital stock consists of 200,000,000 shares of Common Stock (the "Common Stock"), and 20,000,000 shares of Preferred Stock.

As of June 1, 2011, approximately 98,160,303 shares of Common Stock were issued and outstanding, and approximately 1,874,141 shares of Common Stock were held in treasury.

The Common Stock is listed on the NYSE under the symbol "HXL." The CUSIP number assigned to the Common Stock is 428291108. The ISIN is US4282911084.

The Company has equity compensation plans under which Common Stock may be provided to directors and employees of the Company. The Company expects to satisfy its obligations in this respect by newly issued shares of Common Stock. As of June 1, 2011, there were approximately 8,690,947 shares of Common Stock (consisting of 6,608,225 shares of Common Stock underlying grants previously made and 2,082,722 shares of Common Stock available for future grant) that could be issued under Hexcel's equity compensation plans on a worldwide basis, representing approximately 8.7% of Hexcel's issued Common Stock as of such date.

1.2 Legislation Under Which the Securities Have Been Created

Our Common Stock was created under the General Corporation Law of the State of Delaware, as codified in Title 8, Chapter 1 of the Delaware Code (the "DGCL").

1.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records

In general, shareholders may hold Common Stock either in direct registered or street name form. The transfer agent and registrar for the Common Stock is American Stock Transfer & Trust Company ("AST").

The address and telephone number of AST are:

PO Box 922, Wall Street Station
New York, NY 10269-0560, U.S.A.
+ 1 (866) 714-7296

Hexcel's paying agent is Société Générale (Postal address: 32, rue du Champ de Tir, BP 81236, 44312 Nantes Cedex 3, France).

1.4. Currency of the Securities Issue

Trading of our Common Stock on Euronext will be in Euros.

1.5 Rights Attached to the Securities

Dividend Rights. The Company's Bylaws authorize the payment of dividends. Under the DGCL and subject to preferences that may apply to shares of the Company's preferred stock outstanding at the time, the holders of outstanding shares of common stock are entitled to receive dividends either (1) out of the surplus, or (2) in case there shall be no such surplus, out of the company's net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year as the Board may from time to time determine (see Section 170 DGCL). Hexcel did not declare or pay any dividends in 2010, 2009 or 2008. The payment of dividends is limited under the terms of certain of our debt agreements. Hexcel does not have any intent of paying dividends in the foreseeable future, as cash generated from operations will be used primarily to support capital expenditures or pay down debt.

Voting Rights. Each holder of Shares is entitled to one vote for each share of record held on all matters submitted to a vote of the Company's stockholders. Any action required or permitted to be taken by the Company's stockholders must be effected at a duly called annual or special meeting of such holders and may not be effected by consent in writing by such stockholders (Section 7 of the Restated Certificate of Incorporation of Hexcel Corporation). Special meetings of stockholders of the Company may be called, for any purpose or purposes, by (i) the Board, (ii) the Chairman of the Board, (iii) the Chief Executive Officer, or (iv) by a committee of the Board which has been duly designated by the Board and whose powers and authority, as provided in the resolution of the Board or in the Bylaws of Hexcel Corporation, Amended and Restated as of December 7, 2010 (the "Bylaws"), include the power to call such meetings (Section 7 of the Restated Certificate of Incorporation of Hexcel Corporation).

An annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Delaware, as the Board shall, by resolution designate. Any other business properly brought before the Annual Meeting in accordance with Section 4 of the Bylaws may be conducted at the meeting. Effective as of May 7, 2009, the Bylaws were amended to modify the procedures that must be followed by stockholders to submit proposals for consideration at a meeting of stockholders, including advance notice and informational requirements. Effective as of May 6, 2010, the Bylaws were amended to specify that the Board shall fix the number of directors from time to time by resolution. The Bylaws continue to require that there be at least three, and no more than 15, directors.

Directors shall hold office until the annual meeting next following their election and until their successors are nominated, elected and qualified pursuant to the Bylaws; subject, however, to their prior resignation, death or removal as provided by the Restated Certificate of Incorporation, the Bylaws or applicable law. Any vacancies in the Board for any reason, and any newly created directorships resulting from any increase in the number of directors, may be filled by the Board, acting by a majority of the directors then in office, even if less than a quorum; and any new directors so chosen shall hold office until their successors shall be elected and qualified or until their earlier death, resignation or removal.

Pursuant to Section 242 of the DGCL, after a corporation has received payment for any of its capital stock, it may amend its certificate of incorporation, from time to time, in any and as many respects as may be desired, so long as its certificate of incorporation as amended would contain only such provisions as it would be lawful and proper to insert in an original certificate of incorporation filed at the time of the filing of the amendment; and, if a change in stock or the rights of stockholders, or an exchange, reclassification, subdivision, combination or cancellation of stock or rights of stockholders is to be made, such provisions as may be necessary to effect such change, exchange, reclassification, subdivision, combination or cancellation. In particular, and without limitation upon such general power of amendment, a corporation may amend its certificate of incorporation, from time to time, so as:

(1) To change its corporate name; or

(2) To change, substitute, enlarge or diminish the nature of its business or its corporate powers and purposes; or

(3) To increase or decrease its authorized capital stock or to reclassify the same, by changing the number, par value, designations, preferences, or relative, participating, optional, or other special rights of the shares, or the qualifications, limitations or restrictions of such rights, or by changing shares with par value into shares without par value, or shares without par value into shares with par value either with or without increasing or decreasing the number of shares, or by subdividing or combining the outstanding shares of any class or series of a class of shares into a greater or lesser number of outstanding shares; or

(4) To cancel or otherwise affect the right of the holders of the shares of any class to receive dividends which have accrued but have not been declared;

(5) To create new classes of stock having rights and preferences either prior and superior or subordinate and inferior to the stock of any class then authorized, whether issued or unissued; or

(6) To change the period of its duration.

Any or all such changes or alterations may be effected by one certificate of amendment.

The board of directors shall adopt a resolution setting forth the amendment proposed, declaring its advisability, and either calling a special meeting of the stockholders entitled to vote in respect thereof for the consideration of such amendment or directing that the amendment proposed be considered at the next annual meeting of the stockholders. Such special or annual meeting shall be called and held upon notice. The notice shall set forth such amendment in full or a brief summary of the changes to be effected thereby, as the directors shall deem advisable. At the meeting, a vote of the stockholders entitled to vote thereon shall be taken for and against the proposed amendment. If a majority of the outstanding stock entitled to vote thereon has been voted in favor of the amendment, a certificate setting forth the amendment and certifying that such amendment has been duly adopted in accordance with Section 242 of the DGCL shall be executed, acknowledged and filed and shall become effective.

Right to Receive Liquidation Distributions. Upon a liquidation, dissolution or winding-up of the company, the assets legally available for distribution to stockholders are distributable ratably among the holders of the outstanding shares of Common Stock at that time after payment of any liquidation preferences on any outstanding preferred stock.

Preemptive, Redemptive or Conversion Provisions. The Common Stock is not entitled to preemptive rights and are not subject to conversion or redemption.

1.6 Transferability

The Common Stock is registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the currently outstanding shares are freely transferable. EACH HOLDER OF SHARES OF COMMON STOCK ASSUMES THE RISK OF ANY MARKET FLUCTUATIONS IN THE PRICE OF THE SHARES OF COMMON STOCK.

1.7 Registration Number

Hexcel’s United States Internal Revenue Service Employer Identification Number is 94-1109521. Hexcel’s registration number with the Secretary of the State of Delaware is 2003924.

1.8 General Provisions Applying to Business Combinations

Hexcel is subject to Section 203 of the DGCL, which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any “business combination” with an “interested stockholder” for a period of three years following the time that such stockholder became an interested stockholder, unless:

- the board of directors of the corporation approves either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder, prior to the time the interested stockholder attained that status;

- upon the closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are directors and also officers and (ii) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to such time, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

With certain exceptions, an “interested stockholder” is a person or group who or which owns 15% or more of the corporation’s outstanding voting stock (including any rights to acquire stock pursuant to an option, warrant, agreement, arrangement or understanding, or upon the exercise of conversion or exchange rights, and stock with respect to which the person has voting rights only), or is an affiliate or associate of the corporation and was the owner of 15% or more of such voting stock at any time within the previous three years.

In general, Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;

- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or

- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

A Delaware corporation, such as the Company, may “opt out” of this provision with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from a stockholders’ amendment approved by at least a majority of the outstanding voting shares. However, the Company has not “opted out” of this provision. Section 203 could prohibit or delay mergers or other takeover or change-in-control attempts and, accordingly, may discourage attempts to acquire the Company.

In addition, since Hexcel's Common Stock is listed on the NYSE, the Company is also subject to Section 14(d) of the Exchange Act, which applies to all tender offers for Exchange Act registered equity securities made by parties other than the target (or affiliates of the target), so long as upon consummation of the tender offer the bidder would beneficially own more than five percent (5%) of the class of securities subject to the offer, and the SEC rules promulgated thereunder.

Finally, once its Common Stock is listed on Euronext, Hexcel will also be subject to Article 231-46 of the AMF General Regulation. Pursuant to this Article, which entered into effect on October 1, 2009, the parties to a takeover bid, the members of their board of directors, supervisory board or management board, individuals or legal entities holding, directly or indirectly, at least five percent (5%) of the shares or voting rights or at least 5% of the securities targeted by the takeover bid (other than the shares), and other individuals or legal entities acting in concert with them, are required to report to the AMF every day, after the trading session, all purchases or sales they have made in the securities subject to the offer, as well as any other transactions with the effect of transferring, immediately or in the future, title to such securities or voting rights. This same reporting obligation applies to individuals or legal entities that have acquired, directly or indirectly and after the filing of the draft offer document, a quantity of securities of the target company representing at least one percent (1%) of its equity or securities targeted by the takeover bid (other than the shares), for as long as they hold that quantity of securities. Moreover, pursuant to Article 231-1 of the AMF General Regulation, the AMF may apply its takeover rules, excepting those governing standing market offers, buyout offers with squeeze-outs, and squeeze-outs, to public offers for securities issued by companies such as Hexcel whose registered offices are not in the European Economic Area, where these securities are listed on Euronext.

1.9 Mandatory Squeeze-Out Rules in Relation to the Securities

Section 253 of the DGCL authorizes the board of directors of a Delaware corporation that owns 90% or more of each of the outstanding classes of stock of a subsidiary that are entitled to vote on a merger to merge the subsidiary into itself without any requirement for action to be taken by the board of directors or the stockholders of the subsidiary.

1.10 Market Risks

Hexcel is subject to a variety of market risks, including risks related to interests rates. For a description of these market risks, please see pages 15 – 18 (II. Market Risk Factors) in Chapter B above.

1.11 Purpose of the Listing and Liquidity

The Euronext listing is intended to attract investors based outside of the United States, particularly in Europe and to promote additional liquidity for all investors and provide greater access to Hexcel's Common Stock among European fund managers who may be required to invest in Euro-zone markets or currencies only.

At this time, Hexcel does not intend to enter into any agreement with a liquidity provider in connection with the listing of its Common Stock on Euronext. However, Hexcel reserves the right to enter into such agreement in the future, subject to compliance with applicable legislation in France and the United States.

Until such time that an agreement is entered into with a liquidity provider (if ever), liquidity in the Common Stock will result initially from execution on Euronext of sell orders in respect of Common Stock currently traded on the NYSE and future trading in the Common Stock on Euronext with settlement through Euroclear France.

1.12 Market Capitalization for the US and French Markets

Based on 98,160,303 outstanding shares of Common Stock issued and outstanding as of June 1, 2011 (excluding the 1,874,141 shares of Common Stock held in treasury), and the closing price of the Common Stock on the NYSE on June 13, 2011 ($19.35), Hexcel had a market capitalization of approximately $1.90 billion, which, based on the reference exchange rate of the European Central Bank on June 13, 2011 ($1 = EUR 0.6967), corresponds to approximately EUR 1.32 billion.

The market capitalization on Euronext is calculated on the total issued Common Stock, including the treasury shares. Based on the above figures, the market capitalization on June 13, 2011 was approximately $1.94 billion / EUR 1.35 billion.

II. STATEMENT OF CAPITALIZATION AND INDEBTEDNESS AS OF MARCH 31, 2011

The below tables are derived from Hexcel's unaudited condensed consolidated financial statements.

2.1 Capitalization and Indebtedness (in millions of US Dollars) at March 31, 2011

Total Current debt	$	11.4
- Guaranteed		-
- Secured		11.4
- Unguaranteed / Unsecured	$	-
Total Non-Current debt (excluding current portion of long-term debt)	$	268.4
- Guaranteed		-
- Secured		268.4
- Unguaranteed / Unsecured		-
Stockholders' equity		
a. Share Capital and Additional Paid-in Capital	$	563.9
b. Legal Reserve		-
c. Total Other Reserves	$	155.1
- Retained earnings		174.8
- Accumulated other comprehensive income		8.7
- Less: Treasury stock, at cost, 2.1 Shares		(28.4)
Total Stockholders' Equity	$	719.0

2.2 Net Indebtedness (in millions of US Dollars) at March 31, 2011

A.+B.	Cash and cash equivalents	$	50.6
C.	Short-term investments		-
D.	**Liquidity** (A) + (B) + (C)	**$**	**50.6**
E.	**Current Financial Receivable**		-
F.	Current Bank debt	$	5.9
G.	Current portion of non-current debt		5.0
H.	Other current financial debt		0.5
I.	**Other Financial Debt** (F) + (G) + (H)	**$**	**11.4**
J.	**Net Current Financial Indebtedness** (I) – (E) – (D)	**$**	**(39.2)**
K.	Non-current Bank loans	$	191.3
L.	Bonds Issued		75.0
M.	Other non-current loans		2.1
N.	**Non-current Financial Indebtedness** (K) + (L) + (M)	**$**	**268.4**
O.	**Net Financial Indebtedness** (J) + (N)	**$**	**229.2**

For information relating to Hexcel's debt covenants and indirect and contingent indebtedness, the reader's attention is called to Note 6. Debt, Note 7. Leasing Arrangements and Note 14. Commitments and Contingencies, respectively on pages 52 – 54, page 54 and pages 68 – 70 of Hexcel's 10-K, and Note 13. Commitments and Contingencies, and Liquidity, respectively on pages 12 – 14 and 18 – 19 of Hexcel's 10-Q.

III. DIRECTORS AND EXECUTIVE OFFICERS

3.1 Board of Directors as of May 5, 2011

Name	Age on March 15, 2011	Director Since	Position(s) With Hexcel
David E. Berges	61	2001	Chairman of the Board; Chief Executive Officer; Director
Joel S. Beckman	55	2003	Director
Lynn Brubaker	53	2005	Director
Jeffrey C. Campbell	50	2003	Director
Sandra L. Derickson	58	2002	Director
W. Kim Foster	62	2007	Director
Thomas A. Gendron	50	2010	Director
Jeffrey A. Graves	49	2007	Director
David C. Hill	64	2008	Director
David L. Pugh	62	2006	Director

3.2 Executive Officers as of May 5, 2011

Name	Age on March 15, 2011	Executive Officer Since	Position(s) With Hexcel
David E. Berges	61	2001	Chairman of the Board; Chief Executive Officer; Director
Nick L. Stanage	52	2009	President
Wayne C. Pensky	55	2007	Senior Vice President; Chief Financial Officer
Ira J. Krakower	70	1996	Senior Vice President; General Counsel; Secretary
Robert G. Hennemuth	55	2006	Senior Vice President, Human Resources

For at least the previous five years, none of the directors or executive officers of Hexcel has:

(a) been convicted in relation to fraudulent offenses;

(b) been associated with any bankruptcies, receiverships or liquidations when acting in their capacity of directors or executive officers of Hexcel; or

(c) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships among any of the executive officers and directors listed above.

IV. EMPLOYEES

The below chart sets forth historical information regarding the approximate number of Hexcel's employees for each of the fiscal years ended December 31, 2010, 2009 and 2008:

As of December 31,	2010	2009	2008
In the United States	2,295	2,028	2,253
Outside the United States	1,748	1,706	2,022
Total	4,043	3,734	4,275

V. ORGANIZATIONAL STRUCTURE

Hexcel is the parent company of the Hexcel group. Hexcel holds, directly or indirectly, the capital and voting rights of each of the significant subsidiaries and affiliates listed in Exhibit 21 to Hexcel's 10-K.

VI. WORKING CAPITAL STATEMENT

Hexcel believes that its net cash from operating activities, cash on hand and its revolving credit facility will be sufficient to meet its normal recurring operating expenses and working capital needs, capital expenditures and debt service requirements, for the next twelve months.

VII. TAX CONSEQUENCES

Set out below are the main French tax consequences and certain U.S. federal income tax consequences likely to apply to French investors who will hold shares of Hexcel under French domestic law in force on January 1, 2011, and the U.S.- France income tax treaty signed August 31, 1994, as modified by the protocols signed December 8, 2004 and January 13, 2009 (the "U.S.-French Tax Treaty"). Unless otherwise indicated, the discussion of the U.S. tax consequences herein assumes that each French investor is eligible for the benefits of the U.S.–French Tax Treaty and is also not a U.S. tax resident (a "French tax resident"). The tax regime described below may be modified by subsequent laws or regulations, which should be followed by the investors with the help of their usual advisor.

Please note that the information set out below is only a summary of the applicable tax regime. Each particular situation should be carefully analyzed by a tax advisor, especially regarding tax residence, the possible impact of citizenship and the application of the U.S.-French Tax Treaty to their particular circumstances.

The discussion of U.S. federal tax issues (1) is not intended or written to be used, and it cannot be used, by any investor for the purpose of avoiding penalties that may be imposed under the U.S. Internal Revenue Code of 1986, as amended, and (2) is written to support the listing of Hexcel Common Stock on Euronext. Each investor should seek U.S. federal tax advice based on the investor's particular circumstances from an independent tax advisor.

7.1 Individual Investors who are French Tax Residents Holding Shares as a Private Investment

Article 13 of the U.S.-French Tax Treaty generally exempts certain gains (including stock gains) of French tax resident individual investors from U.S. tax unless the gain is attributable to a permanent establishment of the investor in the United States. Any individual French investor, who is not eligible for the benefits of the U.S.-French Tax Treaty and is in the United States for at least 183 days in the year in which the investor disposes of the stock of Hexcel, should consult his or her own tax advisor for the U.S. tax consequences of the disposition.

In accordance with Articles 150-0 A *et seq.* and 200 A of the French General Tax Code (the "GTC"), capital gains realized upon the disposal of shares of Hexcel Common Stock will be subject as from the first Euro to tax on income at a flat rate of 19% and to the following social taxes, which are non-deductible from the income taxable basis:

- the *contribution sociale généralisée* of 8.2% (Articles 1600-0C and 1600-0E of the GTC), collected according to the same procedures as income tax;

- the *prélèvement social* of 2.2% (Article 1600-0F *bis* of the GTC), collected according to the same procedures as income tax;

- the *contribution au remboursement de la dette sociale* of 0.5% (Article 1600-0L of the GTC), collected according to the same procedures as income tax;

- the *contribution additionnelle au prélèvement social* of 0.3% (Article 1649-0 A of the GTC); and

- the *contribution sociale* of 1.1% (Law n° 2008-1249 dated December 1, 2008).

In accordance with Article 150-0D 11 of the GTC, capital losses realized upon the disposal of shares of Hexcel Common Stock may be deducted only from capital gains on sales of the same nature in the same year or in the ten years following such disposal. Due to the suppression of a specific threshold applicable until end of 2010 according to which capital gains were taxable or tax exempt, there are specific temporary methods to offset capital losses realized until the end of 2010.

Shares of Hexcel Common Stock will be included in the basis for the French wealth tax.

7.2 French Tax Resident Stockholders that are Legal Entities and Subject to Corporate Tax

Article 13 of the U.S.-French Tax Treaty generally exempts certain gains (including stock gains) of French tax resident investors, including a company, from U.S. tax, unless the gain is attributable to a permanent establishment of the investor in the United States.

As a general rule, capital gains and losses realized upon the disposal of shares of Hexcel Common Stock will be included in the taxable income of companies taxable at the ordinary corporate tax rate of the 33.1/3%, as well as an additional contribution provided for under Article 235 *ter* ZC of the GTC, equal to 3.3% of the corporate income tax after a basis allowance that cannot exceed € 763,000 per twelve-month period, if applicable.

A specific tax treatment would apply in the case where shares of Hexcel Common Stock would qualify as a controlling interest (*titres de participation*), held for at least two years from the date of the acquisition of shares of Hexcel Common Stock.

Pursuant to Article 219-1 *a quinquies* of the GTC*,* the following shares constitute *titres de participation*: (i) shares qualifying as such under the accounting rules, (ii) shares acquired pursuant to a public offer of sale or exchange by the company that initiates it, or (iii) shares of a company that qualifies for the parent-subsidiary regime (the main criteria being the holding of at least 5% of the company's capital) and which are accounted as such, other than shares of predominantly real estate entities.

According to the provisions of Article 219-1 *a quinquies* of the GTC, net gains realized upon the disposal of such controlling interest (*titres de participation*) held for more than two years would qualify for the long-term capital gain regime under which capital gains are exempt from corporate income tax; nevertheless a 5% service charge (*quote part de frais et charges*) of the net capital gains will be taxed at the ordinary corporate tax rate of the 33.1/3%, as well as an additional contribution provided for under Article 235 *ter* ZC of the GTC amounting to 3.3% of the corporate income tax after a basis allowance which cannot exceed € 763,000 per twelve-month period, if applicable.

7.3 Other Stockholders who are French Tax Residents

Stockholders subject to a specific tax regime must determine which tax rules apply in their particular case in the event of capital gains or losses realized upon the disposal of shares of Hexcel Common Stock.

7.4 Withholding Tax

Whether received in France or abroad, dividend payments, if any, made in respect of shares of Hexcel Common Stock received by French tax residents must be included in the income taxable base, the computation being different between individuals and corporations subject to corporate tax. French tax resident individuals may elect for a reduced 19% tax on the gross amount of dividends received prior to each payment of dividends, and pay this tax when receiving the dividends, rather than taxation at the progressive rate after application of allowances.

Gross amount of dividend payments received by French tax resident individuals are subject to the social taxes previously detailed in 7.1.

A dividend paid by Hexcel to a French tax resident investor will be subject to U.S. withholding tax unless the dividend income is considered attributable to a permanent establishment of the investor in the United States. In accordance with Article 10(2) of the U.S.-French Tax Treaty, (1) dividend payments, if any, made on shares of Hexcel Common Stock to a French tax resident stockholder, whether an individual or a legal entity, will generally be subject to a U.S. withholding tax at the rate of 15%, and (2) dividend payments, if any, made on shares of Hexcel Common Stock to a French tax resident company holding at least 10% of Hexcel's voting rights will generally be subject to a U.S. withholding tax at the rate of 5%. These lower withholding tax rates under the U.S.-French Tax Treaty for dividends paid by Hexcel would generally be available only if the investor has provided a properly completed and executed IRS Form W-8BEN to the Paying Agent prior to the dividend payment. If this IRS Form W-8BEN is not provided to the Paying Agent prior to the dividend payment, the dividend will be subject to US withholding at the U.S. statutory rate of 30%; and in that case, a French tax resident investor eligible for benefits under the U.S.-French Tax Treaty may claim a refund from the United States of the withholding tax to the extent the amount withheld exceeds the amount that would have been withheld if the investor had timely provided the IRS Form W-8BEN. In general, the IRS Form W-8BEN I remains valid for three years. At the end of this three-year period, a new properly completed and executed IRS Form W-8BEN must be provided to the Paying Agent.

The French taxpayer will be entitled to claim a credit for such U.S. withholding tax on the taxpayer's French tax return.

Under the Foreign Account Tax Compliance Act of 2009 or "FATCA" enacted in the United States, foreign financial institutions (which include hedge funds, private equity funds, mutual funds, securitization vehicles and any other investment vehicles regardless of their size) and certain other foreign entities (but not individuals) must comply with new U.S. information reporting rules with respect to their U.S. account holders and investors or confront a new U.S. withholding tax on U.S. source payments made to them. A foreign entity to which FATCA applies that does not comply with the FATCA reporting requirements will be subject to a new 30% withholding tax with respect to any "withholdable payments" made after December 31, 2012. For this purpose, a withholdable payment would include a dividend paid by Hexcel and also include the entire gross proceeds from the sale of shares of Hexcel. The withholding tax under FATCA will apply regardless of whether the payment would otherwise be exempt from U.S. nonresident withholding tax (e.g., under the portfolio interest exemption or as capital gain). French tax resident investors are urged to consult their tax advisors regarding the effect, if any, of the FATCA provisions to them based on their particular circumstances.

7.5 Other Taxes and Duties

No French taxes of a documentary nature, such as capital, stamp or registration tax or duty, are payable by or on behalf of a holder of shares of Hexcel Common Stock by reason only of the purchase, ownership or disposal of such Common Stock, provided that no written agreement formalizing the transfer of Common Stock is executed in France.

VIII. DOCUMENTS ON DISPLAY

The Company's internet website is www.hexcel.com. The Company makes available, free of charge through its website, its Form 10-Ks, 10-Qs and 8-K's, and any amendments to these forms, as soon as reasonably practicable after filing with the SEC. In addition, investors can obtain copies of the Company's SEC filings free of charge from the SEC website at www.sec.gov.

The Company expects to issue after market close on July 25, 2011, its earnings release for the quarter ended June 30, 2011. The quarterly report on Form 10-Q for such quarter will be filed with the SEC no later than August 9, 2011. These documents will be available on the websites of the Company and the SEC indicated above.

Copies of the above referenced information will also be made available, free of charge, by calling + 1 203 352 6826 or upon written request to:

Hexcel Corporation
Investor Relations
281 Tresser Boulevard
Stamford, Connecticut 06901, U.S.A.

CROSS-REFERENCE LISTS

ANNEX I

MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE REGISTRATION DOCUMENT (SCHEDULE)

(Page numbering refers to the page contained in the relevant document)

Item #	Item contents	Chapter/Exhibit	Page/Section
1.	**PERSONS RESPONSIBLE**		
1.1.	All persons responsible for the information given in the prospectus	Wrapper	5 (Company Representative for Prospectus)
		Exhibit I	Exhibits 31.1, 31.2 and 32
		Exhibit II	Exhibits 31.1, 31.2 and 32
1.2.	A declaration by those responsible for the prospectus	Wrapper	5 (Company Representative for Prospectus)
2.	**STATUTORY AUDITORS**		
2.1.	Names and addresses of the issuer's auditors	Exhibit I	43 (Report of Independent Registered Public Accounting Firms)
		Exhibit VII	Page after Cover Page (Report of Independent Registered Public Accounting Firm)
2.2.	If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, indicate details if material.	Not applicable	Not applicable
3.	**SELECTED FINANCIAL INFORMATION**		
3.1.	Selected historical financial information	Chapter A	12 (Selected Three Year Financial Data)
		Exhibit I	26 (Selected Financial Data)
3.2.	Interim periods	Chapter A	13 – 14 (Selected Quarterly Financial Data)

Item #	Item contents	Chapter/Exhibit	Page/Section
		Exhibit I	75 (Note 2 – Quarterly Financial and Market Data (Unaudited))
4.	**RISK FACTORS**	Exhibit I	10 – 13 (Item 1A. Risk Factors)
5.	**INFORMATION ABOUT THE ISSUER**		
5.1.	**<u>History and Development of the Issuer</u>**		
5.1.1.	The legal and commercial name of the issuer	Exhibit I	Cover Page
5.1.2.	The place of registration of the issuer and its registration number	Chapter C	21 (1.7 Registration Number)
		Exhibit I	Cover Page
5.1.3.	The date of incorporation and the length of life of the issuer, except where indefinite	Exhibit I	2 (General Development of Business)
5.1.4.	The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, as well as the address and telephone number	Chapter C	19 (1.2 Legislation and Authorization Under Which the Securities Have Been Created)
		Exhibit I	Cover Page
5.1.5.	Important events in the development of the issuer's business	Exhibit I	28 – 29 (Business Trends), 52 (Note 5 – Investments in Affiliated Companies) and 73 (Note 18 – Business Consolidation and Restructuring Programs)
		Exhibit II	14 – 15 (Business Overview)
5.2.	**<u>Investments</u>**		
5.2.1.	A description (including the amount) of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the prospectus	Exhibit I	28 – 29 (Business Trends), 34 (Investing Activities), 47 (Cash flows from investing activities), 51 (Note 3 – Net Property,

Item #	Item contents	Chapter/Exhibit	Page/Section
			Plant and Equipment), 52 (Note 5 – Investments in Affiliated Companies), 70 – 71 (Note 15 – Supplemental Cash Flow) and 73 (Note 18 – Business Consolidation and Restructuring Programs)
		Exhibit II	7 (Note 5 – Inventories, net) and 19 (Investing Activities)
5.2.2.	A description of the issuer's principal investments that are in progress	Exhibit I	34 (Investing Activities), 35 (Financial Obligations and Commitments), 54 (Note 7 – Leasing Arrangements) and 72 (Excerpts from Note 14. Commitments and Contingencies)
		Exhibit II	8 – 9 (Note 7 – Notes Payable and Capital Lease Obligations), 19 (Investing Activities) and 19 (Financial Obligations and Commitments)
5.2.3.	Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments	Exhibit I	34 (Investing Activities), 35 (Financial Obligations and Commitments), 54 (Note 7 – Leasing Arrangements)
		Exhibit II	8 – 9 (Note 7 – Notes Payable and Capital Lease Obligations) 19 (Investing Activities) and

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			19 (Financial Obligations and Commitments)
6.	**BUSINESS OVERVIEW**		
6.1.	**Principal Activities**		
6.1.1.	A description of, and key factors relating to, the nature of the issuer's operations and its principal activities	Exhibit I	2 – 10 (Item 1. Business), 27 – 28 (Business Overview) and 28 – 29 (Business Trends)
		Exhibit II	14 – 15 (Business Overview)
6.1.2.	An indication of any significant new products and/or services that have been introduced	Exhibit I	28 – 29 (Business Trends)
6.2.	Principal markets	Exhibit I	6 – 8 (Markets), 28 – 29 (Business Trends) and 52 (Note 5 – Investments in Affiliated Companies)
6.3.	Where the information given pursuant to items **6.1.** and **6.2.** has been influenced by exceptional factors, mention that fact	Exhibit I	52 (Note 5 – Investments in Affiliated Companies) and 73 (Note 18 – Business Consolidation and Restructuring Programs)
6.4.	The extent to which the issuer is dependent, on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes	Exhibit I	9 (Research and Technology; Patents and Know-How), 10 – 11 (Three risk factors beginning “A significant decline in business with…”) and 32 (Significant Customers)
6.5.	Issuer’s competitive position	Exhibit I	9 – 10 (Competition)
7.	**ORGANIZATIONAL STRUCTURE**		

Item #	Item contents	Chapter/Exhibit	Page/Section
7.1.	Description of the group	Chapter C	26 (V. Organizational Structure)
		Exhibit I	Exhibit 21 (Subsidiaries of Hexcel Corporation)
7.2.	A list of the issuer's significant subsidiaries	Exhibit I	Exhibit 21 (Subsidiaries of Hexcel Corporation)
8.	**PROPERTY, PLANTS AND EQUIPMENT**		
8.1.	Information regarding any existing or planned material tangible fixed assets	Exhibit I	13 – 14 (Item 2. Properties), 48 (Property, Plant and Equipment), 51 (Note 3 – Net Property, Plant and Equipment), 54 (Note 7 – Leasing Arrangements) and 70 – 71 (Note 15 – Supplemental Cash Flow)
8.2.	Environmental issues that may affect the issuer's utilization of the tangible fixed assets	Exhibit I	9 (Environmental Matters) and 12 (Risk factor beginning "We could be adversely affected by environmental…)
9.	**OPERATING AND FINANCIAL REVIEW**		
9.1.	Financial condition	Exhibit I	29 – 31 (Results of Operations)
		Exhibit II	16 – 18 (Financial Overview Results of Operations)
9.2.	**<u>Operating Results</u>**		
9.2.1.	Significant factors materially affecting the issuer's income from operations	Exhibit I	28 – 29 (Business Trends) and 29 – 31 (Results of Operations)
		Exhibit II	16 – 18 (Financial Overview

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			Results of Operations)
9.2.2.	Material changes in net sales or revenues	Exhibit I	29 – 30 (Net Sales)
		Exhibit II	16 – 17 (Net Sales)
9.2.3.	Governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	Exhibit I	11 – 12 (Risk factors beginning "Reductions in space and defense spending…," "We have substantial international operations…")
10.	**CAPITAL RESOURCES**		
10.1.	Issuer's capital resources	Exhibit I	33 – 35 (Financial Condition) and 52 – 54 (Note 6. Debt)
		Exhibit II	8 – 9 (Note 7– Notes Payable and Capital Lease Obligations) and 18 – 19 (Financial Condition)
10.2.	Narrative description of the issuer's cash flows	Exhibit I	33 – 35 (Financial Condition) and 70 – 71 (Note 15 – Supplemental Cash Flow)
		Exhibit II	18 – 19 (Financial Condition)
10.3.	Information on the borrowing requirements and funding structure of the issuer	Exhibit I	31 (Interest Expense), 33 – 34 (Credit Facilities), 34 (Financing Activities), 35 (Financial Obligations and Commitments) and 52 – 54 (Note 6. Debt)
		Exhibit II	8 – 9 (Note 7 – Notes Payable and Capital Lease Obligations) and 18 – 19 (Financial

Item #	Item contents	Chapter/Exhibit	Page/Section
			Condition)
10.4.	Information regarding any restrictions on the use of capital resources	Exhibit I	33 – 34 (Credit Facilities), 35 (Financial Obligations and Commitments) and 52 – 54 (Note 6. Debt)
		Exhibit II	8 – 9 (Note 7– Notes Payable and Capital Lease Obligations) and 18 – 19 (Financial Condition)
10.5.	Information regarding the anticipated sources of funds needed to fulfill commitments referred to in items **5.2.3.** and **8.1.**	Exhibit I	33 – 35 (Financial Condition) and 52 – 54 (Note 6 – Debt)
		Exhibit II	8 – 9 (Note 7– Notes Payable and Capital Lease Obligations) and 18 – 19 (Financial Condition)
11.	**RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES**	Exhibit I	9 (Research and Technology; Patents and Know-How)
12.	**TREND INFORMATION**		
12.1.	Significant trends that affected production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the prospectus	Exhibit I	28 – 29 (Business Trends)
		Exhibit II	14 – 15 (Business Overview)
		Exhibit VI	All pages
12.2.	Trends, uncertainties or events that are likely to affect the issuer for at least the current financial year	Exhibit I	10 – 13 (Item 1A. Risk Factors) and 28 – 29 (Business Trends)
		Exhibit II	14 – 15 (Business Overview)
		Exhibit VI	All pages

Item #	Item contents	Chapter/Exhibit	Page/Section
13.	**PROFIT FORECASTS OR ESTIMATES**	Not applicable	Not applicable
14.	**ADMINISTRATIVE, MANAGEMENT, SUPERVISORY BODIES AND SENIOR MANAGEMENT**		
14.1.	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer: a) members of the administrative, management or supervisory bodies;	Exhibit III	5 – 7 (Information Regarding the Directors)
	b) partners with unlimited liability, in the case of a limited partnership with a share capital;	Not applicable	Not applicable
	c) founders, if the issuer has been established for fewer than five years; and	Not applicable	Not applicable
	d) any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business.	Exhibit I	16 – 17 (Executive Officers)
	The nature of any family relationship between any of those persons	Chapter C	25 (3.2. Executive Officers as of May 5, 2011)
	In the case of each member of the administrative, management or supervisory bodies of the issuer and each person mentioned in points (b) and (d) of the first subparagraph, details of that person's relevant management expertise and experience and the following information: (a) the nature of all companies and partnerships of which such person has been a member of the administrative, management and supervisory bodies or partner at any time in the previous five years, indicating whether or not the individual is still a member of the administrative, management or supervisory bodies or partner. It is not necessary to list all the subsidiaries of an issuer of which the person is also a member of the administrative, management or supervisory bodies or partner;	Exhibit III	5 – 7 (Information Regarding the Directors), 9 – 11 (Excerpts from Nominating and Corporate Governance Committee) and 16 – 17 (Executive Officers)
	(b) any convictions in relation to fraudulent offences for at least the previous five years; (c) details of any bankruptcies, receiverships or	Chapter C	25 (3.2. Executive Officers as of May 5, 2011)

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	liquidations with which a person described in (a) and (d) of the first subparagraph who was acting in the capacity of any of the positions set out in (a) and (d) of the first subparagraph was associated for at least the previous five years; (d) details of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years. If there is no such information to be disclosed, a statement to that effect is to be made.		
14.2.	Administrative, management, and supervisory bodies and senior management conflicts of interests	Exhibit III	35 (Compensation Committee Interlocks and Insider Participation), 41 (Employment Agreement with Mr. Berges), 41 – 42 (Employment and Severance Agreement with Mr. Stanage), 49 – 54 (Potential Payments upon Termination or Change in Control) and 62 – 63 (Certain Relationships and Related Transactions)
15.	**REMUNERATION AND BENEFITS**		
15.1.	The amount of remuneration paid to the members of the administrative, management, supervisory and senior management bodies or to the general managers of the issuer	Exhibit III	14 – 16 (Director Compensation in 2010) and 38 – 49 (Excerpts from Executive Compensation)

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15.2.	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits to the above persons	Exhibit I	54 – 60 (Note 8 – Retirement and Other Postretirement Benefit Plans)
		Exhibit III	38 – 39 (Summary Compensation Table), 45 – 47 (Pension Benefits in Fiscal 2010), 48 – 49 (Nonqualified Deferred Compensation in Fiscal Year 2010) and 55 – 56 (Benefits Payable Upon Termination of Employment on December 31, 2010)
16.	**Board Practices**		
16.1.	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office.	Exhibit III	4 – 7 (Excerpts from Proposal 1—Election of Directors)
16.2.	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer of any of its subsidiaries providing for benefits upon termination of employment	Exhibit III	41 (Employment Agreement with Mr. Berges), 41 – 42 (Employment and Severance Agreement with Mr. Stanage), 49 – 54 (Potential Payments upon Termination or Change in Control) and 55 – 56 (Benefits Payable Upon Termination of Employment on December 31, 2010)
16.3.	Information about the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committee operates	Exhibit III	8 (Audit Committee), 12 (Compensation Commmitee), 36 (Compensation Committee Report) and

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			Fiscal Year-End) and 44 (Option Exercises and Stock Vested in 2010)
17.3.	Description of any arrangements for involving the employees in the capital of the issuer	Exhibit I	63 – 66 (Note 11 – Stock-Based Compensation)
		Exhibit III	37 (Equity Compensation Plan Information)
18.	**Major Stockholders**		
18.1.	Name of any stockholders who are not members of administrative and/or management bodies	Exhibit III	18 (Stock Beneficially Owned by Principal Stockholders)
18.2.	Whether the issuer's major stockholders have different voting rights	Chapter C	20 – 21 (Voting Rights)
18.3.	Information on the persons directly or indirectly controlling the issuer	Not applicable	Not applicable
18.4.	Agreement known to the issuer that may result in a change in control of the issuer	Not applicable	Not applicable
19.	**RELATED PARTY TRANSACTIONS**	Exhibit III	35 (Compensation Committee Interlocks and Insider Participation), 41 (Employment Agreement with Mr. Berges), 41 – 42 (Employment and Severance Agreement with Mr. Stanage), 49 – 54 (Potential Payments upon Termination or Change in Control), 55 – 56 (Benefits Payable Upon Termination of Employment on December 31, 2010) and 62 – 63 (Certain Relationships and Related Transactions)

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20.	**FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**		
20.1.	Historical Financial Information Consolidated balance sheets of Hexcel Corporation and subsidiaries as of December 31, 2010 and 2009 and the related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows for the each of the three years in the period ended December 31, 2010	Exhibit I	44 (Consolidated Balance Sheets), 45 (Consolidated Statements of Operations), 46 (Consolidated Statements of Stockholders' Equity and Comprehensive Income), 47 (Consolidated Statements of Cash Flows), 48 – 75 (Notes to Consolidated Financial Statements) and 76 (Schedule II – Hexcel Corporation Valuation and Qualifying Accounts)
	Consolidated balance sheets of Hexcel Corporation and subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows for the each of the three years in the period ended December 31, 2009	Exhibit VII	All pages
20.2.	Pro forma financial information	Not applicable	Not applicable
20.3.	Financial statements Consolidated balance sheets of Hexcel Corporation and subsidiaries as of December 31, 2010 and 2009 and the related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows for the each of the three years in the period ended December 31, 2010	Exhibit I	44 (Consolidated Balance Sheets), 45 (Consolidated Statements of Operations), 46 (Consolidated Statements of Stockholders' Equity and Comprehensive Income), 47 (Consolidated Statements of Cash Flows), 48 – 75 (Notes to

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			Consolidated Financial Statements) and 76 (Schedule II – Hexcel Corporation Valuation and Qualifying Accounts)
	Consolidated balance sheets of Hexcel Corporation and subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows for the each of the three years in the period ended December 31, 2009	Exhibit VII	All pages
20.4.	**<u>Auditing of historical annual financial information</u>**		
20.4.1.	Statement that the historical financial information has been audited	Exhibit I	43 (Report of Independent Registered Public Accounting Firms)
	Report of Independent Registered Public Accounting Firm on consolidated balance sheets of Hexcel Corporation, the related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows as of December 31, 2009, and for each of the three years in the period ended December 31, 2009.	Exhibit VII	Page after Cover Page (Report of Independent Registered Public Accounting Firm)
20.4.2.	Indication of other information in the prospectus which has been audited by the auditors	Exhibit I	42 (Management's Report on Internal Control over Financial Reporting) and 43 (Report of Independent Registered Public Accounting Firm)
20.4.3.	Unaudited financial data in prospectus	Chapter C	24 (II. Statement of Capitalization and Indebtedness as of March 31, 2011)
		Exhibit I	75 (Note 22. – Quarterly Financial and Market Data (Unaudited))
		Exhibit II	3 – 14 (Item 1. Condensed Consolidated Financial Statements (Unaudited))
20.5.	**<u>Age of latest financial information</u>**		

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<tr><td>20.9.</td><td>Significant change in the issuer’s financial or trading position since the end of the last financial period</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>21.</td><td>ADDITIONAL INFORMATION</td><td></td><td></td></tr>
<tr><td>21.1.</td><td><u>Share Capital</u></td><td></td><td></td></tr>
<tr><td>21.1.1.</td><td>The amount of issued capital</td><td>Chapter C</td><td>19 (1.1 Type and the Class of the Securities Being Offered, Including the Security Identification</td></tr>
</table>

Item #	Item contents	Chapter/Exhibit	Page/Section
			Code)
		Exhibit I	44 (Consolidated Balance Sheets), 46 (Consolidated Statements of Stockholders' Equity and Comprehensive Income) and 63 (Note 10 – Capital Stock)
		Exhibit II	3 (Condensed Consolidated Balance Sheets)
		Exhibit IV	9 (4. Capitalization)
21.1.2.	Shares not representing capital	Not applicable	Not applicable
21.1.3.	Shares in the issuer held by the issuer or subsidiaries	Not applicable	Not applicable
21.1.4.	The amount of any convertible securities, exchangeable securities or securities with warrants, with an indication of the conditions governing and the procedures for conversion, exchange or subscription	Not applicable	Not applicable
21.1.5.	Information about and terms of any acquisition rights and or obligations over authorized but unissued capital or an undertaking to increase the capital	Chapter C	19 (1.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code)
21.1.6.	Information about any capital of any member of the group which is under option or agreed conditionally or unconditionally to be put under option	Exhibit I	63 – 66 (Note 11– Stock-Based Compensation)
		Exhibit III	14 – 16 (Director Compensation in 2010), 19 (Stock Beneficially Owned by Directors and Officers), 37 (Equity Compensation Plan Information), 38 – 39 (Summary

Item #	Item contents	Chapter/Exhibit	Page/Section
			Compensation Table), 40 (Grants of Plan-Based Awards in 2010), 43 – 44 (Outstanding Equity Awards at 2010 Fiscal Year-End) and 44 (Option Exercises and Stock Vested in 2010)
21.1.7.	A history of share capital for the period covered by the historical financial information	Exhibit I	44 (Consolidated Balance Sheets), 46 (Consolidated Statements of Stockholders' Equity and Comprehensive Income) and 63 (Note 10 – Capital Stock)
21.2.	**<u>Memorandum and Articles of Association</u>**		
21.2.1.	Issuer's objects and purposes	Chapter C	19 (1.2 Legislation and Authorization Under Which the Securities Have Been Created)
21.2.2	A summary of any provisions of the issuer's articles of association, statutes, charter or bylaws with respect to the members of the administrative, management and supervisory bodies	Exhibit IV	3 – 4 (6. Directors) and 6 – 7 (10. Elimination of Directors' Liability; Indemnification)
		Exhibit V	5 – 9 (Directors) and 9 – 11 (Officers)
21.2.3.	A description of the rights, preferences and restrictions attaching to each class of the existing shares	Chapter C	20 – 21 (1.5 Rights Attached to the Securities)
		Exhibit IV	2 (5. Preferred Stock) and 9 (4. Capitalization)
		Exhibit V	12 – 13 (Shares)
21.2.4.	What action is necessary to change the rights of	Chapter C	20 – 21 (Voting Rights)

Item #	Item contents	Chapter/Exhibit	Page/Section
	holders of the shares	Exhibit IV	4 – 5 (7. Action by Stockholders; Special Meetings; Voting) and 5 (8. Amendment of Certificate of Incorporation and Bylaws)
		Exhibit V	13 (Amendments)
21.2.5.	Conditions governing the manner in which annual general meetings and extraordinary general meetings of stockholders are called	Chapter C	20 – 21 (Voting Rights)
		Exhibit IV	4 – 5 (7. Action by Stockholders; Special Meetings; Voting)
		Exhibit V	1 – 4 (Stockholders)
21.2.6.	Provisions of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer	Not applicable	Not applicable
21.2.7.	An indication of the articles of association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which stockholder ownership must be disclosed	Not applicable	Not applicable
21.2.8.	A description of the conditions imposed by the memorandum and articles of association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law	Not applicable	Not applicable
22.	**MATERIAL CONTRACTS**		
	Summary of material contracts	Exhibit I	31 (Interest Expense), 32 (Significant Customers), 33 – 34 (Credit Facilities), 34 (Financing Activities), 35 (Financial Obligations and Commitments), 52 – 54 (Note 6. Debt) and 54 (Note 7 – Leasing

Item #	Item contents	Chapter/Exhibit	Page/Section
			Arrangements)
		Exhibit II	8 – 9 (Note 7 – Notes Payable and Capital Lease Obligations), 18 (Interest Expense, Net), 19 (Investing Activities) and 19 (Financial Obligations and Commitments)
23.	**THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**		
23.1.	Where a statement or report attributed to a person as an expert is included in the Registration Document, provide such person's name, business address, qualifications and material interest if any in the issuer	Not applicable	Not applicable
23.2.	Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced	Not applicable	Not applicable
24.	**DOCUMENTS ON DISPLAY**	Chapter C	29 (VIII. Documents on Display)
25.	**INFORMATION ON HOLDINGS**	Chapter C	26 (V. Organizational Structure)
		Exhibit I	52 (Note 5 – Investments in Affiliated Companies) and Exhibit 21 (Subsidiaries of Hexcel Corporation)
		Exhibit II	6 (Investments in Affiliated Companies)

ANNEX III

MINIMUM DISCLOSURE REQUIREMENTS FOR THE SHARE SECURITIES NOTE (SCHEDULE)

(Page numbering refers to the page contained in the relevant documents)

Item #	Item contents	Chapter/Exhibit	Page/Section
1.	**PERSONS RESPONSIBLE**		
1.1.	All persons responsible for the information given in the prospectus.	Wrapper	5 (Company Representative for Prospectus)
		Exhibit I	Exhibits 31.1, 31.2 and 32
		Exhibit II	Exhibits 31.1, 31.2 and 32
1.2.	A declaration by those responsible for the prospectus.	Wrapper	5 (Company Representative for Prospectus)
2.	**RISK FACTORS**	Exhibit I	38 – 40 (Market Risks)
3.	**KEY INFORMATION**		
3.1	Working capital statement	Chapter C	26 (VI. Working Capital Statement)
3.2	Capitalization and indebtedness	Chapter C	24 (II. Statement of Capitalization and Indebtedness as of March 31, 2011)
3.3	Interest of natural and legal persons involved in the issue/offer	Not applicable	Not applicable
3.4	Reasons for the offer and use of proceeds	Chapter C	23 (1.11 Purpose of the Listing and Liquidity)
4.	**INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ ADMITTED TO TRADING**		
4.1	Type and the class of the securities being offered, including the security identification code.	Chapter C	19 (1.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code)
4.2	Legislation under which the securities have been created.	Chapter C	19 (1.2 Legislation Under Which the Securities Have Been Created)

Item #	Item contents	Chapter/Exhibit	Page/Section
4.3	Form of securities, name and address of the entity in charge of keeping the records.	Chapter C	19 (1.3 Form of Securities, Name and Address of the Entity in Charge of Keeping the Records)
4.4	Currency of the securities issue.	Chapter C	19 (1.4 Currency of the Securities Issue)
4.5	Rights attached to the securities	Chapter C	20 – 21 (1.5 Rights Attached to the Securities)
4.6	Statement of the resolutions, authorizations and approvals by virtue of which the securities have been or will be created and/or issued.	Not applicable	Not applicable
4.7	Expected issue date of the securities.	Not applicable	Not applicable
4.8	Description of any restrictions on the free transferability of the securities.	Chapter C	21 (1.6 Transferability)
4.9	Mandatory takeover bids and/or squeeze-out and sell-out rules in relation to the securities.	Not applicable	Not applicable
4.10	An indication of public takeover bids by third parties in respect of the issuer's equity, which have occurred during the last financial year and the current financial year.	Not applicable	Not applicable
4.11	Information on taxes on the income from the securities withheld at source	Chapter C	26 – 29 (VII. Tax Consequences)
5.	**TERMS AND CONDITIONS OF THE OFFER**		
5.1	**Conditions, offer statistics, expected timetable and action required to apply for the offer**		
5.1.1	Conditions to which the offer is subject.	Not applicable	Not applicable
5.1.2	Total amount of the issue/offer.	Not applicable	Not applicable
5.1.3	Time period during which the offer will be open and description of the application process.	Not applicable	Not applicable
5.1.4	Circumstances under which the offer may be revoked or suspended and whether revocation can occur after dealing has begun.	Not applicable	Not applicable
5.1.5	Possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.	Not applicable	Not applicable
5.1.6	Minimum and/or maximum amount of application.	Not applicable	Not applicable

Item #	Item contents	Chapter/Exhibit	Page/Section
5.1.7	Period during which an application may be withdrawn.	Not applicable	Not applicable
5.1.8	Method and time limits for paying up the securities and for delivery of the securities.	Not applicable	Not applicable
5.1.9	Manner and date in which results of the offer are to be made public.	Not applicable	Not applicable
5.1.10	Procedure for the exercise of any right of pre-emption.	Not applicable	Not applicable
5.2	**Plan of distribution and allotment**		
5.2.1.	The various categories of potential investors to which the securities are offered.	Not applicable	Not applicable
5.2.2.	Indication of whether major shareholders or members of the issuer's management, supervisory or administrative bodies intended to subscribe in the offer, or whether any person intends to subscribe for more than five per cent of the offer.	Not applicable	Not applicable
5.2.3.	Pre-allotment Disclosure:		
a)	The division into tranches of the offer;	Not applicable	Not applicable
b)	The conditions under which the claw-back may be used;	Not applicable	Not applicable
c)	The allotment method or methods to be used for the retail and issuer’s employee tranche;	Not applicable	Not applicable
d)	Pre-determined preferential treatment to be accorded to certain classes of investors or certain affinity groups.	Not applicable	Not applicable
e)	Whether the treatment of subscriptions or bids to subscribe in the allotment may be determined on the basis of which firm they are made through or by;	Not applicable	Not applicable
f)	A target minimum individual allotment if any within the retail tranche;	Not applicable	Not applicable
g)	The conditions for the closing of the offer as well as the date on which the offer may be closed at the earliest;	Not applicable	Not applicable
h)	Whether or not multiple subscriptions are	Not applicable	Not applicable

Item #	Item contents	Chapter/Exhibit	Page/Section
	admitted.		
5.2.4.	Process for notification to applicants of the amount allotted.	Not applicable	Not applicable
5.2.5.	Over-allotment and 'green shoe':	Not applicable	Not applicable
a)	The existence and size of any over-allotment facility and/or 'green shoe'.	Not applicable	Not applicable
b)	The existence period of the over-allotment facility and/or 'green shoe'.	Not applicable	Not applicable
c)	Any conditions for the use of the over-allotment facility or exercise of the 'green shoe'.	Not applicable	Not applicable
5.3	**Pricing**		
5.3.1.	An indication of the price at which the securities will be offered.	Not applicable	Not applicable
5.3.2.	Process for the disclosure of the offer price.	Not applicable	Not applicable
5.3.3.	If the issuer's equity holders have pre-emptive purchase rights and this right is restricted or withdrawn.	Not applicable	Not applicable
5.3.4	Where there is or could be a material disparity between the public offer price and the effective cash cost to members of the administrative, management or supervisory bodies or senior management, or affiliated persons, of securities acquired by them in transactions during the past year.	Not applicable	Not applicable
5.4.	**Placing and Underwriting**		
5.4.1	Name and address of the co-coordinator(s) of the global offer.	Not applicable	Not applicable
5.4.2	Name and address of any paying agents and depository agents in each country.	Chapter C	19 (1.3 Form of Securities, Name and Address of the Entity In Charge of Keeping the Records)
5.4.3.	Name and address of the entities agreeing to underwrite the issue on a firm commitment basis.	Not applicable	Not applicable
5.4.4.	When the underwriting agreement has been or will be reached.	Not applicable	Not applicable

Item #	Item contents	Chapter/Exhibit	Page/Section
6.	**ADMISSION TO TRADING AND DEALING ARRANGEMENTS**		
6.1	Whether the securities offered are or will be the object of an application for admission to trading.	Chapter C	19 (1.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code)
6.2	Regulated markets or equivalent markets on which securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.	Chapter C	19 (1.1 Type and the Class of the Securities Being Offered, Including the Security Identification Code)
6.3	Simultaneous private placement.	Not applicable	Not applicable
6.4	Details of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity.	Not applicable	Not applicable
6.5	**Stabilization**		
6.5.1.	The fact that stabilization may be undertaken, that there is no assurance that it will be undertaken and that it may be stopped at any time,	Not applicable	Not applicable
6.5.2.	The beginning and the end of the period during which stabilization may occur,	Not applicable	Not applicable
6.5.3.	Identity of the stabilization manager	Not applicable	Not applicable
6.5.4.	The fact that stabilization transactions may result in a market price that is higher than would otherwise prevail.	Not applicable	Not applicable
7.	**SELLING SECURITIES HOLDERS**		
7.1.	Name and business address of the person or entity offering to sell the securities.	Not applicable	Not applicable
7.2.	The number and class of securities being offered by each of the selling security holders.	Not applicable	Not applicable
7.3.	Lock-up agreements	Not applicable	Not applicable
8.	**EXPENSE OF THE ISSUE/OFFER**		
8.1.	The total net proceeds and an estimate of the total expenses of the issue/offer.	Not applicable	Not applicable
9.	**DILUTION**		

Item #	Item contents	Chapter/Exhibit	Page/Section
9.1.	The amount and percentage of immediate dilution resulting from the offer.	Not applicable	Not applicable
9.2.	In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer.	Not applicable	Not applicable
10.	**ADDITIONAL INFORMATION**		
10.1.	If advisors connected with an issue are mentioned in the Securities Note, a statement of the capacity in which the advisors have acted.	Not applicable	Not applicable
10.2.	An indication of other information in the Securities Note which has been audited or reviewed by statutory auditors.	Not applicable	Not applicable
10.3.	Where a statement or report attributed to a person as an expert is included in the Securities Note, provide such persons' name, business address, qualifications and material interest if any in the issuer.	Not applicable	Not applicable
10.4.	Where information has been sourced from a third party.	Not applicable	Not applicable

EXHIBITS

EXHIBIT I

ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010, FILED BY HEXCEL WITH THE SEC ON FEBRUARY 10, 2011

UNITED STATES
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, 2010

or

☐ **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 1-8472

Hexcel Corporation
(Exact name of registrant as specified in its charter)

Delaware	94-1109521
(State of Incorporation)	(I.R.S. Employer Identification No.)

281 Tresser Boulevard
Stamford, Connecticut 06901
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(203) 969-0666**

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

Title of each class	Name of each exchange on which registered
COMMON STOCK	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 ☒ 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 ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark 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. ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐

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

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

The aggregate market value of the registrant's common stock held by non-affiliates was $914,585,628 based on the reported last sale price of common stock on June 30, 2010, which is the last business day of the registrant's most recently completed second fiscal quarter.

The number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of February 8, 2011
COMMON STOCK	97,526,055

Documents Incorporated by Reference:

Proxy Statement for Annual Meeting of Stockholders (to the extent specified herein) — Part III.

PART I

ITEM 1. Business.

General Development of Business

Hexcel Corporation, founded in 1946, was incorporated in California in 1948, and reincorporated in Delaware in 1983. Hexcel Corporation and its subsidiaries (herein referred to as "Hexcel", "the Company", "we", "us", or "our"), is a leading advanced composites company. We develop, manufacture, and market lightweight, high-performance composites, including carbon fibers, reinforcements, prepregs, honeycomb, matrix systems, adhesives and composite structures, for use in Commercial Aerospace, Space & Defense and Industrial Applications. Our products are used in a wide variety of end applications, such as commercial and military aircraft, space launch vehicles and satellites, wind turbine blades, automotive, bikes, skis and a wide variety of recreational products and other industrial applications.

We serve international markets through manufacturing facilities, sales offices and representatives located in the Americas, Asia Pacific and Europe. We are also an investor in a joint venture in Malaysia, which manufactures composite structures for Commercial Aerospace applications.

Narrative Description of Business and Segments

We are a manufacturer of products within a single industry: Advanced Composites. Hexcel has two segments, Composite Materials and Engineered Products. The Composite Materials segment is comprised of our carbon fiber, reinforcements for composites, honeycomb core and matrix product lines. The Engineered Products segment is comprised of lightweight high strength composite structures and specially machined honeycomb product lines.

The following summaries describe the ongoing activities related to the Composite Materials and Engineered Products segments as of December 31, 2010.

Composite Materials

The Composite Materials segment manufactures and markets carbon fibers, fabrics and specialty reinforcements, prepregs, structural adhesives, honeycomb, composite panels, molding compounds, polyurethane systems and laminates that are incorporated into many applications, including military and commercial aircraft, wind turbine blades, recreational products and other industrial applications.

The following table identifies the principal products and examples of the primary end-uses from the Composite Materials segment:

SEGMENT	PRODUCTS	PRIMARY END-USES
COMPOSITE MATERIALS	Carbon Fibers	• Raw materials for prepregs, fabrics and specialty reinforcements • Filament winding for various space, defense and industrial applications
	Industrial Fabrics and Specialty Reinforcements	• Raw materials for prepregs and honeycomb • Composites and components used in aerospace, defense, wind energy, automotive, recreation and other industrial applications
	Prepregs and Other Fiber-Reinforced Matrix Materials	• Composite structures • Commercial and military aircraft components • Satellites and launchers • Aeroengines • Wind turbine and helicopter blades • Yachts, trains and performance cars • Skis, snowboards, hockey sticks, and bicycles
	Structural Adhesives	• Bonding of metals, honeycomb and composite materials
	Honeycomb	• Composite structures and interiors • Impact and shock absorption systems • Helicopter blades

Carbon Fibers: HexTow® carbon fibers are manufactured for sale to third-party customers as well as for our own use in manufacturing certain reinforcements and composite materials. Carbon fibers are woven into carbon fabrics, used as reinforcement in conjunction with a resin matrix to produce pre-impregnated composite materials (referred to as "prepregs"). Carbon fiber is also used in filament winding, hand layup, automatic tape layup and advanced fiber placement to produce finished composite components. Key product applications include structural components for commercial and military aircraft, space launch vehicles, and certain other applications such as recreational and industrial equipment.

Industrial Fabrics and Specialty Reinforcements: Industrial fabrics and specialty reinforcements are made from a variety of fibers, including carbon, aramid and other high strength polymers, several types of fiberglass, quartz, ceramic and other specialty fibers. These reinforcements are used in the production of prepregs and other matrix materials used in primary and secondary structural aerospace applications such as wing components, horizontal and vertical stabilizer components, fairings, radomes and engine nacelles as well as overhead storage bins and other interior components. Our reinforcements are also used in the manufacture of a variety of industrial and recreational products such as wind energy blades, automotive components, oil exploration and production equipment , boats, surfboards, skis and other sporting goods equipment.

Prepregs: HexPly® prepregs are manufactured for sale to third-party customers and for internal use by our Engineered Products segment in manufacturing composite laminates and monolithic structures, including finished components for aircraft structures and interiors. Prepregs are manufactured by combining high-performance reinforcement fabrics or unidirectional fibers with a resin matrix to form a composite material with exceptional structural properties not present in either of the constituent materials. Reinforcement fabrics used in the manufacture of prepregs include glass, carbon, aramid, quartz, ceramic and other specialty reinforcements. Resin matrices include bismaleimide, cyanate ester, epoxy, phenolic, polyester, polyimide and other specialty resins.

Other Fiber-Reinforced Matrix Materials: New fiber reinforced matrix developments include HexMC®, a form of quasi-isotropic carbon fiber prepreg that enables small to medium sized composite components to be mass produced. HexTOOL® is a specialized form of HexMC® for use in the cost-effective construction of high temperature composite tooling. HexFIT® film infusion material is a product that combines resin films and dry fiber reinforcements to save lay-up time in production and enables the manufacture of large contoured composite structures, such as wind turbine blades.

Resins: Polymer matrix materials are sold in bulk and film form for use in direct process manufacturing of composite parts. Resins can be combined with fiber reinforcements in manufacturing processes such as resin transfer molding (RTM), resin film infusion (RFI) or vacuum assisted resin transfer molding (VARTM) to produce high quality composite components for both aerospace and industrial applications.

Structural Adhesives: We manufacture and market a comprehensive range of Reduxâ film and paste adhesives. These structural adhesives, which bond metal to metal and composites and honeycomb structures, are used in the aerospace industry and for many industrial applications.

Honeycomb: HexWeb® honeycomb is a lightweight, cellular structure generally composed of nested hexagonal cells. The product is similar in appearance to a cross-sectional slice of a beehive. It can also be manufactured in asymmetric cell configurations for more specialized applications. Honeycomb is primarily used as a lightweight core material and acts as a highly efficient energy absorber. When sandwiched between composite or metallic facing skins, honeycomb significantly increases the stiffness of the structure, while adding very little weight.

We produce honeycomb from a number of metallic and non-metallic materials. Most metallic honeycomb is made from aluminum and is available in a selection of alloys, cell sizes and dimensions. Non-metallic materials used in the manufacture of honeycomb include fiberglass, carbon fiber, thermoplastics, non-flammable aramid papers, aramid fiber and other specialty materials.

We sell honeycomb as standard blocks and in slices cut from a block. Honeycomb is also supplied as sandwich panels, with facing skins bonded to either side of the core material. Honeycomb is also used in Acousti-Cap® where a non-metallic permeable cap material is embedded into honeycomb core that is used in aircraft engines to dramatically reduce noise during takeoff and landing without adding a structural weight penalty. Aerospace is the largest market for honeycomb products. We also sell honeycomb for non-aerospace applications including automotive parts, sporting goods, building panels, high-speed trains and mass transit vehicles, energy absorption products, marine vessel compartments, and other industrial uses. In addition, we produce honeycomb for our Engineered Products segment for use in manufacturing finished parts for airframe Original Equipment Manufacturers ("OEMs").

The following table identifies the key customers and the major manufacturing facilities of the Composite Materials segment:

COMPOSITE MATERIALS

KEY CUSTOMERS

Aernnova	Daher	Lockheed Martin
Alliant Techsystems	EADS (including Airbus and Eurocopter)	Northrop Grumman
BAE Systems	Embraer	Safran
The Boeing Company	FACC	Spirit Aerosystems
Bombardier	Finmecanica	Textron
CFAN	Gamesa	Trek
CTRM Aero Composites	GKN	United Technologies
Cytec Engineered Materials	Goodrich	Vestas

MAJOR MANUFACTURING FACILITIES

Casa Grande, Arizona	Parla, Spain
Decatur, Alabama	Salt Lake City, Utah
Duxford, England	Seguin, Texas
Illescas, Spain	Stade, Germany
Les Avenieres, France	Tianjin, China
Nantes, France	Windsor, Colorado
Neumarkt, Austria	

Net sales for the Composite Materials segment to third-party customers were $904.5 million in 2010, $856.5 million in 2009 and $1,075.3 million in 2008, which represented approximately 77%, 77% and 81%, of our net sales, respectively. Net sales for composite materials are highly dependent upon the number of large commercial aircraft produced as further discussed under the captions "Significant Customers", "Markets" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". In addition, about 4% of our total production of composite materials in 2010 was used internally by the Engineered Products segment.

Engineered Products

The Engineered Products segment manufactures and markets composite structures and precision machined honeycomb parts for use in the aerospace industry. Composite structures are manufactured from a variety of composite and other materials, including prepregs, honeycomb, structural adhesives and advanced molding materials, using such manufacturing processes as autoclave processing, multi-axis numerically controlled machining, heat forming, compression molding and other composite manufacturing techniques.

The following table identifies the principal products and examples of the primary end-uses from the Engineered Products segment:

SEGMENT	PRODUCTS	PRIMARY END-USES
ENGINEERED PRODUCTS	Composite Structures	• Aircraft structures and finished aircraft components, including wing to body fairings, wing panels, flight deck panels, door liners, helicopter blades, spars and tip caps
	Machined Honeycomb	• Aircraft structural sub-components and semi-finished components used in helicopter blades, engine nacelles, and aircraft surfaces (flaps, wings, elevators and fairings)

Net sales for the Engineered Products segment to third-party customers were $269.1 million in 2010, $251.8 million in 2009 and $249.6 million in 2008, which represented approximately 23%, 23% and 19% of our net sales, respectively.

The Engineered Products business unit has a 50% ownership interest in a Malaysian joint venture, Asian Composites Manufacturing Sdn. Bhd. ("ACM"). Under the terms of the joint venture agreement, Hexcel and The Boeing Company ("Boeing") have transferred the manufacture of certain semi-finished composite components to this joint venture. Hexcel purchases the semi-finished composite components from the joint venture, and inspects and performs additional skilled assembly work before delivering them to Boeing. The joint venture also manufactures composite components for other aircraft component manufacturers. ACM had revenue of $44.9 million, $39.2 million and $27.9 million in 2010, 2009 and 2008, respectively. For additional information on the Joint Venture investment see Note 5, *Investments in Affiliated Companies*.

The following table identifies the key customers and the major manufacturing facilities of the Engineered Products segment:

ENGINEERED PRODUCTS

KEY CUSTOMERS	MAJOR MANUFACTURING FACILITIES
The Boeing Company	Kent, Washington
Bombardier	Burlington, Washington
General Dynamics	Pottsville, Pennsylvania
General Electric	Welkenraedt, Belgium
GKN	Alor Setar, Malaysia (JV)
Hawker / Beechcraft	
Spirit Aerosystems	
United Technologies	

Financial InformationAbout Segments and Geographic Areas

Financial information and further discussion of our segments and geographic areas, including external sales and long-lived assets, are contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 17 to the accompanying consolidated financial statements of this Annual Report on Form 10-K.

Significant Customers

Approximately 31%, 27% and 23% of our 2010, 2009, and 2008 net sales, respectively, were to The Boeing Company ("Boeing") and related subcontractors. Of the 31% of overall sales to Boeing and its subcontractors in 2010, 25% related to Commercial Aerospace market applications and 6% related to Space & Defense market applications. Approximately 24%, 22% and 24% of our 2010, 2009, and 2008 net sales, respectively, were to European Aeronautic Defence and Space Company ("EADS"), including its business division Airbus Industrie ("Airbus"), and its subcontractors. Of the 24% of overall sales to EADS and its subcontractors in 2010, 21% related to Commercial Aerospace market applications and 3% related to Space and Defense market applications.

In 2009 and 2008, Vestas Wind Systems A/S accounted for nearly 12% and 11%, respectively, of the Company's total net sales. In 2010, their sales were less than 10% of total net sales. All of these sales are included in the Composite Materials segment and are in the Industrial market.

Markets

Our products are sold for a broad range of end-uses. The following tables summarize our net sales to third-party customers by market and by geography for each of the three years ended December 31:

	2010	2009	2008
Net Sales by Market			
Commercial Aerospace	**55%**	50%	54%
Space and Defense	**26**	27	23
Industrial	**19**	23	23
Total	**100%**	100%	100%
Net Sales by Geography (a)			
United States	**52%**	48%	48%
Europe	**48**	52	52
Total	**100%**	100%	100%

(a) Net sales by geography based on the location in which the product sold was manufactured.

	2010	2009	2008
Net Sales to External Customers (b)			
United States	**45%**	42%	36%
Europe	**41**	45	51
All Others	**14**	13	13
Total	**100%**	100%	100%

(b) Net sales to external customers based on the location to which the product sold was delivered.

Commercial Aerospace

The Commercial Aerospace industry is our largest user of advanced composites. The economic benefits airlines can obtain from weight savings in both fuel economy and aircraft range, combined with the design enhancement that comes from the advantages of advanced composites over traditional materials, have caused the industry to be the leader in the use of these materials. While military aircraft and spacecraft have championed the development of these materials, Commercial Aerospace has had the greater consumption requirements and has commercialized the use of these products. Accordingly, the demand for advanced structural material products is closely correlated to the demand for commercial aircraft.

The use of advanced composites in Commercial Aerospace is primarily in the manufacture of new commercial aircraft. The aftermarket for these products is very small as many of these materials are designed to last for the life of the aircraft. The demand for new commercial aircraft is driven by two principal factors, the first of which is airline passenger traffic (the number of revenue passenger miles flown by the airlines) which affects the required size of airline fleets. After the current poor global economic environment resulted in a decline in 2009 passenger and freight traffic, 2010 revenue passenger miles returned to growth. The International Air Transport Association (IATA) estimates 2010 revenue passenger miles were 8.2% higher than 2009. Growth in passenger traffic requires growth in the size of the fleet of commercial aircraft operated by airlines worldwide.

A second factor, which is less sensitive to the general economy, is the replacement rates for existing aircraft. The rates of retirement of passenger and freight aircraft, resulting mainly from obsolescence, are determined in part by the regulatory requirements established by various civil aviation authorities worldwide as well as public concern regarding aircraft age, safety and noise. These rates may also be affected by the desire of the various airlines to improve operating costs with higher payloads and more fuel-efficient aircraft (which in turn is influenced by the price of fuel) and by reducing maintenance expense. In addition, there is expected to be increasing pressure on airlines to replace their aging fleet with more fuel efficient and quieter aircraft to be more environmentally responsible. When aircraft are retired from commercial airline fleets, they may be converted to cargo freight aircraft or scrapped.

An additional factor that may cause airlines to defer or cancel orders is their ability to obtain financing, including leasing, for new aircraft orders. This will be dependent both upon the financial health of the airline operators, as well as the overall availability of financing in the marketplace.

Each new generation of commercial aircraft has used increasing quantities of advanced composites, replacing metals. This follows the trend previously seen in military fighter aircraft where advanced composites may now exceed 50% of the weight of the airframe. Early versions of commercial jet aircraft, such as the Boeing 707, which was developed in the early 1950's, contained almost no composite materials. One of the first commercial aircraft to use a meaningful amount of composite materials, the Boeing 767 entered into service in 1983, and was built with an airframe containing approximately 6% composite materials. The airframe of Boeing's 777 aircraft, which entered service in 1995, is approximately 11% composite. By comparison, the next generation of aircraft in development will contain significantly higher composite content by weight. The Airbus A380, which was first delivered in 2007, is being built with an airframe containing approximately 23% composite content by weight. Boeing's latest aircraft, the B787 has a content of 50% or more composite materials by weight. After several announced delays, the B787 maiden flight occurred in December 2009 and the aircraft is projected to enter into service in the third quarter of 2011. In December 2006, Airbus formally launched the A350 XWB which is also projected to have a composite content of 50% or more by weight. Airbus targets the A350 XWB to enter into service in late 2013. We refer to this steady expansion of the use of composites in aircraft as the "secular penetration of composites" as it increases our average sales per airplane over time.

The impact on Hexcel of Boeing and Airbus' production rate changes is typically influenced by two factors: the mix of aircraft produced and the inventory supply chain effects of increases or reductions in aircraft production. We have products on all Boeing and Airbus planes. The dollar value of our materials varies by aircraft type — twin aisle aircraft use more of our materials than narrow body aircraft and newer designed aircraft use more of our materials than older generations. On average, for established programs, we deliver products into the supply chain about six months prior to aircraft delivery. Depending on the product, orders placed with us are received anywhere between one and eighteen months prior to delivery of the aircraft to the customer. For aircraft that are in the ramp-up stage, such as the A350 and the B787, we will have sales as much as a few years in advance of the delivery. Increased aircraft deliveries combined with the secular penetration of composites resulted in our Commercial Aerospace revenues increasing by approximately 16% in 2010 and 14% in 2008. In 2009, Commercial Aerospace revenues declined by 22% as our customers adjusted their inventory levels and the business and regional jet market declined by more than 40% from 2008.

Set forth below are historical aircraft deliveries as announced by Airbus and Boeing:

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Airbus	126	182	229	294	311	325	303	305	320	378	434	453	483	498	510
Boeing	271	375	563	620	491	527	381	281	285	290	398	441	375	481	462
Total	397	557	792	914	802	852	684	586	605	668	832	894	858	979	972

Commercial Aerospace represented 55% of our 2010 net sales. Approximately 83% of these revenues can be identified as sales to Airbus, Boeing and their subcontractors for the production of commercial aircraft. Airbus and Boeing combined deliveries in 2010 were 972 aircraft, just short of the previous high of 979 in 2009. Based on Airbus and Boeing public estimates, the combined deliveries in 2011 are expected to be between 1,005 and 1,030 planes. In 2010, the combined orders reported by Airbus and Boeing were for 1,104 planes, bringing their backlog at December 31, 2010 to 6,995 planes. The balance of our Commercial Aerospace sales is related to regional and business aircraft manufacture, and other commercial aircraft applications. These applications also exhibit increasing utilization of composite materials with each new generation of aircraft. After reaching a peak of almost $200 million of sales in 2008, business and regional aircraft sales declined by more than 40% in 2009 due to production cutbacks. Sales to this submarket declined an additional 6.6% in 2010 but have shown gradual recovery in the last few quarters.

Space & Defense

The Space & Defense market has historically been an innovator in the use of, and source of significant demand for, advanced composites. The aggregate demand by Space & Defense customers is primarily a function of procurement of military aircraft that utilizes advanced composites by the United States and certain European governments. We are currently qualified to supply materials to a broad range of over 100 helicopter, military aircraft and space programs. The top ten programs by revenues represent about 50% of our Space & Defense revenues and no one program exceeds 15% of our revenues in this segment. Key programs include the V-22 (Osprey) tilt rotor aircraft, the Blackhawk, the C-17, F/A-18E/F (Hornet), the European Fighter Aircraft (Typhoon), the NH90, the S76, the Tiger helicopters, the F-35 (joint strike fighter or JSF), and the EADS A400M military transport. The benefits that we obtain from these programs will depend upon which are funded and the extent of such funding. Space applications for advanced composites include solid rocket booster cases, fairings and payload doors for launch vehicles, and buss and solar arrays for military and commercial satellites.

Another trend providing positive growth for Hexcel is the further penetration of composites in helicopter blades. Numerous new helicopter programs in development, as well as upgrade or retrofit programs, have an increased reliance on Composite Materials products such as carbon fiber, prepregs, and honeycomb core to improve blade performance. In addition, our Engineered Products segment provides specialty value added services such as machining, sub-assembly, and even full blade manufacturing.

Contracts for military and some commercial programs may contain provisions applicable to both U.S. Government contracts and subcontracts. For example, a prime contractor may flow down a "termination for convenience" clause to materials suppliers such as

Hexcel. According to the terms of a contract, we may be subject to U.S. government Federal Acquisition Regulations, the Department of Defense Federal Acquisition Regulations Supplement, Cost Accounting Standards, and associated procurement laws.

Industrial Markets

The revenue for this market segment includes applications for our products outside the Commercial Aerospace and Space & Defense markets. A number of these applications represent emerging opportunities for our products. In developing new applications, we seek those opportunities where advanced composites technology offer significant benefits to the end user, often applications that demand high engineering performance. Within this segment, the major end market sub-segments include, in order of size based on our 2010 sales, wind energy, general industrial applications, recreational equipment (e.g., skis and snowboards, bicycles and hockey sticks), and transportation (e.g., automobiles, mass transit and high-speed rail, and marine applications). A major inventory correction in the first quarter by our largest wind customer (Vestas), and the fourth quarter closure of a number of their European plants and an associated inventory realignment, negatively impacted both our sales and our operations in 2010. We do expect wind energy sales to return to double digit growth starting the first quarter of 2011, primarily as a result of Vestas achieving record orders for over 8,600 megawatts in 2010 and the introduction of the their new, larger, 55 meter blade. Our participation in industrial market applications complements our commercial and military aerospace businesses, and we are committed to pursuing the utilization of advanced structural material technology where it can generate significant value and we can maintain a sustainable competitive advantage.

Further discussion of our markets, including certain risks, uncertainties and other factors with respect to "forward-looking statements" about those markets, is contained under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors".

Backlog

In recent years, our customers have demanded shorter order lead times and "just-in-time" delivery performance. While we have many multi-year contracts with our major aerospace customers, most of these contracts specify the proportion of the customers' requirements that will be supplied by us and the terms under which the sales will occur, not the specific quantities to be procured. Our Industrial customers have always desired to order their requirements on as short a lead-time as possible. As a result, twelve-month order backlog is not a meaningful trend indicator for us.

Raw Materials and Production Activities

Our manufacturing operations are in many cases vertically integrated. We produce carbon fibers, industrial fabrics, composite materials and composite structures as well as sell these materials to third-party customers for their use in the manufacture of their products.

We manufacture high performance carbon fiber from polyacrylonitrile precursor ("PAN"). The primary raw material for PAN is acrylonitrile. All of the PAN we produce is for internal carbon fiber production. We consume approximately 60% by value of the carbon fiber we produce and sell the remainder of our output to third-party customers. However, as one of the world's largest consumers of high performance carbon fiber, we also purchase significant quantities of carbon fiber from external sources for our own use. The sources of carbon fiber we can use in any product or application are sometimes dictated by customer qualifications or certifications, otherwise we select a carbon fiber based on performance, price and availability. With the increasing demand for carbon fiber, particularly in aerospace applications, we have doubled our PAN and carbon fiber capacity over the past several years to serve the growing needs of our customers and our own downstream products. In 2007, we announced another increase in PAN and carbon fiber capacity, which is ramping up and now scheduled to be completed by the end of 2011 and will increase our global nameplate capacity to a total of about 16 million pounds of carbon fiber. Due to the changing demand outlook, we had modified the pace of the project to reduce capital spending, but resumed the schedule in 2010. After a new line starts production, it can take over a year to be certified for aerospace qualifications. However, these lines can start supplying carbon fiber for many industrial and recreational applications within a short time period.

We purchase glass yarn from a number of suppliers in the United States, Europe and Asia. We also purchase aramid and high strength fibers which are produced by only a few companies, and during periods of high demand, can be in short supply. In addition, epoxy and other specialty resins, aramid paper and aluminum specialty foils are used in the manufacture of composite products. A number of these products have only one or two sources qualified for use, so an interruption in their supply could disrupt our ability to meet our customer requirements. When entering into multi-year contracts with aerospace customers, we attempt to get back-to-back commitments from key raw material suppliers.

Our manufacturing activities are primarily based on "make-to-order", or "demand pull" based on customer schedules, and to a lesser extent, "make-to-forecast" production requirements. We coordinate closely with key suppliers in an effort to avoid raw material shortages and excess inventories. However, many of the key raw materials we consume are available from relatively few sources, and in many cases the cost of product qualification makes it impractical to develop multiple sources of supply. The lack of availability of these materials could under certain circumstances have a material adverse effect on our consolidated results of operations.

Research and Technology; Patents and Know-How

Research and Technology ("R&T") departments support our businesses worldwide. Through R&T activities, we maintain expertise in precursor and carbon fiber, chemical and polymer formulation and curatives, fabric forming and textile architectures, advanced composite structures, process engineering, application development, analysis and testing of composite materials, computational design, and other scientific disciplines related to our worldwide business base.

Our products rely primarily on our expertise in materials science, textiles, process engineering and polymer chemistry. Consistent with market demand, we have been placing more emphasis on higher performing products and cost effective production processes while seeking to improve the consistency of our products and our capital efficiency. Towards this end, we have entered into formal and informal alliances, as well as licensing and teaming arrangements, with several customers, suppliers, external agencies and laboratories. We believe that we possess unique capabilities to design, develop and manufacture composite materials and structures. We have over 600 patents and pending applications worldwide, and have granted technology licenses and patent rights to several third parties primarily in connection with joint ventures and joint development programs. It is our policy to actively enforce our proprietary rights. We believe that the patents and know-how rights currently owned or licensed by Hexcel are adequate for the conduct of our business. We do not believe that our business would be materially affected by the expiration of any single patent or series of related patents, or by the termination of any single license agreement or series of related license agreements.

We spent $30.8 million, $30.1 million and $31.4 million for R&T in 2010, 2009, and 2008, respectively. In constant currency, our 2010 spending is about 4% higher than 2009. Our spending on a quarter to quarter basis fluctuates depending upon the amount of new product development and qualification activities, particularly in relation to commercial aircraft applications, that are in progress. These expenditures are expensed as incurred.

Environmental Matters

We are subject to federal, state, local and foreign laws and regulations designed to protect the environment and to regulate the discharge of materials into the environment. We believe that our policies, practices, and procedures are properly designed to prevent unreasonable risk of environmental damage and associated financial liability. To date, environmental control regulations have not had a significant adverse effect on our overall operations.

Our aggregate environmental related accruals at December 31, 2010 and 2009 were $7.3 million and $8.3 million, respectively. As of December 31, 2010 and December 31, 2009, $4.2 million and $4.5 million, respectively, were included in "Other current accrued liabilities", with the remainder included in "Other non-current liabilities". As related to certain of our environmental matters, our accruals in 2010 were estimated at the low end of a range of possible outcomes since there was no better point within the range. If we had accrued for these matters at the high end of the range of possible outcomes, our accruals would have been $8.8 million and $12.8 million at December 31, 2010 and 2009, respectively. Environmental remediation spending charged directly to our reserve balance for 2010, 2009, and 2008, was $4.8 million, $2.8 million and $2.7 million, respectively. In addition, our operating costs relating to environmental compliance were $9.5 million, $10.0 million and $11.1 million, for 2010, 2009, and 2008, respectively, and were charged directly to expense. Capital expenditures for environmental matters approximated $1.7 million, $4.8 million and $7.3 million for 2010, 2009 and 2008, respectively.

These accruals can change significantly from period to period due to such factors as additional information on the nature or extent of contamination, the methods of remediation required, changes in the apportionment of costs among responsible parties and other actions by governmental agencies or private parties, as well as the impact, if any, of Hexcel being named in a new matter. A discussion of environmental matters is contained in Item 3, "Legal Proceedings," and in Note 14 to the accompanying consolidated financial statements included in this Annual Report on Form 10-K.

Sales and Marketing

A staff of salaried market managers, product managers and sales personnel sell and market our products directly to customers worldwide. We also use independent distributors and manufacturer representatives for certain products, markets and regions. In addition, we operate various sales representation offices in the Americas, Europe and Asia Pacific.

Competition

In the production and sale of advanced composites, we compete with a number of U.S. and international companies on a worldwide basis. The broad markets for composites are highly competitive, and we have focused on both specific submarkets and specialty products within markets. In addition to competing directly with companies offering similar products, we compete with producers of substitute composites such as structural foam, infusion technology, wood and metal. Depending upon the material and markets, relevant competitive factors include approvals, database of usage, technology, product performance, delivery, service, price and customer preference for sole sourcing.

Employees

As of December 31, 2010, we employed 4,043 full-time employees and contract workers, 2,295 in the United States and 1,748 in other countries. The number of full-time employees and contract workers as of December 31, 2009 and 2008 was 3,734 and 4,275, respectively.

Other Information

Our internet website is www.hexcel.com. We make available, free of charge through our website, our Form 10-Ks, 10-Qs and 8-Ks, and any amendments to these forms, as soon as reasonably practicable after filing with the Securities and Exchange Commission.

ITEM 1A. Risk Factors

An investment in our common stock or debt securities involves risks and uncertainties. You should consider the following risk factors carefully, in addition to the other information contained in this Annual Report on Form 10-K, before deciding to purchase any of our securities.

The markets in which we operate can be cyclical, and downturns in them may adversely affect the results of our operations.

Some of the markets in which we operate have been, to varying degrees, cyclical and have experienced downturns. A downturn in these markets could occur at any time as a result of events that are industry specific or macroeconomic, such as the recent financial and credit crisis; and in the event of a downturn, we have no way of knowing if, when and to what extent there might be a recovery. Any deterioration in any of the cyclical markets we serve could adversely affect our financial performance and operating results.

At December 31, 2010, Airbus and Boeing had a combined backlog of 6,995 aircraft, which is about seven years of production at current delivery rates. To the extent any significant deferrals, cancellations or reduction in demand results in decreased aircraft build rates, it would reduce net sales for our Commercial Aerospace products and as a result reduce our operating income. Approximately 55% of our net sales for 2010 were derived from sales to the Commercial Aerospace industry, which includes 83% from Airbus and Boeing aircraft and 17% from regional and business jets. Reductions in demand for commercial aircraft or a delay in deliveries could result from many factors, including terrorist events and any subsequent military response, changes in the propensity for the general public to travel by air, a rise in the cost of aviation fuel, a change in technology resulting in the use of alternative materials, consolidation and liquidation of airlines, availability of funding for new aircraft purchases or leases, inventory corrections throughout the supply chain and slower macroeconomic growth. Both Boeing and Airbus have experienced various delays in their newest aircraft programs, including the Boeing 787, 747-8, A400M and the ramp-up of the Airbus A380. These delays have delayed and may continue to delay our expected growth or our effective utilization of capacity installed for such growth. Future delays in these or other major new customer programs could similarly impact our results.

In addition, our customers continue to emphasize the need for cost reduction or other improvements in contract terms throughout the supply chain. In response to these pressures, we may be required to accept increased risk or face the prospects of margin compression on some products in the future. Where possible, we seek to offset or mitigate the impact of such pressures through productivity and performance improvements, index clauses, currency hedging and other actions.

A significant decline in business with Boeing, EADS, Vestas, or other significant customers could materially impact our business, operating results, prospects and financial condition.

We have concentrated customers in the Commercial Aerospace and wind energy markets. In the Commercial Aerospace market, approximately 83%, and in the Space & Defense market, approximately 35%, of our 2010 net sales were made to Boeing and EADS (including Airbus) and their related subcontractors. For the years ended December 31, 2010 and December 31, 2009, approximately 31% and 27% of our total consolidated net sales was made to Boeing and its related subcontractors, respectively, and approximately 24% and 22% of our total consolidated net sales, respectively, was made to EADS, including Airbus and its related subcontractors. In the wind energy market, our primary customer is Vestas Wind Systems A/S. Significant changes in the demand for our customers' end products, the share of their requirements that is awarded to us or changes in the design or materials used to construct their products could result in a significant loss of business with these customers. The loss of, or significant reduction in purchases by, Boeing, EADS and Vestas or any of our other significant customers could materially impair our business, operating results, prospects and financial condition. The level of purchases by our customers is often affected by events beyond their control, including general economic conditions, demand for their products, business disruptions, disruptions in deliveries, strikes and other factors.

Reductions in space and defense spending could result in a decline in our net sales.

The growth in military aircraft production that has occurred in recent years may not be sustained, individual programs important to Hexcel may be cancelled, production may not continue to grow and the increased demand for replacement helicopter blades may not continue. The production of military aircraft depends upon defense budgets and the related demand for defense and related equipment. Approximately 26% of our net sales in 2010 were derived from space and defense industries.

A decrease in supply, interruptions at key facilities or an increase in cost of raw materials could result in a material decline in our profitability.

Our profitability depends largely on the price and continuity of supply of raw materials, which are supplied through a sole source or a limited number of sources. We purchase large volumes of raw materials, such as epoxy and phenolic resins, aluminum foil, carbon fiber, fiberglass yarn and aramid paper. Any restrictions on the supply, or an increase in the cost, of our raw materials could significantly reduce our profit margins. Efforts to mitigate restrictions on the supply or price increases of these raw materials by long-term purchase agreements, productivity improvements or by passing cost increases to our customers may not be successful.

The occurrence of material operational problems, including but not limited to failure of, or interruption to, key equipment or natural disasters, may have a material adverse effect on the productivity and profitability of a particular manufacturing facility. With respect to certain facilities, such events could have a material effect on our company as a whole.

We have substantial international operations subject to uncertainties which could affect our operating results.

We believe that revenue from sales outside the U.S. will continue to account for a material portion of our total revenue for the foreseeable future. Additionally, we have invested significant resources in our international operations and we intend to continue to make such investments in the future. Our international operations are subject to numerous risks, including:

- the difficulty of enforcing agreements and collecting receivables through some foreign legal systems;
- foreign customers may have longer payment cycles than customers in the U.S.;
- cost of compliance with international trade laws of all of the countries in which we do business, including export control laws, relating to sales and purchases of goods and equipment and transfers of technology;
- tax rates in some foreign countries may exceed those of the U.S. and foreign earnings may be subject to withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- general economic and political conditions in the countries where we operate may have an adverse effect on our operations in those countries or not be favorable to our growth strategy;
- governments may adopt regulations or take other actions that would have a direct or indirect adverse impact on our business and market opportunities; and
- the potential difficulty in enforcing our intellectual property rights in some foreign countries, and the potential for the intellectual property rights of others to affect our ability to sell product in certain markets.

Any one of the above could adversely affect our financial condition and results of operations.

In addition, fluctuations in currency exchange rates may influence the profitability and cash flows of our business. For example, our European operations sell some of the products they produce in U.S. dollars, yet the labor, overhead costs and portions of material costs incurred in the manufacture of those products are denominated in Euros or British pounds sterling. As a result, the local currency margins of goods manufactured with costs denominated in local currency, yet sold in U.S. dollars, will vary with fluctuations in currency exchange rates, reducing when the U.S. dollar weakens against the Euro and British pound sterling. In addition, the reported U.S. dollar value of the local currency financial statements of our foreign subsidiaries will vary with fluctuations in currency exchange rates. While we enter into currency exchange and hedge agreements from time to time to mitigate these types of fluctuations, we cannot remove all fluctuations or hedge all exposures, and our earnings are impacted by changes in currency exchange rates.

During the past several years, some countries in which we operate or plan to operate have been characterized by varying degrees of inflation and uneven growth rates. We currently do not have political risk insurance in the countries in which we conduct business. While we carefully consider these risks when evaluating our international operations we cannot provide assurance that we will not be materially adversely affected as a result of such risks.

We could be adversely affected by environmental and safety requirements.

Our operations require the handling, use, storage and disposal of certain regulated materials and wastes. As a result, we are subject to various laws and regulations pertaining to pollution and protection of the environment, health and safety. These requirements govern, among other things, emissions to air, discharge to waters and the generation, handling, storage, treatment and disposal of waste and remediation of contaminated sites. We have made, and will continue to make, capital and other expenditures in order to comply with these laws and regulations. These laws and regulations are complex, change frequently and could become more stringent in the future.

We have been named as a "potentially responsible party" under the U.S. Superfund law or similar state laws at several sites requiring clean up. These laws generally impose liability for costs to investigate and remediate contamination without regard to fault. Under certain circumstances liability may be joint and several, resulting in one responsible party being held responsible for the entire obligation. Liability may also include damages to natural resources. In connection with our Lodi, New Jersey facility, Hexcel, along with a number of other companies, has been directed by federal regulatory authorities to contribute to the assessment and restoration of a stretch of the Passaic River, a project currently estimated to cost $900 million to $2.3 billion. We have also incurred and likely will continue to incur expenses to investigate and clean up certain of our existing and former facilities, for which we believe we have adequate reserves. The ongoing operation of our manufacturing plants also entails environmental risks, and we may incur material costs or liabilities in the future which could adversely affect us. Although most of our properties have been the subject of environmental site assessments, there can be no assurance that all potential instances of soil and groundwater contamination have been identified, even at those sites where assessments have been conducted. Accordingly, we may discover previously unknown environmental conditions and the cost of remediating such conditions may be material. See "Legal Proceedings" below and Note 14 to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

In addition, we may be required to comply with evolving environmental, health and safety laws, regulations or requirements that may be adopted or imposed in the future or to address newly discovered information or conditions that require a response. In particular, climate change is receiving increased attention worldwide, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. The U.S. Congress is currently considering climate change-related legislation which may include cap and trade provisions or a carbon tax. The European Union has instituted the Greenhouse Gas Emission Trading System (EU-ETS). Our manufacturing plants use energy, including electricity and natural gas, and certain of our plants emit amounts of greenhouse gas that may be affected by these legislative and regulatory efforts. It is difficult at this time to estimate the likelihood of passage, or predict the potential impact, of any additional legislation. Potential consequences could include increased energy, transportation and raw material costs and may require the Company to make additional investments in its facilities and equipment or limit our ability to grow.

Our forward-looking statements and projections may turn out to be inaccurate.

This Form 10-K includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to future prospects, developments and business strategies. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "should", "would", "will", and similar terms and phrases, including references to assumptions. Such statements are based on current expectations, are inherently uncertain, and are subject to changing assumptions.

Such forward-looking statements include, but are not limited to: (a) the estimates and expectations based on aircraft production rates made publicly available by Airbus and Boeing; (b) the revenues we may generate from an aircraft model or program; (c) the impact of the possible push-out in deliveries of the Airbus and Boeing backlog and the impact of delays in new aircraft programs or the final Hexcel composite material content once the design and material selection has been completed; (d) expectations of composite content on new commercial aircraft programs and our share of those requirements; (e) expectations of growth in revenues from space and defense applications, including whether certain programs might be curtailed or discontinued; (f) expectations regarding growth in sales for wind energy, recreation and other industrial applications; (g) expectations regarding working capital trends and expenditures; (h) expectations as to the level of capital expenditures and when we will complete the construction and qualification of capacity expansions; (i) our ability to maintain and improve margins in light of the ramp-up of capacity and the current economic environment; (j) the outcome of legal matters; (k) our projections regarding the realizability of net operating loss and foreign tax credit carryforwards, and the impact of the above factors on our expectations of 2011 financial results; and (l) the impact of various market risks, including fluctuations in interest rates, currency exchange rates, environmental regulations and tax codes, fluctuations in commodity prices, and fluctuations in the market price of our common stock. In addition, actual results may differ materially from the results anticipated in the forward looking statements due to a variety of factors, including but not limited to changing market conditions, increased competition, product mix, inability to achieve planned manufacturing improvements and cost reductions, and conditions in the financial markets.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different. Such factors include, but are not limited to, the following: changes in general economic and business conditions; changes in current pricing and cost levels; changes in political, social and economic conditions and local regulations, particularly in Asia and Europe; foreign currency fluctuations; changes in aerospace delivery rates; reductions in sales to any significant customers, particularly Airbus, Boeing or Vestas; changes in sales mix; changes in government defense procurement budgets; changes in military aerospace programs technology; industry capacity; competition; disruptions of established supply channels, particularly where raw materials are obtained from a single or limited number of sources and cannot be substituted by unqualified alternatives; manufacturing capacity constraints; and the availability, terms and deployment of capital.

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those expected, estimated or projected. In addition to other factors that affect our operating results and financial position, neither past financial performance nor our expectations should be considered reliable indicators of future performance. Investors should not use historical trends to anticipate results or trends in future periods. Further, our stock price is subject to volatility. Any of the factors discussed above could have an adverse impact on our stock price. In addition, failure of sales or income in any quarter to meet the investment community's expectations, as well as broader market trends, can have an adverse impact on our stock price. We do not undertake an obligation to update our forward-looking statements or risk factors to reflect future events or circumstances.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

We own and lease manufacturing facilities and sales offices located throughout the United States and in other countries, as noted below. The corporate offices and principal corporate support activities are located in leased facilities in Stamford, Connecticut. Our research and technology administration and principal laboratories are located in Dublin, California; Duxford, United Kingdom; Les Avenieres, France; and Decatur, Alabama.

The following table lists our manufacturing facilities by geographic location, related segment, and principal products manufactured. This table does not include the manufacturing facility owned by ACM.

Manufacturing Facilities

Facility Location	Segment	Principal Products
United States:		
Decatur, Alabama	Composite Materials	PAN Precursor (used to produce Carbon Fibers)
Salt Lake City, Utah	Composite Materials	Carbon Fibers; Prepregs
Seguin, Texas	Composite Materials	Industrial Fabrics; Specialty Reinforcements
Casa Grande, Arizona	Composite Materials	Honeycomb and Honeycomb Parts
Windsor, Colorado	Composite Materials	Prepregs
Kent, Washington	Engineered Products	Composite structures
Pottsville, Pennsylvania	Engineered Products	Specially machined Honeycomb Parts
Burlington, Washington	Engineered Products	Specially machined Honeycomb Parts
International:		
Dagneux, France	Composite Materials	Prepregs
Nantes, France	Composite Materials	Prepregs
Les Avenieres, France	Composite Materials	Industrial Fabrics; Specialty Reinforcements
Illescas, Spain	Composite Materials	Carbon Fibers
Parla, Spain	Composite Materials	Prepregs
Neumarkt, Austria	Composite Materials	Prepregs
Duxford, United Kingdom	Composite Materials	Prepregs; Adhesives; Honeycomb and Honeycomb Parts
Stade, Germany	Composite Materials	Prepregs
Welkenraedt, Belgium	Engineered Products	Specially machined Honeycomb Parts
Tianjin, China	Composite Materials	Prepregs

We lease the land and buildings in Nantes, France; Stade, Germany; Tianjin, China and Windsor, Colorado; and the land on which the Burlington, Washington facility is located. We also lease portions of the facilities located in Casa Grande, Arizona and Les Avenieres, France. We own all other remaining facilities. In connection with our credit facility, we have granted mortgages on the facilities located in Casa Grande, Arizona; Decatur, Alabama; Dublin, California; Kent, Washington; Salt Lake City, Utah and Seguin, Texas. For further information, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" and to Note 7 to the accompanying consolidated financial statements of this Annual Report on Form 10-K.

ITEM 3. Legal Proceedings

We are involved in litigation, investigations and claims arising out of the normal conduct of our business, including those relating to commercial transactions, environmental, employment, and health and safety matters. We estimate and accrue our liabilities resulting from such matters based on a variety of factors, including the stage of the proceeding; potential settlement value; assessments by internal and external counsel; and assessments by environmental engineers and consultants of potential environmental liabilities and remediation costs. Such estimates are not discounted to reflect the time value of money due to the uncertainty in estimating the timing of the expenditures, which may extend over several years.

While it is impossible to ascertain the ultimate legal and financial liability with respect to certain contingent liabilities and claims, we believe, based upon our examination of currently available information, our experience to date, and advice from legal counsel, that the individual and aggregate liabilities resulting from the ultimate resolution of these contingent matters, after taking into consideration our existing insurance coverage and amounts already provided for, will not have a material adverse impact on our consolidated results of operations, financial position or cash flows.

Environmental Matters

We are subject to various U.S. and international federal, state and local environmental, and health and safety laws and regulations. We are also subject to liabilities arising under the Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund"), the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and similar state and international laws and regulations that impose responsibility for the control, remediation and abatement of air, water and soil pollutants and the manufacturing, storage, handling and disposal of hazardous substances and waste.

We have been named as a potentially responsible party ("PRP") with respect to several hazardous waste disposal sites that we do not own or possess, which are included on, or proposed to be included on, the Superfund National Priority List of the U.S. Environmental Protection Agency ("EPA") or on equivalent lists of various state governments. Because CERCLA allows for joint and several liability in certain circumstances, we could be responsible for all remediation costs at such sites, even if we are one of many PRPs. We believe, based on the amount and nature of our waste, and the number of other financially viable PRPs, that our liability in connection with such matters will not be material.

Lodi, New Jersey Site

Pursuant to the New Jersey Industrial Site Recovery Act, we entered into a Remediation Agreement to pay for the environmental remediation of a manufacturing facility we formerly operated in Lodi, New Jersey. We have commenced remediation of this site in accordance with an approved plan. In the first quarter of 2010, we made a decision to enhance the remediation system to accelerate completion of the remediation. The additional costs associated with this enhancement are included in our accrual for this liability, which at December 31, 2010 is $4.9 million.

Lower Passaic River Study Area

In October 2003, we received, along with 66 other entities, a directive from the New Jersey Department of Environmental Protection ("NJDEP") that requires the entities to assess whether operations at various New Jersey sites, including our former manufacturing site in Lodi, New Jersey, caused damage to natural resources in the Lower Passaic River watershed. In May 2005, the NJDEP dismissed us from the Directive. In February 2004, 42 entities including Hexcel, received a general notice letter from the EPA which requested that the entities consider helping to finance an estimated $10 million towards an EPA study of environmental conditions in the Lower Passaic River watershed. In May 2005, we signed into an agreement with the EPA to participate (bringing the total number of participating entities to 43) in financing such a study up to $10 million, in the aggregate. Since May 2005, a number of additional PRPs have joined into the agreement with the EPA. In October 2005, we along with the other EPA notice recipients were advised by the EPA that the notice recipients' share of the costs of the EPA study was expected to significantly exceed the earlier EPA estimate. While we and the other recipients were not obligated by our agreement to share in such excess, a Group of notice recipients (73 companies including Hexcel) negotiated an agreement with the EPA to assume responsibility for the study pursuant to an Administrative Order on Consent. We believe we have viable defenses to the EPA claims and expect that other as yet unnamed parties will also receive notices from the EPA. In June 2007, the EPA issued a draft Focused Feasibility Study ("FFS") that considers interim remedial options for the lower eight miles of the river, in addition to a "no action" option. The estimated costs for the six options range from $900 million to $2.3 billion. The PRP Group provided comments to the EPA on the FFS; the EPA has not yet taken further action. The Administrative Order on Consent regarding the study does not cover work contemplated by the FFS. Furthermore, the Federal Trustee for natural resources have indicated their intent to perform a natural resources damage assessment on the river and invited the PRPs to participate in the development and performance of this assessment. The PRP Group, including Hexcel, has not agreed to participate in the assessment at this time. Finally, on February 4, 2009, Tierra Solutions ("Tierra") and Maxus Energy Corporation ("Maxus") filed a third party complaint in New Jersey Superior Court against us and over 300 other entities in an action brought against Tierra and Maxus (and other entities) by the State of New Jersey. New Jersey's suit against Tierra and Maxus relates to alleged discharges of contaminants by Tierra and Maxus to the Passaic River and seeks payment of all past and future costs the State has and will incur regarding cleanup and removal of contaminants, investigation of the Passaic River and related water bodies, assessment of natural resource injuries and other specified injuries. The third party complaint seeks contribution from us for all or part of the damages that Tierra and Maxus may owe to the State. We filed our answer to the complaint and served our initial disclosures, although discovery and motion practice was effectively stayed through June, 2010, when, the court entered a new case management order moving the case into a more active litigation phase. Our ultimate liability for investigatory costs, remedial costs and/or natural resource damages in connection with the Lower Passaic River cannot be determined at this time.

Kent, Washington Site

We were party to a cost-sharing agreement regarding the operation of certain environmental remediation systems necessary to satisfy a post-closure care permit issued to a previous owner of our Kent, Washington site by the EPA. Under the terms of the cost-sharing agreement, we were obligated to reimburse the previous owner for a portion of the cost of the required remediation activities. Management has determined that the cost-sharing agreement terminated in December 1998; however, the other party disputes this determination. The Washington Department of Ecology ("Ecology") has issued a unilateral Enforcement Order to us requiring us to (a) maintain the interim remedial system and to perform system separation, (b) to conduct a focused remedial investigation and (c) to conduct a focused feasibility study to develop recommended long term remedial measures. We asserted defenses against performance of the order, particularly objecting to the remediation plan proposed by the previous owner, who still owns the adjacent contaminated site. However, we are currently complying with the order, with one exception, without withdrawing our defenses. As a result of a dispute resolution procedure, Hexcel and Ecology have reached an agreement to modify certain work requirements and to extend certain deadlines, and we are in full compliance with the order as modified. Recently, the other party's cleanup efforts have declined due to discovery of additional contamination and equipment failures; we believe that this has increased the contamination migrating to our property and will increase the duration of our cleanup. The total accrued liability related to this matter was $1.5 million at December 31, 2010.

Omega Chemical Corporation Superfund Site, Whittier, CA

We are a PRP at a former chemical waste site in Whittier, CA. The PRPs at Omega have established a PRP Group, the "Omega Group", and are currently investigating and remediating soil and groundwater at the site pursuant to a Consent Decree with the EPA, entered into in March 2000. Hexcel contributed approximately 1.07% of the waste tonnage sent to the site during its operations. In addition to the Omega site specifically, there is regional groundwater contamination in the area as well. The EPA has not determined who it will identify as PRPs to investigate and, as necessary, remediate the regional groundwater contamination. Although it is likely that Hexcel will incur costs associated with the regional investigation and remediation as a member of the Omega Group, our ultimate liability, if any, in connection with this matter cannot be determined at this time.

Environmental remediation reserve activity for the three years ended December 31, 2010 was as follows:

	For the year ended December 31,		
(In millions)	**2010**	**2009**	**2008**
Beginning remediation accrual balance	**$ 8.3**	$ 9.2	$ 3.2
Current period expenses	**3.8**	1.9	8.7
Cash expenditures	**(4.8)**	(2.8)	(2.7)
Ending remediation accrual balance	**$ 7.3**	$ 8.3	$ 9.2
Capital expenditures for environmental matters	**$ 1.7**	$ 4.8	$ 7.3

Environmental Summary

Our estimate of liability as a PRP and our remaining costs associated with our responsibility to remediate the Lodi, New Jersey; Kent, Washington; and other sites are accrued in the consolidated balance sheets. As of December 31, 2010 and 2009, our aggregate environmental related accruals were $7.3 million and $8.3 million, respectively. As of December 31, 2010 and 2009, $4.2 million and $4.5 million, respectively, were included in current other accrued liabilities, with the remainder included in other non-current liabilities. As related to certain environmental matters, the accrual was estimated at the low end of a range of possible outcomes since no amount within the range is a better estimate than any other amount. If we had accrued for these matters at the high end of the range of possible outcomes, our accrual would have been $8.8 million and $12.8 million at December 31, 2010 and 2009, respectively.

These accruals can change significantly from period to period due to such factors as additional information on the nature or extent of contamination, the methods of remediation required, changes in the apportionment of costs among responsible parties and other actions by governmental agencies or private parties, or the impact, if any, of being named in a new matter.

Environmental remediation spending charged directly to our reserve balance was $4.8 million and $2.8 million for the years ended December 31, 2010 and 2009, respectively. In addition, our operating costs relating to environmental compliance charged directly to expense were $9.5 million and $10.0 million for the years ended December 31, 2010 and 2009. Capital expenditures for environmental matters were $1.7 million and $4.8 million for the years ended December 31, 2010 and 2009, respectively.

Litigation

Seemann Composites, Inc. v. Hexcel Corporation

Seemann Composites, Inc., (SCI) has sued us in the United States District Court, Southern District of Mississippi (Civil Action No. 1:09-cv-00675-HSO-JMR), filed September 16, 2009. SCI alleges that we supplied the wrong or a defective finished fabric to them, through one of our distributors, and is seeking unspecified compensatory damages and $10.0 million in punitive damages. Discovery has commenced. We intend to vigorously defend the suit. Our ultimate liability for this matter cannot be determined at this time.

ITEM 4. Submission of Matters to a Vote of Security Holders

None.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

Hexcel common stock is traded on the New York Stock Exchange. The range of high and low sales prices of our common stock on the New York Stock Exchange is contained in Note 22 to the accompanying consolidated financial statements of this Annual Report on Form 10-K and is incorporated herein by reference.

Hexcel did not declare or pay any dividends in 2010, 2009 or 2008. The payment of dividends is limited under the terms of certain of our debt agreements. Hexcel does not have any intent of paying dividends in the foreseeable future, as cash generated from operations will be used primarily to support capital expenditures or pay down debt.

On February 8, 2011 there were 1,044 holders of record of our common stock.

The following chart provides information regarding repurchases of Hexcel common stock:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1 – October 31, 2010	1,161	$ 18.88	0	0
November 1 – November 30, 2010	0	N/A	0	0
December 1 – December 31, 2010	0	N/A	0	0
Total	1,161(1)	$ 18.88	0	0

(1) All Shares were delivered by an employee in payment of the exercise price of non-qualified stock options.

ITEM 6. Selected Financial Data

The information required by Item 6 is contained on page 26 of this Annual Report on Form 10-K under the caption "Selected Financial Data" and is incorporated herein by reference.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by Item 7 is contained on pages 27 to 40 of this Annual Report on Form 10-K under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and is incorporated herein by reference.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

The information required by Item 7A is contained under the heading "Market Risks" on pages 38 to 40 of this Annual Report on Form 10-K and is incorporated herein by reference.

ITEM 8. Financial Statements and Supplementary Data

The information required by Item 8 is contained on pages 41 to 75 of this Annual Report on Form 10-K under "Consolidated Financial Statements and Supplementary Data" and is incorporated herein by reference. The Report of Independent Registered Public Accounting Firm is contained on page 43 of this Annual Report on Form 10-K under the caption "Report of Independent Registered Public Accounting Firm" and is incorporated herein by reference.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures as of December 31, 2010 and have concluded that these disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer have concluded that there have not been any changes in our internal control over financial reporting during the fourth quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's report on our internal control over financial reporting is contained on page 42 of this Annual Report on Form 10-K and is incorporated herein by reference.

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 will be contained in our definitive proxy statement for the 2011 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended December 31, 2010. Such information is incorporated herein by reference.

ITEM 11. Executive Compensation

The information required by Item 11 will be contained in our definitive proxy statement for the 2011 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended December 31, 2010. Such information is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 will be contained in our definitive proxy statement for the 2011 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended December 31, 2010. Such information is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 will be contained in our definitive proxy statement for the 2011 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended December 31, 2010. Such information is incorporated herein by reference.

ITEM 14. Principal Accountant Fees and Services

The information required by Item 14 will be contained in our definitive proxy statement for the 2011 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year ended December 31, 2010. Such information is incorporated herein by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

(a) Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2010 and 2009

Consolidated Statements of Operations for each of the three years ended December 31, 2010

Consolidated Statements of Stockholders' Equity and Comprehensive Income for each of the three years ended December 31, 2010

Consolidated Statements of Cash Flows for each of the three years ended December 31, 2010

Notes to the Consolidated Financial Statements

(2) Financial Statement Schedule for the three years ended December 31, 2010:

Schedule II — Valuation and Qualifying Accounts

Consent of Independent Registered Public Accounting Firm

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or the notes thereto.

(3) Exhibits:

The following list of exhibits includes exhibits submitted with this Form 10-K as filed with the SEC and those incorporated by reference to other filings.

Exhibit No.	Description

[...]

[...]

21	Subsidiaries of the Company.
23	Consent of Independent Registered Public Accounting Firm.
24	Power of Attorney (included on signature page).
31.1	Certification of Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

[...]

* Indicates management contract or compensatory plan or arrangement.

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.

Hexcel Corporation

February 10, 2011	/s/ DAVID E. BERGES
(Date)	David E. Berges Chief Executive Officer

KNOWN TO ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of David E. Berges, Wayne C. Pensky and Ira J. Krakower, individually, his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign any amendments to this report, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ DAVID E. BERGES (David E. Berges)	Chairman of the Board of Directors and Chief Executive Officer **(Principal Executive Officer)**	February 10, 2011
/s/ WAYNE PENSKY (Wayne Pensky)	Senior Vice President and Chief Financial Officer **(Principal Financial Officer)**	February 10, 2011
/s/ KIMBERLY HENDRICKS (Kimberly Hendricks)	Vice President, Corporate Controller and Chief Accounting Officer **(Principal Accounting Officer)**	February 10, 2011
/s/ JOEL S. BECKMAN (Joel S. Beckman)	Director	February 10, 2011
/s/ LYNN BRUBAKER (Lynn Brubaker)	Director	February 10, 2011
/s/ JEFFREY C. CAMPBELL (Jeffrey C. Campbell)	Director	February 10, 2011
/s/ SANDRA L. DERICKSON (Sandra L. Derickson)	Director	February 10, 2011
/s/ W. KIM FOSTER (W. Kim Foster)	Director	February 10, 2011
/s/ THOMAS A. GENDRON (Thomas A. Gendron)	Director	February 10, 2011
/s/ JEFFREY A. GRAVES (Jeffrey A. Graves)	Director	February 10, 2011
/s/ DAVID C. HILL (David C. Hill)	Director	February 10, 2011
/s/ DAVID C. HURLEY	Director	February 10, 2011

(David C. Hurley)		
/s/ DAVID L. PUGH	Director	February 10, 2011
(David L. Pugh)		

Selected Financial Data

The following table summarizes selected financial data as of and for the five years ended December 31:

(In millions, except per share data)	2010	2009	2008	2007(a)	2006(a)
***Results of Operations*:**					
Net sales	**$1,173.6**	$1,108.3	$ 1,324.9	$1,171.1	$1,049.5
Cost of sales	**891.0**	859.8	1,035.7	888.1	801.0
Gross margin	**282.6**	248.5	289.2	283.0	248.5
Selling, general and administrative expenses	**118.5**	107.2	112.9	114.0	105.5
Research and technology expenses	**30.8**	30.1	31.4	34.2	29.7
Business consolidation and restructuring expenses	**—**	—	3.8	7.3	9.9
Other expense, net	**3.5**	7.5	10.2	12.6	—
Operating income	**129.8**	103.7	130.9	114.9	103.4
Interest expense, net	**23.2**	26.1	20.2	22.5	23.7
Non-operating expense, net	**6.8**	—	—	—	—
Income from continuing operations before income taxes, equity in earnings and discontinued operations	**99.8**	77.6	110.7	92.4	79.7
Provision for income taxes	**22.9**	22.0	15.6	33.4	34.7
Income from continuing operations before equity in earnings and discontinued operations	**76.9**	55.6	95.1	59.0	45.0
Equity in earnings from and gain on sale of investments in affiliated companies	**0.5**	0.7	16.1	4.3	19.9
Net income from continuing operations	**77.4**	56.3	111.2	63.3	64.9
Income loss from discontinued operations, net of tax	**—**	—	—	(2.0)	1.0
Net income	**$ 77.4**	$ 56.3	$ 111.2	$ 61.3	$ 65.9
Basic net income (loss) per common share:					
Continuing operations	**$ 0.79**	$ 0.58	$ 1.15	$ 0.67	$ 0.70
Discontinued operations	**—**	—	—	(0.02)	0.01
Net income per common share	**$ 0.79**	$ 0.58	$ 1.15	$ 0.65	$ 0.71
Diluted net income (loss) per common share:					
Continuing operations	**$ 0.77**	$ 0.57	$ 1.14	$ 0.66	$ 0.68
Discontinued operations	**—**	—	—	(0.02)	0.01
Net income per common share	**$ 0.77**	$ 0.57	$ 1.14	$ 0.64	$ 0.69
Weighted-average shares outstanding:					
Basic	**97.6**	96.9	96.4	94.7	93.4
Diluted	**99.9**	98.2	97.6	96.5	95.5
Financial Position:					
Total assets	**$1,258.1**	$1,246.6	$1,210.03	$1,060.5	$1,014.5
Working capital	**$ 291.8**	$ 259.4	$ 256.5	$ 190.7	$ 206.5
Long-term notes payable and capital lease obligations	**$ 304.6**	$ 358.8	$ 392.5	$ 315.5	$ 409.8
Stockholders' equity (b)	**$ 659.4**	$ 575.6	$ 509.2	$ 427.6	$ 301.6
Other Data:					
Depreciation and amortization	**$ 53.2**	$ 46.6	$ 43.9	$ 39.8	$ 37.4
Accrual basis capital expenditures	**$ 60.7**	$ 85.7	$ 177.3	$ 120.6	$ 117.9
Shares outstanding at year-end, less treasury stock	**97.4**	96.6	96.4	95.8	93.8

(a) All financial data presented has been restated to report our U.S. EBGI business and our Architectural business in France as discontinued operations.
(b) No cash dividends were declared per share of common stock during any of the five years ended December 31, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Overview

(In millions, except per share data)	Year Ended December 31, 2010	2009	2008
Net sales	**$ 1,173.6**	$ 1,108.3	$ 1,324.9
Gross margin %	**24.1%**	22.4%	21.8%
Business consolidation and restructuring expenses	**$ —**	$ —	$ 3.8
Other expense, net	**$ 3.5**	$ 7.5	$ 10.2
Operating income (a)	**$ 129.8**	$ 103.7	$ 130.9
Operating income %	**11.1%**	9.4%	9.9%
Interest expense, net	**$ 23.2**	$ 26.1	$ 20.2
Non-operating other expenses	**$ 6.8**	$ —	$ —
Provision for income taxes	**$ 22.9**	$ 22.0	$ 15.6
Equity in earnings from and gain on sale of investments in affiliated companies	**$ 0.5**	$ 0.7	$ 16.1
Net income (a)	**$ 77.4**	$ 56.3	$ 111.2
Diluted net income per common share	**$ 0.77**	$ 0.57	$ 1.14

(a) The Company uses non-GAAP financial operating measures, including sales measured in constant dollars, operating income adjusted for items included in other expenses, net and business consolidation and restructuring expenses, net income adjusted for non-recurring expenses, the effective tax rate adjusted for certain non-recurring items and free cash flow. Management believes these non-GAAP measurements are meaningful to investors because they provide a view of Hexcel with respect to ongoing operating results and comparisons to prior periods. Non-recurring items and certain tax adjustments represent significant charges or credits that are important to an understanding of Hexcel's overall operating results in the periods presented. Such non-GAAP measurements are not determined in accordance with generally accepted accounting principles and should not be viewed as an alternative to GAAP measures of performance. Reconciliations to adjusted operating income and adjusted net income are provided below:

(In millions)	Year Ended December 31, 2010	2009	2008
GAAP operating income	**$ 129.8**	$ 103.7	$ 130.9
Other expense, net	**3.5**	7.5	10.2
Business consolidation and restructuring expenses	**—**	—	3.8
Adjusted operating income (Non-GAAP)	**$ 133.3**	$ 111.2	$ 144.9

(In millions)	Year Ended December 31, 2010	2009	2008
GAAP net income	**$ 77.4**	$ 56.3	$ 111.2
Tax adjustments (1)	**(6.4)**	—	(26.2)
Gain on sale of investments in affiliated companies, net of tax	**—**	—	(11.7)
Other expense, net of tax (2)	**2.2**	5.6	6.4
Non-operating expense, net of tax (3)	**4.3**	—	—
Adjusted net income (Non-GAAP)	**$ 77.5**	$ 61.9	$ 79.7

(1) Tax adjustments in 2010 include a $2.9 million benefit from the reversal of valuation allowances against U.S. deferred tax assets and a $3.5 million benefit from New Clean Energy Manufacturing Tax Credits awarded in January 2010 for qualifying capital investments made in our U.S. wind energy facility in 2009. In 2008, tax adjustments include benefits of $26.2 million arising from the reversal of valuation allowances against U.S. deferred tax assets and reinstatement of U.S. deferred tax assets which were previously written off. See Note 9 in the accompanying consolidated financial statements for further detail.

(2) Other expense, net of tax, in 2010 includes a $2.2 million increase in environmental reserves primarily for remediation of a manufacturing facility sold in 1986. 2009 includes $5.6 million in legal settlement expense, $1.1 million in environmental expenses for previously sold operations offset by a $1.1 million adjustment to a prior year gain on sale of operations. Other expense in 2008 includes $1.7 million of pension settlement expense and $4.7 million of environmental expenses for previously sold operations, both net of tax.

(3) Non-operating expense, net of tax, includes $4.3 million after tax expense related to the acceleration of deferred financing costs due to the refinancing of our Senior Secured Credit Facility in 2010.

Business Trends

We returned to sales growth in 2010 with a 6% increase over 2009. In constant currency, our Commercial Aerospace sales increased 17%, Space & Defense sales increased 5%, while our Industrial sales declined 11%. The Commercial Aerospace market represents 55% of our sales, followed by Space & Defense at 26% and Industrial at 19%.

- In 2010, our Commercial Aerospace sales increased by 16% (17% in constant currency). Airbus and Boeing related sales, which comprised 83% of our Commercial Aerospace sales, were up over 20% led by new programs and increased production for their legacy programs. Almost all of our Commercial Aerospace sales are for new aircraft as we have only nominal aftermarket sales. The business and regional jet market, which account for 17% of Commercial Aerospace sales, declined 7% for the year. The decline was a result of the strong first quarter 2009 sales, as each of the last three quarters of 2010 were higher than the prior year quarter.

- Airbus and Boeing combined deliveries in 2010 were 972 aircraft, just short of the previous high of 979 in 2009. The demand for new commercial aircraft is principally driven by two factors. The first is airline passenger traffic (measured by revenue passenger miles) and the second is the replacement rate for existing aircraft. After the current poor global economic environment resulted in a decline in 2009 passenger and freight traffic, 2010 revenue passenger miles returned to growth. The International Air Transport Association (IATA) estimates 2010 revenue passenger miles were 8.2% higher than 2009. Combined orders for 2010 were 1,104 planes, more than 2.5 times higher than the 413 orders for 2009. Backlog at the end of 2010 increased to 6,995 planes, about seven years of backlog at the current delivery pace. Airbus and Boeing have announced rate increases for each of their current production models in the past year. Based on Airbus and Boeing projections, 2011 deliveries are estimated between 1,005 and 1,030 aircraft, which would surpass the previous high of 979.

- Overall the Commercial Aerospace industry continues to utilize a greater proportion of advanced composite materials with each new generation of aircraft. These new programs include the A380, B787, B747-8 and the A350. Only the A380 is in service with 18 deliveries in 2010 and a cumulative total of 41 deliveries through December 31, 2010. The Airbus A380 has 23% composite content by weight and has more Hexcel material used in its production than any aircraft previously manufactured, over $3 million per plane. At December 31, 2010, Airbus had a backlog of 193 orders for the A380. Hexcel has been awarded a contract to supply carbon fiber composite materials for major primary structures for the A350, which Airbus has indicated will have at least 50% composite content by weight. This contract covers the entire family of the A350 aircraft through 2025 and as the design and usage of various composite materials have yet to be finalized, the amount of revenue this award will generate has not yet been determined. In addition, there will be opportunities for additional Hexcel products for the plane which we are actively pursuing. We expect that our content of materials per A350 will exceed the amount we have on the A380. As of December 31, 2010, Airbus has received 568 orders for the A350, which it projects will enter into service in late 2013. Through 2010, Boeing had recorded 847 orders for its B787 aircraft. The B787 will have about 52% composite content by weight, including composite wings and fuselage, compared to the 11% composite content used in the construction of its B777 aircraft and 6% for the B767 the aircraft it is primarily replacing. The B787 is projected to enter into service in the third quarter of 2011. Hexcel estimates that it has $1.3 million to $1.6 million of content per plane, depending upon which engines are used. While the B747-8 is structurally an aluminum intensive aircraft, new engines and nacelles provide Hexcel with the opportunity for significant additional revenues. The freighter version of the B747-8 is now expected to be in service in mid-2011 and the passenger version in 2012. The B747-8 had its maiden flight on February 8, 2010. We expect the B747-8 to have slightly more Hexcel content per plane than the B787. In 2010, our sales on these four new programs almost doubled from 2009 and comprised more than 20% of our total Commercial Aerospace sales and we expect them to represent an increasing percent of our Commercial Aerospace sales in the future.

- Our business and regional jet sales peaked at almost $200 million in 2008 after several years of over 20% growth per year. This segment of the market was significantly impacted by the general deterioration of the global economy and announced production cut-backs in 2009, and declined about 40% in 2009 from the peak 2008 sales. Sales for this submarket for the last three quarters were higher than the corresponding quarter from a year ago, though as a result of strong sales in the first quarter of 2009, full year 2010 sales of $111.8 million were 6.6% lower than 2009.

- Our Space & Defense constant currency sales increased 4.5% over 2009. Rotorcraft sales continue to be strong and we continue to benefit from our extensive qualifications to supply composite materials and structures. Key programs include the V-22 (Osprey) tilt rotor aircraft, the Blackhawk, the C-17, F/A-18E/F (Hornet), the European Fighter Aircraft (Typhoon), the NH90, the S76, the Tiger helicopters, the F-35 (joint strike fighter or JSF), and the EADS A400M military transport. The benefits we obtain from these programs help offset the wind-down of the F22 program (which started the fourth quarter of 2009) and eventually the C17. If you exclude the F-22 sales from both 2010 and 2009, then Space & Defense sales increased 8.7% in constant currency in 2010. Another trend providing positive growth for Hexcel is the further penetration of composites in helicopter blades. Numerous new helicopter programs in development, as well as upgrade or retrofit programs, have an increased reliance on Composite Materials products such as carbon fiber, prepregs, and honeycomb core to improve blade performance. In addition, our Engineered Products segment provides specialty value added services such as machining, sub-assembly, and even full blade manufacturing.

- Our Industrial sales declined by 14% (11% decline in constant currency) in 2010 from 2009. Industrial sales include wind energy, recreation, and transportation and general industrial applications, with wind being the largest submarket. Excluding wind energy sales, the rest of the Industrial sales were just above the 2009 sales.

- Wind energy revenues for 2010 were down over 20% from 2009 in constant currency. A major inventory correction in the first quarter by our largest wind customer (Vestas), and the fourth quarter closure of a number of their European plants and an associated inventory realignment, negatively impacted both our sales and our operations in 2010. We do expect wind energy sales to return to double digit growth starting the first quarter of 2011, primarily as a result of Vestas achieving record orders of over 8,600 megawatts in 2010 and the introduction of the their new, larger, 55 meter blade.

A significant number of orders received in 2010 by our key commercial aerospace and wind customers has led to a much improved environment for our markets. Our current expectations are that total revenues for 2011 will be in the range of $1,225 to $1,300 million, on a constant currency basis [...]. We expect capital expenditures to be $150 to $175 million and target cash flow to be break-even by year—end.

Results of Operations

We have two reportable segments: Composite Materials and Engineered Products. Although these segments provide customers with different products and services, they often overlap within three end business markets: Commercial Aerospace, Space & Defense and Industrial. Therefore, we also find it meaningful to evaluate the performance of our segments through the three end business markets. Further discussion and additional financial information about our segments may be found in Note 17 to the accompanying consolidated financial statements of this Annual Report on Form 10-K.

Net Sales: Consolidated net sales of $1,173.6 million for 2010 were $65.3 million higher than the $1,108.3 million of net sales for 2009. The sales increase in 2010 reflects increased volume in Commercial Aerospace driven by new aircraft programs. Consolidated net sales of $1,108.3 million for 2009 were $216.6 million lower than the $1,324.9 million of net sales for 2008, due to volume declines in Commercial Aerospace and Industrial markets. Had the same U.S. dollar, British Pound Sterling and Euro exchange rates applied in 2009 as in 2010 ("in constant currency"), consolidated net sales for 2010 would have been $76.8 million, or 7.0%, higher than 2009. In constant currency, consolidated net sales for 2009 would have been $189.1 million, or 14.4% lower than 2008 net sales.

The following table summarizes net sales to third-party customers by segment and end market segment in 2010, 2009 and 2008:

(In millions)	**Commercial Aerospace**	**Space & Defense**	**Industrial**	**Total**
2010 Net Sales				
Composite Materials	**$ 459.4**	**$ 229.3**	**$ 215.8**	**$ 904.5**
Engineered Products	**185.3**	**81.2**	**2.6**	**269.1**
Total	**$ 644.7**	**$ 310.5**	**$ 218.4**	**$ 1,173.6**
	55%	**26%**	**19%**	**100%**
2009 Net Sales				
Composite Materials	$ 384.7	$ 220.5	$ 251.3	$ 856.5
Engineered Products	171.5	78.9	1.4	251.8
Total	$ 556.2	$ 299.4	$ 252.7	$ 1,108.3
	50%	27%	23%	100%
2008 Net Sales				
Composite Materials	$ 530.7	$ 235.9	$ 308.7	$ 1,075.3
Engineered Products	179.6	66.0	4.0	249.6
Total	$ 710.3	$ 301.9	$ 312.7	$ 1,324.9
	54%	23%	23%	100%

Commercial Aerospace: Net sales to the Commercial Aerospace market segment increased $88.5 million or 15.9% to $644.7 million for 2010 as compared to net sales of $556.2 million for 2009; 2009 net sales decreased by $154.1 million to $556.2 million as compared to net sales of $710.3 million for 2008. In constant currency, net sales to the Commercial Aerospace market segment increased $91.4 million, or 16.5% in 2010 and decreased $141.9 million or 20.3% in 2009. Net sales of the Composite Materials segment to the Commercial Aerospace market were $74.7 million higher, up 19.4% from 2009 and down $146.0 million from 2008 to 2009. Net sales of the Engineered Products segment to the Commercial Aerospace market increased by $13.8 million or 8.0% to $185.3 million in 2010 and decreased by $8.1 million or 4.5% to $171.5 million in 2009.

The sales growth in 2010 primarily came from new aircraft programs (A380, A350, B787 and B747-8), which accounted for over 80% of the increase in Commercial Aerospace sales for the year. Sales for Boeing programs increased 25% and Airbus program sales increased 19% over the prior year.

For 2009, supply chain inventory adjustments resulted in exaggerated sales declines, particularly for Airbus programs which were down 24% compared to 2008. Sales for Boeing programs were down 5% in 2009 as compared to the strike impacted 2008 sales. While sales to new programs such as the A380, B787, A350, and B747-8 were up in the fourth quarter of 2009 as compared to 2008, they were lower for the year, primarily due to the B787 delays. For 2009, new program sales represented less than 15% of Commercial Aerospace revenues.

Space & Defense: Net sales of $310.5 million for 2010 increased 3.7% as compared to $299.4 million in 2009. Net sales of $299.4 million for 2009 were essentially flat as compared to net sales of $301.9 million for 2008. In 2010, net sales in constant currency, increased $13.5 million or 4.5%; in 2009 foreign exchange had a minimal impact on sales. We continue to benefit from our ability to supply composite materials and, in some cases, composite structures to a broad range of military aircraft and rotorcraft programs. About half of our Space & Defense sales are comprised of rotorcraft programs, including commercial and military programs from the Americas, Europe and Asia Pacific.

Industrial: Net sales of $218.4 million for 2010 decreased by $34.3 million, or 13.6%, compared to net sales of $252.7 million in 2009. In constant currency, net sales to the Industrial market segment decreased $28.1 million or 11.4% in 2010 and decreased $46.0 million or 15.4% in 2009. Wind energy is the largest submarket in this segment, and experienced a more than 20% decline in constant currency in 2010 as compared to 2009. Sales were significantly impacted in the first and fourth quarter from inventory corrections at our largest wind energy customer, Vestas. Wind energy sales in 2009 declined about 15% in constant currency as compared to 2008 sales, as the credit crisis contributed to the decline in wind energy sales as financing projects by the end user became more difficult. We saw some recovery of sales to automotive, recreation and other general industrial markets in 2010 as these submarkets were coming off their lowest sales levels in years, reflecting both weak markets and selective portfolio pruning.

Gross Margin: Gross margin for 2010 was $282.6 million, or 24.1% of net sales as compared to $248.5 million, or 22.4% of net sales, in 2009. The increase reflected higher volume, factory productivity, cost reduction initiatives and favorable product mix. Exchange rates contributed about 40 basis points to the gross margin improvement in 2010. For 2009, exchange rates only had a minor favorable impact over 2008. Gross margin for 2008 was $289.2 million, or 21.8% of net sales.

Selling, General and Administrative ("SG&A") Expenses: SG&A expenses were $118.5 million, or 10.1% of net sales for 2010, and $107.2 million or 9.7% of net sales for 2009 and $112.9 million, or 8.5% of 2008 net sales. The increase in 2010 expenses was primarily driven by higher variable compensation due to the Company's performance. SG&A in 2009 benefited from reduced headcount, tight cost controls and favorable foreign exchange rates.

Research and Technology ("R&T") Expenses: R&T expenses for 2010 were $30.8 million or 2.6% of net sales, $30.1 million, or 2.7% of 2009 net sales and $31.4 million, or 2.4% of 2008 net sales. The decline in R&T expenses in 2009 was mainly due to favorable foreign exchange rates.

Business Consolidation and Restructuring Expenses: There were no business consolidation and restructuring expenses in 2010 and 2009. Business consolidation and restructuring expenses were $3.8 million for 2008. Almost all of these expenses related to the December 2007 program to realign our company into a single business and address stranded costs resulting from divestitures due to our portfolio realignment, and clean-up expenses associated with preparing the Livermore, California land for sale after closing the manufacturing facility located on that site.

Other Expense, Net: Other expense of $3.5 million in 2010 was for additional environmental reserves related to a manufacturing facility sold in 1986. For 2009, other expense reflects a $7.5 million charge related to a licensing agreement, settling a patent litigation matter. Other expense of $10.2 million during 2008 consisted of a $7.6 million environmental reserve charge related to the manufacturing facility sold in 1986 and a $2.7 million final charge in relation to the termination of our U.S. defined benefit plan.

Operating Income: Operating income for 2010 was $129.8 million compared with operating income of $103.7 million in 2009 and $130.9 million for 2008. Operating income as a percent of sales was 11.1%, 9.4% and 9.9% in 2010, 2009, and 2008, respectively. Higher sales volume and good cost control drove the 170 basis point increase in operating margin in 2010 over the prior year. The $27.2 million decrease in 2009 operating income is primarily due to significantly lower sales volumes.

One of the Company's performance measures is operating income adjusted for non-recurring operating expenses and business consolidation and restructuring expenses, which is a non-GAAP measure. Adjusted operating income for the years ended December 31, 2010, 2009 and 2008 was $133 million, $111 million and $145 million or 11.4%, 10.0% and 10.9%, as a percentage of net sales, respectively. A reconciliation to adjusted operating income is provided on page 27.

Almost all of the Company's sales and costs are either in U.S. dollars, Euros or GBP, and approximately one-quarter of our sales are in Euros or GBP. In addition, much of our European Commercial Aerospace business has sales denominated in dollars and costs denominated in all three currencies. The net impact is that as the dollar weakens against the Euro and the GBP, sales will increase while operating income will decrease. We have an active hedging program to minimize the impact on operating income, but our operating income as a percentage of net sales is affected. Our 2010 operating income percentage was approximately 40 basis points better than 2009 due to exchange rates and our 2009 operating income percentage was approximately 40 basis points worse than 2008 due to exchange rates.

Operating income for the Composite Materials segment increased $28.2 million or 25.3% to $139.6 million, as compared to $111.4 million for 2009. The increase in operating income is the result of higher volume, favorable sales mix and factory productivity and cost reduction initiatives. Operating income for the Engineered Products segment increased by $9.7 million compared with 2009 to $45.7 million, as results were helped by both operational improvements and favorable product mix.

We did not allocate corporate net operating expenses of $55.5 million, $43.7 million, and $54.7 million to segments in 2010, 2009, and 2008, respectively. The increase in Corporate and Other expense in 2010 was primarily related to higher variable compensation expense. As discussed above, 2010, 2009 and 2008 had $3.5 million, $7.5 million and $10.2 million of other expenses included in Corporate and Other.

Interest Expense: Interest expense was $23.2 million for 2010, and $26.1 million for 2009, and $20.2 million for 2008. The decrease in 2010 was due to the refinancing in July 2010 of our Senior Revolving Credit Facility, lower average borrowings and a $1.4 million reversal of interest on liabilities for uncertain tax positions. The increase in 2009 resulted from higher debt levels and the accelerated amortization of deferred financing costs as a result of the repayment of a term loan.

Provision for Income Taxes**:** Our 2010 and 2009 tax provision was $22.9 million and $22.0 million for an effective tax rate of 22.9% and 28.4%, respectively. The 2010 provision includes a $2.9 million benefit from the reversal of valuation allowances against U.S. deferred tax assets and a $3.5 million benefit from New Clean Energy Manufacturing tax credits for qualifying investments made in 2009 in our U.S wind energy facility. Excluding these items, the effective tax rate was 29.4%. The 2008 provision of $15.6 million or 14.1% effective tax rate included $26.2 million of net tax benefits primarily attributable to tax planning strategies that resulted in changing prior year foreign taxes paid from a deduction to a credit, the reversal of valuation allowances against net operating losses and the reinstatement of net operating losses which were previously written off. Excluding these benefits, the adjusted effective tax was 37.8% for 2008. The improvement in the effective tax rates in 2010 and 2009 compared to the adjusted effective tax rate in 2008 reflects the tax planning actions we have taken over the past few years. We believe the adjusted effective tax rate, which is a non-GAAP measure, is meaningful since it provides insight to the tax rate of ongoing operations.

Equity in Earnings from and Gain on Sale of Investments in Affiliated Companies: In 2010 and 2009, equity in earnings represents our portion of the earnings from our joint venture in Malaysia. Equity in earnings from and gain on sale of investments in affiliated companies during 2008 included a pre-tax gain of $12.5 million from the sale of our interest in BHA Aero Composite Parts Co., Ltd. ("BHA") during 2008 to our joint venture partner for $22.3 million in cash. For additional information, see Note 5 to the accompanying consolidated financial statements of this Annual Report on Form 10-K.

Net Income: Net income was $77.4 million, or $0.77 per diluted share for the year ended December 31, 2010 compared to $56.3 million, or $0.57 per diluted common share for 2009 and $111.2 million or $1.14 per diluted share for 2008. The changes reflect the results discussed above, primarily lower sales volume in 2009 and the one-time tax benefits and gain on sale of our interest in BHA in 2008. Also see the above table for a reconciliation of GAAP net income from continuing operations to our adjusted "Non-GAAP" measure.

Retirement and Other Postretirement Benefit Plans

We maintain qualified and nonqualified defined benefit retirement plans covering certain current and former European employees, as well as nonqualified defined benefit retirement plans and a retirement savings plans covering eligible U.S. employees, and participate in a union sponsored multi-employer pension plan covering certain U.S. employees with union affiliations. In addition, we provide certain postretirement health care and life insurance benefits to eligible U.S. retirees.

Under the retirement savings plans, eligible U.S. employees can contribute up to 20% of their compensation to an individual

401(k) retirement savings account. We make matching contributions equal to 50% of employee contributions, not to exceed 3% of employee compensation.

We have defined benefit retirement plans in the United Kingdom, Belgium, France and Austria covering certain employees of our subsidiaries in those countries. The defined benefit plan in the United Kingdom (the "U.K. Plan") is the largest of the European plans. As of December 31, 2010, 64% of the total assets in the U.K. Plan were invested in equities. Equity investments are made with the objective of achieving a return on plan assets consistent with the funding requirements of the plan, maximizing portfolio return and minimizing the impact of market fluctuations on the fair value of the plan assets. As a result of an annual review of historical returns and market trends, the expected long-term weighted average rate of return for the U.K. Plan for the 2011 plan year will be 7.0% and 4.5% for the other European Plans as a group. In 2007, we froze the U.K. Plan to new participants. In January 2011, we terminated the U.K. Plan and introduced significant enhancements to the defined contribution plan. As a result of the termination of the U.K. Plan in January 2011, we will record a curtailment gain of $5.7 million (after tax gain of $0.04 per diluted share) in the first quarter of 2011 to recognize previously unrecognized prior service credits. We expect these changes to be cash neutral to the Company in 2011.

We use actuarial models to account for our pension and postretirement plans, which require the use of certain assumptions, such as the expected long-term rate of return, discount rate, rate of compensation increase, healthcare cost trend rates, and retirement and mortality rates, to determine the net periodic costs of such plans. These assumptions are reviewed and set annually at the beginning of each year. In addition, these models use an "attribution approach" that generally spreads individual events, such as plan amendments and changes in actuarial assumptions, over the service lives of the employees in the plan. That is, employees render service over their service lives on a relatively smooth basis and therefore, the income statement effects of retirement and postretirement benefit plans are earned in, and should follow, the same pattern.

We use our actual return experience, future expectations of long-term investment returns, and our actual and targeted asset allocations to develop our expected rate of return assumption used in the net periodic cost calculations of our funded European defined benefit retirement plans. Due to the difficulty involved in predicting the market performance of certain assets, there will almost always be a difference in any given year between our expected return on plan assets and the actual return. Following the attribution approach, each year's difference is amortized over a number of future years. Over time, the expected long-term returns are designed to approximate the actual long-term returns and therefore result in a pattern of income and expense recognition that more closely matches the pattern of the services provided by the employees.

We annually set our discount rate assumption for retirement-related benefits accounting to reflect the rates available on high-quality, fixed-income debt instruments. The discount rate assumption used to calculate net periodic retirement related costs for the European funded plans was 5.66% for 2010, 5.96% for 2009 and 5.64% for 2008, respectively. The rate of compensation increase, which is another significant assumption used in the actuarial model for pension accounting, is determined by us based upon our long-term plans for such increases and assumed inflation. For the postretirement health care and life insurance benefits plan, we review external data and its historical trends for health care costs to determine the health care cost trend rates. Retirement and mortality rates are based primarily on actual plan experience.

Actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, generally affect the net periodic costs and recorded obligations in such future periods. While we believe that the assumptions used are appropriate, significant changes in economic or other conditions, employee demographics, retirement and mortality rates, and investment performance may materially impact such costs and obligations.

For more information regarding our pension and other postretirement benefit plans, see Note 8 to the accompanying consolidated financial statements of this Annual Report on Form 10-K.

Significant Customers

Approximately 31%, 27%, and 23% of our 2010, 2009, and 2008 net sales, respectively, were to Boeing and related subcontractors. Of the 31% of sales to Boeing and its subcontractors in 2009, 25% related to Commercial Aerospace market applications and 6% related to Space & Defense market applications. Approximately 24%, 22%, and 24% of our 2010, 2009, and 2008 net sales, respectively, were to European Aeronautic Defence and Space Company ("EADS"), including its business division Airbus Industrie ("Airbus"), and its subcontractors. Of the 24% of sales to EADS and its subcontractors in 2010, 21% related to Commercial Aerospace market applications and 3% related to Space & Defense market applications.

Vestas Wind Systems A/S accounted for 12% of the Company's total net sales in 2009 and nearly 11% in 2008. All of these sales are included in the Composite Materials segment and are in the Industrial market.

Financial Condition

In 2010, we generated $77.7 million of free cash flow (cash provided by operating activities less cash paid for capital expenditures) and ended the year with total debt, net of cash, of $215 million, which is the lowest level since 1996. In 2011, we expect our capital spending to be in the range of $150 million to $175 million and target free cash flow to be break-even by year-end.

We have a portfolio of derivatives related to currencies and interest rates. We monitor our counterparties and we only use those rated A- or better.

Liquidity

Our cash on hand at December 31, 2010 was $117.2 million as compared to $110.1 million at December 31, 2009. In December, 2010, we completed a $135 million add-on to our senior credit facility, which was used to pay off a portion of the $150 million of our 6.75% senior subordinated notes we redeemed on February 1, 2011 at a call premium of 2.25%. The remaining redemption amount was funded from cash on hand. At December 31, 2010, proforma, as if the redemption occurred, we had total undrawn availability under the Senior Secured Credit Facility and cash on hand of approximately $247 million.

Our total debt as of December 31, 2010 was $332.2 million, a decrease of $60.1 million from the December 31, 2009 balance. About half of the decrease was a result of a mandatory debt repayment in the first quarter of 2010 and the rest was due to debt repayments made using a portion of the cash generated the past two years. The level of available borrowing capacity fluctuates during the course of the year due to factors including capital expenditures, interest and variable compensation payments, changes to working capital, as well as timing of receipts and disbursements within the normal course of business.

Short-term liquidity requirements consist primarily of normal recurring operating expenses and working capital needs, capital expenditures and debt service requirements. We expect to meet our short-term liquidity requirements through net cash from operating activities, cash on hand and our revolving credit facility. As of December 31, 2010, long-term liquidity requirements consist primarily of obligations under our long-term debt obligations. We do not have any significant required debt repayments until September 2014, and will be repaying the term loan at a rate of approximately $1.3 million per quarter with our next required payment due in March 2011, the quarterly payments increase to $2.5 million in September 2012.

Credit Facilities: On July 9, 2010, Hexcel Corporation entered into a new $250 million senior secured credit facility (the "Facility"), consisting of a $150 million revolving loan and a $100 million term loan. The Facility matures on July 9, 2015. Proceeds from the term loan and cash on hand were used to repay all amounts, and terminate all commitments, outstanding under Hexcel's old credit agreement and to pay fees and expenses in connection with the refinancing. We incurred about $3.7 million in issuance costs related to the refinancing of the Facility, which will be expensed over the life of the Facility. As a result of the refinancing, we incurred a $6.8 million charge in the third quarter of 2010 to accelerate the amortization of deferred financing costs associated with the previous credit facility. The Facility permits us to issue letters of credit up to an aggregate amount of $40 million and allows us to draw up to $75 million in Euros. Amounts drawn in Euros or any outstanding letters of credit reduce the amount available for borrowing under the revolving loan. As of December 31, 2010, we had issued letters of credit totaling $2.1 million under the Facility.

In anticipation of the February 1, 2011 redemption of $150 million of the 6.75% senior subordinated notes, in December 2010, the Company increased its $150 million revolving loan facility to $285 million. There were no changes to the terms and conditions of the Facility. Then on February 1, 2011, we redeemed the senior subordinated notes, the redemption was funded from the revolving loan facility and cash on hand.

The credit agreement contains financial and other covenants, including, but not limited to, restrictions on the incurrence of debt and the granting of liens, as well as the maintenance of an interest coverage ratio and a leverage ratio, and limitations on capital expenditures. In accordance with the terms of the Facility, we are required to maintain a minimum interest coverage ratio of 4.00 (based on the ratio of EBITDA, as defined in the credit agreement, to interest expense) and may not exceed a maximum leverage ratio of 3.00 (based on the ratio of total debt to EBITDA) throughout the term of the Facility. In addition, the Facility contains other terms and conditions such as customary representations and warranties, additional covenants and customary events of default. As of December 31, 2010, we were in compliance with all debt covenants and expect to remain in compliance. Terms of the Facility are further discussed in Note 6 to the accompanying financial statements.

The interest rate for the loans is LIBOR plus 2.75% through December 2010 and then ranges down to LIBOR plus 2%, depending on our leverage ratio. The margin for the loans decreases from 2.75% to 2.25% if Hexcel's leverage ratio decreases below 2 to 1, and decreases an additional 25 basis points if Hexcel's leverage ratio decreases below 1.75 to 1. For the year ended December 31, 2010, our leverage ratio was less than 1.75, accordingly in the first quarter of 2011 our margin decreased to 2%. The term loan was borrowed at closing and once repaid cannot be reborrowed. The term loan is scheduled to be repaid at an initial rate of approximately $1.3 million per quarter, increasing to $2.5 million in September 2012, with two payments of $10.0 million in September 2014 and December 2014 and two final $25.0 million payments in March and June 2015.

We have a $7.1 million borrowing facility for working capital needs of our Chinese entity with an outstanding balance of $7.1 million at December 31, 2010. These funds can only be used locally, accordingly we do not include this facility in our borrowing capacity disclosures. The borrowing facility expires on November 20, 2011 and is guaranteed by Hexcel Corporation.

Operating Activities: We generated $126.5 million in cash from operating activities during 2010, a decrease of $46.3 million from 2009 primarily from higher working capital levels as sales volumes increased. Accounts receivable and inventories used $39.2 million of cash as opposed to generating cash of $70.2 million in 2009. Accounts payable and accrued liabilities resulted in an inflow of $4.5 million as compared to an outflow of $28.1 million in 2009. These large swings reflect moving from last year's declining sales to the current year of increased sales and outlook.

Cash generated from operating activities during 2009 was $172.8 million, an increase of $75.3 million from 2008, predominantly from working capital improvements. Decreases in accounts receivable and inventories contributed $70.2 million. This was partly offset by decreases in accounts payable and accrued liabilities of $28.1 million and increases in other current assets. The positive changes in working capital requirements were attributable to the decline in sales during the year along with strong collections of outstanding accounts receivable and improved inventory control.

Cash generated from operating activities during 2008 was $97.5 million. Net income plus non-cash items contributed $145.0 million of cash flow. This was partly offset by increased working capital requirements primarily due to the 13% sales growth during 2008. Other uses of cash during 2008 included $7.5 million of tax payments related to the sale in 2007 of the European architectural business and the $7.1 million final cash contribution to the U.S. defined pension plan.

Investing Activities: Cash used for investing activities was $48.8 million in 2010 (all payments for capital expenditures) compared to $104.4 million in 2009. The decrease primarily reflects prudent management of our capital spending as we focus on factory yields and efficiencies and try to match our capital spending with our long-term growth assumptions. We made cash payments for capital expenditures of $98.4 million and $175.9 million during 2009 and 2008, respectively, primarily related to our carbon fiber expansion programs. We also increased our ownership in the ACM joint venture to a 50% interest. During 2008, we received total proceeds of $22.3 million from the sale of our interest in BHA. Capital expenditures in 2011 are expected to be $150 million to $175 million.

Financing Activities: Financing activities used $65.2 million of cash as compared with $12.7 million in 2009. In 2010, we again refinanced our Senior Secured Credit Facility. The new Senior Secured Credit Facility terminates in July 2015 and totals $250 million, including a $150 million revolving credit facility and a $100 million new term loan. The new borrowings plus cash on hand were used to repay $134.1 million of term loans existing under the previous facility and $3.7 million of debt issuance costs related to the refinancing. During 2010, we, also, paid $1.4 million of debt issuance costs related to the add-on to our revolving credit facility and repaid $30.0 million of our previous Senior Secured Credit Facility with cash on hand. This repayment included a $26.4 million mandatory prepayment based on 50% of the cash flow generated in 2009, as defined in the old agreement. In addition we borrowed $3.9 million from a line of credit associated with our operations in China.

On February 1, 2011, we redeemed $150 million of our $225 million 6.75% senior subordinated notes at a call premium of 2.25%. The senior subordinated notes are due on February 1, 2015. The redemption was primarily funded by the add-on to our senior secured credit facility, discussed above.

As a result of the redemption, we accelerated the unamortized financing costs of the senior subordinated notes redeemed and expensed the call premium incurring a pretax charge of $4.9 million (estimated after tax of $0.03 per diluted share) in the first quarter of 2011.

Additionally, during 2010, we entered into approximately $98 million of interest rate swaps that trade the LIBOR on our term loan for a fixed rate at an average rate of 1.03%. These interest rate swaps are designated as cash flow hedges to our term loan and expire by March 2014. Based on our leverage ratio at December 31, 2010, the interest rate for the term loan in the first quarter of 2011 is 1.03% plus 2.00%, or 3.03%.

In 2009, we also refinanced our Senior Secured Credit Facility and received $171.5 million of proceeds from a new term loan. The borrowings were used to repay $167.0 million of term loans existing under the previous facility and $10.3 million of debt issuance costs related to the refinancing.

Financial Obligations and Commitments: As of December 31, 2010, current maturities of notes payable and capital lease obligations were $27.6 million, including $15 million that was paid on February 1, 2011 in connection with the redemption of the 6.75% senior subordinated notes. The next significant scheduled debt maturity will not occur until 2014, in the amount of $10.0 million plus any outstanding balance on the revolving loan. Our next scheduled term loan payment of $1.3 million is due in March 2011. We have several capital leases for buildings with expirations through 2021. In addition, certain sales and administrative offices, data processing equipment and manufacturing equipment and facilities are leased under operating leases.

Total letters of credit issued and outstanding under the Senior Secured Credit Facility were $2.1 million as of December 31, 2010. We had no letters of credit issued separately from this credit facility.

The following table summarizes the scheduled maturities as of December 31, 2010 of financial obligations and expiration dates of commitments for the years ended 2011 through 2015 and thereafter.

(In millions)	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**	**Total**
Senior secured credit facility — term B loan due 2015	$ 5.0	$ 7.5	$ 10.0	$ 25.0	$ 50.0	$ —	**$ 97.5**
Working capital facility	7.1						**7.1**
6.75% senior subordinated notes due 2015 (a)	150.0	—	—	—	75.0	—	**225.0**
Capital leases and other	0.5	0.3	—	—	—	1.8	**2.6**
Subtotal	162.6	7.8	10.0	25.0	125.0	1.8	**332.2**
Operating leases	11.0	6.6	6.1	5.1	2.3	11.8	**42.9**
Total financial obligations	$ 173.6	$ 14.4	$ 16.1	$ 30.1	$ 127.3	$ 13.6	**$ 375.1**
Letters of credit	$ 2.1	$ —	$ —	$ —	$ —	$ —	**$ 2.1**
Interest payments	17.5	17.3	17.0	16.6	3.7	1.0	**73.1**
Estimated benefit plan contributions	9.1	12.6	10.1	9.4	27.0	56.7	**124.9**
Other (b)	4.2	1.1	1.0	1.0	—	—	**7.3**
Total commitments	$ 206.5	$ 45.4	$ 44.2	$ 57.1	$ 158.0	$ 71.3	**$ 582.5**

(a) $150.0 million of the notes were redeemed February 1, 2011. The redemption was funded by a new $135 million add-on to the Senior Secured Credit Facility which is due in 2015 and $15.0 million of cash on hand. Accordingly, $15 million is classified as a current liability on the December 31, 2010 Consolidated Balance Sheet.

(b) Other represents estimated spending for environmental matters at known sites.

As of December 31, 2010, we had $20.1 million of unrecognized tax benefits. This represents tax benefits associated with various tax positions taken, or expected to be taken, on domestic and international tax returns that have not been recognized in our financial statements due to uncertainty regarding their resolution. The resolution or settlement of these tax positions with the taxing authorities is at various stages. We estimate that we will settle certain tax audits in 2011 and have classified $1.0 million of the unrecognized tax benefit as a current liability. We are unable to make a reliable estimate of the eventual cash flows of the remaining $19.1 million of unrecognized tax benefits.

For further information regarding our financial obligations and commitments, see Notes 6, 7, 8, 13 and 14 to the accompanying consolidated financial statements of this Annual Report on Form 10-K.

Critical Accounting Policies

Our consolidated financial statements are prepared based upon the selection and application of accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions about future events that affect amounts reported in our financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results could differ from those estimates, and any such differences may be significant to the financial statements. The accounting policies below are those we believe are the most critical to the preparation of our financial statements and require the most difficult, subjective and complex judgments. Our other accounting policies are described in the accompanying notes to the consolidated financial statements of this Annual Report on Form 10-K.

Deferred Tax Assets

As of December 31, 2010 we have $85.0 million in net deferred tax assets consisting of deferred tax assets of $151.3 million offset by deferred tax liabilities of $29.8 million and a valuation allowance of $36.5 million. As of December 31, 2009, we had $104.6 million in net deferred tax assets consisting of deferred tax assets of $156.6 million offset by deferred tax liabilities of $21.2 million and a valuation allowance of $30.8 million.

The determination of the required valuation allowance and the amount, if any, of deferred tax assets to be recognized involves significant estimates regarding the timing and amount of reversal of taxable temporary differences, future taxable income and the implementation of tax planning strategies. In particular, we are required to weigh both positive and negative evidence in determining whether a valuation allowance is required. Positive evidence would include, for example, a strong earnings history, an event that will increase our taxable income through a continuing reduction in expenses, and tax planning strategies indicating an ability to realize deferred tax assets. Negative evidence would include, for example, a history of operating losses and losses expected in future years.

Included in the 2008 provision were certain tax benefits relating to the implementation of tax planning strategies which enabled the Company to revise its estimate of U.S. net operating loss (NOL) and foreign tax credit (FTC) carry-forwards expected to be realized in the future. The tax provision for the year included $26.2 million of net tax benefits primarily attributable to changing prior year foreign taxes paid from a deduction to a credit and the reversal of valuation allowances against net operating losses and the reinstatement of net operating losses which were previously written off. The Company has additional FTCs for which we have recorded valuation allowances, but we will not reverse these valuation allowances until such time that we believe it is more likely than not that they are realizable. When considering this realizability we will also investigate any potential benefit from a recharacterization of foreign taxes paid in earlier years.

In addition to the valuation allowance against the FTC described above, the valuation allowance as of December 31, 2010 relates to certain net operating loss carryforwards of our foreign subsidiaries, general business credits, and state net operating loss carryforwards for which we have determined, based upon historical results and projected future book and taxable income levels, that a valuation allowance should continue to be maintained.

Uncertain Tax Positions

Our unrecognized tax benefits at December 31, 2010 of $20.1 million, relate to various Foreign and U.S. jurisdictions. Included in the unrecognized tax benefits of $20.1 million at December 31, 2010 was $16.6 million of tax benefits that, if recognized, would impact our annual effective tax rate. In addition, we recognize interest accrued related to unrecognized tax benefits as a component of interest expense and penalties as a component of income tax expense in the consolidated statements of operations. During 2010, we reversed interest of $1.4 million related to the unrecognized tax benefits. We have recorded a liability of $0.9 million and $2.8 million for the payment of interest as of December 31, 2010 and 2009, respectively.

We are subject to taxation in the U.S. and various states and foreign jurisdictions. The U.S. federal statute of limitations remains open for prior years; however the U.S. tax returns have been audited through 2007. Foreign and U.S. state jurisdictions have statutes of limitations generally ranging from 3 to 5 years. Years still open to examination by foreign tax authorities in major jurisdictions include Austria (2002 onward), Belgium (2003 onward), France (2008 onward), Spain (2004 onward) and UK (2008 onward). We are currently under examination in various foreign jurisdictions.

As of December 31, 2010, we had uncertain tax positions for which it is reasonably possible that amounts of unrecognized tax benefits could significantly change over the next year. These uncertain tax positions relate to our tax returns from 2004 onward, some of which are currently under examination by certain European taxing authorities. The company is currently in discussions with certain foreign tax authorities regarding a possible settlement of an audit. We are unable to provide an estimate of possible change to the unrecognized tax benefits related to these tax positions. As of December 31, 2010, the Company has classified approximately $1.0 million of unrecognized tax benefits as a current liability, representing income tax positions under examination in various jurisdictions which the Company expects to settle over the next twelve months.

We expect that the amount of unrecognized tax benefits will continue to change in the next twelve months as a result of ongoing tax deductions, the resolutions of audits and the passing of the certain statutes of limitations.

Long-Lived Assets and Goodwill

We have significant long-lived assets. We review these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The assessment of possible impairment is based upon our ability to recover the carrying value of the assets from the estimated undiscounted future net cash flows, before interest and taxes, of the related operations. If these cash flows are less than the carrying value of such assets, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires estimates of these cash flows and fair value. The calculation of fair value is determined based on discounted cash flows. In determining fair value a considerable amount of judgment is required to determine discount rates, market premiums, financial forecasts, and asset lives.

In addition, we review goodwill for impairment at the reporting unit level at least annually, and whenever events or changes in circumstances indicate that goodwill might be impaired. We have four reporting units within the Composite Materials segment, each of which are components that constitute a business for which discrete financial information is available and for which appropriate management regularly reviews the operating results. Within the Engineered Products segment, the reporting unit is the segment as it comprises only a single component. If, during the annual impairment review, the book value of the reporting unit exceeds the fair value, the implied fair value of the reporting unit's goodwill is compared with the carrying amount of the unit's goodwill. If the carrying amount exceeds the implied fair value, goodwill is written down to its implied value. The implied fair value of goodwill is determined as the difference between the fair value of a reporting unit, taken as a whole, and the fair value of the assets and liabilities of such reporting unit. Fair value is calculated using discounted cash flows, based on a discount rate derived from the weighted average cost of capital for other companies in the industry adjusted to the higher end of the range to represent the companies more comparable in size to Hexcel. The other assumptions included in the discounted cash flow methodology included forecasted revenues, gross profit margins, operating income margins, working capital cash flow, and perpetual growth rates, among others, all of which require significant judgments by management. Future cash flows can be affected by changes in industry or market conditions. During the fourth quarter of 2010, we updated valuations for all reporting units with goodwill using discounted cash flow analyses, based upon estimated forward-looking information regarding market share, revenues and costs for each reporting unit as well as appropriate discount rates. As a result of these valuations, we determined that goodwill was not impaired.

Commitments and Contingencies

We are involved in litigation, investigations and claims arising out of the normal conduct of our business, including those relating to commercial transactions, environmental, employment, health and safety matters. We estimate and accrue our liabilities resulting from such matters based upon a variety of factors, including the stage of the proceeding; potential settlement value; assessments by internal and external counsel; and assessments by environmental engineers and consultants of potential environmental liabilities and remediation costs. We believe we have adequately accrued for these potential liabilities; however, facts and circumstances may change, such as new developments, or a change in approach, including a change in settlement strategy or in an environmental remediation plan, that could cause the actual liability to exceed the estimates, or may require adjustments to the recorded liability balances in the future.

Our estimate of liability as a potentially responsible party ("PRP") and our remaining costs associated with our responsibility to remediate the Lodi, New Jersey; Kent, Washington; and other sites are accrued in the consolidated balance sheets. As of December 31, 2010 and 2009, our aggregate environmental related accruals were $7.3 million and $8.3 million, respectively. As of December 31, 2010 and 2009, $4.2 million and $4.5 million, respectively, was included in current other accrued liabilities, with the remainder included in other non-current liabilities. As related to certain environmental matters, the accrual was estimated at the low end of a range of possible outcomes since no amount within the range is a better estimate than any other amount. In 2010, if we had accrued for these matters at the high end of the range of possible outcomes, our accrual would have been $8.8 million at December 31, 2010.

These accruals can change significantly from period to period due to such factors as additional information on the nature or extent of contamination, the methods of remediation required, changes in the apportionment of costs among responsible parties and other actions by governmental agencies or private parties, or the impact, if any, of being named in a new matter.

Environmental remediation reserve activity for the three years ended December 31, 2010 as follows:

	For the year ended		
(In millions)	**December 31, 2010**	**December 31, 2009**	**December 31, 2008**
Beginning remediation accrual balance	**$ 8.3**	$ 9.2	$ 3.2
Current period expenses (a)	**3.8**	1.9	8.7
Cash expenditures	**(4.8)**	(2.8)	(2.7)
Ending remediation accrual balance	**$ 7.3**	$ 8.3	$ 9.2
Capital expenditures for environmental matters	**$ 1.7**	$ 4.8	$ 7.3

(a) 2008 Includes $7.6 million of expense related to the Lodi, New Jersey site resulting from a change in the estimated time period that remediation is expected to continue.

Market Risks

As a result of our global operating and financing activities, we are exposed to various market risks that may affect our consolidated results of operations and financial position. These market risks include, but are not limited to, fluctuations in interest rates, which impact the amount of interest we must pay on certain debt instruments, and fluctuations in currency exchange rates, which impact the U.S. dollar value of transactions, assets and liabilities denominated in foreign currencies. Our primary currency exposures are in Europe, where we have significant business activities. To a lesser extent, we are also exposed to fluctuations in the prices of certain commodities, such as electricity, natural gas, aluminum, acrylonitrile and certain chemicals.

We attempt to net individual exposures, when feasible, taking advantage of natural offsets. In addition, we employ interest rate swap agreements, cross-currency swap agreements and foreign currency forward exchange contracts for the purpose of hedging certain specifically identified interest rates and net currency exposures. The use of these financial instruments is intended to mitigate some of the risks associated with fluctuations in interest rates and currency exchange rates, but does not eliminate such risks. We do not use financial instruments for trading or speculative purposes.

Interest Rate Risks

Our long-term debt bears interest at both fixed and variable rates. From time to time we have entered into interest rate swap agreements to change the underlying mix of variable and fixed interest rate debt. These interest rate swap agreements have modified the percentage of total debt that is exposed to changes in market interest rates. Assuming a 10% favorable and a 10% unfavorable change in the underlying weighted average interest rates of our variable rate debt and swap agreements, interest expense for 2010 of $23.2 million would have decreased to $22.6 million and increased to $23.8 million, respectively.

Interest Rate Swaps

In 2010, we entered into approximately $98 million of interest rate swaps that trade the LIBOR on our term loan for a fixed rate at an average rate of 1.03%. These interest rate swaps are designated as cash flow hedges to our term loan and expire by March 2014. The fair value of interest rate swap agreements is recorded in other assets or other long-term liabilities with a corresponding amount to Other Comprehensive Income. Based on our leverage ratio at December 31, 2010, the interest rate for the term loan in the first quarter 2011 is 1.03% plus 2.00%, or 3.03%.

Cross-Currency Interest Rate Swap Agreement

In September 2006, we entered into a cross-currency interest rate swap agreement to hedge a portion of our net Euro investment in Hexcel France SA. To the extent it is effective, gains and losses are recorded as an offset in the cumulative translation account, the same account in which translation gains and losses on the investment in Hexcel France SA are recorded. All other changes, including any difference in current interest, are excluded from the assessment of effectiveness and are included in income as a component of interest expense. The agreement has a notional value of $63.4 million, a term of five years, and is scheduled to mature on September 20, 2011. We receive interest in U.S. dollars quarterly and pay interest in Euros on the same day. U.S. interest is based on the three month LIBOR. Euro interest is based on the three month EURIBOR. The fair value of the swap at December 31, 2010 and December 31, 2009 was a liability of $3.0 million and $8.2 million, respectively. A net charge to interest expense of $0.3 million and a net credit to interest expense of $0.3 million related to the excluded portion of the derivative were recorded in 2010 and 2009, respectively. Net charges to interest expense of $0.3 million and $0.6 million related to the interest coupons were recorded during 2010 and 2009, respectively. The net amount of gains/losses included in the CTA adjustment during the reporting periods were a gain of 5.4 million, a loss of $1.2 million, a gain of $3.2 million in 2010, 2009 and 2008, respectively. The impact of applying prescribed credit risk adjustments was immaterial for the three years.

Foreign Currency Exchange Risks

We operate nine manufacturing facilities in Europe, which generated approximately 48% of our 2010 consolidated net sales. Our European business activities primarily involve three major currencies — the U.S. dollar, the British pound, and the Euro. We also conduct business or have joint venture investments in China, Malaysia, Japan and Australia, and sell products to customers throughout the world.

In 2010, our European subsidiaries had third-party sales of $538.3 million of which approximately 48% were denominated in U.S.

dollars, 48% were denominated in Euros and 4% were denominated in British pounds. While we seek to reduce the exposure of our European subsidiaries to their sales in non-functional currencies through the purchase of raw materials in the same currency as that of the product sale, the net contribution of these sales to cover the costs of the subsidiary in its functional currency will vary with changes in foreign exchange rates, and as a result, so will vary the European subsidiaries' percentage margins and profitability. For revenues denominated in the functional currency of the subsidiary, changes in foreign currency exchange rates increase or decrease the value of these revenues in U.S. dollars but do not affect the profitability of the subsidiary in its functional currency. The value of our investments in these countries could be impacted by changes in currency exchange rates over time, and could impact our ability to profitably compete in international markets.

We attempt to net individual functional currency positions of our various European subsidiaries, to take advantage of natural offsets and reduce the need to employ foreign currency forward exchange contracts. We attempt to hedge some, but not necessarily all, of the net exposures of our European subsidiaries resulting from sales they make in non-functional currencies. The benefit of such hedges varies with time and the foreign exchange rates at which the hedges are set. For example, when the Euro strengthened against the U.S. dollar, the benefit of new hedges placed was much less than the value of hedges they replaced that were entered into when the U.S. dollar was stronger. We seek to place additional foreign currency hedges when the dollar strengthens against the Euro or British pound. We do not seek to hedge the value of our European subsidiaries' functional currency sales and profitability in U.S. dollars. We also enter into short-term foreign currency forward exchange contracts, usually with a term of ninety days or less, to hedge net currency exposures resulting from specifically identified transactions. Consistent with the nature of the economic hedge provided by such contracts, any unrealized gain or loss would be offset by corresponding decreases or increases, respectively, of the underlying transaction being hedged.

We have performed a sensitivity analysis as of December 31, 2010 using a modeling technique that measures the changes in the fair values arising from a hypothetical 10% adverse movement in the levels of foreign currency exchange rates relative to the U.S. dollar with all other variables held constant. The analysis covers all of our foreign currency hedge contracts. The sensitivity analysis indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would have an immaterial impact on our results. However, it should be noted that over time as the adverse movement (in our case a weaker dollar as compared to the Euro or the GBP) continues and new hedges are layered in at the adverse rate, the impact would be more significant. For example, had we not had any hedges in place for 2010, a 10% adverse movement would have reduced our operating income by about $9.7 million.

Foreign Currency Forward Exchange Contracts

A number of our European subsidiaries are exposed to the impact of exchange rate volatility between the U.S. dollar and the subsidiaries' functional currencies, being either the Euro or the British Pound Sterling. We entered into contracts to exchange U.S. dollars for Euros and British Pound Sterling through May 2013. The aggregate notional amount of these contracts was $124.2 million and $100.1 million at December 31, 2010 and 2009, respectively. The purpose of these contracts is to hedge a portion of the forecasted transactions of European subsidiaries under long-term sales contracts with certain customers. These contracts are expected to provide us with a more balanced matching of future cash receipts and expenditures by currency, thereby reducing our exposure to fluctuations in currency exchange rates. For the three years ended December 31, 2010, hedge ineffectiveness was immaterial. Cash flows associated with these contracts are classified within net cash provided by operating activities of continuing operations.

The activity in "accumulated other comprehensive income (loss)" related to foreign currency forward exchange contracts for the years ended December 31, 2010, 2009 and 2008 was as follows:

(In millions)	**2010**	**2009**	**2008**
Unrealized gains (losses) at beginning of period	**$ (1.4)**	$ (8.9)	$ 3.2
(Gains) losses reclassified to net sales	**3.9**	4.3	(1.3)
(Decrease) increase in fair value, net of tax	**(2.7)**	3.2	(10.8)
Unrealized gains (losses) at end of period	**$ (0.2)**	$ (1.4)	$ (8.9)

Unrealized losses of $0.3 million recorded in "accumulated other comprehensive income (loss)," net of tax, as of December 31, 2010 are expected to be reclassified into earnings over the next twelve months as the hedged sales are recorded. The impact of credit risk adjustments was immaterial for the three years.

In addition, non-designated foreign exchange forward contracts are used to hedge balance sheet exposures. The notional amounts outstanding at December 31, 2010 and 2009, respectively were U.S. $85.9 million and GBP 1.0 million against EUR, and U.S. $53.8 million and GBP 3.0 million against EUR. The change in fair value of these forward contracts are recorded in the consolidated statements of operations and were immaterial for the years 2010, 2009 and 2008.

Utility Price Risks

We have exposure to utility price risks as a result of volatility in the cost and supply of energy and in natural gas. To minimize the risk, from time to time we enter into fixed price contracts at certain of our manufacturing locations for a portion of our energy usage for periods of up to one year. Although these contracts would reduce the risk to us during the contract period, future volatility in the supply and pricing of energy and natural gas could have an impact on our future consolidated results of operations.

Recently Issued Accounting Standards

New Accounting Pronouncements

In October 2009, the FASB issued new authoritative guidance regarding "Revenue Recognition — Multiple Deliverable Revenue Arrangements." This update provides amendments for separating consideration in multiple deliverable arrangements and removes the objective-and-reliable-evidence-of-fair-value criterion from the separation criteria used to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, replaces references to "fair value" with "selling price" to distinguish from the fair value measurements required under the "Fair Value Measurements and Disclosures" guidance, provides a hierarchy that entities must use to estimate the selling price, eliminates the use of the residual method for allocation, and expands the ongoing disclosure requirements. This update is effective for the Company beginning January 1, 2011 and can be applied prospectively or retrospectively. We adopted the new guidance prospectively on January 1, 2011 and do not expect it will materially affect the Company's consolidated financial position and results of operations.

Consolidated Financial Statements and Supplementary Data

Management's Responsibility for Consolidated Financial Statements

Hexcel management has prepared and is responsible for the consolidated financial statements and the related financial data contained in this report. These financial statements, which include estimates, were prepared in accordance with accounting principles generally accepted in the United States of America. Management uses its best judgment to ensure that such statements reflect fairly the consolidated financial position, results of operations and cash flows of the Company.

The Audit Committee of the Board of Directors reviews and monitors the financial reports and accounting practices of Hexcel. These reports and practices are reviewed regularly by management and by our independent registered public accounting firm, PricewaterhouseCoopers LLP, in connection with the audit of our consolidated financial statements. The Audit Committee, composed solely of outside directors, meets periodically, separately and jointly, with management and the independent registered public accounting firm.

Management's Report on Internal Control Over Financial Reporting

Hexcel management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Hexcel management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on our assessment, management concluded that, as of December 31, 2010, our internal control over financial reporting was effective.

The effectiveness of Hexcel's internal control over financial reporting, as of December 31, 2010, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report that appears on 44.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of Hexcel Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Hexcel Corporation and its subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Stamford, Connecticut
February 10, 2011

Hexcel Corporation and Subsidiaries
Consolidated Balance Sheets
As of December 31,

(In millions)	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	**$ 117.2**	$ 110.1
Accounts receivable, net	**173.9**	158.4
Inventories, net	**169.9**	157.2
Prepaid expenses and other current assets	**36.7**	35.4
Total current assets	**497.7**	461.1
Net property, plant and equipment	**598.3**	602.1
Goodwill and other intangible assets	**56.2**	56.7
Investments in affiliated companies	**19.9**	17.7
Deferred tax assets	**63.6**	85.6
Other assets	**22.4**	23.4
Total assets	**$1,258.1**	$1,246.6
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term borrowings and current maturities of long-term debt	**$ 27.6**	$ 33.5
Accounts payable	**83.0**	74.3
Accrued compensation and benefits	**50.5**	43.5
Accrued interest	**6.9**	9.6
Other accrued liabilities	**37.9**	40.8
Total current liabilities	**205.9**	201.7
Long-term notes payable and capital lease obligations	**304.6**	358.8
Long-term retirement obligations	**61.9**	73.1
Other non-current liabilities	**26.3**	37.4
Total liabilities	**598.7**	671.0
Commitments and contingencies (see Note 14)		
Stockholders' equity:		
Common stock, $0.01 par value, 200.0 shares of stock authorized, 99.5 and 98.6 shares of stock issued and outstanding at December 31, 2010 and 2009, respectively	**1.0**	1.0
Additional paid-in capital	**552.3**	535.3
Retained earnings	**148.4**	71.0
Accumulated other comprehensive loss	**(15.1)**	(7.0)
	686.6	600.3
Less: Treasury stock, at cost, 2.2 and 2.0 shares at December 31, 2010 and 2009, respectively	**(27.2)**	(24.7)
Total stockholders' equity	**659.4**	575.6
Total liabilities and stockholders' equity	**$1,258.1**	$1,246.6

The accompanying notes are an integral part of these consolidated financial statements.

Hexcel Corporation and Subsidiaries
Consolidated Statements of Operations
For the Years Ended December 31,

(In millions, except per share data)	2010	2009	2008
Net sales	$ 1,173.6	$ 1,108.3	$ 1,324.9
Cost of sales	891.0	859.8	1,035.7
Gross margin	282.6	248.5	289.2
Selling, general and administrative expenses	118.5	107.2	112.9
Research and technology expenses	30.8	30.1	31.4
Business consolidation and restructuring expenses	—	—	3.8
Other expense, net	3.5	7.5	10.2
Operating income	129.8	103.7	130.9
Interest expense, net	23.2	26.1	20.2
Non-operating expense	6.8	—	—
Income before income taxes and equity in earnings	99.8	77.6	110.7
Provision for income taxes	22.9	22.0	15.6
Income before equity in earnings	76.9	55.6	95.1
Equity in earnings from and gain on sale of investments in affiliated companies	0.5	0.7	16.1
Net income	$ 77.4	$ 56.3	$ 111.2
Basic net income per common share:	$ 0.79	$ 0.58	$ 1.15
Diluted net income per common share:	$ 0.77	$ 0.57	$ 1.14
Weighted average common shares outstanding:			
Basic	97.6	96.9	96.4
Diluted	99.9	98.2	97.6

The accompanying notes are an integral part of these consolidated financial statements.

Hexcel Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity and Comprehensive Income
For the Years Ended December 31, 2010, 2009 and 2008

(In millions)	Common Stock Par	Common Stock Additional Paid-In Capital	Accumulated Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Total Stockholders' Equity	Comprehensive Income
Balance, December 31, 2007	$ 1.0	$ 513.2	$ (97.3)	$ 32.6	$ (21.9)	$ 427.6	
Net income			111.2			111.2	$ 111.2
Pension obligation — ASC 715 measurement date adjustment, net of tax			0.8			0.8	0.8
Currency translation adjustments				(27.7)		(27.7)	(27.7)
Net unrealized loss on financial instruments, net of tax				(12.0)		(12.0)	(12.0)
Change in post-retirement benefit plans, net of tax				(1.6)		(1.6)	(1.6)
Comprehensive income							$ 70.7
Activity under stock plans		12.8			(1.9)	10.9	
Balance, December 31, 2008	$ 1.0	$ 526.0	$ 14.7	$ (8.7)	$ (23.8)	$ 509.2	
Net income			56.3			56.3	$ 56.3
Currency translation adjustments				10.1		10.1	10.1
Net unrealized gain on financial instruments, net of tax				6.7		6.7	6.7
Change in post-retirement benefit plans, net of tax				(15.1)		(15.1)	(15.1)
Comprehensive income							**$** 58.0
Activity under stock plans		9.3			(0.9)	8.4	
Balance, December 31, 2009	$ 1.0	$ 535.3	$ **71.0**	$ **(7.0)**	$ **(24.7)**	$ **575.6**	
Net income			**77.4**			**77.4**	**$ 77.4**
Currency translation adjustments				**(17.1)**		**(17.1)**	**(17.1)**
Net unrealized gain on financial instruments, net of tax				**1.7**		**1.7**	**1.7**
Change in post-retirement benefit plans, net of tax				**7.3**		**7.3**	**7.3**
Comprehensive income							**$ 69.3**
Activity under stock plans		**17.0**			**(2.5)**	**14.5**	
Balance, December 31, 2010	**$ 1.0**	**$ 552.3**	**$ 148.4**	**$ (15.1)**	**$ (27.2)**	**$ 659.4**	

The accompanying notes are an integral part of these consolidated financial statements.

Hexcel Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31,

(In millions)	2010	2009	2008
Cash flows from operating activities			
Net income	**$ 77.4**	$ 56.3	$ 111.2
Reconciliation to net cash provided by operating activities:			
Depreciation and amortization	**53.2**	46.6	43.9
Amortization of debt discount and deferred financing costs	**10.3**	4.9	1.7
Deferred income taxes (benefit)	**16.1**	19.6	(6.5)
Business consolidation and restructuring expenses	**—**	—	3.8
Business consolidation and restructuring payments	**(0.8)**	(1.7)	(4.3)
Equity in earnings from and gain on sale of investments in affiliated companies	**(0.5)**	(0.7)	(16.2)
Share-based compensation	**12.4**	8.3	9.4
Excess tax benefits on share-based compensation	**(2.3)**	(0.7)	2.0
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	**(22.5)**	31.8	(3.1)
(Increase) decrease in inventories	**(16.7)**	38.4	(20.1)
(Increase) decrease in prepaid expenses and other current assets	**(0.2)**	(7.3)	3.0
Increase (Decrease) in accounts payable and accrued liabilities	**4.5**	(28.1)	(27.1)
Other, net	**(4.4)**	5.4	(0.2)
Net cash provided by operating activities	**126.5**	172.8	97.5
Cash flows from investing activities			
Capital expenditures and deposits for capital purchases	**(48.8)**	(98.4)	(175.9)
Investment in affiliated companies	**—**	(6.0)	—
Proceeds from sale of an investment in an affiliated company	**—**	—	22.3
Net cash used for investing activities	**(48.8)**	(104.4)	(153.6)
Cash flows from financing activities			
Borrowings from credit facility	**3.9**	3.0	—
Proceeds from senior secured credit facility — new term B loan	**100.0**	171.5	—
Repayment of senior secured credit agreement — term B and C loans	**(164.1)**	(167.0)	—
Repayment of senior secured credit agreement — new term B loan	**(2.5)**	(10.9)	—
Issuance costs related to new senior secured credit facility	**(5.1)**	(10.3)	—
Proceeds from senior secured credit facility — term C loan	**—**	—	79.3
Capital lease obligations and other debt, net	**(0.5)**	0.3	(0.4)
Activity under stock plans and other	**3.1**	0.7	1.2
Net cash (used for) provided by financing activities	**(65.2)**	(12.7)	80.1
Effect of exchange rate changes on cash and cash equivalents	**(5.4)**	3.5	(1.2)
Net increase in cash and cash equivalents	**7.1**	59.2	22.8
Cash and cash equivalents at beginning of year	**110.1**	50.9	28.1
Cash and cash equivalents at end of year	**$ 117.2**	$ 110.1	$ 50.9
Supplemental information (See Note 15):			
Accrual basis additions to property, plant and equipment	**$ 60.7**	$ 85.7	$ 177.3

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Significant Accounting Policies

Nature of Operations

Hexcel Corporation and its subsidiaries (herein referred to as "Hexcel", "the Company", "we", "us", or "our"), is a leading advanced composites company. We develop, manufacture, and market lightweight, high-performance composites, including carbon fibers, reinforcements, prepregs, honeycomb, matrix systems, adhesives and composite structures, for use in the Commercial Aerospace, Space and Defense and Industrial applications. Our products are used in a wide variety of end applications, such as commercial and military aircraft, space launch vehicles and satellites, wind turbine blades, automotive, bikes, skis and a wide variety of other industrial applications.

We serve international markets through manufacturing facilities, sales offices and representatives located in the Americas, Europe and Asia Pacific. We are also an investor in a joint venture, which manufactures composite structures for commercial aerospace.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Hexcel Corporation and its subsidiaries after elimination of all intercompany accounts, transactions and profits. An investment in an affiliated company, in which our interest is 50% and where we do not have the ability to exercise control over financial or operating decisions, nor are we the primary beneficiary, is accounted for using the equity method of accounting.

Use of Estimates

Preparation of the accompanying consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with an original maturity of three months or less when purchased. Our cash equivalents are held in prime money market investments with strong sponsor organizations which are monitored on a continuous basis.

Inventories

Inventories are stated at the lower of cost or market, with cost determined using the first-in, first-out and average cost methods. Inventory is reported at its estimated net realizable value based upon our historical experience with inventory becoming obsolete due to age, changes in technology and other factors.

Property, Plant and Equipment

Property, plant and equipment, including capitalized interest applicable to major project expenditures, is recorded at cost. Asset and accumulated depreciation accounts are eliminated for dispositions, with resulting gains or losses reflected in earnings. Depreciation of plant and equipment is provided using the straight-line method over the estimated useful lives of the various assets. The estimated useful lives range from 10 to 40 years for buildings and improvements and from 3 to 20 years for machinery and equipment. Repairs and maintenance are expensed as incurred, while major replacements and betterments are capitalized and depreciated over the remaining useful life of the related asset.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets of an acquired business. Goodwill is tested for impairment at the reporting unit level annually, or when events or changes in circumstances indicate that goodwill might be impaired. The Company's annual test for goodwill impairment was performed in the fourth quarter as of November 30, 2010. Goodwill is reviewed for impairment utilizing a two-step process. The first step of the impairment test requires the identification of the reporting units and comparison of the fair value of each of these reporting units to the respective carrying value. A reporting unit is an operating segment or one level below an operating segment, for which discrete information is available and regularly reviewed by management. If the carrying value of the reporting unit is less than its fair value, no impairment exists and the second step is not performed. If the carrying value of the reporting unit is higher than its fair value, the second step must be performed to compute the amount of the goodwill impairment, if any. In the second step, the impairment is computed by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for the excess.

Fair value is calculated using discounted cash flows, based on a discount rate derived from the weighted average cost of capital for other companies in the industry adjusted to the higher end of the range to represent the companies more comparable in size to Hexcel. The other assumptions included in the discounted cash flow methodology included forecasted revenues, gross profit margins, operating income margins, working capital cash flow, and perpetual growth rates, among others, all of which require significant judgments by management.

We amortize the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. Indefinite lived intangibles are tested annually for impairment, or when events or changes in circumstances indicate the potential for impairment. If the carrying amount of the indefinite lived intangible exceeds the fair value, the intangible asset is written down to its fair value. Fair value is calculated using discounted cash flows.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including property, plant and equipment and identifiable intangible assets, for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. These indicators include: a significant decrease in the market price of a long-lived asset, a significant change in the extent or manner in which a long-lived asset is used or its physical condition, a significant adverse change in legal factors or business climate that could affect the value of a long-lived asset, an accumulation of costs significantly in excess of the amount expected for the acquisition or construction of a long-lived asset , a current period operating or cash flow loss combined with a history of losses associated with a long-lived asset and a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated life.

The Company also tests indefinite-lived intangible assets, consisting of purchased emissions credits, for impairment at least annually in the fourth quarter as of November 30th. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference.

Software Development Costs

Costs incurred to develop software for internal-use are accounted for under Statement of Position 98-1, *"Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."* All costs relating to the preliminary project stage and the post-implementation/operation stage are expensed as incurred. Costs incurred during the application development stage are capitalized and amortized over the useful life of the software. The amortization of capitalized costs commences when functionality of the computer software is achieved.

Investments

We have a 50% equity ownership investment in an Asian joint venture Asian Composites Manufacturing Sdn. Bhd. In accordance with recently issued accounting standards we have determined that this investment is not a variable interest entity. As such, we account for our share of the earnings of this affiliated company using the equity method of accounting.

Debt Financing Costs

Debt financing costs are deferred and amortized to interest expense over the life of the related debt, which ranges from 4 to 10 years. At December 31, 2010 and 2009, deferred debt financing costs were $9.8 million and $11.9 million, net of accumulated amortization of $4.1 million and $4.6 million, respectively, and are included in "other assets" in the consolidated balance sheets.

Share-Based Compensation

The fair value of the Restricted Stock Units (RSU's) is equal to the market price of our stock at date of grant and is amortized to expense ratably over the vesting period. Performance restricted stock units ("PRSUs") are a form of RSUs in which the number of shares ultimately received depends on the extent to which we achieve a specified performance target. The fair value of the PRSU is based on the closing market price of the Company's common stock on the date of grant and is amortized straight-line over the total vesting period. A change in the performance measure expected to be achieved is recorded as an adjustment in the period in which the change occurs. We use the Black-Scholes model to value compensation expense for all option-based payment awards made to employees and directors based on estimated fair values on the grant date. The value of the portion of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the requisite service periods in our consolidated statements of operations.

Currency Translation

The assets and liabilities of international subsidiaries are translated into U.S. dollars at year-end exchange rates, and revenues and expenses are translated at average exchange rates during the year. Cumulative currency translation adjustments are included in "accumulated other comprehensive income (loss)" in the stockholders' equity section of the consolidated balance sheets. Gains and losses from foreign currency transactions are not material.

Revenue Recognition

Our revenue is predominately derived from sales of inventory, and is recognized when persuasive evidence of an arrangement exists, title and risk of loss passes to the customer, the sales price is fixed or determinable and collectability is reasonably assured. However, from time to time we enter into contractual arrangements for which other specific revenue recognition guidance is applied.

Recognition of revenue on bill and hold arrangements occurs only when risk of ownership has passed to the buyer, a fixed written commitment has been provided by the buyer, the goods are complete and ready for shipment, the goods are segregated from inventory, no performance obligations remain and a schedule for delivery of goods has been established. Revenues derived from design and installation services are recognized when the service is provided. Revenues derived from long-term construction-type contracts are accounted for using the percentage-of-completion method, and progress is measured on a cost-to-cost basis. If at any time expected costs exceed the value of the contract, the loss is recognized immediately.

Product Warranty

We provide for an estimated amount of product warranty at the point a claim is probable and estimable. This estimated amount is provided by product and based on current facts, circumstances and historical warranty experience. Warranty expense was $1.9 million, $0.6 million and $1.4 million for the years ended December 31, 2010, 2009 and 2008 respectively.

Research and Technology

Significant costs are incurred each year in connection with research and technology ("R&T") programs that are expected to contribute to future earnings. Such costs are related to the development and, in certain instances, the qualification and certification of new and improved products and their uses. R&T costs are expensed as incurred.

Income Taxes

We provide for income taxes using the liability approach. Under the liability approach, deferred income tax assets and liabilities reflect tax net operating loss and credit carryforwards and the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. Deferred tax assets require a valuation allowance when it is more likely than not, based on the evaluation of positive and negative evidence, that some portion of the deferred tax assets may not be realized. The realization of deferred tax assets is dependent upon the timing and magnitude of future taxable income prior to the expiration of the deferred tax assets' attributes. When events and circumstances so dictate, we evaluate the realizability of our deferred tax assets and the need for a valuation allowance by forecasting future taxable income. Investment tax credits are recorded on a flow-through basis, which reflects the credit in net income as a reduction of the provision for income taxes in the same period as the credit is realized for federal income tax purposes.

Concentration of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of trade accounts receivable. Two customers and their related subcontractors accounted for more than half of our annual net sales in 2010 and three customers and their related subcontractors accounted for more than half of our annual net sales for 2009 and 2008. Refer to Note 17 for further information on significant customers. We perform ongoing credit evaluations of our customers' financial condition but generally do not require collateral or other security to support customer receivables. We establish an allowance for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends and other financial information. As of December 31, 2010 and 2009, the allowance for doubtful accounts was $1.5 million and $1.9 million, respectively. Bad debt expense was immaterial for all years presented.

Derivative Financial Instruments

We use various financial instruments, including foreign currency forward exchange contracts, cross-currency swap agreements and interest rate swap agreements, to manage our exposure to market fluctuations by generating cash flows that offset, in relation to their amount and timing, the cash flows of certain foreign currency denominated transactions or underlying debt instruments. We mark our foreign exchange forward contracts to fair value. The change in the fair value is recorded in current period earnings. When the derivatives qualify, we designate our foreign currency forward exchange contracts as cash flow hedges against forecasted foreign currency denominated transactions and report the effective portions of changes in fair value of the instruments in "accumulated other comprehensive income (loss)" until the underlying hedged transactions affect income. We designate our interest rate swap agreements as fair value or cash flow hedges against specific debt instruments and recognize interest differentials as adjustments to interest expense as the differentials may occur. Cross-currency swap agreements are used as hedges of portions of our net investment in foreign operations and to the extent effective, gains and losses are recorded as an offset in the cumulative translation account, the same account in which translation gains and losses on the investment are recorded. All other changes, including any difference in current interest, are excluded from the assessment of effectiveness and are included in operating income as a component of interest expense. We do not use financial instruments for trading or speculative purposes.

In accordance with accounting guidance, we recognize all derivatives as either assets or liabilities on our balance sheet and measure those instruments at fair value.

Self-insurance

We are self-insured up to specific levels for certain medical and health insurance and workers' compensation plans. Accruals are established based on actuarial assumptions and historical claim experience, and include estimated amounts for incurred but not reported claims.

New Accounting Pronouncements

In October 2009, the FASB issued new authoritative guidance regarding "Revenue Recognition — Multiple Deliverable Revenue Arrangements." This update provides amendments for separating consideration in multiple deliverable arrangements and removes the objective-and-reliable-evidence-of-fair-value criterion from the separation criteria used to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, replaces references to "fair value" with "selling price" to distinguish from the fair value measurements required under the "Fair Value Measurements and Disclosures" guidance, provides a hierarchy that entities must use to estimate the selling price, eliminates the use of the residual method for allocation, and expands the ongoing disclosure requirements. This update is effective for the Company beginning January 1, 2011 and can be applied prospectively or retrospectively. We adopted the new guidance prospectively on January 1, 2011 and do not expect it will materially affect the Company's consolidated financial position and results of operations.

Note 2 — Inventories

	December 31,	
(In millions)	**2010**	**2009**
Raw materials	$ **71.6**	$ 72.7
Work in progress	**40.7**	36.8
Finished goods	**80.4**	71.6
Total inventories, gross	**192.7**	181.1
Inventory allowances	**(22.8)**	(23.9)
Total inventories, net	$ **169.9**	$ 157.2

Note 3 — Net Property, Plant and Equipment

	December 31,	
(In millions)	**2010**	**2009**
Land	$ **34.4**	$ 32.5
Buildings	**253.1**	241.5
Equipment	**680.9**	597.9
Construction in progress	**95.5**	173.2
Property, plant and equipment	**1,063.9**	1,045.1
Less accumulated depreciation	**(465.6)**	(443.0)
Net property, plant and equipment	$ **598.3**	$ 602.1

Depreciation expense related to property, plant and equipment for the years ended December 31, 2010, 2009 and 2008, was $53.2 million, $46.6 million, and $43.9 million, respectively. Capitalized interest of $2.5 million and $5.6 million for 2010 and 2009 was included in construction in progress and is associated with our carbon fiber expansion programs. Capitalized costs associated with software developed for internal use were $1.1 million and $1.7 million for 2010 and 2009, respectively.

Note 4 — Goodwill and Purchased Intangible Assets

Changes in the carrying amount of gross goodwill and other purchased intangibles for the years ended December 31, 2010 and 2009, by segment, are as follows:

(In millions)	Composite Materials	Engineered Products	Total
Balance as of December 31, 2008	$ 39.9	$ 16.1	$ 56.0
Currency translation adjustments and other	0.7	—	0.7
Balance as of December 31, 2009	$ 40.6	$ 16.1	$ 56.7
Currency translation adjustments and other	**(0.5)**	**—**	**(0.5)**
Balance as of December 31, 2010	**$ 40.1**	**$ 16.1**	**$ 56.2**

During the fourth quarter of 2010, we performed our annual impairment review of goodwill as of November 30, 2010. The review indicated that the estimated fair market value of reporting units exceeded the carrying value of the net assets of those reporting units and therefore no impairment was indicated. The goodwill and intangible asset balances as of December 31, 2010 include $2.2 million of indefinite-lived intangible assets and $54.0 million of goodwill.

Note 5 — Investments in Affiliated Companies

As of December 31, 2010, we have a 50% equity ownership investment in an Asian joint venture Asian Composites Manufacturing Sdn. Bhd. ("ACM"). In 2009, we paid $6 million to increase our ownership percentage from 33.33% to 50%. In accordance with recently issued accounting standards we have determined that this investment is not a variable interest entity. As such, we account for our share of the operating performance of this affiliated company using the equity method of accounting. The Company previously owned an equity ownership investment in a second joint venture in Asia that was sold in July 2008. Equity in earnings from and gain on sale of investments in affiliated companies during 2008 included a pre-tax gain of $12.5 million from the sale of our interest to our joint venture partner for $22.3 million in cash.

Note 6 - Debt

(In millions)	December 31, 2010	December 31, 2009
Foreign operation's working capital line of credit	**$ 7.1**	$ 3.0
Current maturities of capital lease and other obligations	**0.5**	0.5
Current maturities of term loan	**5.0**	30.0
Current maturities of 6.75% senior subordinated notes due 2015	**15.0**	—
Short-term borrowings and current maturities of long-term debt	**27.6**	33.5
Senior secured credit facility — new term B loan due 2014	**92.5**	131.0
Capital lease and other obligations	**2.1**	2.8
6.75% senior subordinated notes due 2015	**210.0**	225.0
Long-term notes payable and capital lease obligations	**304.6**	358.8
Total debt	**$ 332.2**	$ 392.3

Estimated Fair Values of Notes Payable

The approximate, aggregate fair value of our notes payable as of December 31, 2010 and 2009 were as follows:

(In millions)	December 31, 2010	December 31, 2009
6.75% senior subordinated notes, due 2015	**$ 225.6**	$ 216.0
Senior secured credit facility — New Term B loan due 2015	**$ 98.0**	$ 161.0

The aggregate fair values of the notes payable were estimated on the basis of quoted market prices.

Senior Secured Credit Facility

On July 9, 2010, Hexcel Corporation entered into a new $250 million senior secured credit facility ("the Facility"), consisting of a $150 million revolving loan and a $100 million term loan. As discussed below, in December 2010 the Company entered into an add-on agreement to its Senior Secured Credit Agreement, increasing its revolving credit facility from $150 million to $285 million. The Facility matures on July 9, 2015. The interest rate for the loans is LIBOR plus 2.75% through December 2010 and then can range down to LIBOR plus 2%, depending on our leverage ratio. The margin for the loans will decrease from 2.75% to 2.25% if Hexcel's leverage ratio decreases below 2 to 1, and will decrease to 2.0% if Hexcel's leverage ratio decreases below 1.75 to 1. The term loan was borrowed at closing and once repaid cannot be reborrowed. The term loan will be repaid at a rate of approximately $1.3 million per quarter and increasing to $2.5 million in September 2012 with two payments of $10.0 million in September 2014 and December 2014 and two final $25.0 million payments in March and June 2015.

Proceeds from the term loan and cash on hand were used to repay all amounts, and terminate all commitments, outstanding under Hexcel's old credit agreement and to pay fees and expenses in connection with the refinancing. We incurred approximately $3.7 million in issuance costs related to the refinancing of the Facility, which will be expensed over the life of the Facility. As a result of the refinancing, we incurred a $6.8 million charge in the third quarter of 2010 to accelerate the amortization of deferred financing costs associated with the previous credit facility.

The credit agreement contains financial and other covenants including, but not limited to, restrictions on the incurrence of debt and the granting of liens, as well as the maintenance of an interest coverage ratio and a leverage ratio, and limitations on capital expenditures. A violation of any of these covenants could result in a default under the credit agreement, which would permit the lenders to accelerate the payment of all borrowings and to terminate the credit agreement. In addition, such a default could, under certain circumstances, permit the holders of other outstanding unsecured debt to accelerate the repayment of such obligations.

In accordance with the terms of the Facility, we are required to maintain a minimum interest coverage ratio of 4.00 (based on the ratio of EBITDA, as defined in the credit agreement, to interest expense) and may not exceed a maximum leverage ratio of 3.00 (based on the ratio of total debt to EBITDA) throughout the term of the Facility. In addition, the Facility contains other terms and conditions such as customary representations and warranties, additional covenants and customary events of default. As of December 31, 2010, we were in compliance with all debt covenants and expect to remain in compliance.

The Facility permits us to issue letters of credit up to an aggregate amount of $40.0 million and allows us to draw up to $75 million in Euros. Amounts drawn in Euros or any outstanding letters of credit reduce the amount available for borrowing under the revolving loan. As of December 31, 2010, we had issued letters of credit totaling $2.1 million under the Facility. As we had no borrowings under the revolving loan at December 31, 2010, total undrawn availability under the Senior Secured Credit Facility as of December 31, 2010 was $147.9 million plus the $135 million add-on that we closed in December. On February 1, 2011 we used the add-on plus cash on hand to redeem $150 million of the 6.75% senior subordinated notes as discussed below.

Additionally, during 2010, we entered into interest rate swaps totaling approximately $98 million that expire in March 2014. These interest rate swaps are designated as cash flow hedges to our term loan. The interest rate swaps trade LIBOR for a fixed rate at an average rate of 1.03%.

6.75% Senior Subordinated Notes, due 2015

On February 1, 2005, we issued 6.75% senior subordinated notes due 2015. The senior subordinated notes are unsecured senior subordinated obligations of Hexcel Corporation. Interest accrues at the rate of 6.75% per annum and is payable semi-annually in arrears on February 1 and August 1. The senior subordinated notes mature on February 1, 2015. As of February 1, 2011, we had the option to redeem all or a portion of the senior subordinated notes at 102.25%, with this percentage decreasing to 101.125% for the one-year period beginning February 1, 2012 and to 100.0% any time on or after February 1, 2013. In the event of a "change of control" (as defined in the indenture), we are generally required to make an offer to all noteholders to purchase all outstanding senior subordinated notes at 101% of the principal amount plus accrued and unpaid interest.

The indenture contains various customary covenants including, but not limited to, restrictions on incurring debt, making restricted payments (including dividends), the use of proceeds from certain asset dispositions, entering into transactions with affiliates, and merging or selling all or substantially all of our assets. The indenture also contains many other customary terms and conditions, including customary events of default, some of which are subject to grace and notice periods.

On February 1, 2011, we redeemed $150 million of our $225 million 6.75% senior subordinated notes at a call premium of 2.25%. The redemption was primarily funded by a $135.0 million add-on to our senior secured credit facility that was completed in December 2010.

As a result of the redemption, we accelerated the unamortized financing costs of the senior subordinated notes being redeemed and expensed the call premium incurring a pretax charge of $4.9 million (after tax of $0.03 per diluted share) in the first quarter of 2011.

Other Credit Facility

We have a $7.1 million borrowing facility for working capital needs of our Chinese entity with an outstanding balance of $7.1 million on December 31, 2010. These funds can only be used locally, accordingly we do not include this facility in our borrowing capacity disclosures. The facility expires on November 20, 2011 and is guaranteed by Hexcel.

Aggregate Maturities of Debt

The table below reflects aggregate scheduled maturities of notes payable, excluding capital lease obligations, as of December 31, 2010. See Note 7 for capital lease obligation maturities.

Payable during the years ending December 31:		**(In millions)**
2011	**$**	**27.4**
2012		7.6
2013		10.0
2014		25.0
2015		260.0
Total debt	$	330.0

Note 7 - Leasing Arrangements

We have entered into a capital lease for a building that expires in 2012, and with an obligation of $1.8 million as of December 31, 2010. The related assets, accumulated depreciation, and related liability balances under capital leasing arrangements, as of December 31, 2010 and 2009, were:

(In millions)		**2010**		**2009**
Property, plant and equipment	**$**	**3.7**	$	4.0
Less accumulated depreciation		**(1.5)**		(1.5)
Net property, plant and equipment	**$**	**2.2**	$	2.5
Capital lease obligations	**$**	**2.2**	$	2.6
Less current maturities		**(0.2)**		(0.2)
Long-term capital lease obligations, net	**$**	**2.0**	$	2.4

In addition to the capital lease above, certain sales and administrative offices, data processing equipment and manufacturing facilities are leased under operating leases. We recognize rental expense on operating leases straight-line over the term of a lease. Total rental expense was $15.0 million in 2010, $13.1 million in 2009 and $13.4 million in 2008.

Scheduled future minimum lease payments as of December 31, 2010 were:

(In millions)	**Type of Lease**			
Payable during the years ending December 31:		**Capital**		**Operating**
2011	$	0.3	$	11.0
2012		0.4		6.6
2013		—		6.1
2014		—		5.1
2015		—		2.3
Thereafter		1.8		11.8
Total minimum lease payments		2.5	$	42.9
Less amounts representing interest		0.3		
Present value of future minimum capital lease payments	$	2.2		

Note 8 — Retirement and Other Postretirement Benefit Plans

We maintain qualified and nonqualified defined benefit retirement plans covering certain current and former European employees, as well as nonqualified defined benefit retirement plans and a retirement savings plan covering eligible U.S. employees, and participate in a union sponsored multi-employer pension plan covering certain U.S. employees with union affiliations. In addition, we provide certain postretirement health care and life insurance benefits to eligible U.S. retirees.

Accounting standards require the use of certain assumptions, such as the expected long-term rate of return, discount rate, rate of compensation increase, healthcare cost trend rates, and retirement and mortality rates, to determine the net periodic costs of such plans. These assumptions are reviewed and set annually at the beginning of each year. In addition, these models use an "attribution

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approach" that generally spreads individual events, such as plan amendments and changes in actuarial assumptions, over the service lives of the employees in the plan. That is, employees render service over their service lives on a relatively smooth basis and therefore, the income statement effects of retirement and postretirement benefit plans are earned in, and should follow, the same pattern.

We use our actual return experience, future expectations of long-term investment returns, and our actual and targeted asset allocations to develop our expected rate of return assumption used in the net periodic cost calculations of our funded European defined benefit retirement plans. Due to the difficulty involved in predicting the market performance of certain assets, there will be a difference in any given year between our expected return on plan assets and the actual return. Following the attribution approach, each year's difference is amortized over a number of future years. Over time, the expected long-term returns are designed to approximate the actual long-term returns and therefore result in a pattern of income and expense recognition that more closely matches the pattern of the services provided by the employees.

We annually set our discount rate assumption for retirement-related benefits accounting to reflect the rates available on high-quality, fixed-income debt instruments. The rates used have dropped over the past three years and are expected to drop an additional 135 basis points for 2011. The rate of compensation increase for nonqualified pension plans, which is another significant assumption used in the actuarial model for pension accounting, is determined by us based upon our long-term plans for such increases and assumed inflation. For the postretirement health care and life insurance benefits plan, we review external data and its historical trends for health care costs to determine the health care cost trend rates. Retirement and termination rates are based primarily on actual plan experience. The mortality table used for the U.S. plans is based on the RP2000 Mortality Table projected to 2012 and for the U.K. Plans the 140% PNA00 (YoB) long cohort with 1% underpin.

Actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, generally affect the net periodic costs and recorded obligations in such future periods. While we believe that the assumptions used are appropriate, significant changes in economic or other conditions, employee demographics, retirement and mortality rates, and investment performance may materially impact such costs and obligations.

U.S. Defined Benefit Retirement Plans

We have nonqualified defined benefit retirement plans covering certain current and former U.S. employees that are funded as benefits are incurred. Under the provisions of these plans, we expect to contribute approximately $0.9 million in 2011 to cover unfunded benefits.

U.S. Retirement Savings Plan

Under the retirement savings plan, eligible U.S. employees can contribute up to 20% of their annual compensation to an individual 401(k) retirement savings account. The Company makes matching contributions equal to 50% of employee contributions, not to exceed 3% of employee compensation each year. We also contribute an additional 2% to 3% of each eligible employee's salary to an individual 401(k) retirement savings account, depending on the employee's age. This increases the maximum contribution to individual employee savings accounts to between 5% and 6% per year, before any profit sharing contributions that are made when we meet or exceed certain performance targets that are set annually.

U.S. Postretirement Plans

In addition to defined benefit and retirement savings plan benefits, we also provide certain postretirement health care and life insurance benefits to eligible U.S. retirees. Depending upon the plan, benefits are available to eligible employees who retire after meeting certain age and service requirements and were employed by Hexcel as of February 1996. Our funding policy for the postretirement health care and life insurance benefit plans is generally to pay covered expenses as they are incurred. Under the provisions of these plans, we expect to contribute approximately $0.8 million in 2011 to cover unfunded benefits.

European Defined Benefit Retirement Plans

We maintain defined benefit retirement plans in the United Kingdom, Belgium, and Austria covering certain employees of our subsidiaries in those countries. The defined benefit plan in the United Kingdom (the "U.K. Plan") is the largest of the European plans, which represented approximately 82% of the total 2010 net periodic pension cost for European plans. The U.K. Plan was closed to new members as of March 31, 2007 and, thereafter, new employees in the U.K. may enter a defined contribution benefit plan where fixed employee contributions are matched by the Company.

As of December 31, 2010, 61% of the total assets of the European Plans were invested in equities and 34% were invested in active corporate bond funds. The plans' investments are made with the objective of achieving a return on plan assets consistent with the funding requirements of the plan, maximizing portfolio return and minimizing the impact of market fluctuations on the fair value of the plan assets. We use long-term historical actual return experience to develop the expected long-term rate of return assumptions used in the net periodic cost calculations of our European Plans. As a result of an annual review of historical returns and market trends, the expected long-term weighted average rate of return for the European Plans for the 2011 plan year will be 6.87%. We plan to contribute approximately $7.4 million to the European Plans during the 2011 plan year.

Effective January 31, 2011, credited service for the participants in our U.K. plan was frozen. This reduced the projected plan obligation by $1.6 million and will result in recognizing $5.7 million of prior unrecognized service credits as a curtailment gain (after tax gain of $0.04 per diluted share) in the first quarter of 2011. Significant enhancements were made to the U.K. defined contribution plan in the first quarter of 2011.

Retirement and Other Postretirement Plans - France

The employees of our French subsidiaries are entitled to receive a lump-sum payment upon retirement subject to certain service conditions under the provisions of the national chemicals and textile workers collective bargaining agreements. The amounts attributable to the French plans have been included within the total expense and obligation amounts noted for the European plans.

Net Periodic Pension Expense

Net periodic expense for our U.S. and European qualified and nonqualified defined benefit pension plans and our U.S. retirement savings plans for the three years ended December 31, 2010 is detailed in the table below.

(In millions)	2010	2009	2008
Defined benefit retirement plans	$ **9.0**	$ 7.8	$ 8.5
Union sponsored multi-employer pension plan	**0.7**	0.6	0.6
Retirement savings plans-matching contributions	**2.5**	2.4	2.0
Retirement savings plans-profit sharing contributions	**6.5**	5.4	4.7
Net periodic expense	$ **18.7**	$ 16.2	$ 15.8

Defined Benefit Retirement and Postretirement Plans

Net periodic cost of our defined benefit retirement and postretirement plans for the three years ended December 31, 2010, were:

(In millions)	U.S. Plans			European Plans		
Defined Benefit Retirement Plans	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Service cost	$ **1.2**	$ 1.9	$ 1.6	$ **3.7**	$ 3.2	$ 4.2
Interest cost	**1.0**	1.0	1.0	**7.3**	6.1	7.0
Expected return on plan assets	—	—	—	**(6.3)**	(5.0)	(7.8)
Net amortization	**0.9**	0.2	0.1	**1.2**	0.4	(0.2)
Curtailment and settlement loss	—	—	2.6	—	—	—
Net periodic pension cost	$ **3.1**	$ 3.1	$ 5.3	$ **5.9**	$ 4.7	$ 3.2

U.S. Postretirement Plans	2010	2009	2008
Service cost	$ **0.1**	$ 0.1	$ 0.1
Interest cost	**0.5**	0.6	0.6
Net amortization and deferral	**(0.2)**	(0.3)	(0.2)
Net periodic postretirement benefit cost	$ **0.4**	$ 0.4	$ 0.5

(In millions) Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income	For the Year Ended December 31, 2010 U.S. Plans	 European Plans	 Postretirement Plans
Net loss (gain)	$ **2.9**	$ **(8.1)**	$ **(1.9)**
Amortization of actuarial losses	**(0.7)**	**(1.5)**	**—**
Amortization of prior service credit (cost)	**(0.1)**	**0.3**	**0.2**
Effect of foreign exchange	**—**	**(1.1)**	**—**
Total recognized in other comprehensive income (pre-tax)	$ **2.1**	$ **(10.4)**	$ **(1.7)**

The Company expects to recognize $1.7 million of net actuarial loss and an immaterial net prior service cost as a component of net periodic pension cost in 2011 for its defined benefit plans. The recognition of net prior service credit and net actuarial loss as a component of net periodic postretirement benefit cost in 2011 is expected to be immaterial.

The benefit obligation, fair value of plan assets, funded status, and amounts recognized in the consolidated financial statements for our defined benefit retirement plans and postretirement plans, as of and for the years ended December 31, 2010 and 2009, were:

	Defined Benefit Retirement Plans					
	U.S. Plans		European Plans		Postretirement Plans	
(In millions)	2010	2009	2010	2009	2010	2009
Change in benefit obligation:						
Benefit obligation - beginning of year	**$ 23.3**	$ 17.1	**$ 134.6**	$ 97.4	**$ 11.2**	$ 10.9
Service cost	**1.2**	1.9	**3.7**	3.2	**0.1**	0.1
Interest cost	**1.0**	1.0	**7.3**	6.1	**0.5**	0.6
Plan participants' contributions	**—**	—	**0.1**	0.1	**0.2**	0.4
Actuarial loss (gain)	**2.9**	3.9	**(2.2)**	24.4	**(1.9)**	0.2
Benefits and expenses paid	**(0.6)**	(0.6)	**(4.3)**	(5.0)	**(0.7)**	(1.0)
Settlement	**—**	—	**(0.5)**	(0.4)	—	—
Currency translation adjustments	**—**	—	**(4.6)**	8.8	—	—
Benefit obligation - end of year	**$ 27.8**	$ 23.3	**$ 134.1**	$ 134.6	**$ 9.4**	$ 11.2
Change in plan assets:						
Fair value of plan assets - beginning of year	**$ —**	$ —	**$ 93.3**	$ 74.2	**$ —**	$ —
Actual return on plan assets	—	—	**12.3**	12.5	—	—
Employer contributions	**0.6**	0.6	**9.0**	4.7	**0.4**	0.6
Plan participants' contributions	**—**	—	**0.1**	0.1	**0.3**	0.4
Benefits and expenses paid	**(0.6)**	(0.6)	**(4.3)**	(5.0)	**(0.7)**	(1.0)
Currency translation adjustments	**—**	—	**(3.0)**	7.2	—	—
Settlement	—	—	**(0.5)**	(0.4)	—	—
Fair value of plan assets - end of year	**$ —**	$ —	**$ 106.9**	$ 93.3	**$ —**	$ —
Amounts recognized in Consolidated Balance Sheets:						
Current liabilities	**$ 0.9**	$ 1.0	**$ 0.5**	$ 0.7	**$ 0.8**	$ 1.1
Non-current liabilities	**26.9**	22.3	**26.7**	40.7	**8.6**	10.1
Total Liabilities	**$ 27.8**	$ 23.3	**$ 27.2**	$ 41.4	**$ 9.4**	$ 11.2
Amounts recognized in Accumulated Other Comprehensive Income:						
Actuarial net (loss) gain	**$ (7.6)**	$ (5.4)	**$ (30.0)**	$ (40.9)	**$ 2.4**	$ 0.5
Prior service credit (cost)	**(0.3)**	(0.4)	**5.6**	6.1	**0.1**	0.4
Total amounts recognized in accumulated other comprehensive (loss) income	**$ (7.9)**	$ (5.8)	**$ (24.4)**	$ (34.8)	**$ 2.5**	$ 0.9

The measurement date used to determine the benefit obligations and plan assets of the defined benefit retirement and postretirement plans was December 31, 2010. In accordance with the measurement date adoption provisions of new authoritative guidance, in 2008 the U.K. plan changed its measurement date to December 31.

The total accumulated benefit obligation ("ABO") for the U.S. defined benefit retirement plans was $26.8 million and $21.9 million as of December 31, 2010 and 2009, respectively. The European Plans' ABO exceeded plan assets as of December 31, 2010 and 2009, by $22.1 million and $36.9 million, respectively. These plans' ABO was $129.1 million and $130.2 million as of December 31, 2010 and 2009, respectively.

As of December 31, 2010 and 2009, the accrued benefit costs for the defined benefit retirement plans and postretirement benefit plans included within "accrued compensation and benefits" was $2.2 million and $2.8 million, respectively, and within "other non-current liabilities" was $62.2 million and $73.1 million, respectively, in the accompanying consolidated balance sheets.

Benefit payments for the plans are expected to be as follows:

(In millions)	U.S. Plans	European Plans	Postretirement Plans
2011	$ 0.9	$ 3.0	$ 0.8
2012	4.5	2.9	1.1
2013	1.5	3.1	1.1
2014	1.3	2.9	1.0
2015	18.1	3.3	0.9
2016-2020	4.7	19.8	3.8
	$ 31.0	$ 35.0	$ 8.7

Fair Values of Pension Assets

The following table presents pension assets measured at fair value at December 31, 2010 utilizing the fair value hierarchy discussed in Note 21:

(In millions) Description	December 31, 2010	Fair Value Measurements at December 31, 2010 Level 1	Level 2	Level 3
Equity funds	$ 64.8	$ —	$ 64.8	$ —
Active corporate bond fund	36.6	—	36.6	—
Diversified investment funds	2.8	—	—	2.8
Insurance contracts	2.7	—	—	2.7
Total assets	$ 106.9	$ —	$ 101.4	$ 5.5

Reconciliation of Level 3 Assets	Balance at January 1, 2010	Actual return on plan assets	Purchases, sales and settlements	Changes due to exchange rates	Balance at December 31, 2010
Diversified investment funds	$ 3.0	$ 0.1	$ (0.1)	$ (0.2)	$ 2.8
Insurance contracts	3.3	(0.3)	(0.1)	(0.2)	2.7
Total level 3 assets	$ 6.3	$ (0.2)	$ (0.2)	$ (0.4)	$ 5.5

Plan assets are invested in a number of linked pooled funds by an independent asset management group. Equity funds are split 50/50 between U.K. and overseas equity funds (North America, Japan, Asia Pacific and Emerging Markets). The asset management firm uses quoted prices in active markets to value the assets.

The Bond Allocation is invested in a number of Active Corporate Bond funds which are pooled funds. The Corporate Bond funds primarily invest in corporate fixed income securities denominated in British Pounds Sterling with credit ratings of BBB- and above. We use quoted prices in active markets to value the assets.

Diversified investment funds are invested in an external pension fund which in turn invests in a range of asset classes including equities and government and corporate bonds, hedge funds and private equity. The fair value of the assets is equal to the fair value of the assets as of January 1, 2010, as provided by the external pension fund, adjusted for cash flows over the year and the estimated investment return on underlying assets over the year.

Insurance contracts contain a minimum guaranteed return. The fair value of the assets is equal to the total amount of all individual technical reserves plus the non allocated employer's financing fund reserves at the valuation date. The individual technical and financing fund reserves are equal to the accumulated paid contributions taking into account the insurance tarification and any allocated profit sharing return.

The actual allocations for the pension assets at December 31, 2010 and 2009, and target allocations by asset class, are as follows:

Asset Class	Percentage Of Plan Assets 2010	Target Allocations 2010	Percentage Of Plan Assets 2009	Target Allocations 2009
U.K. Equity Fund	29.9%	30.4%	30.8%	29.8%
Overseas Equity Fund	30.7	30.4	31.1	29.8
Active Corporate Bond Funds	34.3	34.1	31.2	33.6
Insurance Contracts	2.5	2.5	3.6	3.5
Diversified Investment Funds	2.6	2.6	3.3	3.3
Total	100%	100%	100%	100%

Assumptions

The assumed discount rate for pension plans reflects the market rates for high-quality fixed income debt instruments currently available. In 2010, 2009 and 2008, we utilized local currency denominated long-dated AA-rated corporate bonds for the European plans. For 2010, 2009 and 2008, we used the Mercer Yield Curve to set our discount rate for the U.S. non-qualified plans and the U.S. postretirement plans. We believe that the timing and amount of cash flows related to these instruments is expected to match the estimated defined benefit payment streams of our plans.

Salary increase assumptions are based on historical experience and anticipated future management actions. For the postretirement health care and life insurance benefit plans, we review external data and our historical trends for health care costs to determine the health care cost trend rates. Retirement rates are based primarily on actual plan experience and mortality rates are based on the RP2000 mortality table. Actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, generally affect the net periodic costs and recorded obligations in such future periods. While we believe that the assumptions used are appropriate, significant changes in economic or other conditions, employee demographics, retirement and mortality rates, and investment performance may materially impact such costs and obligations.

Assumptions used to estimate the actuarial present value of benefit obligations at December 31, 2010, 2009 and 2008 are shown in the following table. These year-end values are the basis for determining net periodic costs for the following year.

	2010	2009	2008
U.S. defined benefit retirement plans:			
Discount rates	**3.70%**	4.55%	6.15%
Rate of increase in compensation	**3.5%**	3.5%	4.5%
Expected long-term rate of return on plan assets	**N/A**	N/A	N/A
European defined benefit retirement plans:			
Discount rates	**5.0% - 5.3%**	5.25% - 5.7%	5.6% – 6.0%
Rates of increase in compensation	**3.0% - 4.25%**	3.0% - 4.25%	0.0% – 3.7%
Expected long-term rates of return on plan assets	**4.5% – 7.0%**	4.5% – 6.3%	5.0% – 7.1%
Postretirement benefit plans:			
Discount rates	**4.45%**	5.1%	6.35%
Rates of increase in compensation	**N/A**	N/A	N/A

The following table presents the impact that a one-percentage-point increase and a one-percentage-point decrease in the expected long-term rate of return and discount rate would have on the 2011 pension expense, and the impact on our retirement obligation as of December 31, 2010 for a one-percentage-point change in the discount rate:

(In millions)	Non Qualified Pension Plans	Retiree Medical Plans	U.K. Retirement Plan
Periodic pension expense			
One-percentage-point increase:			
Expected long-term rate of return	$ N/A	$ N/A	$ (0.9)
Discount rate	$ (0.1)	$ 0.1	$ (1.6)
One-percentage-point decrease:			
Expected long-term rate of return	$ N/A	$ N/A	$ 0.9
Discount rate	$ 0.1	$ (0.1)	$ 1.8
Retirement obligation			
One-percentage-point increase in discount rate	$ (1.2)	$ (0.6)	$ (21.6)
One-percentage-point decrease in discount rate	$ 1.3	$ 0.6	$ 25.9

The annual rate of increase in the per capita cost of covered health care benefits is assumed to be 7.1% for medical and 5.0% for dental and vision for 2011. The medical rates are assumed to gradually decline to 4.5% by 2025, whereas dental and vision rates are assumed to remain constant at 5.0%. A one-percentage-point increase and a one-percentage-point decrease in the assumed health care cost trend would have an insignificant impact on the total of service and interest cost components, and would have an unfavorable and a favorable impact of approximately $0.3 million and $0.4 million on the postretirement benefit obligation for both 2010 and 2009, respectively.

Note 9 - Income Taxes

Income before income taxes and the provision for income taxes, for the three years ended December 31, 2010, were as follows:

(In millions)	2010	2009	2008
Income before income taxes:			
U.S.	**$ 54.3**	$ 63.6	$ 51.3
International	**45.5**	14.0	59.4
Total income before income taxes	**$ 99.8**	$ 77.6	$ 110.7
Provision for income taxes:			
Current:			
U.S.	**$ 1.1**	$ 1.5	$ 3.2
International	**5.7**	0.9	18.9
Current provision for income taxes	**6.8**	2.4	22.1
Deferred:			
U.S.	**15.1**	23.8	(7.6)
International	**1.0**	(4.2)	1.1
Deferred provision (benefit) for income taxes	**16.1**	19.6	(6.5)
Total provision for income taxes	**$ 22.9**	$ 22.0	$ 15.6

A reconciliation of the provision for income taxes at the U.S. federal statutory income tax rate of 35% to the effective income tax rate, for the three years ended December 31, 2010, is as follows:

(In millions)	2010	2009	2008
Provision for taxes at U.S. federal statutory rate	**$ 34.9**	$ 27.1	$ 38.7
State and local taxes, net of federal benefit	**1.8**	1.6	0.9
Foreign effective rate differential	**(7.3)**	(7.4)	(2.3)
Other	**1.4**	(0.7)	1.4
Foreign Tax Credit Carryforward	**(3.2)**	1.4	(9.4)
U.S. Research & Development Tax Credits	**(1.3)**	(2.0)	(0.4)
Capital Loss Carryover Write-Off	**—**	—	2.5
Tax Benefit of Federal Net operating losses recognized	**—**	—	(19.9)
Reversal of Prior Year Tax on Other Comprehensive Income	**—**	—	3.5
Wind Energy Tax Credit	**(3.5)**	—	—
Net operating losses not benefitted	**0.1**	2.0	0.6
Total provision for income taxes	**$ 22.9**	$ 22.0	$ 15.6

Included in the 2008 provision were certain tax benefits relating to the implementation of tax planning strategies which enabled the Company to revise its estimate of U.S. net operating loss (NOL) and foreign tax credit (FTC) carry-forwards expected to be realized in the future. The tax provision for the year included $26.2 million of net tax benefits primarily attributable to changing prior year foreign taxes paid from a deduction to a credit and the reversal of valuation allowances against net operating losses and the reinstatement of net operating losses which were previously written off. The Company has additional FTCs for which we have recorded valuation allowances, but we will not reverse these valuation allowances until such time that we believe it is more likely than not that they are realizable. When considering this realizability we will also investigate any potential benefit from a recharacterization of foreign taxes paid in earlier years.

As of December 31, 2010 and 2009, we have no U.S. income tax provision for undistributed earnings of international subsidiaries. Such earnings are considered to be permanently reinvested. Estimating the tax liability that would result if these earnings were repatriated is not practicable at this time.

Deferred Income Taxes

Deferred income taxes result from tax attributes including foreign tax credits, net operating loss carryforwards and temporary differences between the recognition of items for income tax purposes and financial reporting purposes. Principal components of deferred income taxes as of December 31, 2010 and 2009 are:

(In millions)	2010	2009
Assets		
Net operating loss carryforwards	**$ 61.8**	$ 58.3
Unfunded pension liability and other postretirement obligations	**14.5**	13.0
Accelerated amortization	**7.4**	18.6
Tax credit carryforwards	**34.4**	27.8
Other comprehensive income	**8.8**	12.6
Reserves and other	**24.4**	26.3
Subtotal	**151.3**	156.6
Valuation allowance	**(36.5)**	(30.8)
Total assets	**$ 114.8**	$ 125.8
Liabilities		
Accelerated depreciation	**(29.0)**	(19.0)
Other	**(0.8)**	(2.2)
Total liabilities	**(29.8)**	(21.2)
Net deferred tax asset	**$ 85.0**	$ 104.6

Deferred tax assets and deferred tax liabilities as presented in the consolidated balance sheets as of December 31, 2010 and 2009 are as follows and are recorded in prepaid expenses and other current assets, deferred tax assets, other accrued liabilities and other non-current liabilities in the consolidated balance sheets:

(In millions)	2010	2009
Current deferred tax assets, net	**$ 23.3**	$ 21.7
Current deferred tax liability, net	**(0.1)**	(0.8)
Long-term deferred tax assets, net	**63.6**	85.6
Long-term deferred tax liability, net	**(1.8)**	(1.9)
Net deferred tax assets	**$ 85.0**	$ 104.6

The deferred tax assets for the respective periods were assessed for recoverability and, where applicable, a valuation allowance was recorded to reduce the total deferred tax asset to an amount that will, more likely than not, be realized in the future. The net change in the total valuation allowance for the years ended December 31, 2010 and 2009 was an increase of $5.7 million and a increase of $14.7 million, respectively. The valuation allowance as of December 31, 2010 and 2009 relates primarily to net operating loss carryforwards of our foreign subsidiaries, certain state temporary differences, state net operating loss carryforwards, and foreign tax credit carryforwards for which we have determined, based upon historical results and projected future book and taxable income levels, that a valuation allowance should continue to be maintained.

Although realization is not assured, we have concluded that it is more-likely-than-not that the deferred tax assets for which a valuation allowance was determined to be unnecessary, will be realized in the ordinary course of operations based on the available positive and negative evidence, including scheduling of deferred tax liabilities and projected income from operating activities. The amount of the net deferred tax assets considered realizable, however, could be reduced in the near term if actual future income or income tax rates are lower than estimated, or if there are differences in the timing or amount of future reversals of existing taxable or deductible temporary differences.

Net Operating Loss & Tax Credit Carryforwards

At December 31, 2010, we had tax credit carryforwards for U.S. tax purposes of $34.4 million available to offset future income taxes, of which $1.6 million are available to carryforward indefinitely while the remaining $32.8 million will begin to expire, if not utilized, in 2011. We also have net operating loss carryforwards for U.S. and foreign income tax purposes of $81.5 million and $132.3 million, respectively. The use of our U.S. net operating losses generated prior to 2003 are limited because we had an "ownership change" pursuant to IRC Section 382 resulting from a refinancing of our capital structure. In addition, we have $21.7 million of U.S. net operating loss carryforwards attributable to the excess tax deductions on stock option activity that will be realized as a benefit to APIC when they reduce income taxes payable. We believe we will utilize all of the U.S. net operating losses prior to their expiration.

Our foreign net operating losses can be carried forward without limitation in Belgium, Luxembourg and UK. The carryforward period in Spain and China is limited to 15 and 5 years, respectively. We have a full valuation allowance against certain foreign net operating losses for which the Company believes it is not more likely than not that the net operating losses will be utilized. The valuation allowance on the foreign net operating losses is $107 million as of December 31, 2010.

Uncertain Tax Positions

Our unrecognized tax benefits at December 31, 2010, relate to various Foreign and U.S. jurisdictions.

The following table summarizes the activity related to our unrecognized tax benefits:

(In millions)	Unrecognized Tax Benefits 2010	Unrecognized Tax Benefits 2009	Unrecognized Tax Benefits 2008
Balance as of January 1	$ **19.4**	$ 18.2	$ 18.5
Additions based on tax positions related to the current year	**2.6**	3.2	3.0
Additions for tax positions of prior years	**—**	—	1.2
Reductions for tax positions of prior years	—	(1.8)	(1.3)
Decreases relating to settlements with tax authorities	—	(0.1)	—
Expiration of the statute of limitations for the assessment of taxes	**(0.5)**	(0.5)	(2.5)
Other, including currency translation	**(1.4)**	0.4	(0.7)
Balance as of December 31	**$ 20.1**	$ 19.4	$ **18.2**

Included in the unrecognized tax benefits of $20.1 million at December 31, 2010 was $16.6 million of tax benefits that, if recognized, would impact our annual effective tax rate. In addition, we recognize interest accrued related to unrecognized tax benefits as a component of interest expense and penalties as a component of income tax expense in the consolidated statements of operations.

During 2010, we reversed interest of $1.4 million related to the unrecognized tax benefits. We have recorded a liability of $0.9 million and $2.8 million for the payment of interest as of December 31, 2010 and 2009, respectively.

We are subject to taxation in the U.S. and various states and foreign jurisdictions. The U.S. federal statute of limitations remains open for prior years; however the U.S. tax returns have been audited through 2007. Foreign and U.S. state jurisdictions have statutes of limitations generally ranging from 3 to 5 years. Years still open to examination by foreign tax authorities in major jurisdictions include Austria (2002 onward), Belgium (2003 onward), France (2008 onward), Spain (2004 onward) and UK (2008 onward). We are currently under examination in various foreign jurisdictions.

As of December 31, 2010, we had uncertain tax positions for which it is reasonably possible that amounts of unrecognized tax benefits could significantly change over the next year. These uncertain tax positions relate to our tax returns from 2003 onward, some of which are currently under examination by certain European taxing authorities. The Company is currently in discussions with certain foreign tax authorities regarding a possible settlement of an audit. We are unable to provide an estimate of possible change to the unrecognized tax benefits related to these tax positions. As of December 31, 2010, the Company has classified approximately $1.0 million of unrecognized tax benefits as a current liability, representing income tax positions under examination in various jurisdictions which the Company expects to settle over the next twelve months.

We expect that the amount of unrecognized tax benefits will continue to change in the next twelve months as a result of ongoing tax deductions, the resolution of audits and the passing of the statute of limitations.

Note 10 - Capital Stock

Common Stock Outstanding

Common stock outstanding as of December 31, 2010, 2009 and 2008 was as follows:

(Number of shares in millions)	2010	2009	2008
Common stock:			
Balance, beginning of year	**98.6**	98.3	97.6
Activity under stock plans	**0.9**	0.3	0.7
Balance, end of year	**99.5**	98.6	98.3
Treasury stock:			
Balance, beginning of year	**2.0**	1.9	1.8
Repurchased	**0.2**	0.1	0.1
Balance, end of year	**2.2**	2.0	1.9
Common stock outstanding	**97.3**	96.6	96.4

Note 11 — Stock-Based Compensation

The following table details the stock-based compensation expense by type of award for the years ended December 31, 2010, 2009 and 2008:

	Year Ended December 31,		
(In millions, except per share data)	2010	2009	2008
Non-qualified stock options	**$ 3.9**	$ 3.4	$ 2.5
Restricted stock, service based ("RSUs")	**4.9**	4.2	4.6
Restricted stock, performance based ("PRSUs")	**3.5**	0.7	2.3
Employee stock purchase plan	**0.1**	—	—
Stock-based compensation expense before tax effect	**12.4**	8.3	9.4
Tax effect on stock-based compensation expense	**(3.9)**	(3.1)	(3.6)
Total stock-based compensation expense, net of tax	**$ 8.5**	$ 5.2	$ 5.8
Effect on net income from continuing operations per basic share	**$ 0.09**	$ 0.05	$ 0.06
Effect on net income from continuing operations per diluted share	**$ 0.09**	$ 0.05	$ 0.05

Non-Qualified Stock Options

Non-qualified stock options have been granted to our employees and directors under our stock compensation plan. Options granted generally vest over three years and expire ten years from the date of grant.

A summary of option activity under the plan for the three years ended December 31, 2010 is as follows:

	Number of Options (In millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)
Outstanding at December 31, 2007	3.7	$ 10.62	5.07
Options granted	0.3	$ 21.11	
Options exercised	(0.5)	$ 10.41	
Options expired or forfeited	(0.1)	$ 17.15	
Outstanding at December 31, 2008	3.4	$ 11.34	4.82
Options granted	1.0	$ 7.60	
Options exercised	(0.1)	$ 5.78	
Options expired or forfeited	(0.2)	$ 8.33	
Outstanding at December 31, 2009	4.1	$ 10.67	5.06
Options granted	**0.9**	**$ 10.92**	
Options exercised	**(0.4)**	**$ 8.54**	
Options expired or forfeited	**(0.1)**	**$ 14.68**	
Outstanding at December 31, 2010	**4.5**	**$ 10.84**	**5.16**

(In millions, except weighted average exercise price)	**Year Ended December 31, 2010**	**2009**
Aggregate intrinsic value of outstanding options	**$ 34.4**	$ 16.3
Aggregate intrinsic value of exercisable options	**$ 24.0**	$ 11.4
Total intrinsic value of options exercised	**$ 2.6**	$ 0.5
Total number of options exercisable	**2.9**	2.9
Weighted average exercise price of options exercisable	**$ 11.15**	$ 10.65
Total unrecognized compensation cost on nonvested options (a)	**$ 1.8**	$ 1.9

(a) Unrecognized compensation cost relates to nonvested stock options and is expected to be recognized over the remaining vesting period ranging from one year to three years.

The following table summarizes information about non-qualified stock options outstanding as of December 31, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Life (in Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
$ 2.74 – 3.15	0.6	1.88	$ 3.06	0.6	$ 3.06
$ 4.75 – 6.68	—	2.59	$ 6.36	—	$ 6.36
$ 7.38 – 10.90	2.7	5.83	$ 9.42	1.2	$ 9.13
$ 14.51 – 21.11	1.0	5.59	$ 17.63	0.9	$ 17.31
$ 22.00 – 22.24	0.2	5.19	$ 22.01	0.2	$ 22.01
$ 2.74 – 22.24	4.5	5.16	$ 10.84	2.9	$ 11.15

Valuation Assumptions in Estimating Fair Value

We estimated the fair value of stock options at the grant date using the Black-Scholes option pricing model with the following assumptions for the years ended December 31, 2010, 2009 and 2008:

	2010	**2009**	**2008**
Risk-free interest rate	**2.40%**	1.52%	2.98%
Expected option life (in years) Executive	**5.51**	4.97	6.00
Expected option life (in years) Non-Executive	**4.40**	4.62	5.16
Dividend yield	**—%**	—%	—%
Volatility	**49.20%**	61.75%	45.21%
Weighted-average fair value per option granted	**$ 4.95**	$ 3.96	$ 9.69

We determine the expected option life for each grant based on ten years of historical option activity for two separate groups of employees (executive and non-executive). The weighted-average expected life ("WAEL") is derived from the average midpoint between the vesting and the contractual term and considers the effect of both the inclusion and exclusion of post-vesting cancellations during the ten-year period. Expected volatility is calculated based on a blend of both historic volatility of our common stock and implied volatility of our traded options. We weigh both volatility inputs equally and utilize the average as the volatility input for the Black-Scholes calculation. The risk-free interest rate for the expected term is based on the U.S. Treasury yield curve in effect at the time of grant and corresponding to the expected term. No dividends were paid in either period; furthermore, we do not plan to pay any dividends in the future.

Restricted Stock Units — Service Based

As of December 31, 2010, a total of 992,308 shares of service based restricted stock ("RSUs") were outstanding, which vest based on years of service under the 2003 incentive stock plan. RSUs are granted to key employees, executives and directors of the Company. The fair value of the RSU is based on the closing market price of the Company's common stock on the date of grant and is amortized on a straight line basis over the requisite service period. The stock-based compensation expense recognized is based on an estimate of shares ultimately expected to vest, and therefore it has been reduced for estimated forfeitures.

The table presented below provides a summary of the Company's RSU activity for the years ended December 31, 2010 and 2009:

	Number of RSUs (In millions)	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2007	0.4	$ 18.39
RSUs granted	0.2	$ 20.82
RSUs issued	(0.2)	$ 21.87
Outstanding at December 31, 2008	0.4	$ 20.17
RSUs granted	0.7	$ 8.42
RSUs issued	(0.1)	$ 20.09
RSUs forfeited	(0.1)	$ 9.46
Outstanding at December 31, 2009	0.9	$ 12.21
RSUs granted	**0.4**	$ **11.41**
RSUs issued	**(0.3)**	$ **12.91**
RSUs forfeited	**—**	$ **10.00**
Outstanding at December 31, 2010	**1.0**	$ **11.76**

As of December 31, 2010, there was total unrecognized compensation cost related to nonvested RSUs of $3.0 million, which is to be recognized over the remaining vesting period ranging from one year to three years.

Restricted Stock Units — Performance Based

As of December 31, 2010, a total of 554,648 shares of performance based restricted stock ("PRSUs") were outstanding under the 2003 incentive stock plan. The total amount of PRSUs that will ultimately vest is based on the achievement of various financial performance targets set forth by the Company's Compensation Committee on the date of grant. PRSUs issued prior to 2009 contain a one year service period restriction that commences immediately after the conclusion of a two year performance period. Based on the formula no PRSU's were earned for the 2008 award, accordingly they are shown on the table below as forfeited in 2009. PRSUs issued in 2010 and 2009 are based on a three year performance period. Based on current projections and performance targets, it is estimated that an additional 0.5 million performance shares may be issuable for the 2009 and 2010 awards. The fair value of the PRSU is based on the closing market price of the Company's common stock on the date of grant and is amortized straight-line over the total three year period. A change in the performance measure expected to be achieved is recorded as an adjustment in the period in which the change occurs.

The table presented below provides a summary, of the Company's PRSU activity, at original grant amounts, for the years ended December 31, 2010, 2009 and 2008:

	Number of PRSUs (In millions)		Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2007	0.3	$	19.19
PRSUs granted	0.1	$	21.11
Outstanding at December 31, 2008	0.4	$	19.74
PRSUs granted	0.4	$	7.83
PRSUs issued	(0.1)	$	20.97
PRSUs forfeited	(0.2)	$	21.11
Outstanding at December 31, 2009	0.5	$	11.18
PRSUs granted	**0.3**	**$**	**10.95**
PRSUs issued	**(0.1)**	**$**	**17.03**
PRSUs forfeited	**(0.1)**	**$**	**7.37**
Outstanding at December 31, 2010	**0.6**	**$**	**9.77**

As of December 31, 2010, there was total unrecognized compensation cost related to nonvested PRSUs of $5.0 million, which is to be recognized over the remaining vesting period ranging from one year to three years. The final amount of compensation cost to be recognized is dependent upon our financial performance.

Stock-Based Compensation Cash Activity

During 2010, cash received from stock option exercises and from employee stock purchases was $2.1 million. We used a minor amount in cash related to the shares withheld to satisfy employee tax obligations for RSUs converted during the year ended December 31, 2010. We realized a tax benefit of $3.9 million in connection with stock options exercised and RSUs converted during 2010.

We classify the cash flows resulting from these tax benefits as financing cash flows. It has been our practice to issue new shares of our common stock upon the exercise of stock options or the conversion of stock units. In the future, we may consider utilizing treasury shares for stock option exercises or stock unit conversions.

Shares Authorized for Grant

As of December 31, 2010, an aggregate of 3.2 million shares were authorized for future grant under our stock plan, which covers stock options, RSUs, PRSUs and at the discretion of Hexcel, could result in the issuance of other types of stock-based awards.

Employee Stock Purchase Plan ("ESPP")

In October 2009, the Company offered an ESPP, which allows for eligible employees to contribute up to 10% of their base earnings toward the quarterly purchase of our common stock at a purchase price equal to 85% of the fair market value of the common stock. There were 45,370 ESPP shares purchased in 2010.

Note 12 - Net Income Per Common Share

Computations of basic and diluted net income per common share for the years ended December 31, 2010, 2009 and 2008, are as follows:

(In millions, except per share data)	2010	2009	2008
Net income	**$ 77.4**	$ 56.3	$ 111.2
Basic net income per common share:			
Weighted average common shares outstanding	**97.6**	96.9	96.4
Basic net income per common share	**$ 0.79**	$ 0.58	$ 1.15
Diluted net income per common share:			
Weighted average common shares outstanding — Basic	**97.6**	96.9	96.4
Plus incremental shares from assumed conversions:			
Restricted stock units	**1.0**	0.6	0.2
Stock options	**1.3**	0.7	1.0
Weighted average common shares outstanding — Diluted	**99.9**	98.2	97.6
Diluted net income per common share	**$ 0.77**	$ 0.57	$ 1.14
Anti-dilutive shares outstanding, excluded from computation	**0.8**	2.1	0.9

Note 13 — Derivative Financial Instruments

Interest Rate Swap Agreements

In the fourth quarter 2010, we entered into an agreement to swap $98 million of a floating rate obligation for a fixed rate obligation at an average of 1.03% against LIBOR in U.S. dollars. The term of the swap was three and one quarter years, and is scheduled to mature on March 31, 2014. The swap was accounted for as a cash flow hedge of our floating rate bank loan. To ensure the swap was highly effective, all the principal terms of the swap matched the terms of the bank loan. The fair value of the interest rate swap was an asset of $0.7 million at December 31, 2010.

Cross-Currency Interest Rate Swap Agreement

In September 2006, we entered into a cross-currency interest rate swap agreement to hedge a portion of our net Euro investment in Hexcel France SA. This agreement is accounted for as a hedge of the foreign currency exposure of a net investment in a foreign operation and to the extent it is effective, gains and losses are recorded as an offset in the cumulative translation account, the same account in which translation gains and losses on the investment in Hexcel France SA are recorded. All other changes, including any difference in current interest, are excluded from the assessment of effectiveness and are included in operating income as a component of interest expense. The agreement has a notional value of $63.4 million, a term of five years, and is scheduled to mature on September 20, 2011. We receive interest in U.S. dollars quarterly and pay interest in Euros on the same day. U.S. interest is based on the three month LIBOR. Euro interest is based on the three month EURIBOR. The fair value of the swap at December 31, 2010 and December 31, 2009 was a liability of $3.0 million and $8.2 million, respectively. A net charge to interest expense of $0.3 million and a net credit to interest expense of $0.3 million related to the excluded portion of the derivative were recorded in 2010 and 2009, respectively. Net charges to interest expense of $0.3 million and $0.6 million related to the interest coupons were recorded during 2010 and 2009, respectively. The net amount of gains/losses included in the CTA adjustment during the reporting periods were a gain of $5.4 million, a loss of $1.2 million, and a gain of $3.2 million in 2010, 2009 and 2008, respectively. The impact of applying prescribed credit risk adjustments was immaterial.

Foreign Currency Forward Exchange Contracts

A number of our European subsidiaries are exposed to the impact of exchange rate volatility between the U.S. dollar and the subsidiaries' functional currencies, being either the Euro or the British Pound Sterling. We entered into contracts to exchange U.S. dollars for Euros and British Pound Sterling through May 2013. The aggregate notional amount of these contracts was $124.2 million and $100.1 million at December 31, 2010 and 2009, respectively. The purpose of these contracts is to hedge a portion of the forecasted transactions of European subsidiaries under long-term sales contracts with certain customers. These contracts are expected to provide us with a more balanced matching of future cash receipts and expenditures by currency, thereby reducing our exposure to fluctuations in currency exchange rates. The effective portion of the hedges was a gain of $3.9 million and a net loss of $4.1 million for the years ended December 31, 2010 and 2009, respectively, and are recorded in OCI. We exclude the forward points of $0.3 million from the effectiveness assessment for the current year. The carrying amount of these contracts was $2.3 million in other assets and $2.6 million classified in other liabilities on the Consolidated Balance Sheets. During the year ended December 31, 2010 we recognized net losses of $5.7 recorded in sales and cost of sales. During the year ended December 31, 2010 we recognized net gains of $3.9 million in other comprehensive income. During the year ended December 31, 2009 we recognized net losses of $5.7 recorded in sales and cost of sales. For the three years ended December 31, 2010, hedge ineffectiveness was immaterial. Cash flows associated with these contracts are classified within net cash provided by operating activities of continuing operations.

In addition, we enter into foreign exchange forward contracts which are not designated as hedges. These are used to provide an offset to transactional gains or losses arising from the remeasurement of non-functional monetary assets and liabilities such as accounts receivable. The change in the fair value of the derivatives is recorded in the consolidated statements of operations. There are no credit contingency features in these derivatives. During the year ended December 31, 2010 we recognized no foreign exchange gains or losses. During the year ended December 31, 2009 we recognized a net foreign exchange gain of $1.0 million. The carrying amount of the contracts for asset and liability derivatives not designated as hedging instruments was $0.3 million classified in other assets and $1.7 million in other liabilities and $0.1 million classified in other assets and $1.5 million in other liabilities on the December 31, 2010 and 2009 Consolidated Balance Sheets, respectively.

The activity in "accumulated other comprehensive income (loss)" related to foreign currency forward exchange contracts for the years ended December 31, 2010, 2009 and 2008 was as follows:

(In millions)	2010	2009	2008
Unrealized gains (losses) at beginning of period	**$ (1.4)**	$ (8.9)	$ 3.2
(Gains) losses reclassified to net sales	**3.9**	4.3	(1.3)
(Decrease) increase in fair value, net of tax	**(2.7)**	3.2	(10.8)
Unrealized gains (losses) at end of period	**$ (0.2)**	$ (1.4)	$ (8.9)

Unrealized losses of $0.3 million recorded in "accumulated other comprehensive income (loss)," net of tax, as of December 31, 2010 are expected to be reclassified into earnings over the next twelve months as the hedged sales are recorded. The impact of credit risk adjustments was immaterial.

In addition, non-designated foreign exchange forward contracts are used to hedge balance sheet exposures, such as recognized foreign denominated receivables and payables. The notional amounts outstanding at December 31, 2010 and 2009, respectively were U.S. $85.9 million and GBP 1.0 million against EUR, and U.S. $53.8 million and GBP 3.0 million against EUR. The change in fair value of these forward contracts is recorded in the consolidated statements of operations and was immaterial for the years 2010, 2009 and 2008.

Note 14 — Commitments and Contingencies

We are involved in litigation, investigations and claims arising out of the normal conduct of our business, including those relating to commercial transactions, environmental, employment, and health and safety matters. We estimate and accrue our liabilities when a loss becomes probable and estimable. These judgments take into consideration a variety of factors, including the stage of the proceeding; potential settlement value; assessments by internal and external counsel; and assessments by environmental engineers and consultants of potential environmental liabilities and remediation costs. Such estimates are not discounted to reflect the time value of money due to the uncertainty in estimating the timing of the expenditures, which may extend over several years.

While it is impossible to ascertain the ultimate legal and financial liability with respect to certain contingent liabilities and claims, we believe, based upon our examination of currently available information, our experience to date, and advice from legal counsel, that the individual and aggregate liabilities resulting from the ultimate resolution of these contingent matters, after taking into consideration our existing insurance coverage and amounts already provided for, will not have a material adverse impact on our consolidated results of operations, financial position or cash flows.

Environmental Matters

We are subject to various U.S. and international federal, state and local environmental, and health and safety laws and regulations. We are also subject to liabilities arising under the Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund"), the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and similar state and international laws and regulations that impose responsibility for the control, remediation and abatement of air, water and soil pollutants and the manufacturing, storage, handling and disposal of hazardous substances and waste.

We have been named as a potentially responsible party ("PRP") with respect to several hazardous waste disposal sites that we do not own or possess, which are included on, or proposed to be included on, the Superfund National Priority List of the U.S. Environmental Protection Agency ("EPA") or on equivalent lists of various state governments. Because CERCLA allows for joint and several liability in certain circumstances, we could be responsible for all remediation costs at such sites, even if we are one of many PRPs. We believe, based on the amount and nature of our waste, and the number of other financially viable PRPs, that our liability in connection with such matters will not be material.

Lodi, New Jersey Site

Pursuant to the New Jersey Industrial Site Recovery Act, we entered into a Remediation Agreement to pay for the environmental remediation of contaminated land which was the site of a manufacturing facility we formerly operated in Lodi, New Jersey. We have commenced remediation of this site in accordance with an approved plan. In the first quarter of 2010, we made a decision to enhance the remediation system to accelerate completion of the remediation. The additional costs associated with this enhancement are included in our accrual for this liability, which at December 31, 2010 is $4.9 million.

Lower Passaic River Study Area

In October 2003, we received, along with 66 other entities, a directive from the New Jersey Department of Environmental Protection ("NJDEP") that requires the entities to assess whether operations at various New Jersey sites, including our former manufacturing site in Lodi, New Jersey, caused damage to natural resources in the Lower Passaic River watershed. In May 2005, the NJDEP dismissed us from the Directive. In February 2004, 42 entities including Hexcel, received a general notice letter from the EPA which requested that the entities consider helping to finance an estimated $10 million towards an EPA study of environmental conditions in the Lower Passaic River watershed. In May 2005, we signed into an agreement with the EPA to participate (bringing the total number of participating entities to 43) in financing such a study up to $10 million, in the aggregate. Since May 2005, a number of additional PRPs have joined into the agreement with the EPA. In October 2005, we along with the other EPA notice recipients were advised by the EPA that the notice recipients' share of the costs of the EPA study was expected to significantly exceed the earlier EPA estimate. While we and the other recipients were not obligated by our agreement to share in such excess, a Group of notice recipients (73 companies including Hexcel) negotiated an agreement with the EPA to assume responsibility for the study pursuant to an Administrative Order on Consent. We believe we have viable defenses to the EPA claims and expect that other as yet unnamed parties will also receive notices from the EPA. In June 2007, the EPA issued a draft Focused Feasibility Study ("FFS") that considers interim remedial options for the lower eight miles of the river, in addition to a "no action" option. The estimated costs for the six options range from $900 million to $2.3 billion. The PRP Group provided comments to the EPA on the FFS; the EPA has not yet taken further action. The Administrative Order on Consent regarding the study does not cover work contemplated by the FFS. Furthermore, the Federal Trustee for natural resources have indicated their intent to perform a natural resources damage assessment on the river and invited the PRPs to participate in the development and performance of this assessment. The PRP Group, including Hexcel, has not agreed to participate in the assessment at this time. Finally, on February 4, 2009, Tierra Solutions ("Tierra") and Maxus Energy Corporation ("Maxus") filed a third party complaint in New Jersey Superior Court against us and over 300 other entities in an action brought against Tierra and Maxus (and other entities) by the State of New Jersey. New Jersey's suit against Tierra and Maxus relates to alleged discharges of contaminants by Tierra and Maxus to the Passaic River and seeks payment of all past and future costs the State has and will incur regarding cleanup and removal of contaminants, investigation of the Passaic River and related water bodies, assessment of natural resource injuries and other specified injuries. The third party complaint seeks contribution from us for all or part of the damages that Tierra and Maxus may owe to the State. We filed our answer to the complaint and served our initial disclosures, although discovery and motion practice was effectively stayed through June, 2010, when, the court entered a new case management order moving the case into a more active litigation phase. Our ultimate liability for investigatory costs, remedial costs and/or natural resource damages in connection with the Lower Passaic River cannot be determined at this time.

Kent, Washington Site

We were party to a cost-sharing agreement regarding the operation of certain environmental remediation systems necessary to satisfy a post-closure care permit issued to a previous owner of our Kent, Washington site by the EPA. Under the terms of the cost-sharing agreement, we were obligated to reimburse the previous owner for a portion of the cost of the required remediation activities. Management has determined that the cost-sharing agreement terminated in December 1998; however, the other party disputes this determination. The Washington Department of Ecology ("Ecology") has issued a unilateral Enforcement Order to us requiring us to (a) maintain the interim remedial system and to perform system separation, (b) to conduct a focused remedial investigation and (c) to conduct a focused feasibility study to develop recommended long term remedial measures. We asserted defenses against performance of the order, particularly objecting to the remediation plan proposed by the previous owner, who still owns the adjacent contaminated site. However, we are currently complying with the order, with one exception, without withdrawing our defenses. As a result of a dispute resolution procedure, Hexcel and Ecology have reached an agreement to modify certain work requirements and to extend certain deadlines, and we are in full compliance with the order as modified. Recently, the other party's cleanup efforts have declined due to discovery of additional contamination and equipment failures; we believe that this has increased the contamination migrating to our property and will increase the duration of our cleanup. The total accrued liability related to this matter was $1.5 million at December 31, 2010.

Omega Chemical Corporation Superfund Site, Whittier, CA

We are a PRP at a former chemical waste site in Whittier, CA. The PRPs at Omega have established a PRP Group, the "Omega Group", and are currently investigating and remediating soil and groundwater at the site pursuant to a Consent Decree with the EPA, entered into in March 2000. Hexcel contributed approximately 1.07% of the waste tonnage sent to the site during its operations. In addition to the Omega site specifically, there is regional groundwater contamination in the area as well. The EPA has not determined who it will identify as PRPs to investigate and, as necessary, remediate the regional groundwater contamination. Although it is likely that Hexcel will incur costs associated with the regional investigation and remediation as a member of the Omega Group, our ultimate liability, if any, in connection with this matter cannot be determined at this time.

Environmental remediation reserve activity for the years ended December 31, 2010, 2009, 2008 was as follows:

	For the year ended		
(In millions)	December 31, 2010	December 31, 2009	December 31, 2008
Beginning remediation accrual balance	**$ 8.3**	$ 9.2	$ 3.2
Current period expenses (a)	**3.8**	1.9	8.7
Cash expenditures	**(4.8)**	(2.8)	(2.7)
Ending remediation accrual balance	**$ 7.3**	$ 8.3	$ 9.2
Capital expenditures for environmental matters	**$ 1.7**	$ 4.8	$ 7.3

(a) 2010 includes $3.5 million of expenses for accelerating completion of the remediation at the Lodi, New Jersey site. 2008 includes $7.6 million of expense related to the Lodi, New Jersey site resulting from a change in the estimated time period that remediation is expected to continue.

Our estimate of liability as a PRP and our remaining costs associated with our responsibility to remediate the Lodi, New Jersey; Kent, Washington; and other sites are accrued in the consolidated balance sheets. As of December 31, 2010 and 2009, our aggregate environmental related accruals were $7.3 million and $8.3 million, respectively. As of December 31, 2010 and 2009, $4.2 million and $4.5 million, respectively, were included in current other accrued liabilities, with the remainder included in other non-current liabilities. As related to certain environmental matters, the accruals were estimated at the low end of a range of possible outcomes since no amount within the range is a better estimate than any other amount. If we had accrued for these matters at the high end of the range of possible outcomes, our accrual would have been $8.8 million and $12.8 million at December 31, 2010 and 2009, respectively.

These accruals can change significantly from period to period due to such factors as additional information on the nature or extent of contamination, the methods of remediation required, changes in the apportionment of costs among responsible parties and other actions by governmental agencies or private parties, or the impact, if any, of being named in a new matter.

Litigation

Seemann Composites, Inc. v. Hexcel Corporation

Seemann Composites, Inc., (SCI) has sued us in the United States District Court, Southern District of Mississippi (Civil Action No. 1:09-cv-00675-HSO-JMR), filed September 16, 2009. SCI alleges that we supplied the wrong or a defective finished fabric to them, through one of our distributors, and is seeking unspecified compensatory damages and $10.0 million in punitive damages. Discovery has commenced. We intend to vigorously defend the suit. Our ultimate liability for this matter cannot be determined at this time.

Product Warranty

Warranty expense for the years ended December 31, 2010, 2009 and 2008, and accrued warranty cost, included in "other accrued liabilities" in the consolidated balance sheets at December 31, 2010 and 2009, was as follows:

(In millions)	Product Warranties
Balance as of December 31, 2007	$ 2.9
Warranty expense	1.4
Deductions and other	(0.5)
Balance as of December 31, 2008	$ 3.8
Warranty expense	0.6
Deductions and other	(0.7)
Balance as of December 31, 2009	**$ 3.7**
Warranty expense	**1.9**
Deductions and other	**(1.3)**
Balance as of December 31, 2010	**$ 4.3**

Note 15 — Supplemental Cash Flow

Supplemental cash flow information, for the years ended December 31, 2010, 2009 and 2008, consisted of the following:

(In millions)	2010	2009	2008
Cash paid for:			
Interest	**$ 23.5**	$ 27.8	$ 25.3
Taxes	**$ (1.5)**	$ 11.9	$ 23.5
Accrual basis additions to property, plant and equipment	**$ 60.7**	$ 85.7	$ 177.3

Note 16 — Accumulated Other Comprehensive Income (Loss)

Comprehensive income represents net income and other gains and losses affecting stockholders' equity that are not reflected in the consolidated statements of operations. The components of accumulated other comprehensive income (loss) as of December 31, 2010 and 2009 were as follows:

(In millions)	2010	2009
Currency translation adjustments (a)	**$ 5.5**	$ 22.6
Net unrealized gains (losses) on financial instruments, net of tax (b)	**0.2**	(1.5)
Pension obligation adjustment, net of tax (c)	**(20.8)**	(28.1)
Accumulated other comprehensive income (loss)	**$ (15.1)**	$ (7.0)

(a) The currency translation adjustments are not currently adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries.
(b) Reduced by the tax impact of $0.2 million and $0.6 million at December 31, 2010 and 2009, respectively.
(c) Reduced by the tax impact of $9.0 million and $11.7 million at December 31, 2010 and 2009, respectively.

Note 17 — Segment Information

The financial results for our segments are prepared using a management approach, which is consistent with the basis and manner in which we internally segregate financial information for the purpose of assisting in making internal operating decisions. We evaluate the performance of our segments based on operating income, and generally account for intersegment sales based on arm's length prices. We report two segments, Composite Materials and Engineered Products. Corporate and certain other expenses are not allocated to the segments, except to the extent that the expense can be directly attributable to the segment. Corporate & Other is shown to reconcile to Hexcel's consolidated results.

In addition to the product line-based segmentation of our business, we also monitor sales into our principal end markets as a means to understanding demand for our products. Therefore, for each segment, we have also reported disaggregated sales by end market.

The following table presents financial information on our segments as of December 31, 2010, 2009 and 2008, and for the years then ended.

(In millions)	Composite Materials	Engineered Products	Corporate & Other	Total
Third-Party Sales				
2010	**$ 904.5**	**$ 269.1**	**$ —**	**$ 1,173.6**
2009	856.5	251.8	—	1,108.3
2008	1,075.3	249.6	—	1,324.9
Intersegment sales				
2010	**$ 38.7**	**$ 0.6**	**$ (39.3)**	**$ —**
2009	27.2	0.1	(27.3)	—
2008	40.1	0.4	(40.5)	—
Operating income (loss)				
2010	**$ 139.6**	**$ 45.7**	**$ (55.5)**	**$ 129.8**
2009	111.4	36.0	(43.7)	103.7
2008	158.8	26.8	(54.7)	130.9
Depreciation and amortization				
2010	**$ 49.1**	**$ 3.9**	**$ 0.2**	**$ 53.2**
2009	42.3	4.1	0.2	46.6
2008	39.6	4.2	0.1	43.9
Equity in earnings from and gain on sale of affiliated companies				
2010	**$ —**	**$ 0.5**	**$ —**	**$ 0.5**
2009	—	0.7	—	0.7
2008	—	16.1	—	16.1
Business consolidation and restructuring expenses				

2010	$	**—**	$	**—**	$	**—**	$ **—**
2009		—		—		—	—
2008		3.4		0.4		—	3.8
Business consolidation and restructuring payments							
2010	$	**0.7**	$	**0.1**	$	**—**	$ **0.8**
2009		1.6		0.1		—	1.7
2008		4.1		0.2		—	4.3
Other expense, net							
2010	$	**—**	$	**—**	$	**3.5**	$ **3.5**
2009		8.4		—		(0.9)	7.5
2008		—		—		10.2	10.2
Segment assets							
2010	$	**919.9**	$	**176.8**	$	**161.4**	$ **1,258.1**
2009		957.3		172.9		116.4	1,246.6
2008		949.7		193.3		67.3	1,210.3
Investments in affiliated companies							
2010	$	**—**	$	**19.9**	$	**—**	$ **19.9**
2009		—		17.7		—	17.7
2008		—		10.6		—	10.6
Accrual basis additions to property, plant and equipment							
2010	$	**57.3**	$	**3.3**	$	**0.1**	$ **60.7**
2009		82.7		2.4		0.6	85.7
2008		170.7		3.4		3.2	177.3

Geographic Data

Net sales and long-lived assets, by geographic area, consisted of the following for the three years ended December 31, 2010, 2009 and 2008:

(In millions)	**2010**	**2009**	**2008**
Net sales by Geography (a):			
United States	**$ 614.8**	$ 532.6	$ 640.4
International			
France	**208.8**	203.7	288.2
Spain	**111.0**	95.1	64.0
Austria	**91.4**	144.4	193.3
United Kingdom	**85.9**	79.8	111.5
Other	**61.7**	52.7	27.5
Total international	**558.8**	575.7	684.5
Total consolidated net sales	**$ 1,173.6**	$ 1,108.3	$ 1,324.9
Net Sales to External Customers (b):			
United States	**$ 528.1**	$ 462.6	$ 482.9
International			
France	**107.5**	103.7	155.2
Spain	**95.6**	87.3	117.5
Germany	**76.5**	83.2	95.3
United Kingdom	**67.9**	61.2	75.6
Other	**298.0**	310.3	398.4
Total international	**645.5**	645.7	842.0
Total	**$ 1,173.6**	$ 1,108.3	$ 1,324.9
Long-lived assets (c):			
United States	**$ 467.8**	$ 458.8	$ 409.3
International			
Spain	**58.4**	69.0	68.3
France	**36.3**	40.1	42.4
United Kingdom	**53.7**	48.1	34.8
Other	**38.3**	42.8	53.5
Total international	**186.7**	200.0	199.0

Total consolidated long-lived assets	**$ 654.5**	$ 658.8	$ 608.3

(a) Net sales by geography based on the location in which the product sold was manufactured.
(b) Net sales to external customers based on the location to which the product sold was delivered.
(c) Long-lived assets primarily consist of property, plant and equipment, net and goodwill.

Significant Customers and Suppliers

The Boeing Company and its subcontractors accounted for approximately 31%, 27% and 23% of 2010, 2009 and 2008 net sales, respectively. Similarly, EADS, including Airbus and its subcontractors accounted for approximately 24%, 22% and 24% of 2010, 2009 and 2008 net sales, respectively. In the Composites Materials segment approximately 22%, 18% and 16% of sales for 2010, 2009 and 2008, respectively, were to Boeing and its subcontractors. Approximately 29%, 27% and 28% of sales for 2010, 2009 and 2008, respectively were to EADS and its subcontractors. In the Engineered Products segment approximately 62%, 60% and 56% of sales for 2010, 2009 and 2008, respectively were to Boeing and its subcontractors.

A significant decline in business with Boeing, or EADS could materially impact our business, operating results, prospects and financial condition.

In 2009 and 2008, Vestas Wind Systems A/S accounted for nearly 12% and 11%, respectively, of the Company's total net sales. All of these sales are included in the Composite Materials segment and are in the Industrial market. In 2010, their sales were less than 10% of total net sales.

Certain key raw materials we consume are available from relatively few sources, and in many cases the cost of product qualification makes it impractical to develop multiple sources of supply. The lack of availability of these materials could under certain circumstances materially impact our consolidated results of operations.

Note 18 - Business Consolidation and Restructuring Programs

Business consolidation and restructuring expenses were $3.8 million for 2008. Almost all of these expenses related to the December 2007 program to realign our company into a single business and address stranded costs resulting from divestitures due to our portfolio realignment, and clean-up expenses associated with preparing the Livermore, California land for sale after closing the manufacturing facility located on that site. These actions were complete as of December 31, 2010.

Note 19 — Other Expense, net

Other expense, net, for the three years ended December 31, 2010, consisted of the following:

(In millions)	2010	2009	2008
Legal settlement expense	$ —	$ 7.5	$ —
Environmental expense	**3.5**	1.7	7.6
Contingent payment received on sale of EBGI business	—	(1.7)	—
Pension settlement expense	—	—	2.6
Other expense, net	**$ 3.5**	$ 7.5	$ 10.2

In 2010, the Company made a decision to enhance the remediation system to accelerate completion of the remediation and increased its environmental accruals for the Lodi, New Jersey site by $3.5 million, as further discussed in Note 14 to the consolidated financial statements.

In 2009, the Company recorded a $7.5 million charge related to a license agreement, settling a previously disclosed legal matter. In addition, in 2009 the Company recorded a $1.7 million environmental expense due to an increase in the expected remediation costs at two previously sold operations. Also in 2009, the Company recorded a $1.7 million adjustment to a gain on a prior year sale of a business, primarily due to the receipt of an earnout payment from the buyer.

In 2008, the Company increased its environmental accruals for the Lodi, New Jersey site by $7.6 million due to new information that more fully identified the extent of the required remediation, as further discussed in Note 14 to the consolidated financial statements. In connection with the termination of our U.S. Qualified Pension Plan, we recorded $2.6 million of pension expense during 2008.

Note 20 — Non-operating Expense

In connection with the Company's refinancing of its Senior Secured Credit Facility in July 2010, we recorded a charge of $6.8

million for the acceleration of amortization of deferred financing costs and the write-off of the remaining original issue discount associated with the previous agreement.

Note 21 — Fair Value measurements

The fair value of our financial instruments are classified in one of the following categories:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than quoted prices in active markets, but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider our own and counterparty credit risk. At December 31, 2010 and 2009, we did not have any assets or liabilities that utilize Level 3 inputs.

For derivative assets and liabilities that utilize Level 2 inputs we prepare estimates of future cash flows to be generated by our derivatives, which are discounted to a net present value. The estimated cash flows and the discount factors used in the valuation model are based on observable inputs, and incorporate non-performance risk (the credit standing of the counterparty when the derivative is in a net asset position, and the credit standing of Hexcel when the derivative is in a net liability position). The fair value of these assets and liabilities was approximately $3.3 million and $7.4 million, respectively at December 31, 2010. Below is a summary of valuation techniques for all Level 2 financial assets and liabilities:

- Cross-Currency interest rate swap derivative liabilities — valued using LIBOR and EURIBOR yield curves and foreign currency market exchange rates at the reporting date. Counterparties to these contracts are highly rated financial institutions none of which experienced any significant downgrades in 2010 that would reduce the receivable amount owed, if any, to the Company. Fair value at December 31, 2010 was $3.0 million.
- Foreign exchange derivative assets and liabilities — valued using quoted forward foreign exchange prices at the reporting date. Counterparties to these contracts are highly rated financial institutions none of which experienced any significant downgrades in 2009 that would significantly reduce the receivable amount owed, if any, to the Company. Fair value of assets and liabilities at December 31, 2010 was $2.6 million and $4.3 million, respectively.
- Money market funds — considered available-for-sale, and classified as cash equivalents. Fair value at December 31, 2010 was $66.7 million, the same as book value.

Note 22- Quarterly Financial and Market Data (Unaudited)

Quarterly financial and market data for the years ended December 31, 2010 and 2009 were:

(In millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2010				
Net sales	**$ 263.0**	**$ 305.1**	**$ 294.5**	**$ 311.0**
Gross margin	**66.1**	**78.4**	**70.5**	**67.6**
Other expense, net	**3.5**	**—**	**—**	**—**
Operating income	**23.8**	**40.5**	**34.5**	**31.0**
Net income	**15.8**	**23.1**	**15.6**	**22.9**
Net income per common share:				
Basic	**$ 0.16**	**$ 0.24**	**$ 0.16**	**$ 0.23**
Diluted	**$ 0.16**	**$ 0.23**	**$ 0.16**	**$ 0.23**
Market price:				
High	**$ 14.44**	**$ 17.28**	**$ 19.21**	**$ 19.08**
Low	**$ 10.13**	**$ 14.01**	**$ 15.06**	**$ 15.67**
2009				
Net sales	$ 307.3	$ 277.3	$ 257.1	$ 266.6
Gross margin	77.0	63.1	52.1	56.3
Other expense, net	—	1.7	(1.7)	7.5
Operating income	39.9	29.7	19.6	14.5
Net income	23.4	16.8	10.4	5.7
Net income per common share:				
Basic	$ 0.24	$ 0.17	$ 0.11	$ 0.06
Diluted	$ 0.24	$ 0.17	$ 0.11	$ 0.06
Market price:				
High	$ 9.07	$ 13.56	$ 11.99	$ 13.35
Low	$ 4.59	$ 6.81	$ 8.73	$ 10.40

Schedule II

Hexcel Corporation and Subsidiaries
Valuation and Qualifying Accounts

(In millions)	Balance at beginning of year	Charged to expense/(recovery)	Deductions and other	Balance at end of year
Year ended December 31, 2010				
Allowance for doubtful accounts	$ 1.9	$ (0.1)	$ (0.3)	$ 1.5
Allowance for obsolete and unmarketable inventory	23.9	7.2	(8.3)	22.8
Allowance for deferred tax assets	30.8	11.2	(5.5)	36.5
Year ended December 31, 2009				
Allowance for doubtful accounts	$ 2.1	$ 0.1	$ (0.3)	$ 1.9
Allowance for obsolete and unmarketable inventory	23.2	7.5	(6.8)	23.9
Allowance for deferred tax assets	16.1	14.7	—	30.8
Year ended December 31, 2008				
Allowance for doubtful accounts	$ 2.2	$ —	$ (0.1)	$ 2.1
Allowance for obsolete and unmarketable Inventory	19.5	8.2	(4.5)	23.2
Allowance for deferred tax assets	28.9	1.6	(14.4)	16.1

Exhibit 21

SUBSIDIARIES OF HEXCEL CORPORATION

DOMESTIC:

1. ACM Holdings Corporation (Delaware)
2. CS Tech-Fab Holding, Inc. (Delaware)
3. Hexcel Beta Corp. (Delaware)
4. Hexcel Far East (California)
5. Hexcel Foundation (California)
6. Hexcel International (California)
7. Hexcel LLC (Delaware)
8. Hexcel Omega Corporation (California)
9. Hexcel Pacific Rim Corporation (California)
10. Hexcel Pacific Rim Corporation (Delaware)
11. Hexcel Pottsville Corporation (Delaware)
12. Hexcel Reinforcements Corp. (Delaware)
13. Hexcel Reinforcements Holding Corp. (Delaware)
14. Hexcel Technologies Inc. (Delaware)

FOREIGN:

1. Hexcel Asia Pacific Trading Limited (Hong Kong)
2. Hexcel Chemical Products Limited (UK)
3. Hexcel-China Holdings Corp. (Mauritius)
4. Hexcel Composites GmbH (Austria)
5. Hexcel Composites GmbH (Germany)
6. Hexcel Composites GmbH & Co. KG (Austria)
7. Hexcel Composites Limited (UK)
8. Hexcel Composites SAS (France)
9. Hexcel Composites Sdn. Bhd. (Malaysia)
10. Hexcel Composites S.L. (Spain)
11. Hexcel Composites S.P.R.L. (Belgium)
12. Hexcel Composites S.r.l. (Italy)
13. Hexcel Europe Limited (UK)
14. Hexcel Fibers S.L. (Spain)
15 Hexcel Financing Luxembourg S.à.r.l.
16. Hexcel Holding B.V. (Netherlands)
17. Hexcel Holding GmbH (Austria)
18. Hexcel Holdings Hong Kong Limited (Hong Kong)
19. Hexcel Holdings Luxembourg S.à r.l. (Luxembourg)
20. Hexcel Holding Spain, S.L. (Spain)
21. Hexcel Holdings SASU (France)
22. Hexcel Holdings (UK) Limited (UK)
23. Hexcel Japan K. K. (Japan)
24. Hexcel LLC Luxembourg SCS
25. Hexcel LLP (UK)
26. Hexcel Overseas (UK)
27. Hexcel Reinforcements Holding Corp. Luxembourg SCS
28. Hexcel Reinforcements SASU (France)
29. Hexcel SASU (France)
30. Hexcel (Tianjin) Composites Material Co., Ltd.
31. Hexcel (UK) Limited (UK)
32. Société de Technologies Appliquées aux Matériaux SARL (France)

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-124747) and Form S-8 (No. 333-160202, No. 333-160203, No. 333-166354, No. 333-104158, No. 333-104159, No. 333-01225, No. 333-36099, No. 333-36163, No. 333-57223, No. 333-83745, No. 333-83747, No. 333-46472, No. 333-46476, No. 333-46626, No. 333-67944, No. 333-67946, No. 333-90060, No. 333-90062 and No. 333-85196) of Hexcel Corporation of our report dated February 10, 2011 relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Stamford, CT
February 10, 2011

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, David E. Berges, certify that:

1. I have reviewed this annual report on Form 10-K of Hexcel Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the most recent fiscal quarter (the fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls over financial reporting.

February 10, 2011	/s/ DAVID E. BERGES
(Date)	David E. Berges Chairman of the Board of Directors and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Wayne Pensky, certify that:

1. I have reviewed this annual report on Form 10-K of Hexcel Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the most recent fiscal quarter (the fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls over financial reporting.

February 10, 2011	/s/ WAYNE PENSKY
(Date)	Wayne Pensky Senior Vice President and Chief Financial Officer

Exhibit 32

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

In connection with the Annual Report of Hexcel Corporation ("Hexcel") on Form 10-K for the year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David E. Berges, Chairman of the Board of Directors, President and Chief Executive Officer of Hexcel, and Wayne Pensky, Senior Vice President and Chief Financial Officer of Hexcel, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Hexcel.

February 10, 2011	/s/ DAVID E. BERGES
(Date)	David E. Berges Chairman of the Board of Directors and Chief Executive Officer
February 10, 2011	/s/ WAYNE PENSKY
(Date)	Wayne Pensky Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Hexcel Corporation and will be retained by Hexcel Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT II

QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2011, FILED BY HEXCEL WITH THE SEC ON APRIL 25, 2011

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

FORM 10-Q

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

For the Quarter Ended March 31, 2011

or

☐ **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 1-8472

Hexcel Corporation
(Exact name of registrant as specified in its charter)

Delaware	**94-1109521**
(State of Incorporation)	(I.R.S. Employer Identification No.)

Two Stamford Plaza
281 Tresser Boulevard
Stamford, Connecticut 06901-3238
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: **(203) 969-0666**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 20, 2011
COMMON STOCK	**97,938,751**

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HEXCEL CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements (Unaudited)

Hexcel Corporation and Subsidiaries
Condensed Consolidated Balance Sheets

(In millions, except per share data)	(Unaudited) March 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	**$ 50.6**	$ 117.2
Accounts receivable, net	**210.0**	173.9
Inventories, net	**198.7**	169.9
Prepaid expenses and other current assets	**44.2**	36.7
Total current assets	**503.5**	497.7
Property, plant and equipment	**1,106.0**	1,063.9
Less accumulated depreciation	**(487.2)**	(465.6)
Property, plant and equipment, net	**618.8**	598.3
Goodwill and intangible assets	**56.7**	56.2
Investments in affiliated companies	**20.7**	19.9
Deferred tax assets	**55.1**	63.6
Other assets	**22.1**	22.4
Total assets	**$ 1,276.9**	$ 1,258.1
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term borrowings and current maturities of long-term debt	**$ 11.4**	$ 27.6
Accounts payable	**107.8**	83.0
Accrued liabilities	**89.3**	95.3
Total current liabilities	**208.5**	205.9
Long-term notes payable and capital lease obligations	**268.4**	304.6
Other non-current liabilities	**81.0**	88.2
Total liabilities	**557.9**	598.7
Stockholders' equity:		
Common stock, $0.01 par value, 200.0 shares authorized,100.0 and 99.5 shares issued at March 31, 2011 and December 31, 2010, respectively	**1.0**	1.0
Additional paid-in capital	**562.9**	552.3
Retained earnings	**174.8**	148.4
Accumulated other comprehensive income (loss)	**8.7**	(15.1)
	747.4	686.6
Less — Treasury stock, at cost, 2.1 and 2.2 shares at March 31, 2011 and December 31, 2010, respectively	**(28.4)**	(27.2)
Total stockholders' equity	**719.0**	659.4
Total liabilities and stockholders' equity	**$ 1,276.9**	$ 1,258.1

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Hexcel Corporation and Subsidiaries
Condensed Consolidated Statements of Operations

(In millions, except per share data)	(Unaudited) Quarter Ended March 31, 2011	2010
Net sales	$ **331.6**	$ 263.0
Cost of sales	**248.6**	196.9
Gross margin	**83.0**	66.1
Selling, general and administrative expenses	**32.9**	31.4
Research and technology expenses	**8.6**	7.4
Other operating (income) expense	**(5.7)**	3.5
Operating income	**47.2**	23.8
Interest expense, net	**4.2**	6.6
Non-operating expense	**4.9**	—
Income before income taxes and equity in earnings of affiliated companies	**38.1**	17.2
Provision for income taxes	**12.2**	1.5
Income before equity in earnings of affiliated companies	**25.9**	15.7
Equity in earnings of affiliated companies	**0.5**	0.1
Net income	$ **26.4**	$ 15.8
Net income per common share:		
Basic	$ **0.27**	$ 0.16
Diluted	$ **0.26**	$ 0.16
Weighted average common shares outstanding:		
Basic	**98.2**	97.3
Diluted	**100.4**	99.0

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Hexcel Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows

(In millions)	(Unaudited) Quarter Ended March 31, 2011	2010
Cash flows from operating activities		
Net income	**$ 26.4**	$ 15.8
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization	**14.1**	12.0
Amortization of debt discount and deferred financing costs and call premium expense	**5.4**	1.5
Deferred income taxes	**9.3**	(0.6)
Equity in earnings from affiliated companies	**(0.5)**	(0.1)
Stock-based compensation	**6.4**	5.7
Pension curtailment gain	**(5.7)**	—
Excess tax benefits on stock-based compensation	**(2.0)**	(0.4)
Changes in assets and liabilities:		
Increase in accounts receivable	**(30.1)**	(15.7)
Increase in inventories	**(24.3)**	(13.6)
Increase in prepaid expenses and other current assets	**(1.0)**	(1.2)
Increase in accounts payable and accrued liabilities	**24.7**	1.5
Other - net	**(5.8)**	(2.0)
Net cash provided by operating activities	**16.9**	2.9
Cash flows from investing activities		
Capital expenditures and deposits for capital purchases	**(35.9)**	(12.6)
Net cash used for investing activities	**(35.9)**	(12.6)
Cash flows from financing activities		
Borrowings from senior secured credit facility	**135.0**	—
Repayment of 6.75% senior subordinated notes	**(150.0)**	—
Repayment of senior secured credit facility	**(35.0)**	—
Call premium payment for 6.75% senior subordinated notes	**(3.4)**	—
(Repayments) borrowings from credit line	**(1.3)**	0.8
Repayment of senior secured credit facility — term loan	**(1.2)**	(30.0)
Repayments of capital lease obligations and other debt, net	**(0.1)**	(0.1)
Activity under stock plans	**3.1**	(0.8)
Net cash used in financing activities	**(52.9)**	(30.1)
Effect of exchange rate changes on cash and cash equivalents	**5.3**	(4.6)
Net decrease in cash and cash equivalents	**(66.6)**	(44.4)
Cash and cash equivalents at beginning of period	**117.2**	110.1
Cash and cash equivalents at end of period	**$ 50.6**	$ 65.7
Supplemental data:		
Accrual basis additions to property, plant and equipment	**$ 25.2**	$ **6.9**

The accompanying notes are an integral part of these condensed consolidated financial statements.

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HEXCEL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 — Significant Accounting Policies

In these notes, the terms "Hexcel," "the Company," "we," "us," or "our" mean Hexcel Corporation and subsidiary companies. The accompanying condensed consolidated financial statements are those of Hexcel Corporation. Refer to Note 1 to the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2010 for a discussion of our significant accounting policies.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared from the unaudited accounting records of Hexcel pursuant to rules and regulations of the Securities and Exchange Commission ("SEC") and in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Certain information and footnote disclosures normally included in financial statements have been omitted pursuant to rules and regulations of the SEC.

In the opinion of management, the condensed consolidated financial statements include all normal recurring adjustments as well as any non-recurring adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods presented. The condensed consolidated balance sheet as of December 31, 2010 was derived from the audited 2010 consolidated balance sheet. Interim results are not necessarily indicative of results expected for any other interim period or for the full year. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2010 Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 10, 2011.

Investments in Affiliated Companies

We have a 50% equity ownership investment in an Asian joint venture Asian Composites Manufacturing Sdn. Bhd. In accordance with recently issued accounting standards we have determined that this investment is not a variable interest entity. As such, we account for our share of the earnings of this affiliated company using the equity method of accounting.

Note 2 — Net Income per Common Share

(In millions, except per share data)	Quarter Ended March 31, 2011	Quarter Ended March 31, 2010
Basic net income per common share:		
Net income	**$ 26.4**	$ 15.8
Weighted average common shares outstanding	**98.2**	97.3
Basic net income per common share	**$ 0.27**	$ 0.16
Diluted net income per common share:		
Weighted average common shares outstanding — Basic	**98.2**	97.3
Plus incremental shares from assumed conversions:		
Restricted stock units	**0.8**	0.7
Stock options	**1.4**	1.0
Weighted average common shares outstanding — Dilutive	**100.4**	99.0
Diluted net income per common share	**$ 0.26**	$ 0.16

Total shares underlying stock options of 1.0 million and 1.2 million were excluded from the computation of diluted net income per share for the quarter ended March 31, 2011 and March 31, 2010, respectively, as they were anti-dilutive.

Note 3 — Other Operating (Income) Expense

Effective January 31, 2011, credited service for the participants in our U.K. plan was frozen. This resulted in recognizing

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$5.7 million of prior unrecognized service credits as a curtailment gain and also reduced the projected plan obligation by $1.6 million. The first quarter of 2010 included a pre-tax charge of $3.5 million for additional environmental reserves primarily to enhance the remediation system to accelerate the remediation of our former Lodi, New Jersey manufacturing facility sold in 1986 (see note 13).

Note 4 — Other Non-Operating Expense

In February 2011, we redeemed $150 million of our $225 million 6.75% senior subordinated notes at a call premium of 2.25%. As a result of the redemption, we accelerated the unamortized financing costs of the senior subordinated notes redeemed and expensed the call premium incurring a pretax charge of $4.9 million.

Note 5 — Inventories, net

(In millions)	March 31, 2011	December 31, 2010
Raw materials	**$ 83.2**	$ 71.6
Work in progress	**47.6**	40.7
Finished goods	**91.7**	80.4
Total inventories, gross	**$ 222.5**	$ 192.7
Inventory allowances	**(23.8)**	(22.8)
Total inventories, net	**$ 198.7**	$ 169.9

Note 6 — Retirement and Other Postretirement Benefit Plans

We maintain qualified and nonqualified defined benefit retirement plans covering certain current and former U.S. and European employees, retirement savings plans covering eligible U.S. employees and certain postretirement health care and life insurance benefit plans covering eligible U.S. retirees. We also participate in a union sponsored multi-employer pension plan covering certain U.S. employees with union affiliations.

Defined Benefit Retirement Plans

Net Periodic Benefit Costs

Net periodic benefit costs of our defined benefit retirement plans for the quarters ended March 31, 2011 and 2010 were as follows:

	Quarter Ended March 31,	
(In millions)	2011	2010
U.S. Non-qualified Defined Benefit Retirement Plans		
Service cost	**$ 0.2**	$ 0.3
Interest cost	**0.3**	0.3
Net amortization and deferral	**0.3**	0.1
Net periodic benefit cost	**$ 0.8**	$ 0.7

	March 31, 2011	December 31, 2010
Amounts recognized on the balance sheet:		
Accrued liabilities	**$ 0.9**	$ 0.9
Other non-current liabilities	**27.3**	26.9
Total accrued benefit	**$ 28.2**	$ 27.8

	Quarter Ended March 31,	
	2011	2010
European Defined Benefit Retirement Plans		
Service cost	**$ 0.7**	$ 1.0
Interest cost	**1.8**	1.9
Expected return on plan assets	**(1.9)**	(1.6)
Net amortization and deferral	**0.2**	0.3
Curtailment gain	**(5.7)**	—
Net periodic benefit (income)` cost	**$ (4.9)**	$ 1.6

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	March 31, 2011	December 31, 2010
Amounts recognized on the balance sheet:		
Accrued liabilities	$ 3.1	$ 0.5
Other non-current liabilities	18.6	26.7
Total accrued benefit	$ 21.7	$ 27.2

As discussed in Note 3, effective January 31, 2011 credited service for the participants in our U.K. defined benefit plan was frozen. This change reduced the projected plan obligation by $1.6 million and also resulted in recognizing $5.7 million of prior unrecognized service credits as a curtailment gain.

Contributions

We generally fund our U.S. non-qualified defined benefit retirement plans when benefit payments are incurred. Under the provisions of these non-qualified plans, we expect to contribute $0.9 million in 2011 to cover unfunded benefits. We contributed $0.6 million to our U.S. non-qualified defined benefit retirement plans during the 2010 fiscal year.

We contributed $1.4 million and $0.8 million to our European defined benefit retirement plans in the first quarters of 2011 and 2010, respectively. We plan to contribute approximately $7.4 million during 2011 to these European plans. We contributed $9.0 million to our European plans during the 2010 fiscal year.

Postretirement Health Care and Life Insurance Benefit Plans

Net periodic benefit costs of our postretirement health care and life insurance benefit plans for the quarters ended March 31, 2011 and 2010 were as follows:

	Quarter Ended March 31,	
(In millions)	**2011**	**2010**
Postretirement Health Care and Life Insurance Benefit Plans		
Interest cost	$ 0.4	$ 0.1
Net amortization and deferral	(0.3)	—
Net periodic benefit cost	$ 0.1	$ 0.1

	March 31, 2011	December 31, 2010
Amounts recognized on the balance sheet:		
Accrued liabilities	$ 0.8	$ 0.8
Other non-current liabilities	8.7	8.6
Total accrued benefit	$ 9.5	$ 9.4

In connection with our postretirement plans, we contributed less than $0.1 million in the first quarter of 2011 and $0.1 million in the first quarter of 2010. We periodically fund our postretirement plans to pay covered expenses as they are incurred. Under the provisions of these post retirement plans, we expect to contribute approximately $0.8 million in 2011 to cover unfunded benefits. We contributed $0.4 million to our postretirement plans during the 2010 fiscal year.

Note 7 — Notes Payable and Capital Lease Obligations

(In millions)	**March 31, 2011**	**December 31, 2010**
Working capital line of credit — China	$ 5.9	$ 7.1
Current maturities of capital lease and other obligations	0.5	0.5
Current maturities of term loan	5.0	5.0
Current maturities of 6.75% senior subordinated notes due 2015	—	15.0
Notes payable and current maturities of long-term liabilities	11.4	27.6
Senior secured credit facility — term loan due 2015	91.3	92.5
Senior secured credit facility — revolving loan due 2015	100.0	—
6.75% senior subordinated notes due 2015	75.0	210.0
Capital lease and other obligations	2.1	2.1
Long-term notes payable and capital lease obligations	268.4	304.6
Total notes payable and capital lease obligations	$ 279.8	$ 332.2

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Estimated Fair Values of Notes Payable

The approximate, aggregate fair value of our notes payable as of March 31, 2011 and December 31, 2010 were as follows:

(In millions)	March 31, 2011	December 31, 2010
6.75% senior subordinated notes, due 2015	**$ 77**	$ 226
Senior secured credit facility — term loan due 2015	**97**	98

The aggregate fair values of the notes payable were estimated on the basis of quoted market prices.

Note 8 — Derivative Financial Instruments

Interest Rate Swap Agreements

In the fourth quarter 2010, we entered into an agreement to swap $98 million of a floating rate obligation for a fixed rate obligation at an average of 1.03% against LIBOR in U.S. dollars. The swap is scheduled to mature on March 31, 2014, and was accounted for as a cash flow hedge of our floating rate bank loan. To ensure the swap was highly effective, all the principal terms of the swap matched the terms of the bank loan. The fair value of the interest rate swap was an asset of $1.0 million at March 31, 2011 and $0.7 million at December 31, 2010.

Cross-Currency Interest Rate Swap Agreement

In September 2006, we entered into a cross-currency interest rate swap agreement to hedge a portion of our net Euro investment in Hexcel SASU (France). This agreement is accounted for as a hedge of the foreign currency exposure of a net investment in a foreign operation and to the extent it is effective, gains and losses are recorded as an offset in the cumulative translation account ("CTA"), the same account in which translation gains and losses on the investment in Hexcel SASU are recorded. All other changes, including any difference in current interest, are excluded from the assessment of effectiveness and are included in operating income as a component of interest expense. The agreement has a notional value of $63.4 million, a term of five years, and is scheduled to mature on September 20, 2011. We receive interest in U.S. dollars quarterly and pay interest in Euros on the same day. U.S. interest is based on the three month LIBOR. Euro interest is based on the three month EURIBOR. The fair value of the swap at March 31, 2011 and December 31, 2010 was a liability of $7.1 million and $3.0 million, respectively. A net credit to interest expense of $0.2 million and a net charge of $0.5 million related to the excluded portion of the derivative were recorded in 2011 and 2010, respectively. Net charges to interest expense of $0.2 million and $0.1 million related to the interest coupons were recorded during 2011 and 2010, respectively. The net amount of gains/losses included in the CTA adjustment during the 2011 and 2010 reporting periods were a loss of $4.2 million and a gain of $4.4 million, respectively. The impact of applying prescribed credit risk adjustments was immaterial.

Foreign Currency Forward Exchange Contracts

A number of our European subsidiaries are exposed to the impact of exchange rate volatility between the U.S. dollar and the subsidiaries' functional currencies, being either the Euro or the British Pound Sterling. We entered into contracts to exchange U.S. dollars for Euros and British Pound Sterling through May 2013. The aggregate notional amount of these contracts was $119.9 million and $124.2 million at March 31, 2011 and December 31, 2010, respectively. The purpose of these contracts is to hedge a portion of the forecasted transactions of European subsidiaries under long-term sales contracts with certain customers. These contracts are expected to provide us with a more balanced matching of future cash receipts and expenditures by currency, thereby reducing our exposure to fluctuations in currency exchange rates. The effective portion of the hedges was a gain of $4.8 million and a net loss of $5.7 million for the quarters ended March 31, 2011 and 2010, respectively, and are recorded in OCI. We exclude the forward points of $0.5 million from the effectiveness assessment for the current year. The carrying amount of these contracts was $5.9 million classified in other assets and $0.3 million in other liabilities on the Consolidated Balance Sheets at March 31, 2011 and $2.3 million in other assets and $2.6 million classified in other liabilities at December 31, 2010. During the quarters ended March 31, 2011 and 2010 we recognized net losses of $0.5 million and $1.6 million, respectively, recorded in sales and cost of sales. For the quarters ended March 31, 2011 and 2010, hedge ineffectiveness was immaterial. Cash flows associated with these contracts are classified within net cash provided by operating activities of continuing operations.

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In addition, we enter into foreign exchange forward contracts which are not designated as hedges. These are used to provide an offset to transactional gains or losses arising from the remeasurement of non-functional monetary assets and liabilities such as accounts receivable. The change in the fair value of the derivatives is recorded in the statement of operations. There are no credit contingency features in these derivatives. During the quarters ended March 31, 2011 and 2010, we recognized net foreign exchange gains of $5.0 million and foreign exchange losses of $3.0 million, respectively, in the Consolidated Statements of Operations. The carrying amount of the contracts for asset and liability derivatives not designated as hedging instruments was $2.9 million classified in other assets and $0.3 million classified in other assets and $1.7 million in other liabilities on the March 31, 2011 and December 31, 2010 Consolidated Balance Sheets, respectively

The change in fair value of our foreign currency forward exchange contracts under hedge designations recorded net of tax within accumulated other comprehensive income for the quarters ended March 31, 2011 and 2010 was as follows:

(In millions)	Quarter Ended March 31, 2011	2010
Unrealized losses at beginning of period	**$ (0.2)**	$ **(1.4)**
Losses reclassified to net sales	**0.4**	**1.1**
Increase (decrease) in fair value	**3.6**	**(4.2)**
Unrealized gains (losses) at end of period	**$ 3.8**	**$ (4.5)**

As of March 31, 2011, unrealized gains recorded in "accumulated other comprehensive income," net of tax, total $3.8 million, of which $3.2 million are expected to be reclassified into earnings over the next twelve months as the hedged sales are recorded.

Note 9 — Income Taxes

The income tax provision for the quarter ended March 31, 2011 was $12.2 million, an effective rate of 32.0%. The income tax provision for the quarter ended March 31, 2010 was $1.5 million. The first quarter of 2010 reflects $3.5 million of New Clean Energy Manufacturing Tax Credits awarded to us in January 2010 for qualifying capital investments incurred at our Colorado facility in 2009. Excluding this credit, our tax rate would have been 29.1%.

Note 10 — Comprehensive Income (Loss)

Comprehensive income represents net income and other gains and losses affecting stockholders' equity that are not reflected in the condensed consolidated statements of operations. The components of comprehensive income for the quarters ended March 31, 2011 and 2010 were as follows:

(In millions)	Quarter Ended March 31, 2011	2010
Net income	**$ 26.4**	$ 15.8
Currency translation adjustments	**17.8**	(17.2)
Change in pension and other postretirement obligations	**0.7**	1.4
Net unrealized gains (losses) on financial instruments	**5.3**	(3.0)
Comprehensive income (loss)	**$ 50.2**	$ (3.0)

Note 11 — Fair Value Measurements

The authoritative guidance for fair value measurements establishes a hierarchy for observable and unobservable inputs used to measure fair value, into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in our assessment of fair value.

We do not have any significant assets or liabilities that utilize Level 3 inputs. In addition, we have no assets or liabilities that utilize Level 1 inputs. For derivative assets and liabilities that utilize Level 2 inputs, we prepare estimates of future cash flows of our derivatives, which are discounted to a net present value. The estimated cash flows and the discount factors used in the valuation model are based on observable inputs, and incorporate non-performance risk (the credit standing of the counterparty when the derivative is in a net asset position, and the credit standing of Hexcel when the derivative is in a net liability position). The fair value of these assets and liabilities was approximately $9.8 million and $7.4 million, respectively at March 31, 2011. Below is a summary of valuation techniques for all Level 2 financial assets and liabilities:

- Interest rate swap — valued using LIBOR yield curves at the reporting date. Fair value of asset was $1.0 million at March 31, 2011.

- Cross-currency interest rate swap derivative liabilities — valued using LIBOR and EURIBOR yield curves and quoted forward foreign exchange prices at the reporting date. Fair value at March 31, 2011 was $7.1 million.

- Foreign exchange derivative assets and liabilities — valued using quoted forward foreign exchange prices at the reporting date. Fair value of assets and liabilities at March 31, 2011 was $8.8 million and $0.3 million, respectively.

Counterparties to the above contracts are highly rated financial institutions, none of which experienced any significant downgrades in the three months ended March 31, 2011 that would reduce the receivable amount owed, if any, to the Company.

- Money market funds — considered available-for-sale, and classified as cash equivalents. Fair value at March 31, 2011 was $17.5 million, the same as book value.

Note 12 — Segment Information

The financial results for our operating segments are prepared using a management approach, which is consistent with the basis and manner in which we internally segregate financial information for the purpose of assisting in making internal operating decisions. We evaluate the performance of our operating segments based on operating income, and generally account for intersegment sales based on arm's length prices. Corporate and certain other expenses are not allocated to the operating segments, except to the extent that the expense can be directly attributable to the business segment.

Financial information for our business segments for the quarters ended March 31, 2011 and 2010 is as follows:

(In millions)	Composite Materials(a)	Engineered Products	Corporate & Other (b)	Total
First Quarter 2011				
Net sales to external customers:				
Commercial aerospace	**$ 143.2**	**$ 54.4**	**$ —**	**$ 197.6**
Space and defense	**59.9**	**19.8**	**—**	**79.7**
Industrial	**53.2**	**1.1**	**—**	**54.3**
Net sales to external customers	**256.3**	**75.3**	**—**	**331.6**
Intersegment sales	**13.9**	**0.3**	**(14.2)**	**—**
Total sales	**270.2**	**75.6**	**(14.2)**	**331.6**
Operating income (a)	**49.8**	**12.5**	**(15.1)**	**47.2**
Depreciation and amortization	**12.9**	**1.1**	**0.1**	**14.1**
Stock-based compensation expense	**1.6**	**0.3**	**4.5**	**6.4**
Other operating (income) expense	**(5.7)**	**—**	**—**	**(5.7)**
Accrual basis additions to capital expenditures	**24.3**	**0.9**	**—**	**25.2**
First Quarter 2010				
Net sales to external customers:				
Commercial aerospace	$ 109.3	$ 42.7	$ —	$ 152.0
Space and defense	53.1	19.4	—	72.5
Industrial	38.0	0.5	—	38.5
Net sales to external customers	200.4	62.6	—	263.0
Intersegment sales	8.9	—	(8.9)	—
Total sales	209.3	62.6	(8.9)	263.0
Operating income (b)	30.6	11.4	(18.2)	23.8
Depreciation and amortization	10.9	1.0	0.1	12.0
Stock-based compensation expense	1.6	0.3	3.8	5.7
Other operating (income) expense	—	—	3.5	3.5
Accrual basis additions to capital expenditures	6.8	0.1	—	6.9

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(a) First quarter 2011operating income for Composite Materials includes a $5.7 million gain resulting from the curtailment of our U.K. pension plan.

(b) First quarter 2010 operating income for Corporate & Other includes a $3.5 million charge to the environmental reserves primarily for remediation at a manufacturing facility sold in 1986.

Goodwill and Intangible Assets

The carrying amount of gross goodwill and intangible assets by segment is as follows:

(In millions)	March 31, 2011	December 31, 2010
Composite Materials	**$ 40.6**	$ 40.1
Engineered Products	**16.1**	16.1
Goodwill and intangible assets	**$ 56.7**	$ 56.2

No impairments have been recorded against these amounts.

Note 13 — Commitments and Contingencies

We are involved in litigation, investigations and claims arising out of the normal conduct of our business, including those relating to commercial transactions, environmental, employment, and health and safety matters. We estimate and accrue our liabilities when a loss becomes probable and estimable. These judgments take into consideration a variety of factors, including the stage of the proceeding; potential settlement value; assessments by internal and external counsel; and assessments by environmental engineers and consultants of potential environmental liabilities and remediation costs. Such estimates are not discounted to reflect the time value of money due to the uncertainty in estimating the timing of the expenditures, which may extend over several years.

While it is impossible to ascertain the ultimate legal and financial liability with respect to certain contingent liabilities and claims, we believe, based upon our examination of currently available information, our experience to date, and advice from legal counsel, that the individual and aggregate liabilities resulting from the ultimate resolution of these contingent matters, after taking into consideration our existing insurance coverage and amounts already provided for, will not have a material adverse impact on our consolidated results of operations, financial position or cash flows.

Environmental Matters

We are subject to various U.S. and international federal, state and local environmental, and health and safety laws and regulations. We are also subject to liabilities arising under the Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund"), the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act ("RCRA"), and the Toxic Substances Control Act ("TSCA") and similar state, federal, and international laws and regulations that impose responsibility for the control, remediation and abatement of air, water and soil pollutants and the manufacturing, storage, handling and disposal of hazardous substances and waste.

We have been named as a potentially responsible party ("PRP") with respect to several hazardous waste disposal sites that we do not own or possess, which are included on, or proposed to be included on, the Superfund National Priority List of the U.S. Environmental Protection Agency ("EPA") or on equivalent lists of various state governments. Because CERCLA allows for joint and several liability in certain circumstances, we could be responsible for all remediation costs at such sites, even if we are one of many PRPs. We believe, based on the amount and the nature of our waste, and the number of other financially viable PRPs, that our liability in connection with such matters will not be material.

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Lodi, New Jersey Site

Pursuant to the New Jersey Industrial Site Recovery Act, Hexcel entered into an Administrative Consent Order for the environmental remediation of a manufacturing facility we own and formerly operated in Lodi, New Jersey. We have commenced remediation of this site in accordance with an approved plan. In the first quarter of 2010, we made a decision to enhance the remediation system to accelerate completion of the remediation and the system is currently operating. The additional cost associated with this enhancement is included in our accrual for this liability, which at March 31, 2011 is $3.1 million.

Lower Passaic River Study Area

In October 2003, we received, along with 66 other entities, a directive from the New Jersey Department of Environmental Protection ("NJDEP") that requires the entities to assess whether operations at various New Jersey sites, including our former manufacturing site in Lodi, New Jersey, caused damage to natural resources in the Lower Passaic River watershed. In May 2005, the NJDEP dismissed us from the Directive. In February 2004, 42 entities including Hexcel, received a general notice letter from the EPA which requested that the entities consider helping to finance an estimated $10 million towards an EPA study of environmental conditions in the Lower Passaic River watershed. In May 2005, we signed into an agreement with the EPA to participate (bringing the total number of participating entities to 43) in financing such a study up to $10 million, in the aggregate. Since May 2005, a number of additional PRPs have joined into the agreement with the EPA. In October 2005, we along with the other EPA notice recipients were advised by the EPA that the notice recipients' share of the costs of the EPA study was expected to significantly exceed the earlier EPA estimate. While we and the other recipients were not obligated by our agreement to share in such excess, a Group of notice recipients (73 companies including Hexcel) negotiated an agreement with the EPA to assume responsibility for the study pursuant to an Administrative Order on Consent. We believe we have viable defenses to the EPA claims and expect that other as yet unnamed parties will also receive notices from the EPA. In June 2007, the EPA issued a draft Focused Feasibility Study ("FFS") that considers interim remedial options for the lower eight miles of the river, in addition to a "no action" option. The estimated costs for the six options range from $900 million to $2.3 billion. The PRP Group provided comments to the EPA on the FFS; the EPA has not yet taken further action. The Administrative Order on Consent regarding the study does not cover work contemplated by the FFS. Furthermore, the Federal Trustee for natural resources have indicated their intent to perform a natural resources damage assessment on the river and invited the PRPs to participate in the development and performance of this assessment. The PRP Group, including Hexcel, has not agreed to participate in the assessment at this time. Finally, on February 4, 2009, Tierra Solutions ("Tierra") and Maxus Energy Corporation ("Maxus") filed a third party complaint in New Jersey Superior Court against us and over 300 other entities in an action brought against Tierra and Maxus (and other entities) by the State of New Jersey. New Jersey's suit against Tierra and Maxus relates to alleged discharges of contaminants by Tierra and Maxus to the Passaic River and seeks payment of all past and future costs the State has and will incur regarding cleanup and removal of contaminants, investigation of the Passaic River and related water bodies, assessment of natural resource injuries and other specified injuries. The third party complaint seeks contribution from us for all or part of the damages that Tierra and Maxus may owe to the State. We filed our answer to the complaint and served our initial disclosures, and have produced initial documents to Tierra and Maxus, pursuant to an order of the court. We expect additional discovery and litigation activities to occur during 2011. Our ultimate liability for investigatory costs, remedial costs and/or natural resource damages in connection with the Lower Passaic River cannot be determined at this time.

Kent, Washington Site

We were party to a cost-sharing agreement regarding the operation of certain environmental remediation systems necessary to satisfy a post-closure care permit issued to a previous owner of our Kent, Washington site by the EPA. Under the terms of the cost-sharing agreement, we were obligated to reimburse the previous owner for a portion of the cost of the required remediation activities. Management has determined that the cost-sharing agreement terminated in December 1998; however, the other party disputes this determination. The Washington Department of Ecology ("Ecology") has issued a unilateral Enforcement Order to us requiring us to (a) maintain the interim remedial system and to perform system separation, (b) to conduct a focused remedial investigation and (c) to conduct a focused feasibility study to develop recommended long term remedial measures. We asserted defenses against performance of the order, particularly objecting to the remediation plan proposed by the previous owner, who still owns the adjacent contaminated site. However, we are currently complying with the order, with one exception, without withdrawing our defenses. As a result of a dispute resolution procedure, Hexcel and Ecology have reached an agreement to modify certain work requirements and to extend certain deadlines, and we are in full compliance with the order as modified. Recently, the other party's cleanup efforts have declined due to discovery of additional contamination and equipment failures; we believe that this has increased the contamination migrating to our property and will increase the duration of our cleanup. The total accrued liability related to this matter was $1.6 million at March 31, 2011.

Omega Chemical Corporation Superfund Site, Whittier, CA

We are a potentially responsible party at a former chemical waste site in Whittier, CA. The PRPs at Omega have established a PRP Group, the "Omega PRP Group", and are currently investigating and remediating soil and groundwater at the site pursuant to a Consent Decree with the EPA. Hexcel contributed approximately 1.07% of the waste tonnage sent to the site during its operations. In

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addition to the Omega site specifically, the EPA is investigating the scope of regional groundwater contamination in the area and is preparing a proposed remedial action for the regional groundwater contamination. While the EPA has not finalized its Record of Decision as of this date, the Omega PRP Group members have been noticed by the EPA as potentially responsible parties who will be required to be involved in the remediation of the regional groundwater contamination as well. Hexcel will likely incur costs associated with the regional investigation and remediation as a member of the Omega Group, our ultimate liability, if any, in connection with this matter cannot be determined at this time.

Our estimate of liability as a PRP and our remaining costs associated with our responsibility to remediate the Lodi, New Jersey; Kent, Washington; and other sites are accrued in the consolidated balance sheets. As of March 31, 2011, our aggregate environmental related accruals were $6.1 million, of which $4.2 million was included in accrued liabilities with the remainder included in non-current liabilities. As related to certain environmental matters, excluding the Lodi site, the accrual was estimated at the low end of a range of possible outcomes since no amount within the range is a better estimate than any other amount. If we had accrued for these matters at the high end of the range of possible outcomes, our accrual would have been $1.5 million higher. These accruals can change significantly from period to period due to such factors as additional information on the nature or extent of contamination, the methods of remediation required, changes in the apportionment of costs among responsible parties and other actions by governmental agencies or private parties, or the impact, if any, of being named in a new matter.

Environmental remediation spending charged directly to our reserve balance for the quarter ended March 31, 2011 was $2.1 million and $0.7 million for the quarter ended March 31, 2010. In addition, our operating costs relating to environmental compliance charged directly to expense were $2.3 million for the quarters ended March 31, 2011 and 2010. Capital expenditures for environmental matters were $0.2 million for the quarters ended March 31, 2011 and 2010.

Litigation

Seemann Composites, Inc. v. Hexcel Corporation

Seemann Composites, Inc., (SCI) has sued us in the United States District Court, Southern District of Mississippi (Civil Action No. 1:09-cv-00675-HSO-JMR), filed September 16, 2009. SCI alleges that we supplied the wrong or a defective finished fabric to them, through one of our distributors, and is seeking unspecified compensatory damages and $10.0 million in punitive damages. Discovery has concluded and trial is currently set for August 1, 2011. We intend to vigorously defend the suit. Our ultimate liability for this matter cannot be determined at this time.

Product Warranty

We provide for an estimated amount of product warranty expense at the time revenue is recognized. This estimated amount is provided by product and based on historical warranty experience. In addition, we periodically review our warranty accrual and record any adjustments as deemed appropriate. Warranty expense for the quarter ended March 31, 2011, and accrued warranty cost, included in "accrued liabilities" in the condensed consolidated balance sheets at March 31, 2011 and December 31, 2010, was as follows:

(In millions)	Product Warranties
Balance as of December 31, 2010	$ 4.3
Warranty expense	0.7
Balance as of March 31, 2011	**$ 5.0**

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

Business Overview

Hexcel Corporation and its subsidiaries, is a leading advanced composites company. We develop, manufacture, and market lightweight, high-performance composites, including carbon fibers, reinforcements, prepregs, honeycomb, matrix systems, adhesives and composite structures, for use in commercial aerospace, space and defense and industrial applications. Our products are used in a wide variety of end applications, such as commercial and military aircraft, space launch vehicles and satellites, wind turbine blades, automotive and a wide variety of recreational equipment and other industrial applications.

We serve international markets through manufacturing facilities and sales offices located in the United States, Europe and Asia, and through sales representation offices located in Asia, Australia and South America. We also hold a 50% interest in Asian

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Composites Manufacturing Sdn. Bhd., located in Malaysia, which manufactures composite structures for commercial aerospace applications.

Hexcel has two segments, Composite Materials and Engineered Products. The Composite Materials segment manufactures and markets carbon fibers, fabrics and specialty reinforcements, prepregs, structural adhesives, honeycomb, composite panels, molding compounds, polyurethane systems and laminates that are incorporated into many applications, including military and commercial aircraft, wind turbine blades, recreational products and other industrial applications. The Engineered Products segment manufactures and markets composite structures and precision machined honeycomb parts for use primarily in the aerospace industry. Composite structures are manufactured from a variety of composite and other materials, including prepregs, honeycomb, structural adhesives and advanced molding materials, using such manufacturing processes as autoclave processing, multi-axis numerically controlled machining, heat forming, compression molding and other composite manufacturing techniques.

Net sales for the quarter were $331.6 million, 26.1% higher (26.2% in constant currency) than the $263.0 million reported for the first quarter of 2010. The growth was led by new programs in the commercial aerospace market but we experienced solid growth across all of our other markets.

Commercial aerospace sales increased 30.0% for the quarter as compared to the first quarter of 2010. Airbus and Boeing related sales (which combined accounted for over 80% of our sales to this market) were up over 27% as revenues attributed to new aircraft programs (A380, A350, B787, B747-8) more than doubled versus the same period last year and now comprise more than 25% of Commercial Aerospace sales. Airbus and Boeing legacy aircraft related sales for the quarter were up about 5% as compared to the first quarter of 2010.

Sales to other commercial aerospace, which includes regional and business aircraft customers, were up more than 40% from a year ago, reaching the highest level since the first quarter of 2009 as revenues for business jets gained traction.

Space and Defense sales of $79.7 million were 9.9% higher than the first quarter of 2010. We continue to benefit from rotorcraft related growth. Rotorcraft sales represent just over 50% of the Space and Defense market and were about 15% higher than a year ago.

Industrial sales of $54.3 million for the first quarter of 2011 were 41.0% higher (41.8% in constant currency) than the first quarter of 2010. Wind sales for the quarter were up significantly from the first quarter of 2010 as last year was impacted by production shutdowns at our largest wind energy customer, but were in line with the 2010 full year run-rate. Based on the announced backlog of our wind turbine customers, we expect steady improvement in the sales each quarter this year.

Gross margin was 25.0% of net sales for the quarter as compared to 25.1% in the same period last year. While the quarter benefited from higher sales than last year, we did see an impact from certain rising raw material costs. The impact from exchange rates was slightly favorable as compared to the first quarter of last year. SG&A expenses were $1.5 million, or 4.8%, higher than first quarter of 2010, with about half the increase reflecting higher stock compensation expense. Adjusted operating income increased from 10.4% in the first quarter of 2010 to 12.5% in the first quarter of 2011. Higher sales volume combined with good cost control resulted in the higher operating margin.

We expect to spend $150 to $175 million on capital additions in 2011, as we ramp-up for the expected growth ahead. Accrual basis additions to capital expenditures were $25.2 million in the first quarter of 2011 as compared to $6.9 million during the first quarter of 2010.

Free cash flow (defined as cash provided by operating activities less capital expenditures) for the first quarter was a use of $19 million as compared to a use of $10 million for the quarter of 2010 primarily due to higher capital expenditures in 2011.

The tragedy in Japan has not impacted either our core markets or supply chain to-date, and we are not aware of any significant problems going forward. However, we remain cautious until customers confirm there will not be transitory negative impacts in future periods. Nevertheless, due to the strong start to the year, we are [...]

raising our sales guidance for the year by $50 million to $1,275 million - $1,350 million.

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Financial Overview
Results of Operations

(In millions, except per share data)	Quarter Ended March 31, 2011	2010	% Change
Net sales	$ 331.6	$ 263.0	26.1%
Operating income	47.2	23.8	98.3%
As a percentage of net sales	*14.2%*	*9.0%*	
Net income	$ 26.4	$ 15.8	67.1%
Diluted net income per common share	$ 0.26	$ 0.16	
Non-GAAP measures:			
Adjusted operating income	$ 41.5	$ 27.3	52.0%
As a percentage of net sales	*12.5%*	*10.4%*	
Adjusted net income	$ 25.3	$ 14.5	74.4%
Adjusted diluted earnings per share	$ 0.25	$ 0.15	

The Company's performance measurements include operating and net income adjusted for special items, both of which are non-GAAP measures. Management believes these non-GAAP measurements are meaningful to investors because they provide a view of Hexcel with respect to ongoing operating results. Special items represent significant charges or credits that are important to understanding Hexcel's overall operating results in the periods presented. Such non-GAAP measurements are not recognized in accordance with generally accepted accounting principles and should not be viewed as an alternative to GAAP measures of performance. The following is a reconciliation from GAAP to non-GAAP amounts.

(In millions, except per share data)	Quarter Ended March 31, 2011	2010
Operating income	$ 47.2	$ 23.8
Other operating (income) expense (a)	(5.7)	3.5
Adjusted operating income	$ 41.5	$ 27.3
Net income	$ 26.4	$ 15.8
Other operating (income) expense, net of tax (a)	(4.1)	2.2
Non-operating expense, net of tax (b)	3.0	
Tax credits (c)	—	(3.5)
Adjusted net income	$ 25.3	$ 14.5

(a) Other operating income for the quarter ended March 31, 2011 is a benefit from the curtailment of our U.K. pension plan. In 2010, other operating expense is the increase in environmental reserves primarily for remediation of a manufacturing facility sold in 1986.

(b) Non-operating expense is the accelerated amortization of deferred financing costs and expensing of the call premium from the redemption of $150 million of 6.75% senior subordinated notes.

(c) New Clean Energy Manufacturing Tax Credits awarded in the first quarter of 2010 for qualifying capital investments made in our U.S. wind energy facility in 2009.

Net Sales

Net sales for the quarter ended March 31, 2011 increased 26.1% from the first quarter of 2010. Foreign exchange had a minimal impact on sales for the quarter. The following table summarizes net sales to third-party customers by segment and end market for the quarters ended March 31, 2011 and 2010:

(In millions)	Quarter Ended March 31, 2011	2010	% Change
Consolidated Net Sales	**$ 331.6**	**$ 263.0**	**26.1%**
Commercial Aerospace	197.6	152.0	30.0%
Space & Defense	79.7	72.5	9.9%
Industrial	54.3	38.5	41.0%
Composite Materials	**$ 256.3**	**$ 200.4**	**27.9%**
Commercial Aerospace	143.2	109.3	31.0%
Space & Defense	59.9	53.1	12.8%
Industrial	53.2	38.0	40.0%
Engineered Products	**$ 75.3**	**$ 62.6**	**20.3%**

Commercial Aerospace	54.4	42.7	27.4%
Space & Defense	19.8	19.4	2.1%
Industrial	1.1	0.5	120.0%

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Commercial Aerospace: Net sales increased $45.6 million, or 30.0% (same in constant currency) to $197.6 million for the first quarter of 2011. Revenues attributed to new aircraft programs (A380, A350, B787 and B747-8) more than doubled versus the same period last year and now comprise more than 25% of Commercial Aerospace sales. Airbus and Boeing legacy aircraft related sales for the quarter were up about 5% as compared to the first quarter of 2010. Regional and business aircraft sales, which account for less than 20% of sales for this market, were the highest since the first quarter of 2009 and more than 40% above the first quarter of 2010.

Space & Defense: Net sales of $79.7 million were up $7.2 million, or 9.9% (10.1% in constant currency) from the first quarter of 2010. We continue to benefit from rotorcraft related growth and participating in a wide range of programs in the U.S., Europe and Asia. Rotorcraft sales represent just over 50% of the Space and Defense market and were about 15% higher than a year ago.

Industrial: Net sales increased $15.8 million, or 41.0% (up 41.8% on a constant currency basis), to $54.3 million for the first quarter of 2011. Wind energy sales for the quarter were up significantly from first quarter of 2010 as last year was impacted by production shutdowns at our largest wind energy customer, but were in line with the 2010 full year run-rate. Industrial sales, excluding wind energy, were up over 10% in constant currency from last year's first quarter sales. Sales were consistent with the range we experienced in the second half of 2010.

Gross Margin

(In millions)	Quarter Ended March 31, 2011	Quarter Ended March 31, 2010	% Change
Gross margin	$ 83.0	$ 66.1	25.6%
Percentage of sales	25.0%	25.1%	

Gross margin percentage was essentially flat as compared to the prior-year quarter. The benefit of higher volume in the current quarter was partially offset by an increase in raw material costs. The impact from exchange rates was slightly favorable as compared to first quarter of last year. Depreciation and amortization expense, included in cost of sales during the quarter increased $1.8 million to $12.2 million.

Selling, General and Administrative Expenses ("SG&A")

(In millions)	Quarter Ended March 31, 2011	Quarter Ended March 31, 2010	% Change
SG&A expense	$ 32.9	$ 31.4	4.8%
Percentage of sales	9.9%	11.9%	

SG&A expenses increased $1.5 million from last year, reflecting higher stock compensation expense and increased costs in support of projected growth.

Research and Technology Expenses ("R&T")

(In millions)	Quarter Ended March 31, 2011	Quarter Ended March 31, 2010	% Change
R&T expense	$ 8.6	$ 7.4	16.2%
Percentage of sales	2.6%	2.8%	

R&T expenses were up slightly due to higher qualification costs. Qualification costs will be the main driver of fluctuations from quarter to quarter.

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Operating Income

(In millions)	Quarter Ended March 31, 2011	2010	% Change
Consolidated Operating income	**$ 47.2**	**$ 23.8**	**98.3%**
Operating margin	*14.2%*	*9.0%*	
Composite Materials	49.8	30.6	62.7%
Operating margin	*18.4%*	*14.6%*	
Engineered Products	12.5	11.4	9.6%
Operating margin	*16.5%*	*18.2%*	
Corporate & Other	(15.1)	(18.2)	(17.0)%

Excluding the $5.7 million curtailment gain, adjusted operating margin was 12.5%. Operating margin in 2010 included a $3.5 million environmental charge related to a previously sold manufacturing site; our adjusted 2010 operating margin was 10.4%. The year over year increase in operating margin percentage was due to the higher sales and good cost control efforts.

Interest Expense, Net

(In millions)	Quarter Ended March 31, 2011	2010	% Change
Interest expense, net	$ 4.2	$ 6.6	(36.4)%
Percentage of sales	1.3%	2.5%	

The $2.4 million decrease in interest expense was due to lower average borrowings and lower average rates as a result of the July 2010 refinancing and the February 2011 prepayment of $150 million of the 6.75% senior subordinated notes. The notes were partially refinanced with $135 million from our senior secured credit agreement which was then reduced to $100 million during the current quarter.

Provision for Income Taxes

(In millions)	Quarter Ended March 31, 2011	2010
Income tax expense	$ 12.2	$ 1.5
Effective tax rate	32.0%	8.7%

The 32.0% effective tax rate in 2011 is in-line with our expected rate for the year. 2010 includes $3.5 million of the Clean Energy Manufacturing Tax Credits awarded in January 2010 for qualifying capital investments made in our U.S. wind energy facility in 2009. The effective tax rate excluding these credits would have been 29.1% for the first quarter of 2010.

Financial Condition

Liquidity: As of March 31, 2011, we had cash and cash equivalents of $50.6 million. Aggregate borrowings as of March 31, 2011 under the Senior Secured Credit Facility (the "Facility") consisted of $196.3 million. The Facility permits us to issue letters of credit up to an aggregate amount of $40.0 million. Outstanding letters of credit reduce the amount available for borrowing under our revolving loan. As of March 31, 2011, we had issued letters of credit under the Facility totaling $1.8 million, resulting in undrawn availability under the Facility as of March 31, 2011 of $183.2 million. In addition, we borrowed $5.9 million from the credit line established in China associated with our operations there. Our total debt, net of cash, as of March 31, 2011 was $229.2 million. This represents an increase of $14.2 million from December 31, 2010.

The Facility contains financial and other covenants, including, but not limited to, restrictions on the incurrence of debt and the granting of liens, as well as the maintenance of an interest coverage ratio and a leverage ratio, and limitations on capital expenditures. In accordance with the terms of the Facility, we are required to maintain a minimum interest coverage ratio of 4.00 (based on the ratio of EBITDA, as defined in the credit agreement, to interest expense) and may not exceed a maximum leverage ratio of 3.00 (based on the ratio of total debt to EBITDA) throughout the term of the Facility. In addition, the Facility contains other terms and conditions such as customary representations and warranties, additional covenants and customary events of default. As of March 31, 2011, we were in compliance with all debt covenants and expect to remain in compliance.

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We expect to meet our short-term liquidity requirements (including capital expenditures) through net cash from operating activities, cash on hand and our revolving credit facility. As of March 31, 2011, long-term liquidity requirements consist primarily of obligations under our long-term debt obligations. We do not have any significant required debt repayments until September 2014. Our term loan requires repayments at a rate of approximately $1.3 million per quarter through June 2012 and increasing to $2.5 million per quarter until June 2014. Our next required payment of $1.3 million is due in June 2011. Our revolver facility expires in July 2015.

Operating Activities: Net cash provided by operating activities was $16.9 million in the first quarter of 2011, as compared to net cash provided by operating activities of $2.9 million in the first quarter of 2010. Historically, working capital traditionally increases from the low seasonal December levels, and our annual benefit and variable compensation payments occur in the first quarter.

Investing Activities: Net cash used for investing activities of $35.9 million in the first quarter of 2011 was for capital expenditures. This compares to capital expenditures of $12.6 million during the first quarter of 2010. We continue to expect accrual basis capital expenditures to be $150 to $175 million in 2011.

Financing Activities: Financing activities used $52.9 million of net cash in the first quarter of 2011 compared with using $30.1 million in the same period of 2010. On February 1, 2011, we redeemed $150 million of our $225 million 6.75% senior subordinated notes at a call premium of 2.25%. The redemption was primarily funded by a $135 million add-on to our senior secured credit facility that was completed in December 2010, of which $35 million was repaid in the first quarter. Last year, we repaid $30 million of our Senior Secured Credit Facility with cash on hand.

As a result of the redemption in 2011, we accelerated the unamortized financing costs of the senior subordinated notes being redeemed and expensed the call premium incurring a pretax charge of $4.9 million (after tax of $0.03 per diluted share) in the first quarter of 2011.

Financial Obligations and Commitments: As of March 31, 2011, current maturities of notes payable and capital lease obligations were $11.4 million. The next significant scheduled debt maturity will not occur until 2014, in the amount of $10.0 million. Remaining debt and capital lease maturities in 2011 are aproximately $4.1 million (refer to MD&A in our 2010 Annual Report on Form 10-K for further details regarding our financial obligations and commitments). We have one capital lease for a building which expires in 2021. In addition, certain sales and administrative offices, data processing equipment and manufacturing facilities are leased under operating leases.

The loans under the Senior Secured Credit Facility are scheduled to mature in July of 2015. Our senior subordinated notes mature on February 1, 2015.

Critical Accounting Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events, and apply judgments that affect reported amounts of assets, liabilities, revenues, expenses and related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors management believes to be relevant at the time our condensed consolidated financial statements are prepared. On a regular basis, management reviews accounting policies, assumptions, estimates and judgments to ensure our financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results may differ from our assumptions and estimates, and such differences could be material.

We describe our significant accounting policies and critical accounting estimates in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010. There were no significant changes in our accounting policies and estimates since the end of fiscal 2010.

Forward-Looking Statements

Certain statements contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations," constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to future prospects, developments and business strategies. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "would", "estimate", "expect", "intend", "may", "plan", "predict", "project", "should", "will", and similar terms and phrases, including references to assumptions. Such statements are

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based on current expectations, are inherently uncertain, and are subject to changing assumptions.

Such forward-looking statements include, but are not limited to: (a) the estimates and expectations based on aircraft production rates made publicly available by Airbus and Boeing; (b) the revenues we may generate from an aircraft model or program; (c) the impact of the possible push-out in deliveries of the Airbus and Boeing backlog and the impact of delays in new aircraft programs or the final Hexcel composite material content once the design and material selection has been completed; (d) expectations of composite content on new commercial aircraft programs and our share of those requirements; (e) expectations of growth in revenues from space and defense applications, including whether certain programs might be curtailed or discontinued; (f) expectations regarding growth in sales for wind energy, recreation and other industrial applications; (g) expectations regarding working capital trends and expenditures; (h) expectations as to the level of capital expenditures and when we will complete the construction and qualification of capacity expansions; (i) our ability to maintain and improve margins in light of the ramp-up of capacity and new facilities and the current economic environment; (j) the outcome of legal matters; (k) our projections regarding the realizability of net operating loss and foreign tax credit carryforwards; and (l) the impact of various market risks, including fluctuations in interest rates, currency exchange rates, environmental regulations and tax codes, commodity prices, and in the market price of our common stock; and the impact of the above factors on our expectations of 2011 financial results. In addition, actual results may differ materially from the results anticipated in the forward looking statements due to a variety of factors, including but not limited to changing market conditions, increased competition, product mix, inability to achieve planned manufacturing improvements and cost reductions, supply chain disruptions and conditions in the financial markets.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different. Such factors include, but are not limited to, the following: changes in general economic and business conditions; changes in current pricing and cost levels; changes in political, social and economic conditions and local regulations, particularly in Asia and Europe; foreign currency fluctuations; changes in aerospace delivery rates; reductions in sales to any significant customers, particularly Airbus, Boeing or Vestas; changes in sales mix; changes in government defense procurement budgets; changes in military aerospace programs technology; industry capacity; competition; disruptions of established supply channels, particularly where raw materials are obtained from a single or limited number of sources and cannot be substituted by unqualified alternatives; manufacturing capacity constraints; and the availability, terms and deployment of capital.

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, actual results may vary materially from those expected, estimated or projected. In addition to other factors that affect our operating results and financial position, neither past financial performance nor our expectations should be considered reliable indicators of future performance. Investors should not use historical trends to anticipate results or trends in future periods. Further, our stock price is subject to volatility. Any of the factors discussed above could have an adverse impact on our stock price. In addition, failure of sales or income in any quarter to meet the investment community's expectations, as well as broader market trends, can have an adverse impact on our stock price. We do not undertake an obligation to update our forward-looking statements or risk factors to reflect future events or circumstances.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

There are no material changes in market risk from the information provided in the Company's 2010 Annual Report on Form 10-K.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures as of March 31, 2011 and have concluded that these disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer have concluded that there have not been any changes in our internal control over financial reporting during the first quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

The information required by Item 1 is contained within Note 13 on pages 12 through 14 of this Form 10-Q and is incorporated herein by reference.

ITEM 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010, which could materially affect our business, financial condition or future results. In addition, future uncertainties may increase the magnitude of these adverse effects or give rise to additional material risks not now contemplated.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds
(c)

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1 — January 31, 2011	0	$ 0	0	0
February 1 —February 28, 2011	14,301	20.57	0	0
March 1 —March 31, 2011	30,150	18.00	0	0
Total	44,451(1)	$ 18.83	0	0

(1) All shares were delivered by two employees in payment of the exercise price of non-qualified stock options

ITEM 5. Other Information

Not applicable

ITEM 6. Exhibits

Exhibit No.	Description
[...]	
31.1	Certification of Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

[...]

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Signature

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

	Hexcel Corporation
April 25, 2011	/s/ Kimberly Hendricks
(Date)	Kimberly Hendricks Vice President, Corporate Controller and Chief Accounting Officer

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EXHIBIT INDEX

Exhibit No.	Description
[...]	
31.1	Certification of Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

[...]

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, David E. Berges, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hexcel Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the most recent fiscal quarter (the fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

April 25, 2011	/s/ David E. Berges
(Date)	David E. Berges Chairman of the Board of Directors and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Wayne Pensky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hexcel Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the most recent fiscal quarter (the fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

April 25, 2011	/s/ Wayne Pensky
(Date)	Wayne Pensky Senior Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER

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

In connection with the Quarterly Report of Hexcel Corporation (the "Company") on Form 10-Q for the period ending March 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David E. Berges, Chairman of the Board of Directors and Chief Executive Officer of the Company, and Wayne Pensky, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

April 25, 2011	/s/ David E. Berges
(Date)	David E. Berges Chairman of the Board of Directors and Chief Executive Officer
April 25, 2011	/s/ Wayne Pensky
(Date)	Wayne Pensky Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Hexcel Corporation and will be retained by Hexcel Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT III

DEFINITIVE PROXY STATEMENT ON SCHEDULE 14A, FILED BY HEXCEL WITH THE SEC ON MARCH 18, 2011

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒
Filed by a Party other than the Registrant ☐
Check the appropriate box:

☐ Preliminary Proxy Statement
☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
☒ Definitive Proxy Statement
☐ Definitive Additional Materials
☐ Soliciting Material under §240.14a-12

HEXCEL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.
☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1)	Title of each class of securities to which transaction applies:
(2)	Aggregate number of securities to which transaction applies:
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4)	Proposed maximum aggregate value of transaction:
(5)	Total fee paid:

☐ Fee paid previously with preliminary materials.
☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:
(4)	Date Filed:

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Hexcel Corporation

Two Stamford Plaza
281 Tresser Boulevard
Stamford, Connecticut 06901-3238

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To be held on May 5, 2011

The Annual Meeting of Stockholders of Hexcel Corporation will be held in the Community Room, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, Connecticut, on May 5, 2011 at 10:30 a.m. for the following matters:

1. To elect ten individuals (Joel S. Beckman, David E. Berges, Lynn Brubaker, Jeffrey C. Campbell, Sandra L. Derickson, W. Kim Foster, Thomas A. Gendron, Jeffrey A. Graves, David C. Hill and David L. Pugh) to serve as directors until the next annual meeting of stockholders and until their successors are duly elected and qualified;
2. To conduct an advisory vote to approve executive compensation;
3. To conduct an advisory vote on the frequency of conducting an advisory vote regarding executive compensation;
4. To approve the Management Incentive Compensation Plan, as amended and restated;
5. To ratify the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for 2011; and
6. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Stockholders of record at the close of business on March 15, 2011 will be entitled to vote at the meeting and any adjournments or postponements. A list of these stockholders will be available for inspection at the executive offices of Hexcel and will also be available for inspection at the annual meeting.

By order of the board of directors

Ira J. Krakower *Senior Vice President, General Counsel and Secretary*

Dated: March 18, 2011

YOUR VOTE IS IMPORTANT. PLEASE SIGN, DATE AND COMPLETE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED PRE-ADDRESSED, POSTAGE-PAID, RETURN ENVELOPE.

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Hexcel Corporation

Two Stamford Plaza
281 Tresser Boulevard
Stamford, Connecticut 06901-3238

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS
To be held on May 5, 2011

THE MEETING

This proxy statement is furnished to the holders of Hexcel Corporation ("Hexcel" or the "company") common stock (the "Common Stock"), in connection with the solicitation of proxies on behalf of the Board of Directors of the company (the "board of directors" or the "board") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held on May 5, 2011, or any adjournments or postponements thereof. This proxy statement and the accompanying proxy/voting instruction card are first being mailed to stockholders on or about March 18, 2011.

Only stockholders of record at the close of business on March 15, 2011, will be eligible to vote at the Annual Meeting or any adjournments or postponements thereof. As of that date, 97,859,864 shares of Common Stock were issued and outstanding and such shares were held by 1,036 holders of record. The holders of 48,929,983 shares will constitute a quorum at the meeting.

Each share of Common Stock entitles the holder thereof to one vote with respect to each matter that is subject to a vote at the Annual Meeting. All shares that are represented by effective proxies received by the company in time to be voted shall be voted at the Annual Meeting or any adjournments or postponements thereof. Where stockholders direct how their votes shall be cast, shares will be voted in accordance with such directions. If a stockholder returns a signed proxy and does not otherwise instruct how to vote on the proposals, then the shares represented by the proxy will be voted in favor of each of the director candidates nominated by the board, for approval of our executive compensation, in favor of our recommendation on the frequency of conducting an annual advisory vote on executive compensation, in favor of the approval of Hexcel's Management Incentive Compensation Plan, and in favor of the ratification of the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for 2011, and in the discretion of the proxy holders on any other matters that may come before the Annual Meeting or any adjournments or postponements thereof. Proxies submitted with abstentions will be included in determining whether or not a quorum is present.

Pursuant to the rules of the New York Stock Exchange ("NYSE"), if you hold your shares in street name through a broker, your broker is not permitted to vote your shares on Proposal 1 (election of directors), Proposal 2 (advisory vote on executive compensation), Proposal 3 (advisory vote on frequency of advisory vote on executive compensation) or Proposal 4 (approval of Management Incentive Compensation Plan) unless you give your broker specific instructions as to how to vote. If you are a street name holder and do not provide instructions to your broker on Proposals 1-4, your shares

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that are voted on any other matter will count toward a quorum but your broker cannot vote your shares on Proposals 1-4 (a "broker non-vote"). Accordingly, shares subject to a broker non-vote will be disregarded and will have no effect on the outcome of the vote on Proposals 1-4. However, if you obtain, sign and return a voting instruction card to your broker, your shares will be voted as you instruct or, if you do not provide instructions on the returned card, your shares will not be voted on Proposals 1-4, but may be voted, in the proxy holder's discretion, on Proposal 5 and any other matters on which the proxy holder may properly vote. We will pay all costs of preparing, assembling, printing and distributing the proxy materials. Management has retained Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut, 06902, to assist in soliciting proxies for a fee of approximately $8,000, plus reasonable out-of-pocket expenses. Our employees may solicit proxies on behalf of our board through the mail, in person, and by telecommunications. We will request that brokers and nominees who hold shares of common stock in their names furnish proxy solicitation materials to beneficial owners of the shares, and we will reimburse the brokers and nominees for reasonable expenses incurred by them.

Revoking a Proxy

Any stockholder giving a proxy may revoke it at any time prior to the voting thereof by:

- mailing a revocation to Mr. Ira J. Krakower, the Secretary of the company, at the above address with a later date than any previously completed proxy so long as it is received prior to the Annual Meeting;
- submitting another properly completed proxy dated later than any previously completed proxy so long as it is received prior to the Annual Meeting;
- by filing a written revocation at the Annual Meeting with Mr. Krakower, the Secretary of the company; or
- by casting a ballot at the meeting.

If you are an employee stockholder that holds shares through one of our benefit plans, you may revoke voting instructions given to the trustee for the applicable plan by following the instructions under "Employee Stockholder" in this proxy statement.

Matters of Business, Votes Needed and Recommendations of the Board of Directors

Proposal 1—Election of Directors

Each outstanding share of our stock is entitled to one vote for as many separate nominees as there are directors to be elected. There are ten directors to be elected. The board has nominated David E. Berges, Joel S. Beckman, Lynn Brubaker, Jeffrey C. Campbell, Sandra L. Derickson, W. Kim Foster, Thomas A. Gendron, Jeffrey A. Graves, David C. Hill and David L. Pugh for election to the board. Each of these ten nominees is currently a director of the company. A plurality of the votes cast in person or by proxy at the Annual Meeting and entitled to vote is required to elect each of the nominees for director. "Broker non-votes" will be disregarded and will have no effect on the outcome of the vote. Under applicable Delaware law, a proxy marked to withhold authority to vote on a proposal to elect directors will be disregarded and will have no effect on the outcome of the vote. **The board of directors recommends that you vote FOR the election of each of the board's nominees for director.**

Proposal 2—Advisory Vote to Approve Executive Compensation

Approval of the advisory vote on executive compensation requires the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote on the matter at the Annual Meeting once a quorum is present. In determining whether the proposal to approve the advisory vote

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receives the required number of affirmative votes, abstentions will be counted and will have the same effect as a vote against the proposal. "Broker non-votes" will be disregarded and will have no effect on the outcome of the vote. The vote is advisory and non-binding. However, the compensation committee will review the voting results and take them into consideration as one factor when making future decisions regarding executive compensation, in conjunction with other factors such as feedback from shareholder outreach programs. **The board of directors recommends that you vote FOR approval of the resolution on the Advisory Vote on Executive Compensation.**

Proposal 3—Advisory Vote Regarding Frequency of Conducting an Advisory Vote on Executive Compensation

You may elect to have the vote on the frequency of conducting an advisory vote on executive compensation held annually, every two years or every three years, or you may abstain. You are not voting to approve or disapprove the board's recommendation. "Broker non-votes" will be disregarded and will have no effect on the outcome of the vote. The vote is advisory and non-binding. The compensation committee will consider the outcome in recommending a voting frequency to the board of directors, but will not be bound either by its own recommendation or by the outcome of the vote, and may choose to conduct the vote more or less frequently in the future based on other factors, such as feedback from shareholder outreach programs, the adoption or revision of compensation policies, or the outcome of "Say on Pay" votes. **The board of directors recommends that you vote FOR an ANNUAL shareholder advisory vote about compensation awarded to the company's named executive officers.**

Proposal 4—Approval of Management Incentive Compensation Plan

Approval of the Management Incentive Compensation Plan requires the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote on the matter at the Annual Meeting once a quorum is present. In determining whether the proposal to approve the plan receives the required number of affirmative votes, abstentions will be counted and will have the same effect as a vote against the proposal. "Broker non-votes" will be disregarded and will have no effect on the outcome of the vote. **The board of directors recommends that you vote FOR approval of the Management Incentive Compensation Plan.**

Proposal 5—Ratification of Independent Registered Public Accounting Firm

Ratification of the appointment of PricewaterhouseCoopers LLP to audit the company's financial statements for 2011 requires the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote on the matter at the Annual Meeting once a quorum is present. Abstentions will be counted and will have the same effect as a vote against the proposal. The audit committee is responsible for appointing the company's independent registered public accounting firm. The audit committee is not bound by the outcome of this vote but will consider these voting results when selecting the company's independent auditor for 2011. **The board of directors recommends that you vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as the company's independent registered public accounting firm for 2011.**

How to Vote Your Shares

Voting shares you hold through a nominee

If you hold shares through someone else, such as a stockbroker, bank or nominee, you will receive material from that firm asking you for instructions on how your shares should be voted. You can complete that firm's voting instruction form and return it as requested by the firm. If the firm offers

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Internet or telephone voting, the voting form will contain instructions on how to vote using those voting methods.

If You Plan to Attend the Meeting

Please note that attendance will be limited to stockholders as of the record date. Admission will be on a first-come, first-served basis. Each stockholder may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts or by a bank or other nominee may be required to show a brokerage statement or account statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the Annual Meeting. You may contact Morrow & Co., LLC at (800) 607-0088 to obtain directions to the site of the Annual Meeting. The doors to the meeting will open at 10:00 a.m. local time and the meeting will begin at 10:30 a.m. local time.

Voting in person

If you are a registered stockholder, you may vote your shares in person by ballot at the Annual Meeting.

If you hold your shares in a stock brokerage account or through a bank or other nominee, you will not be able to vote in person at the Annual Meeting unless you have previously requested and obtained a "legal proxy" from your broker, bank or other nominee and present it at the Annual Meeting along with a properly completed ballot.

Employee Stockholders

If you hold shares through our employee stock purchase plan or our tax-deferred 401(k) savings plan, you will receive a separate voting instruction form to instruct the custodian or trustee for the applicable plan as to how to vote your shares. With respect to the 401(k) plan, all shares of Common Stock for which the trustee has not received timely instructions shall be voted by the trustee in the same proportion as the shares of Common Stock for which the trustee received timely instructions, except in the case where to do so would be inconsistent with the provisions of Title I of ERISA. With respect to our employee stock purchase plan, we have been advised by the custodian that all shares of Common Stock for which the custodian has not received timely instructions will not be present for quorum purposes and will not be voted.

Inspectors of Election

At the Annual Meeting, American Stock Transfer & Trust Company will count the votes. Its officers or employees will serve as inspectors of election.

PROPOSAL 1—ELECTION OF DIRECTORS

At the 2011 annual meeting, ten directors will be elected to hold office until the 2012 annual meeting and until their successors are duly elected and qualified. All nominees identified in this proxy statement for election to the board are currently serving as directors of Hexcel.

Shares represented by an executed and returned proxy card will be voted for the election of the ten nominees recommended by the board, unless the proxy is marked to withhold authority to vote. If any nominee for any reason is unable to serve, the shares of common stock represented by the proxy card may, at the board's discretion, be voted for an alternate person as the board may nominate. We are not aware of any nominee who will be unable to or will not serve as a director. Each of the nominees has consented to being named in this proxy statement and to serve if elected.

A plurality of the votes cast in person or by proxy at the Annual Meeting and entitled to vote is required to elect directors. Broker non-votes will be disregarded and will have no effect on the outcome of the vote.

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Information Regarding the Directors

All but one of our current directors have been nominated for re-election to the board. Set forth below is certain information concerning each of our current directors. The only current director that has not been nominated for re-election to the board is David C. Hurley, who has reached the age of 70 and is no longer eligible to serve on the board. The number of directors was increased to 11 as of December 7, 2010. As of the date of the annual meeting, the number of directors will be reduced to ten.

Name	Age on March 15, 2011	Director Since	Position(s) With Hexcel
David E. Berges	61	2001	Chairman of the Board; Chief Executive Officer; Director
Joel S. Beckman	55	2003	Director
Lynn Brubaker	53	2005	Director
Jeffrey C. Campbell	50	2003	Director
Sandra L. Derickson	58	2002	Director
W. Kim Foster	62	2007	Director
Thomas A. Gendron	50	2010	Director
Jeffrey A. Graves	49	2007	Director
David C. Hill	64	2008	Director
David L. Pugh	62	2006	Director

DAVID E. BERGES has served as our Chairman of the Board of Directors and Chief Executive Officer since July 2001, and was our President from February 2002 to February 2007. Prior to joining Hexcel, Mr. Berges was President of the Automotive Products Group of Honeywell International Inc. from 1997 to July 2001 and Vice President and General Manager, Engine Systems and Accessories, at AlliedSignal Aerospace from 1994 to 1997. Previously Mr. Berges was President and Chief Operating Officer of Barnes Aerospace, a division of Barnes Group Inc. Mr. Berges spent the first fifteen years of his career in a variety of managerial and technical positions with the General Electric Company. Mr. Berges was a director of Dana Corporation from 2004 to January 2008.

JOEL S. BECKMAN has been a director of Hexcel since March 2003, and is chair of the finance committee of Hexcel and a member of our compensation committee. Mr. Beckman is a Managing Partner of Greenbriar Equity Group LLC, a private equity fund focused exclusively on making investments in transportation and transportation-related companies. Prior to founding Greenbriar in 2000, Mr. Beckman was a Managing Director and Partner of Goldman, Sachs & Co., which he joined in 1981. Mr. Beckman is on the board of a number of private companies, and is active in various civic organizations.

LYNN BRUBAKER has been a director of Hexcel since December 2005, and is a member of our compensation committee and nominating and corporate governance committee. She retired after spending over 25 years in the aerospace industry in a variety of executive, operations, sales and marking and customer support roles. From 1999 until June 2005 she was Vice President/General Manager—Commercial Aerospace for Honeywell International, with her primary focus in that role being on business strategies and customer operations for Honeywell's global commercial markets. From 1997 to 1999, Ms. Brubaker was Vice President Americas for Honeywell, and from 1995 to 1997, prior to AlliedSignal's merger with Honeywell, she was Vice President, Marketing, Sales and Support Operations, for AlliedSignal. Prior to joining AlliedSignal, Ms. Brubaker held a variety of management positions with McDonnell Douglas, Republic (predecessor to Northwest Airlines), and Comair. Ms. Brubaker has been a director of FARO Technologies, Inc. since July 2009, and currently serves on the board of a variety of private companies and other business organizations.

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JEFFREY C. CAMPBELL has been a director of Hexcel since November 2003, and is chair of our audit committee. Mr. Campbell has served as Executive Vice President and Chief Financial Officer of McKesson Corporation, a leading healthcare services, information technology and distribution company, since January 2004. Mr. Campbell was Senior Vice President and Chief Financial Officer of AMR Corp, the parent company of American Airlines, from June 2002 to December 2003, served as a Vice President of American Airlines from 1998 to June 2002 and served in various management positions of American Airlines from 1990 to 1998.

SANDRA L. DERICKSON has been a director of Hexcel since February 2002. Ms. Derickson is chair of our nominating and corporate governance committee and is a member of the compensation committee. Ms. Derickson retired from HSBC in February 2007. She held several management positions at HSBC from September 2000 to February 2007 including President and Chief Executive Officer, HSBC Bank USA; Vice Chairman, HSBC Finance; and Group Executive, HSBC Finance. During her tenure, she was responsible for private label credit cards, insurance services, taxpayer services, auto financing and some of the Group's mortgage businesses. From 1976 to 1999, Ms. Derickson held various management positions with General Electric Capital Corporation, the last of which was President of GE Capital Auto Financial Services. Ms. Derickson was also an officer of the General Electric Company.

W. KIM FOSTER has been a director of Hexcel since May 2007, and is a member of our audit committee. Mr. Foster has served as Executive Vice President and Chief Financial Officer of FMC Corporation, a chemical manufacturer serving various agricultural, industrial and consumer markets, since 2001. Prior to serving in his current role, Mr. Foster held numerous other executive and management positions with FMC, including Vice President and General Manager—Agricultural Products Group from 1998 to 2001; Director, International, Agricultural Products Group from 1996-1998; General Manager, Airport Products and Systems Division, 1991-1996; and Program Director, Naval Gun Systems, FMC Defense Group, from 1989 to 1991. Mr. Foster was a director of JLG Industries, Inc. from January 2005 to December 2006.

THOMAS A. GENDRON has been a director of Hexcel since December 2010, and is a member of our compensation committee. Since 2007, Mr. Gendron has been Chairman, Chief Executive Officer and President of Woodward, Inc. (formerly Woodward Governor Company), a designer, manufacturer and service provider of energy control and optimization solutions used in global infrastructure equipment, serving the aerospace, power generation and distribution and transportation markets. Mr. Gendron was President and Chief Executive Officer of Woodward from 2005 to 2007 and President and Chief Operating Officer from 2002 to 2005. Prior to becoming President of Woodward, Mr. Gendron served in a variety of management positions at Woodward. Mr. Gendron is the chairman of the board of directors of Woodward.

JEFFREY A. GRAVES has been a director of Hexcel since July 2007, and is a member of our finance committee and nominating and corporate governance committee. Dr. Graves has served as President and Chief Executive Officer of C&D Technologies, Inc., a producer of electrical power storage systems, since 2005. From 2001 to 2005 he was employed by Kemet Corporation as Chief Executive Officer (2003 to 2005); President and Chief Operating Officer (2002-2003); and Vice President of Technology and Engineering (2001-2002). From 1994 to 2001 Dr. Graves was employed by the General Electric Company, holding a variety of Management positions in GE's Power Systems Division from 1996 to 2001, and in the Corporate Research and Development Center from 1994 to 1996. Prior to General Electric, Dr. Graves was employed by Rockwell International and Howmet Corporation, now a part of Alcoa Corporation. Dr. Graves is also a member of the board of directors of C&D Technologies, Inc. and Teleflex, Inc., and served on the board of Technitrol, Inc. from January 2006 through May 2007.

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DAVID C. HILL has been a director of Hexcel since May 2008, and is a member of our audit committee and finance committee. Dr. Hill served as President and Chief Executive Officer of Sun Chemical Corporation, a producer of printing inks and pigments, from 2001 until his retirement in December 2007. During this time he was also a Supervisory Board member of Sun Chemical Group B.V. Prior to joining Sun Chemical Corporation in 2001, Dr. Hill spent four years at JM Huber Corporation as President of Engineered Materials. From 1980 to 1997, Dr. Hill served at AlliedSignal Inc., where he was President, Fibers from 1991 to 1994, Chief Technology Officer, Engineered Materials from 1994 to 1995 and President, Specialty Chemicals through 1997. Dr. Hill began his career at Union Carbide Corporation in 1970, and has also been Director of Exploratory and New Ventures Research at Occidental Petroleum Corporation. He holds a Ph.D. in Materials Science and Engineering as well as an M.S. in Engineering and a B.S. in Materials Science and Engineering from Massachusetts Institute of Technology. Dr. Hill is a member of the board of directors of Symyx Technologies, Inc., and serves as a member of its compensation and governance committees.

DAVID L. PUGH has been a director of Hexcel since July 2006, and is chair of our compensation committee. Mr. Pugh has served as the Chairman of Applied Industrial Technologies Inc., one of North America's leading industrial product distributors, since October 2000, and as Applied's Chief Executive Officer since January 2000. He was President of Applied from 1999 to October 2000. Prior to joining Applied, Mr. Pugh was senior vice president of Rockwell Automation and general manager of Rockwell's Industrial Control Group. Prior to joining Rockwell, Mr. Pugh held various sales, marketing and operations positions at Square D. Co. and Westinghouse Electric Corp.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE
FOR
ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR**

Independence of Directors

The board affirmatively determined that each of our nominees, other than Mr. Berges, our Chairman and Chief Executive Officer, meets the director independence requirements of the listing standards of the NYSE. In making these determinations our board considered all relevant facts and circumstances including whether a director has a "material relationship" with us as contemplated by the NYSE listing standards. One non-employee director has a direct or indirect relationship with us other than as a director of Hexcel. Ms. Brubaker is a director of a private aerospace company that is our customer. In determining that Ms. Brubaker is independent, our board considered, among other things, the sales to the private aerospace company as a percentage of our total sales, and that Ms. Brubaker has no significant direct or indirect pecuniary interest in the business relationship between us and the private aerospace company. Under applicable NYSE listing standards, Mr. Berges is not independent by virtue of his being employed by us.

Meetings and Standing Committees of the Board of Directors

General

During 2010 there were six meetings of the board and 18 meetings in the aggregate of the four standing committees of the board. The board also acted twice by written consent. Each of the incumbent directors who served on the board and its committees during 2010 attended or participated in at least 75% of the aggregate number of board meetings and applicable committee meetings held during 2010. A director is expected to regularly attend and participate in meetings of the board and of committees on which the director serves, and to attend the annual meeting of stockholders. Other than Mr. Gendron, who had not yet been elected to the board, each of the incumbent directors attended the last annual meeting of stockholders.

The board has established the following standing committees: audit committee; compensation committee; finance committee; and nominating and corporate governance committee. The board may establish other special or standing committees from time to time. Members of committees serve at the discretion of the board. Each of our four standing committees operates under a charter adopted by the board. The charter for each committee except the finance committee requires that all members be independent as required by NYSE listing standards. The charter of the finance committee prohibits the committee from taking any action that is required by NYSE rules to be taken by a committee composed entirely of independent directors, unless the finance committee is composed entirely of independent directors. Our board has also adopted a set of corporate governance guidelines. All committee charters and the corporate governance guidelines can be viewed on the investor relations section of our website, *www.hexcel.com*, under "corporate governance." You may obtain a copy of any of these documents, free of charge, by directing your request to Hexcel Corporation, Attention: Investor Relations Manager, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, CT 06901, telephone (203) 352-6826.

Audit Committee

The audit committee assists the board's oversight of the integrity of our financial statements, our exposure to risk and mitigation of those risks, our compliance with legal and regulatory requirements, our independent registered public accounting firm's qualifications, independence and performance, and our internal audit function. During 2010 the audit committee held eight meetings. Additional information regarding the audit committee, including additional detail about the functions performed by the audit committee, is set forth in the Audit Committee Report included on page 60 of this proxy statement. The current members of the audit committee are Messrs. Campbell (chair), Foster, Hill and Hurley.

Each member of our audit committee is independent under applicable law and NYSE listing standards. All members of our audit committee meet the financial literacy requirements of the NYSE and at least one member has accounting or related financial management expertise as required by the NYSE. In addition, our board has determined that Jeffrey C. Campbell, who currently is Executive Vice President and Chief Financial Officer of McKesson Corporation, is an audit committee financial expert under SEC rules.

The audit committee has adopted procedures for the receipt, retention and handling of concerns regarding accounting, internal accounting controls and auditing matters by employees, stockholders and other persons. Any person with such a concern should report it to the board as set forth under "Contacting the Board" on page 13. The audit committee has also adopted procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Employees should consult the Hexcel Code of Business Conduct for information on how to report any such concern.

The audit committee has established policies and procedures for the pre-approval of all services provided by the independent registered public accounting firm. These policies and procedures are described on page 61 of this proxy statement.

Finance Committee

The finance committee provides guidance to the board and management on significant financial matters, including the Company's capital structure, credit facilities, equity and debt issuances, acquisitions, divestitures and liquidity. During 2010 the finance committee held three meetings. The current members of the finance committee are Mr. Beckman (chair), Mr. Graves and Mr. Hill, each of whom is independent under NYSE listing standards.

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Nominating and Corporate Governance Committee

The nominating and corporate governance committee regularly seeks input from the board regarding the skills and attributes it believes new nominees should possess in order to strengthen the board; identifies and recommends to the board individuals qualified to serve as directors and on committees of the board; advises the board with respect to board and committee procedures; develops and recommends to the board, and reviews periodically, our corporate governance principles; and oversees the evaluation of the board, the committees of the board and management. The committee has independent authority to select and retain any search firm to assist it in identifying qualified candidates for board membership, and has the sole authority to approve the search firm's fees and terms of engagement. The current members of the nominating and corporate governance committee are Ms. Derickson (chair), Ms. Brubaker and Mr. Graves, each of whom is independent under NYSE listing standards. During 2010 the nominating and corporate governance committee held two meetings.

The nominating and corporate governance committee believes that each nominee for director should demonstrate, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the board's supervision and oversight of our business and affairs. The committee also considers the following when selecting candidates for recommendation to the board: broad business knowledge, experience, professional relationships, expertise, diversity, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, potential conflicts of interest and such other factors that the committee considers appropriate, from time to time, in the context of the needs or stated requirements of the board.

We do not have a formal policy with regard to consideration of diversity in identifying director nominees. However, both the charter of the nominating and corporate governance committee and our corporate governance guidelines list diversity as one of many attributes and criteria that the committee will consider when identifying and recruiting candidates to fill positions on the board. Our corporate governance guidelines also state that our board should generally have no fewer than ten directors to permit diversity of experience. The committee considers a broad range of diversity, including diversity with respect to experience, skill set, age, areas of expertise and professional background, as well as race, gender and national origin. Our informal policy regarding consideration of diversity is implemented through discussions among the committee members, and by the committee with our outside search firm and with senior management. The committee assesses the effectiveness of this policy through its annual self-evaluation, a report of which is delivered to the board. Every board candidate search undertaken by us includes diversity as a desired attribute for the candidate.

All nominees for election to the board are currently serving as directors, and have served on our board for between four months to nine years. In concluding that our current directors should continue to serve on our board, we considered the following attributes of our directors, which we have observed during the tenure of our directors' service: extensive familiarity with large-scale manufacturing operations; industry expertise and professional relationships; the ability to utilize extensive past experience in management, finance, technology and operations, and other areas, to address issues we face on a consistent basis; collegiality and the ability to work together as a group; outstanding integrity and business judgment; and the ability to ask probing questions during board discussions and to carefully scrutinize significant business, financing and other proposals suggested by management. In addition to these factors and those mentioned in the preceding paragraph, we also considered the following in concluding that our current directors should continue to serve on our Board:

Mr. Berges: prior to becoming CEO of Hexcel, had 30 years management and operations experience at GE, Barnes Group and Honeywell, including three years as President of the Automotive Group at Honeywell, a $2billion business with over 10,000 employees.

Mr. Beckman: ten years' experience as managing partner of, and a founder of, Greenbriar Equity Group, a private equity firm that invests exclusively in transportation (including aerospace) companies;

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18 years' experience at Goldman Sachs, where he founded the global transportation business group. In addition to Mr. Beckman's valuable contributions related to the transportation sector, his experience in private equity led to his appointment as chair of the finance committee and has made him a key contributor to refinancing discussions since joining the board.

Ms. Brubaker: over 30 years' experience in the commercial aerospace, defense and space industries, in a variety of executive, operations, sales, marketing, customer support and independent consultant roles. Ms. Brubaker's experience runs the gamut from operator, to airframer, to original equipment manufacturer, to aftermarket. Her ongoing aerospace industry involvement and relationships provide the board with additional customer feedback independent of management. Ms. Brubaker has used her expertise in sales and marketing management to assess, advise and mentor our sales management.

Mr. Campbell: extensive experience in finance and accounting, including his current role as CFO of McKesson, a $100 billion healthcare services company; over ten years in executive and management positions in the aerospace industry (American Airlines). Mr. Campbell's financial acumen has made him a valuable audit committee contributor (Mr. Campbell is chair of our audit committee), and due to his experience as CFO of a major public company he has provided valuable expertise and guidance in areas such as compliance, risk management, financing, investor relations and systems solutions.

Ms. Derickson: 30 years executive and global operating experience with HSBC and General Electric, including overseeing acquisitions, start-ups and restructurings. Ms. Derickson's long career with large international companies provides important "best practice" perspectives in such areas as manpower development, succession planning, organizational design and growth. Ms. Derickson was our first director added after we identified diversity as a desired attribute for directors. As chair of the nominating and corporate governance committee she has led the development of a better balanced board, and scheduled corporate governance training for all directors.

Mr. Foster: over 30 years management, operations and finance experience with FMC Corporation, an NYSE-listed chemical manufacturer, including the last seven years as CFO as well as experience as a director of another public company. Mr. Foster has been a valuable member of the audit committee since joining the board. He provides expertise and advice in the finance and investor relations areas, and his background in chemical operations has proven valuable in connection with discussions of capital spending and global sourcing.

Mr. Gendron: experience as president and CEO of a NASDAQ-listed company spanning eight years; extensive operations and marketing experience in the aerospace and wind power industries. Mr. Gendron's expertise on wind turbine controls enables him to provide the board with insight as to the wind power industry, and offer guidance on the development of marketing strategies. In addition, Mr. Gendron's management experience at large scale manufacturers makes him well-suited to advise our operations management team. Mr. Berges suggested to our outside search firm that Mr. Gendron be included among other possible candidates for director.

Mr. Graves: eight years' experience as a CEO of two NYSE-listed companies; significant global operations and R&D experience, including with GE; holds a PhD in Materials Science; extensive prior involvement in materials development and application processes for airframe and propulsion systems; significant experience as a director of other US public companies. In addition to the obvious value as an experienced CEO of two public companies, Mr. Graves was recruited to the board to help fill a critical need for additional technical expertise. He has extensive experience doing business in China and India, enabling him to provide valuable contributions to discussions related to our Asia and Far East strategy, particularly with respect to industrial markets such as wind energy. Each year, Mr. Graves and Mr. Hill have reviewed our R&D programs and organization and reported back to the board their findings and recommendations. In addition, he has advised on information technology projects based on his past experience with the implementation of Enterprise Resource Planning initiatives.

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Mr. Hill: over 40 years' management, operations and technology experience in large-scale chemicals and engineered materials organizations, including six years as CEO of Sun Chemical Corporation; extensive knowledge regarding the manufacture and use of carbon fiber; member of the National Association of Corporate Directors. Mr. Hill was selected to provide additional technical expertise, particularly related to large chemical-based fiber facilities. His extensive experience with the application of continuous improvement techniques to maximize capital efficiency has made him a key contributor to the board, particularly in connection with capital expansion, utilization and resources. Each year, Mr. Hill and Mr. Graves have reviewed our R&D programs and organization and reported back to the board their findings and recommendations.

Mr. Pugh: CEO of an NYSE-listed company for ten years; extensive operations and sales and marketing experience in large-scale manufacturing organizations; and extensive experience as a director of public companies. Mr. Pugh's expertise in factory control systems and equipment maintenance programs has provided valuable expertise to the board and to our operations management team. Mr. Pugh is chair of the compensation committee and brings important perspectives in the executive compensation area to both the compensation committee and the board, as a result of his varied experiences with other public boards.

The nominating and corporate governance committee will consider director candidates recommended by stockholders, as well as by other means such as our non-management directors, our chief executive officer, and other executive officers. In considering candidates submitted by stockholders, the committee will take into consideration the needs of the board and the qualifications of the candidate. To have a candidate considered by the committee, a stockholder must submit the recommendation in writing to our corporate secretary at the address listed below under "Contacting the Board" so that it is received at least 120 days prior to the anniversary date of our prior year's annual meeting of stockholders. The stockholder must supply the following information with his or her recommendation:

- The name and record address of the stockholder and evidence of the stockholder's ownership of Hexcel stock, including the class and number of shares owned of record or beneficially (and including any other direct or indirect pecuniary or economic interest in Hexcel stock) and the length of time the interest in the shares have been held
- The name, age, business address and residence address of the candidate, a listing of the candidate's qualifications to be a director, and the person's consent to be named as a director if selected by the committee and nominated by the board
- Any information about the stockholder and the candidate which would be required to be disclosed in a proxy statement or other filing relating to the election of directors
- A representation that the stockholder intends to appear in person at the annual meeting to nominate the candidate
- Any material interest of the stockholder relating to the nomination of the candidate, including a description of all arrangements or understandings between the stockholder and the candidate
- A description of all arrangements or understandings between the stockholder and any other person, naming such other person, relating to the recommendation of such candidate

The committee's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder, although the board may take into consideration the number of shares held by a recommending stockholder and the length of time that such shares have been held.

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Compensation Committee

The compensation committee oversees, reviews and approves our compensation and benefit plans and programs and defines the goals of compensation policy. In this capacity, the compensation committee administers our incentive plans and makes grants of stock options and/or awards of restricted stock units ("RSUs") or other equity based compensation to executive officers, other key employees, directors and consultants. The current members of the compensation committee are Mr. Pugh (chair), Mr. Beckman, Ms. Brubaker, Ms. Derickson and Mr. Gendron, each of whom is independent under NYSE listing standards. During 2010 the compensation committee held five meetings and acted once by written consent.

Additional information regarding the compensation committee, including additional detail about the objectives, policies, processes and procedures of the compensation committee, and information with regard to the compensation consultant, is set forth in Compensation Discussion and Analysis on page 20 of this proxy statement.

Board Leadership Structure

As stated in our Corporate Governance Guidelines, we do not require separation of the offices of the Chairman of the Board and Chief Executive Officer. The board believes that it is appropriate for Mr. Berges to hold both offices because the combined role enables decisive leadership and clear accountability and enhances our ability to communicate our strategy clearly and consistently to stockholders and other key constituencies, such as our employees and key customers and suppliers. We also believe we have in place sound counter-balancing mechanisms to ensure that we maintain the highest standards of corporate governance and effective accountability of the CEO to the board, including the following:

- Each of the other nine directors on the board is independent
- The board has named a presiding director, whose responsibilities are described in detail below
- Mr. Berges' performance and compensation is reviewed, and Mr. Berges' compensation is set, by the compensation committee, with formal oversight by the independent directors as a group
- The independent directors meet in regular executive sessions without management
- The board provides oversight of succession planning for executive positions.

As noted above, our board has a presiding director. If the chairman of the board is independent, then the chairman will be the presiding director. If the chairman is not independent, as is the case with Mr. Berges, then the independent directors are required to designate an independent board member to serve as presiding director. The independent directors have designated Ms. Derickson to serve as presiding director. As presiding director, Ms. Derickson has the authority to call a meeting of the independent directors in addition to the responsibilities listed below. Some of these responsibilities are performed by Ms. Derickson in her capacity as the Chair of the nominating and corporate governance committee.

- Oversees the flow of information to the board
- Determines the agenda for board meetings with input from management and other directors
- Oversees the board's performance evaluations of the CEO and provides feedback directly to the CEO
- Supervises the board and committee annual self-evaluation process

- Chairs executive sessions of the board and meets with the CEO to discuss matters of board concern
- Collaborates with the nominating and corporate governance committee in monitoring the composition and structure of the board and leads director recruitment efforts.

The independent directors are required under our corporate governance guidelines to meet in executive session, without management, a minimum of two times a year.

Risk Oversight

The board is responsible for overseeing our risk management. The board sets our risk management strategy and our risk appetite and oversees the implementation of our risk management framework. Specific board committees are responsible for overseeing specific types of risk. Our audit committee periodically reviews our insurance coverage, currency exchange and hedging policies, tax exposures and our processes to ensure compliance with laws and regulations, and also reviews reports from complianceline, our anonymous hotline that employees can use to report suspected violations of our Code of Conduct. The audit committee also regularly meets in executive sessions with our director of internal audit and our independent registered public accounting firm, without management present, to discuss if there are areas of concern of which the board should be aware. The board, and when specific need arises, the finance committee, addresses significant financing matters such as our capital structure, credit facilities, equity and debt issuances, acquisitions and divestitures, and liquidity. Our compensation committee establishes compensation policies and programs that do not incentivize executives and employees to take on an inappropriate level of risk, as discussed under "Compensation Risk Oversight" on page 23 of this proxy statement. The nominating and corporate governance committee is responsible for ensuring that we have an adequate succession plan in place for our senior leadership. Each of our board committees delivers a report to the board, at the next board meeting, regarding what transpired at any committee meetings that have taken place since the last board meeting.

Our Corporate Controller meets periodically with our operations leadership teams to discuss and review the risks that exist in connection with our business. Management makes regular presentations to the board, no less than two times per year (and more frequently if circumstances warrant), regarding all types of material risks facing the company. At these meetings the board discusses and reviews these risks and determines what, if any, new actions should be taken to mitigate these risks.

Contacting the Board

Stockholders and other interested parties may contact the non-management members of the board or the presiding director by sending their concerns to: board, c/o Corporate Secretary, Hexcel Corporation, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, CT 06901; facsimile number (203) 358-3972; e-mail address *boardofdirectors@hexcel.com*. The Corporate Secretary will review all communications and forward them to the presiding director. The Corporate Secretary may, however, filter out communications that do not relate to our business activities, operations or our public disclosures, but will maintain a record of these communications and make them available to the presiding director. Any communications received by the presiding director regarding concerns relating to accounting, internal accounting controls or auditing matters will be immediately brought to the attention of the audit committee and will be handled in accordance with the procedures established by the audit committee to address these matters.

Code of Business Conduct

It is our policy that all of our officers, directors and employees worldwide conduct our business in an honest and ethical manner and in compliance with all applicable laws and regulations. Our board has adopted the Hexcel Code of Business Conduct in order to clarify, disseminate and enforce this

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policy. The Code applies to all of our officers, directors and employees worldwide, including our chief executive officer, chief financial officer and controller. The Code can be viewed on the investor relations section of our website, *www.hexcel.com*, under "Corporate Governance." In addition, you may obtain a free copy of the Code by directing your request to Hexcel Corporation, Attention: Investor Relations Manager, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, CT 06901, telephone (203) 352-6826. Any amendment to the Code of Business Conduct (other than technical, administrative or non-substantive amendments), or any waiver of a provision of the Code that applies to our directors or executive officers, will be promptly disclosed on the investor relations section of our website under "Corporate Governance."

Director Compensation in 2010

Our director compensation program is comprised of a mix of cash and stock-based incentive compensation designed to attract and retain qualified candidates to serve on our Board. Effective June 30, 2010, the program provides for:

- an annual retainer of $48,000 payable quarterly
- an additional annual retainer amount of $12,500 paid to the presiding director
- an additional annual retainer amount of $12,500 paid to the audit committee chairman
- an additional annual retainer amount of $7,500 paid to the compensation committee chairman
- an additional annual retainer amount of $5,000 paid to the nominating and corporate governance committee and the finance committee chairmen
- an additional annual retainer amount of $10,000 paid to each member of the audit committee (including the chairman of the committee)
- an additional annual retainer amount of $7,500 paid to each member of the compensation committee (including the chairman of the committee)
- an additional annual retainer amount of $5,000 paid to each member of the nominating and corporate governance committee and the finance committee (including the chairmen of the committees)
- attendance fees of $1,000 for attendance at meeting of a special Board committee that is formed for a specific purpose
- a grant of RSUs upon initial election to the Board and on each re-election thereafter
    - equal to such value as determined by the compensation committee on the advice of its independent compensation consultant and other relevant factors. The value used upon election to the Board at the 2010 Annual Meeting of Stockholders was $50,000, which resulted in a grant of 3,215 RSUs to each director (other than Mr. Gendron who was not a director). Under the director compensation program effective June 30, 2010, the value used upon election of Mr. Gendron in December 2010 was $65,000, which resulted in a grant of 3,587 RSUs to Mr. Gendron
    - the RSUs vest daily over the twelve months following the date of grant, and convert into an equal number of shares of Hexcel common stock on the first anniversary of grant unless the director elects to defer conversion until termination of service as a director

Prior to June 30, 2010, the program provided for:

- an annual retainer of $30,000 payable quarterly
- an additional annual retainer amount of $10,000 paid to the audit committee chairman

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- an additional annual retainer amount of $5,000 paid to committee chairmen other than the audit committee chairman
- attendance fees of $1,500 for each in-person Board meeting and $750 for each telephonic Board meeting and each in-person or telephonic committee meeting
- a grant of RSUs upon initial election to the Board and on each re-election on the same terms as provided for in the current program.

The new program was implemented as of June 30, 2010 and the new annual retainer and committee retainers were prorated for the last six months of 2010.

This program is for our outside directors only. Mr. Berges, our Chairman and Chief Executive Officer, receives no additional compensation for serving on our Board.

Our stock ownership guidelines, which are described on page 33, apply to outside directors in a similar manner as they apply to executive officers. Directors are expected to own shares of our common stock that have a value equal to at least three times their annual cash retainer.

The table below summarizes the compensation paid by the company to non-employee Directors for the fiscal year ended December 31, 2010.

Name(1)	Fees Earned or Paid in Cash ($)	Stock Awards ($)(2)(3)	Total ($)
Joel S. Beckman	55,500	49,993	105,493
Lynn Brubaker	50,500	49,993	100,493
Jeffrey C. Campbell	64,500	49,993	114,493
Sandra L. Derickson	62,500	49,993	112,493
W. Kim Foster	50,750	49,993	100,743
Thomas A. Gendron	3,288	64,996	68,284
Jeffrey A. Graves	49,250	49,993	99,243
David C. Hill	54,750	49,993	104,743
David C. Hurley	50,750	49,993	100,743
David. L. Pugh	54,250	49,993	104,243

(1) Mr. Berges, our Chairman and Chief Executive Officer, is not listed in this table as he receives no additional compensation for his service as a director. Mr. Berges' compensation is shown in the Summary Compensation Table on page 38.

(2) The grant date fair value of each RSU granted to directors (other than Mr. Gendron) was $15.55, computed in accordance with FASB ASC Topic 718. The grant date fair value of each RSU granted to Mr. Gendron was $18.12, computed in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that will be realized by the director. For additional information regarding the assumptions made in calculating these amounts, see Note 11, "Stock-Based Compensation," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

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(3) Prior to 2004, we granted non-qualified stock options ("NQOs") to our outside directors as part of our director compensation program. As of December 31, 2010, our outside directors had RSUs and NQOs outstanding as follows:

	RSUs(a)	Shares Underlying Unexercised NQOs(b)
Joel S. Beckman	16,672(c)	—
Lynn Brubaker	3,215	—
Jeffrey C. Campbell	18,175	10,000
Sandra L. Derickson	16,888	13,833
W. Kim Foster	13,031	—
Thomas A. Gendron	3,587	—
Jeffrey A. Graves	12,911	—
David C. Hill	10,833	—
David C. Hurley	17,843	—
David L. Pugh	16,423	—

(a) For each director (other than Mr. Gendron), 3,215 RSUs were granted on May 7, 2010, and vest daily over the twelve month period from the grant date. For Mr. Gendron, 3,587 RSUs were granted on December 7, 2010, and vest daily over the twelve month period from the grant date. For each director, all RSUs granted prior to 2010 are vested. For 2010, each director (other than Ms. Brubaker and Ms. Derickson) has elected to defer the settlement of his or her vested RSUs until such time as the director ceases to be a member of the board.

(b) All of these NQOs are vested and exercisable.

(c) Includes 1,590 RSUs held for the benefit of Greenbriar Equity Group LLC. Mr. Beckman disclaims beneficial ownership of these RSUs.

EXECUTIVE OFFICERS

Set forth below is certain information concerning each of our current executive officers. For additional information concerning Mr. Berges, see "PROPOSAL 1—ELECTION OF DIRECTORS—Information Regarding the Directors" on page 5.

Name	Age on March 15, 2011	Executive Officer Since	Position(s) With Hexcel
David E. Berges	61	2001	Chairman of the Board; Chief Executive Officer; Director
Nick L. Stanage	52	2009	President
Wayne C. Pensky	55	2007	Senior Vice President; Chief Financial Officer
Ira J. Krakower	70	1996	Senior Vice President; General Counsel; Secretary
Robert G. Hennemuth	55	2006	Senior Vice President, Human Resources
Andrea Domenichini	63	2007	Senior Vice President and General Manager, Wind Energy Business
Kimberly A. Hendricks	47	2009	Vice President; Corporate Controller; Chief Accounting Officer
Michael J. MacIntyre	50	2003	Treasurer

NICK L. STANAGE has served as our President since November 2009. Prior to joining Hexcel, Mr. Stanage was President of the Heavy Vehicle Products group (including both Commercial Vehicle

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Products and Off Highway Products) at Dana Holding Corporation from December 2005 to October 2009, and served as VP and GM of the Commercial Vehicle group at Dana from August 2005 to December 2005. Dana Holding Corporation and a number of its US subsidiaries filed for bankruptcy protection in March 2006, and emerged from bankruptcy in January 2008. From 1986 to 2005, Mr. Stanage held a variety of technical, marketing and management positions with Honeywell Inc. (formerly AlliedSignal Inc.), including VP and GM of the Engine Systems & Accessories business unit in the aerospace group from January 2005 to August 2005, and VP Integrated Supply Chain & Technology of the Consumer Products Group from 2003 to January 2005. Prior to joining AlliedSignal, Mr. Stanage worked as a design engineer for Clark Equipment Company.

WAYNE C. PENSKY has served as our Senior Vice President and Chief Financial Officer since April 2007. Prior to serving in his current role, Mr. Pensky served as Vice President, Finance and Controller of our Composites global business unit since 1998. From 1993 to 1998 Mr. Pensky was our Corporate Controller and Chief Accounting Officer. Prior to joining Hexcel in 1993, Mr. Pensky was a partner at Arthur Andersen & Co., where he had been employed since 1979.

IRA J. KRAKOWER has served as our Senior Vice President, General Counsel and Secretary since September 1996. Prior to joining Hexcel, Mr. Krakower served as Vice President and General Counsel to Uniroyal Chemical Corporation from 1986 to August 1996 and served on the board and as Secretary of Uniroyal Chemical Company, Inc. from 1989 to 1996.

ROBERT G. HENNEMUTH has served as our Senior Vice President, Human Resources since March 2006. Prior to joining Hexcel, Mr. Hennemuth served as Vice President—Human Resources of Jacuzzi Brands, Inc. from July 2003 to September 2005. Previously, he was employed by Honeywell International, formerly known as AlliedSignal Inc., where he served as Vice President of Human Resources & Communications for various businesses from December 1996 to June 2003, including Honeywell Consumer Products Group.

ANDREA DOMENICHINI has served as Senior Vice President and General Manager of our Wind Energy business since September 2010. Prior to that, Mr. Domenichini served as our Vice President, Operations since January 2007, and served as Vice President, Operations of the former Hexcel Composites business unit from November 2001 through December 2006. Mr. Domenichini served as Head of our Matrix Systems Business from October 1997 through October 2001. Prior to joining Hexcel in 1996, Mr. Domenichini held various managerial positions with Hercules Incorporated from 1973 to May 1996, the latest being Managing Director of Hercules Aerospace Spain.

KIMBERLY A. HENDRICKS has served as our Vice President, Corporate Controller and Chief Accounting Officer since September, 2009. Ms. Hendricks served as Vice President and Corporate Controller of International Flavors and Fragrances Inc. from July 2007 until July 2009, and as Vice President, Finance, of JLG Industries, Inc. from January 2006 through February 2007. From 1999 to 2006, Ms. Hendricks held various positions with Bristol-Myers Squibb Company, the last being Vice President, Finance from 2003 to 2006.

MICHAEL J. MACINTYRE has served as our Treasurer since December 2002 and was Assistant Treasurer from October 2000 to December 2002. Prior to joining Hexcel, Mr. MacIntyre served as Assistant Treasurer of Hitachi America Capital, Ltd, a US financing subsidiary of Hitachi America, Ltd, a sales and manufacturing company serving the US electronics markets, from 1998 to 2000, and held various treasury management positions with Hitachi America, Ltd. from 1988 to 1998.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Stock Beneficially Owned by Principal Stockholders

The following table sets forth certain information as of February 28, 2011 with respect to the ownership by any person (including any "group" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934 (the "Exchange Act")) known to us to be the beneficial owner of more than five percent of the issued and outstanding shares of Hexcel common stock:

Name and Address	Number of Shares of Common Stock(1)	Percent of Common Stock(1)
Lord, Abbett & Co. LLC(2) 90 Hudson Street Jersey City, NJ 07302	9,612,573	9.8%
T. Rowe Price Associates, Inc.(3) 100 E. Pratt Street Baltimore, MD 21202	6,554,820	6.7%
BlackRock Inc.(4) 40 East 52nd Street New York, NY 10022	5,160,332	5.3%
Earnest Partners LLC(5) 1180 Peachtree Street NE, Suite 2300 Atlanta, GA 30309	5,039,088	5.2%

(1) "Number of Shares" is based on information contained in a Statement on Schedule 13D, 13D/A, 13G or 13G/A filed with the SEC as indicated in footnotes (2) through (5) below. The "Percent of Common Stock" is based on such number of shares and on 97,767,747shares of common stock issued and outstanding as of February 28, 2011.

(2) Based on information contained in a Statement on Schedule 13G/A filed with the SEC on February 14, 2011.

(3) Based on information contained in a Statement on Schedule 13G filed with the SEC on February 9, 2011.

(4) Based on information contained in a Statement on Schedule 13G filed with the SEC on February 4, 2011. This Schedule 13G was also filed on behalf of the following entities: BlackRock Japan Co. Ltd.; BlackRock Institutional Trust Company, N.A.; BlackRock Fund Advisors; BlackRock Asset Management Australia Limited; BlackRock Investment Management, LLC; BlackRock Advisors, LLC; and BlackRock International Ltd.

(5) Based on information contained in a Statement on Schedule 13G/A filed with the SEC on February 10, 2011.

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Stock Beneficially Owned by Directors and Officers

The following table contains information regarding the beneficial ownership of shares of Hexcel common stock as of February 28, 2011 by our current directors and the executive officers listed in the Summary Compensation Table below, and by all directors and executive officers as a group. The information for the "Number of Shares" was supplied to us by the persons listed in the table.

Name	Number of Shares of Common Stock(1)	Percent of Common Stock(2)(3)
David E. Berges(4)	2,121,349	2.1%
Joel S. Beckman(5)	18,113	*
Lynn Brubaker	17,823	*
Jeffrey C. Campbell	28,113	*
Sandra L. Derickson(6)	54,030	*
W. Kim Foster	12,969	*
Thomas A. Gendron	11,405	*
Jeffrey A. Graves	12,849	*
David Hill	10,771	*
David C. Hurley	17,781	*
David L. Pugh	18,208	*
Nick L. Stanage	59,849	*
Wayne C. Pensky	232,151	*
Ira J. Krakower	461,917	*
Robert G. Hennemuth	114,163	*
All executive officers and directors as a group (18 persons)	3,249,539	2.9%

(1) Includes shares underlying stock-based awards that either were vested as of February 28, 2011, will vest within sixty days of this date. These shares are beneficially owned as follows: Mr. Berges 1,677,108; Mr. Beckman 16,610; Ms. Brubaker 3,153; Mr. Campbell 28,113; Ms. Derickson 16,826; Mr. Foster 12,969; Mr. Gendron 1,405; Mr. Graves 12,849; Mr. Hill 10,771; Mr. Hurley 17,781; Mr. Pugh 13,208; Mr. Stanage 25,725; Mr. Pensky 163,034; Mr. Krakower 332,399; Mr. Hennemuth 73,898; and all executive officers and directors as a group 2,461,025. None of our directors or named executive officers has pledged any of our common stock as security.

(2) Based on 97,767,747 shares of common stock issued and outstanding as of February 28, 2011. As required by SEC rules, for each individual person listed in the chart the percentage is calculated assuming that the shares listed in footnote (1) above for such person are outstanding, but that none of the other shares referred to in footnote (1) above are outstanding.

(3) An asterisk represents beneficial ownership of less than 1%.

(4) Includes 38,175 shares held by the Berges Family Trust and 74,848 shares held by the Berges 2009 Grantor Retained Annuity Trust I. Mr. Berges has investment and voting control over such shares. Also includes 500 shares held by Mr. Berges' spouse.

(5) Includes 1,590 shares underlying stock-based awards granted to Mr. Beckman that are held for the benefit of Greenbriar Equity Group LLC. Mr. Beckman disclaims beneficial ownership of these shares.

(6) Includes 21,795 shares held by the Derickson 2009—B Grantor Retained Annuity Trust and 15,409 shares held by the Derickson Revocable Trust. Ms. Derickson has investment and voting control over such shares.

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COMPENSATION DISCUSSION AND ANALYSIS

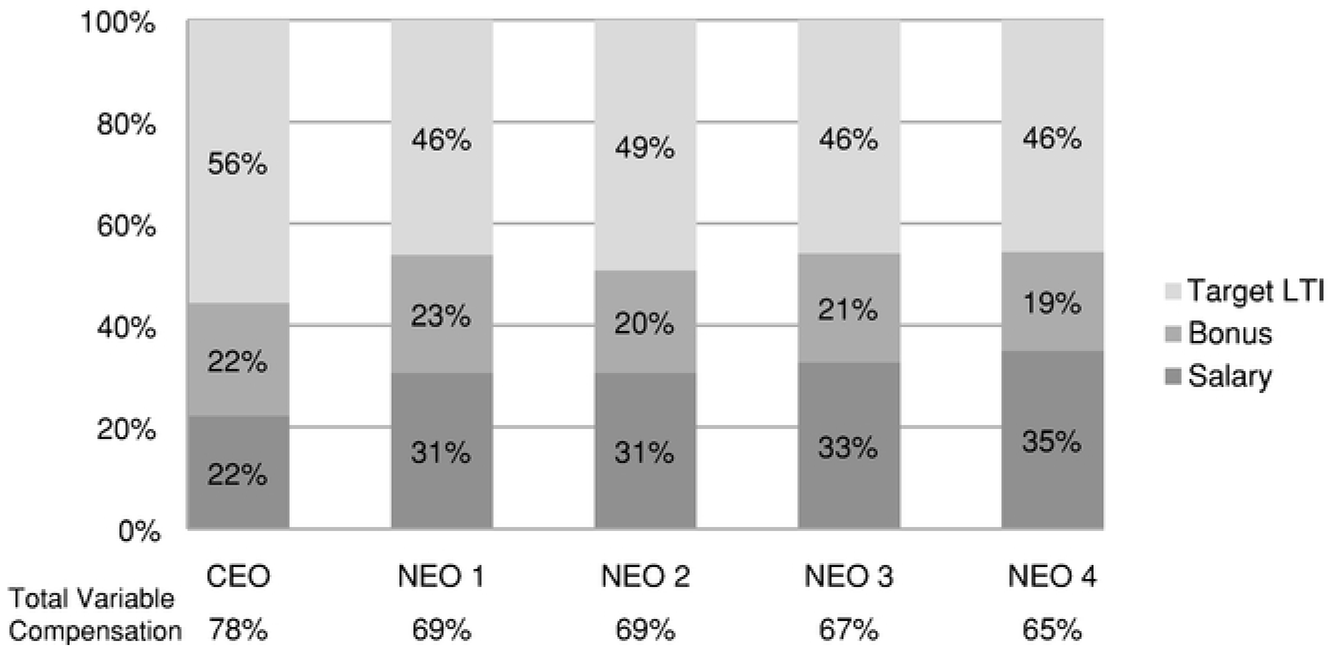
This section describes and analyzes the material elements of 2010 compensation for our executive officers identified in the Summary Compensation Table on page 38. We refer to these individuals as the named executive officers, or "NEOs." The compensation committee of the board of directors is responsible for determining the compensation and benefits of the NEOs. The committee's approval of the compensation of our CEO is subject to ratification by our independent directors.

Executive Summary

Executive compensation for 2010 aligned well with the primary objectives of our compensation philosophy, which are:

- To attract, retain and motivate a high caliber of executive talent.
- To ensure that a significant portion of total target compensation is variable compensation based on company performance
- To encourage long-term focus while recognizing the importance of short-term performance
- To determine compensation based on forward-looking considerations and not solely on the basis of past compensation
- To align executive and shareholder interests by requiring executives to own our stock and prohibiting them from hedging our stock
- To discourage excessive risk taking by structuring our pay to consist a blend of both fixed and variable elements, using an appropriate mix of short and long term company performance metrics, setting maximum total payouts and requiring our NEOs to meet ownership guidelines
- To remedy executive misconduct, prevent its recurrence, and impose appropriate discipline on individuals who engage in misconduct. See page 33 for a description of our policy regarding executive misconduct, which authorizes recoupment of incentive compensation from an executive whose misconduct results in the inaccurate reporting of financial results.

NEO Target Pay Mix



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We achieved superior results in 2010 as compared with 2009, considering that we experienced only a 5.9% increase in year-over-year sales:

Measure(1)	2010 Actual		2009 Actual		Increase (%)
	(Millions)				
Free Cash Flow	$	93.7	$	78.0	20.1%
Adjusted EBIT	$	133.3	$	111.0	21.1%
Adjusted Net Income	$	77.5	$	61.9	26.5%

(1) Measures are defined under "Company Performance Measures" on page 27.

In line with these results, actual 2010 compensation to our NEOs (including salary, annual cash incentive and grant date value of equity-based awards) ranged between 119% and 123% of 2010 target compensation.

Key pay decisions in 2010 included:

Element	2010 Pay Action
Base Salary	Increased NEO salaries by 2.0-2.4% based on their individual performance and contributions during 2009
Annual Incentive	Awarded the maximum payout of 200% of target under our annual cash incentive plan based on the superior performance against targets for Free Cash Flow, Adjusted EBIT and Adjusted Net Income
Equity-Based Awards	Continued our practice of awarding our NEOs a mix of NQOs, RSUs and PSAs with an overall design to provide performance-based incentives aligned with stockholder interests

We seek to deliver compensation through direct pay elements such as salary, short-term cash incentive awards and long-term equity incentives, and therefore the company has minimal perquisites. Additionally, we believe that when executives own a meaningful amount of equity, it creates better alignment with stockholder interests, so we require all of our NEOs to meet ownership requirements for our common stock, and we prohibit our NEOs from hedging our stock.

Hexcel's Executive Compensation Program

Principal 2010 Compensation Decisions

Although the continuing effects of the global economic and credit crisis began to subside and the economy appeared to enter into a relatively stable phase at the start of 2010, we remained challenged to find appropriate ways to maintain our compensation philosophy in the face of continuing uncertainties affecting the broader economy and our business planning. Our primary focus was to ensure that our long term strategy was sound. We believed that achieving long-term success depended on retaining the support of knowledgeable employees who remained motivated by long term rewards aligned with stockholder interests. At the same time, we felt that near term results also were important as the company navigated through the uncertainties it faced in the near term, including the lower sales run rate in the second half of 2009. We decided to maintain adjusted EBIT (25%), adjusted net income (25%), and free cash flow (50%) as the financial measures under our Management Incentive Compensation Plan ("MICP") for 2010. Thus we focused management equally on driving profitability and cash generation, and we balanced the possibility of less robust sales growth with the need to

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prudently manage cash. Since 2007, we have established five new manufacturing sites in anticipation of the growth in demand for our products based on the penetration of composites into new markets and programs, and aerospace build rate increases expected pre-credit crisis. While these new operations are still necessary to support our projected long term growth, the global economic outlook, coupled with announced delays in the introduction of new airplane programs, and an increasingly uncertain wind energy outlook, all combined to put pressure on sales and earnings projections which influenced our corporate goal setting for 2010.

We also maintained RONCE (defined on page 29) as the cumulative three-year financial measure for the 2010-2012 performance share awards ("PSAs"). We maintained RONCE as the measure as it rewards both earnings and the efficient management of the assets of the company. The PSAs align management with our multi-year strategic business plan; however, the PSAs also provide an opportunity to earn shares in each performance year based on achieving annual goals. This allows us flexibility to incentivize management to achieve financial goals that can be set annually in response to changing economic conditions (whether in a declining or improving economic environment) while maintaining the objective of achieving the strategic three-year goal.

The Process for Setting Compensation

The Compensation Committee

The compensation committee of the board of directors operates under a written charter approved by the board and reviewed by the committee annually. The charter provides that the committee is accountable for overseeing, reviewing, and approving our compensation and benefit plans and programs and for defining the goals of compensation policy. The committee reviews and approves the compensation of the NEOs on an annual basis, including incentives and equity grants. The committee's approval of the compensation of our CEO is subject to ratification by our independent directors. The committee also reviews annually the benefit plans applicable to all of our employees, including the NEOs.

Compensation Consultant

The committee retains an independent compensation consultant, Semler Brossy Consulting Group, LLC ("Semler Brossy" or "the consultant"), to assist it in establishing and reviewing executive compensation. The consultant reports directly to the compensation committee and the committee has the sole authority to approve the consultant's fees and the other terms of engagement.

The committee instructs the consultant to provide advice and recommendations to the committee with the objective of creating long-term value for shareholders. The committee instructs the consultant to periodically inform the committee of compensation-related developments that may influence the committee's decision-making processes. The consultant also is expected to communicate regularly with management to understand the company's business environment, talent needs, and compensation considerations (from the perspective of both the committee and management). In addition, in 2010 the committee requested the consultant to conduct a market review of director compensation. Prior to committee meetings, the consultant confers with the committee chair regarding the matters to be discussed at the meeting, and confers with management on management presentations to the committee. In the event the consultant disagrees with the appropriateness of a proposal of management, the consultant informs the committee and reviews the areas of disagreement. The consultant has not performed, and does not currently perform, work for management outside the scope of the engagement by the committee. If management requests additional work, the consultant must first obtain the approval of the chair of the committee.

With the consent of the committee, our CEO confers with the consultant when developing compensation recommendations for the other NEOs. On behalf of the committee, senior management

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periodically confers with the consultant on our executive compensation programs and may request the consultant's views regarding modifying or adopting new programs or preparing offers of employment to senior executives.

Compensation Risk Oversight

We review our compensation programs to ensure they do not encourage excessive risk taking. We believe that the following ensures that our compensation motivates our employees without creating an environment that encourages excessive risk taking:

- We structure our pay to consist of both fixed and variable elements. We cap our annual cash incentive payout at two times the target amount. We use an appropriate mix of short and long term performance metrics and personal objectives in formulating our MICP and PSA payout schemes.
- A large portion of compensation is delivered to executives in the form of equity awards which generally vest over a three-year period, are only valuable if our stock price increases over time, and tend to focus our executives on long-term success rather than short-term results
- Our board of directors, which is independent other than for our CEO, has adopted and implements appropriate corporate governance practices, including oversight of enterprise risk management
- We have adopted a policy regarding executive misconduct, which provides for the "clawback" of performance-based or incentive compensation in the event an executive's misconduct results in the inaccurate reporting of our financial results
- We use a variety of incentive performance measures, such as EBIT, net income, cash flow and RONCE, which discourages management from focusing solely on a single financial, operational or corporate goal for reward
- We have adopted stock ownership guidelines, which serve to align the interests of our NEOs with those of our shareholders, and encourage focus on long term performance
- We engage independent compensation consultants to guide us in making compensation decisions

Benchmarking

Each year the committee specifically reviews performance and authorizes the salaries, incentives, and equity grants for the NEOs. In making these determinations the committee considers prevailing compensation practices of the comparator group as well as general industry survey data.

The Comparator Group

The comparator group is comprised of companies which have attributes that, when viewed as a whole, represent a reasonable comparison to us in a number of relevant respects. In particular, the following criteria are considered in selecting our comparator group:

- Industry, such as aerospace, defense and specialty chemicals
- Business complexity and international presence
- Market for investor capital
- Company characteristics such as revenues, numbers of employees, market capitalization and geographic location
- Competition for executive and managerial talent

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The comparator group is selected by the committee based on recommendations by our consultant with input from management. The peer companies are reviewed annually and periodically we conduct a detailed assessment of their continued relevance to the company.

The comparator group companies considered by the committee in determining NEO compensation for 2010 were:

A. Schulman, Inc.	Cabot Corporation	H.B. Fuller Company
AAR Corp.	Crane Co.	Kaman Corporation
Alliant Techsystems Inc.	Cytec Industries Inc.	PerkinElmer, Inc.
Arch Chemicals Inc.	Esterline Technologies Corp.	Precision Castparts Corp.
Barnes Group Inc.	FMC Corporation	Teledyne Technologies Inc.
BE Aerospace, Inc.	Goodrich Corporation	

In establishing appropriate compensation opportunities for NEOs, the committee considers a variety of factors, such as, but not limited to, depth of experience, tenure in position, past performance, internal equity, retention risks, and external benchmarks. We benchmark total pay as well as various components against the comparator group. We target between the median and 75th percentile of the comparator group, taking into account the sizes of the companies. Actual total target pay for each individual NEO falls within the targeted range after adjusting for company size, except for the General Counsel who is positioned slightly above the 75th percentile due to his long tenure with the company and demonstrated value to us. Several NEOs (including the General Counsel) would fall below the comparator group median if we did not consider the sizes of the companies.

General Industry Survey Data

In addition to comparator group data, the committee also reviewed the Towers Perrin General Industry Executive Database ("Towers Perrin"), a large compensation survey of hundreds of companies in various industries, including aerospace, chemicals, automotive and defense. Neither the committee nor the company has any input into the scope of the companies included in the survey. While we do not benchmark against the Towers Perrin data, the committee used the data to ensure that the company's compensation practices are similar to those in a broader industry index of companies.

Use of Company Performance in our Compensation Programs

We provide the opportunity for both cash and stock incentives based on achievement of individual and company performance measures. Annual cash awards are available under the MICP. PSAs are granted under our 2003 Incentive Stock Plan ("ISP"), our general plan that provides for the granting of various stock-based awards, on an annual basis. The committee, in consultation with the consultant and senior management, adopts performance measures for earning awards and determines the relationship between achievement of performance and the size of award payable at threshold, target and maximum levels of performance. Consultation with the board and management assists the committee in selecting performance measures and goals that are both achievable and relevant to our overall business objectives for the performance period.

Use of Individual Performance in our Compensation Programs

CEO

At the beginning of each year we establish individual performance objectives for the CEO for the year and we evaluate the CEO's performance against the objectives for the preceding year. We base the CEO's MICP award opportunity solely on company performance. However, we consider achievement of his individual objectives in deciding whether to exercise negative discretion to reduce his MICP award and in setting his target compensation for the subsequent year. At least twice annually the full board of

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directors reviews the CEO's performance and the presiding director then discusses the board's assessment with the CEO. This assessment includes a review of overall performance of the company, the degree to which strategic objectives were met, leadership accomplishments, and other factors deemed relevant to the CEO's performance. Semler Brossy assists the committee in evaluating competitive CEO compensation data and potential compensation actions that could be taken in light of this performance. Our compensation committee charter requires that all decisions regarding CEO compensation be ratified by our independent directors. The CEO has no role in setting his own compensation.

Each year the board assesses Mr. Berges' performance and affirmatively considers whether to extend the term of his employment. Mr. Berges' employment agreement is evergreen for additional one-year periods unless notice is given by us or Mr. Berges of an intention not to extend for an additional year. In 2010, no notice was provided by either party, thereby affirming the extension of the agreement at least to its current expiration date in July 2012.

Other NEOs

At the beginning of each year, the CEO establishes individual performance objectives for the other NEOs and evaluates their performance against the objectives for the preceding year. MICP award opportunities for the other NEOs are based 100% on company performance, subject to the committee's authority to exercise negative discretion to reduce an NEO's MICP award. The committee receives the CEO's assessment of each NEO's overall performance, criticality to business strategy, career potential, and retention risk. For each NEO, the CEO makes recommendations as to whether to exercise negative discretion regarding the MICP award for the year that just ended and as to compensation for the next year. These recommendations are reviewed by Semler Brossy, who advises the committee on the reasonableness of the recommendations relative to competitive norms. While the committee gives appropriate weight to competitive data and the CEO's recommendations, the committee also exercises its judgment based on the committee's assessment of the performance of the other NEOs.

Committee's Use of Tally Sheets

As part of the committee's review of the annual target compensation of the NEOs, the committee reviews "tally sheets" for each of the NEOs which reflect other forms of compensation such as deferred compensation, retirement benefits, severance payments and perquisites under various scenarios. The tally sheets also reflect realized and unrealized amounts from awards of equity incentives. Though the compensation previously earned by the NEOs is not a determinant in setting compensation for subsequent years, the committee does utilize the tally sheet data to understand the impact that compensation actions could have on future payments in retirement, termination, and change in control scenarios. With the assistance of the committee's consultant, the committee also uses the tally sheets to provide assurance that our compensation programs and payments upon termination under various scenarios are reasonable and in line with industry practices.

Components of Executive Compensation for 2010

For 2010, executive compensation consisted of four primary components—salary, cash incentive, equity awards and a benefits package. The following chart shows the salary, target cash incentive under the MICP, and target equity awards of the NEOs in 2010. The value of an equity award is determined

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in the same manner used to determine the values appearing in the last column of the grant of plan-based awards table on page 40.

NEO	Salary	Target Cash Incentive as Percentage of Salary	Target Equity Awards as Percentage of Salary
Berges	$ 923,113	100%	250%
Stanage	$ 535,000	75%	150%
Pensky	$ 375,921	65%	160%
Krakower	$ 349,408	65%	140%
Hennemuth	$ 326,845	55%	130%

Salary

The committee sets salaries for NEOs using the comparative data described above under "Benchmarking" as a guide and targets between the median and 75th percentile of the comparator group, taking into account size, but is also influenced by other factors. These include job responsibilities, internal equity among the NEOs, individual performance, retention risk, and experience. The committee also considered the 2009 accomplishments of the NEOs in setting their 2010 compensation packages, including salary.

Based on the foregoing, Mr. Berges' salary was increased from $905,013 in 2009 to $923,113 in 2010, an increase of 2.0%. In January 2010, Mr. Berges presented the committee his recommendations regarding salary increases for our other NEOs. The committee approved salary increases for the other NEOs as follows: Mr. Pensky, 2.0%; Mr. Krakower, 2.4%; and Mr. Hennemuth, 2.0%. Mr. Stanage began employment with us on November 9, 2009. His salary was the salary set forth in his employment and severance agreement, which is described on page 41 of this proxy statement.

Annual Cash Incentive Awards

The MICP is a shareholder-approved plan that provides an annual cash incentive opportunity to select key employees including the NEOs. The MICP aligns employees' incentives with our financial goals for the current year. The cash incentive awards paid for 2010 appear in the Summary Compensation Table under the "Non-equity Incentive Plan Compensation" column. Under the plan, competitively-based cash incentive target amounts, expressed as a percentage of salary, are established for participants at the beginning of each year by the committee. Cash incentive awards paid to NEOs for 2010 were determined exclusively based on the degree of attainment of predetermined objective financial performance measures. The MICP provides for "qualified awards," which are intended to qualify as performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code (the "Code"), and for "non-qualified" awards that are not qualified under Section 162(m). At the end of the performance period, the committee has discretion to adjust a qualified award downward, but not upward, from the objectively determined level of attainment of the performance measure. Non-qualified awards can be adjusted upward or downward. The MICP gives the committee the authority to make appropriate adjustments in all awards to reflect the impact of unusual, non-recurring or extraordinary income or expense not reflected in the performance measures at the time they are set.

Cash Incentive Award Targets

In approving cash incentive award target amounts for our CEO, the committee concluded that these award opportunities were competitive with the CEO's peers in the comparator group. For each of the other NEOs, the committee considered some or all of the following factors: competitive data in relation to the comparator group, the accomplishments of each NEO in 2010, internal equity among the NEOs based on the CEO's assessment of performance and the importance of each NEO's position

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to our strategic goals, and tenure in position. The committee did not increase the target MICP award (expressed as percentage of salary) of any NEO from 2009 to 2010.

Company Performance Measures

In December 2009 the committee established company performance measures for all participants in the MICP including our NEOs (there were 161 participants overall). Under the 2010 plan, the maximum payout for each performance measure was 250% of the weighted percentage target award for that measure, but in no case could the consolidated award exceed 200% of the target award in total. The 2010 objective performance thresholds, targets, maximums, and actual performance were:

Measure	Weighted Percentage	Threshold Level(4)	2010 Target	2010 Actual	Maximum Level(5)	Rationale for Measure
			($Millions)			
Free Cash Flow(1)	50%	$ 0	$ 36.0	$ 93.7	$ 86.0	Rewards tight inventory management, favorable payment terms, timely collections, prudent capital spending, and effective cost control.
Adjusted EBIT(2)	25 %	$ 62.3	$ 100.0	$ 133.3	$ 125.0	Earnings are the primary measure used by investors to gauge performance.
Adjusted Net Income(3)	25 %	$ 22.9	$ 49.3	$ 77.5	$ 66.8	

(1) "Free cash flow" means cash provided by operating activities of continuing operations less capital expenditures from the consolidated statement of cash flows, measured from September 30, 2009 to December 31, 2010.

(2) "Adjusted EBIT" means operating income plus the sum of business consolidation and restructuring expense and other expenses (income).

(3) "Adjusted net income" means income from continuing operations plus the sum of the after tax impact of gains or losses on the sale of interests in joint ventures, other non-operating expenses (income) and other expenses (income).

(4) Nothing is paid based on the relevant measure if the threshold level is not obtained.

(5) Level required for maximum award payment for each measure.

In setting the objective performance targets we considered the company's target performance under the 2010 business plan reviewed by the board and the scaling of potential awards at different achievement levels of free cash flow, adjusted EBIT and adjusted net income.

Cash Incentives Awarded for 2010

After performing appropriate due diligence, in January 2011 the committee certified the degree of attainment of the financial measures using the MICP chart above. Our adjusted EBIT for 2010 was $133.3 million, an increase of $22.1 million from 2009, which resulted in an award payout of 62.5% of target award based on adjusted EBIT. Our adjusted net income for 2010 was $77.5 million, an increase of $15.6 million from 2009, which resulted in a 62.5% of target award payout based on adjusted net income. Our free cash flow for the period September 30, 2009 to December 31, 2010 was $93.7 million, $15.7 million higher than the similar measurement period ending December 31, 2009, which resulted in an award payout of 125.0% of target award based on cash flow. This resulted in a combined payout percentage of 200% for all MICP participants, including each NEO, which was the maximum payout permitted under the plan and reflected the significant increase in performance as compared with 2009.

Equity Awards

We make annual awards of equity incentives to participants in the ISP. In 2010 there were 210 participants in the ISP. On occasion we make unique individual awards when special recognition is warranted. In 2010, we used three forms of equity incentives granted to the NEOs under the ISP: NQOs, RSUs and PSAs. In its meeting in January 2010, the committee approved the dollar value of

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each NEO's aggregate equity award for 2010 as a percentage of the NEO's salary for 2010, and approved the forms in which the awards would be granted: 50% of total award value in NQOs, and 25% of total award value in each of RSUs and PSAs. This mix of awards was intended to provide our most senior executives with performance-based incentives for delivering results in a challenging business environment.

Valuation

On February 1, 2010 (the grant date for such awards as determined in accordance with our equity award policy), the dollar values were converted into a number of NQOs, RSUs and PSAs based on the valuation methodology used by us to determine accounting expense for the fair value of the awards under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718. The RSUs and PSAs were valued, for each share they represented, at the closing price of our common stock on the NYSE on February 1, 2010 ($10.90). The NQOs awarded to NEOs were valued at $5.1993 for each share based on a Black-Scholes value determined as 47.7% of the closing price of a share. The committee reviewed a variety of factors to determine if our long-term target incentive percentages for our NEOs were competitive with our peers and appropriate with respect to our shareholders.

These equity incentives foster the long-term perspective necessary for continued success in our business. They also align the interests of our NEOs with shareholder value and are an important element of our goal to be competitive with peer companies.

Equity Award Policy

Under our equity award policy:

- Equity awards may only be authorized by the board, the compensation committee, or by an equity grant committee specifically authorized by the board or the compensation committee.
- The compensation committee has the discretion to authorize grants outside the policy when circumstances warrant.
- The exercise price of a stock option shall not be less than the closing price of our common stock on the NYSE on the date of grant.
- We chose to value equity grants and to set the exercise price of an NQO on the third trading day after we next release earnings following a grant authorization to allow the public market an opportunity to digest our most recent financial results and establish the fair market value of a share of our common stock on the date of grant.

Stock Options

NQOs have an exercise price equal to the closing price of our common stock on the NYSE on the grant date and typically have a term of ten years and vest ratably over three years. Because financial gain from NQOs is only possible after the price of our common stock has increased, we believe grants encourage NEOs and other employees to focus on behaviors and initiatives that should lead to a longer-term increase in the price of our common stock, which aligns the interests of our NEOs and employees with those of our shareholders.

Restricted Stock Units

RSUs represent units that generally vest and convert into shares of our common stock on a one-to-one basis ratably over three years or at some other schedule of vesting. Because RSUs are valued at the closing price of common stock on the date of grant, a grant of equity award value in the form of RSUs results in the issuance of fewer shares and less dilution than would result from providing the same value in the form of NQOs. RSUs are also an important vehicle to assist newly hired or promoted NEOs to achieve their ownership guidelines.

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Performance Share Awards

PSAs provide an opportunity to receive shares of our common stock based upon a measure of our performance over a multi-year period. There is a threshold, target and maximum number of shares that can be earned over the performance period. The maximum number of shares that can be earned is 200% of target. PSA grants encourage NEOs and other employees to focus on improved longer term financial performance and increases in the price of our common stock.

2010-2012 PSAs

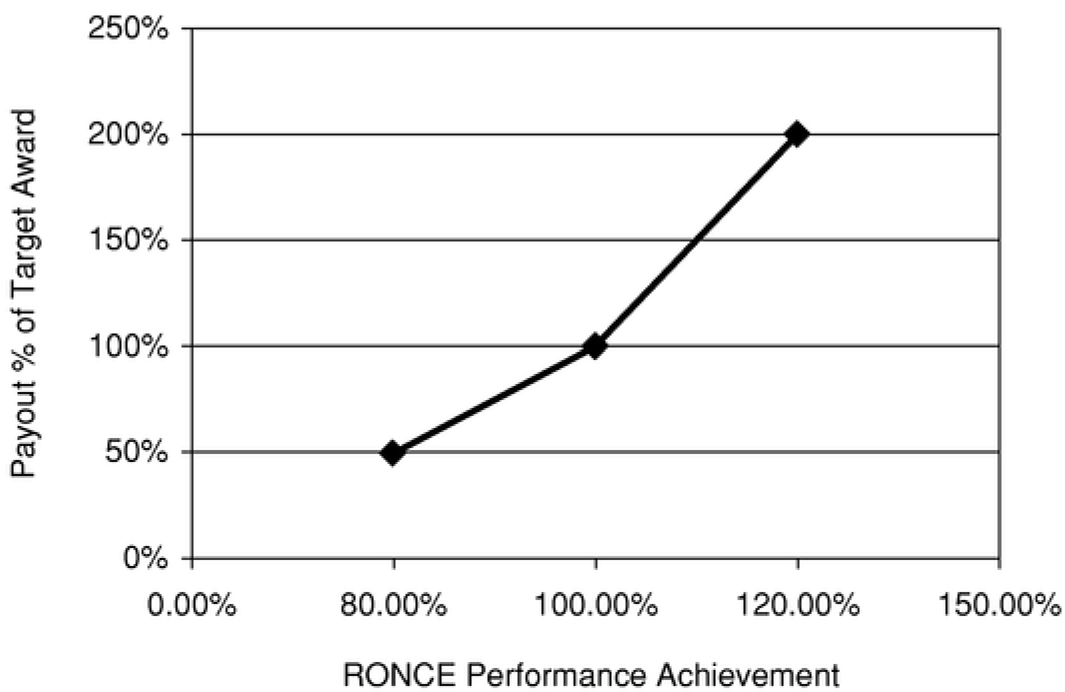
Our PSA program has a 3-year performance period. The number of shares awarded at the end of the period is the greater of (i) the shares earned based on achievement of three-year RONCE or (ii) the sum of the shares earned based on achievement of separate performance measures for each of the three years in the performance period. However, if the threshold performance level for three-year RONCE is not met, then the amount of any shares earned based on yearly achievement will be reduced 25%. The yearly performance measures, and the threshold, target and maximum levels of payout, as well as all other terms for determining the annual earned share amounts for each year under the PSA program, will be the same as those adopted under the MICP for the corresponding year.

For our 2010 PSA program, RONCE is defined as the average return for 2010, 2011 and 2012 divided by the average capital employed as of December 31, 2009, 2010, 2011 and 2012, where:

- "Return" generally means operating income, adjusted for other expense (income), and
- "Capital employed" generally means shareholder equity plus net debt.

The following chart indicates the awards payable for 2010-2012, as a percentage of target awards, at various levels of attained RONCE:

2010-2012 PSA
Payout Schedule



The structure of the 2010-2012 PSAs requires a threshold level of performance before any payout is earned. As the chart shows, depending on achievement there are threshold (50% of target award), target (100% target award) and maximum (200% of target award) award levels.

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As indicated previously in this proxy statement, the payout under our MICP for 2010 was 200% of the target MICP award, therefore the shares that have been provisionally earned so far for each participant under the 2010-2012 PSA program—based on our performance in the year 2010—is equal to two-thirds of the three-year target amount of shares. This result is obtained by taking one-third of the three-year target award under the PSA program and multiplying it by 200%. However, the final 2010-2012 PSA award will not be determined until the end of the performance period. If we fail to meet the threshold level for the three-year RONCE achievement, then the total of the provisionally earned shares based on annual achievements for 2010-2012 will decrease by 25%. In no event can the award of PSA shares exceed 200% of target award.

Under the PSAs, upon termination of employment due to death, disability or retirement, or upon termination of the employee without cause or, in the case of our NEOs, by the executive for good reason, the employee is entitled to receive a pro-rata portion, based on time employed during the performance period, of the earned award.

The committee adopted RONCE as the performance measure for the 2010-2012 PSAs for various reasons including:

- RONCE can be readily derived from our audited consolidated financial statements.
- RONCE is a common measure used by investors to evaluate a company's performance, and it aligns our financial measures with the way investors evaluate performance.
- RONCE emphasizes the importance of achieving a return greater than our cost of capital.
- It is important to provide an incentive for the efficient utilization of our net assets and to motivate improvement in the return that we earn on our capital employed.

RONCE target levels were established by the committee in late 2009 based on the business plan for 2010-2012. The target levels chosen were challenging, yet attainable, giving consideration to:

- Our planned capital investments in new manufacturing plants and capacity during the period.
- The decreased visibility into growth and projected earnings due to continuing volatility in the global economy.
- Our objective of achieving an adequate return on capital given the current uncertain and challenging economic and business environment.
- Our objective of tightly controlling working capital, including better management of inventory levels.

NEOs—Direct Compensation and Performance

The committee considered the following factors, among others, in determining the 2010 compensation of each of our NEOs:

David E. Berges, Chairman and Chief Executive Officer

Mr. Berges' leadership in the development of our long-term business strategies for the aerospace and wind energy markets, adherence to good governance practices, and successful management of investor relations. Under his guidance, the company managed to successfully absorb the impact of the credit crisis that swept over our markets in 2009, delivering exceptional cash flow and maintaining double digit operating income margins. Mr. Berges continued to lead the company's organizational development and was instrumental in successfully recruiting new key senior executives.

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Nick L. Stanage, President

Mr. Stanage began employment with us November 9, 2009. His 2010 compensation was based on his employment agreement, as described under "Employment and Severance Agreement with Mr. Stanage" in this proxy statement.

Wayne C. Pensky, Senior Vice President and Chief Financial Officer

Mr. Pensky's successful development of accounting, finance and tax staff which resulted in significant improvement in the timeliness of financial reporting without experiencing any significant deficiencies with respect to internal controls, the implementation of various tax strategies which resulted, and will continue to result, in substantial tax savings and benefits, the refinancing of our credit facility in a difficult borrowing environment, his assistance in cost cutting and improved working capital management as sales declined, and the increased contact and visibility with analysts and investors.

Ira J. Krakower, Senior Vice President, General Counsel, and Secretary

Mr. Krakower's effective management of the legal, environmental and export functions that report into his position, the successful defense and settlement of several litigation matters, the negotiation of agreements for protection of the company's intellectual property, and guidance to the board and management on matters of governance.

Robert G. Hennemuth, Senior Vice President of Human Resources

Mr. Hennemuth's successful recruitment of individuals to fill key executive and operational positions, improved succession planning and diversity at multiple organizational levels, and the development of new leadership development activities and programs.

Benefits and Retirement Plans

Our employees are offered participation in a variety of retirement, health and welfare, and paid time-off benefit plans which promote employee well-being and retention. Our NEOs may participate in these plans to the same extent as our other employees. These plans may be subject to tax and regulatory restrictions that may limit benefits payable under the plan or impose adverse consequences if benefits are paid based on compensation above certain levels.

Qualified 401(k) Plan

Our qualified 401(k) Plan allows substantially all US employees to contribute up to 75% percent of their cash compensation. The plan further provides:

- that employee contributions and earnings thereon are 100% vested at all times
- for a 50% company match on employee contributions, up a maximum of 6% of total cash compensation
- for a discretionary profit sharing contribution into the plan annually as determined by the compensation committee
- for a fixed contribution of an additional 2% of each employee's cash compensation each year, or 4% for employees who were 45 years of age on or before December 31, 2000 and employed by us as of such date
- for all matching, discretionary and fixed contributions and earnings to vest at the rate of 20% for each year of service with us—meaning that all contributions are fully vested after five years

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One of the investment options in the 401(k) plan is a Hexcel stock fund. Senior executives, including all the NEOs, are not permitted to invest in this fund. Other employees may only invest company contributions, and not their own contributions and earnings, in the Hexcel stock fund.

Supplemental Benefits

Our NEOs receive the following supplemental benefits:

- Our NEOs are eligible to participate in the nonqualified deferred compensation plan described on page 48 under "Nonqualified Deferred Compensation in Fiscal Year 2010"
- We have entered into the following supplemental retirement agreements with our NEOs, which are described on page 45 under "Pension Benefits in Fiscal 2010":
  - supplemental executive retirement agreements ("SERPs") with Messrs. Berges, Stanage and Krakower
  - executive deferred compensation arrangements ("EDCAs") with Messrs. Pensky and Hennemuth
- For Mr. Berges we provide a death benefit while he is employed by us equal to two times the sum of (i) his salary on the date of death and (ii) the average of the annual cash incentive awards in the two years prior to death, up to a maximum of $1,500,000. For Messrs. Stanage, Pensky, Krakower and Hennemuth, we provide a death benefit for each of them so long as they continue to be employed by us equal to two times the sum of (i) salary on the date of death and (ii) the average of the annual cash incentive awards paid in the three years prior to death, up to a maximum of $1,500,000 for Mr. Stanage.

Perquisites

Neither Mr. Berges nor Mr. Stanage participates in our annual perquisites program. For each of Messrs. Pensky, Krakower and Hennemuth, our perquisites program provides for an annual car allowance of $12,000, and an additional annual allowance of $10,600 (for Messrs. Pensky and Krakower), and $5,600 (for Mr. Hennemuth). These amounts have not increased since 2000. The additional allowance may be used for:

- reimbursement of club membership dues
- expenses incurred for financial counseling and tax preparation
- premiums for supplemental life and health insurance beyond the standard life and health insurance available to our executives
- reimbursement to the NEO for taxes due on the income recognized by the NEO as a result of receiving these reimbursements (but only to the extent of any remaining balance)

We paid Mr. Stanage certain relocation benefits as part of his employment and severance agreement that he entered into with us when he commenced employment in November 2009. See page 41 for a description of Mr. Stanage's employment and severance agreement.

We believe that the perquisites we offer to our NEOs are reasonable in amount and are market competitive. The committee reviews our perquisites program annually.

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Stock Ownership Guidelines

Under the company's stock ownership guidelines:

- the executive or director is required to reach the target dollar value through ownership of shares of unrestricted common stock and to retain those shares until termination of service;
- only vested RSUs count as shares owned
- the target dollar value is as follows:

CEO	5x Salary
Executive Officers other than CEO	2x Salary
Directors	3x Annual Retainer Fee

- until the target dollar value has been reached, an executive must retain 50%, and a director must retain 100%, of all "net" shares received under any company equity compensation program
- "net" shares means all shares remaining after the sale by the executive or director, or the withholding by us of shares to pay the exercise price (in the case of options), and any taxes due in respect of the shares received
- testing for compliance is done on the last day of each fiscal quarter
- once the executive or director holds the target dollar value as of a testing date, he is deemed to be in compliance with the policy so long as he continues to hold at least the number of shares he held as of that testing date

The guidelines provide that shares or vested RSUs held by a parent, child, or grandchild of the executive or director, or by a trust or other entity established for any such family members, will count toward reaching the guideline dollar value so long as the executive or director retains the power to dispose of the shares. The compensation committee believes that the purpose of aligning the interests of directors and executives with those of stockholders through stock ownership is still served when shares are held by immediate family members or trusts or other entities for their benefit. This also removes a disincentive to transfer shares to family trusts in order to facilitate estate planning.

Under these guidelines, Messrs. Berges, Pensky and Krakower are in compliance with the policy. Messrs. Stanage and Hennemuth, each of whom have served as an executive officer for a shorter tenure, have not yet acquired shares with the requisite target value. All directors are in compliance with the policy. We monitor compliance with the guidelines by all NEOs and directors on a quarterly basis.

Employees and directors are not permitted to "sell short" Hexcel stock or to otherwise hedge their economic exposure to the Hexcel stock they own.

Potential Impact on Compensation from Executive Misconduct

If the board or an appropriate committee of the board has determined that an officer has engaged in fraudulent or intentional misconduct, we are authorized to take action to remedy the misconduct, prevent its recurrence, and impose appropriate discipline on the individual who engaged in the misconduct. Discipline would vary depending on the facts and circumstances, and may include:

- termination of employment
- initiating an action for breach of fiduciary duty
- if the misconduct resulted in inaccurate reporting of our financial results, seeking cancellation of that number of outstanding equity awards, and recoupment (net of tax) of that portion of any

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performance-based or incentive compensation paid or delivered, or of any gains realized from the sale of stock from equity awards, which is greater than would have been awarded, paid or delivered to, or realized by, the officer, if calculated based on the accurate reporting of financial results. The officer will be subject to such cancellation and recoupment within the eighteen full month period following the date on which the payment or award based on the inaccurate calculation has been made or delivered, including any portion of such period occurring after the executive's employment has terminated for any reason.

These remedies are in addition to any other remedies available to us or imposed by law enforcement agencies, regulators or other authorities.

The Impact of Tax Regulations on our Executive Compensation

Deductibility of Compensation—Section 162(m)

Under Section 162(m) of the Code there is a $1.0 million annual limit on the deductibility of nonperformance-based compensation paid to certain NEOs. Section 162(m) contains a number of requirements to qualify an award for deductibility, including the adoption of a plan containing performance criteria approved by stockholders, the authorizing of awards by a committee consisting solely of "outside directors," the certification of performance results and other requirements. We consider deductibility as one factor along with others that are relevant in setting compensation. The ISP is a qualified plan, and NQOs and PSAs issued under the ISP generally qualify for deductibility. As noted on page 28, we also grant RSUs without any performance requirement as one of the mechanisms we employ to foster retention of key employees. The MICP is a qualified performance-based plan, and provides for performance-based qualified awards and non-qualified awards. Under Internal Revenue rulings, if the terms of performance-based compensation would, under certain circumstances, allow payment to be made without regard to whether performance goals are met, the compensation would not qualify as performance-based under Section 162(m) even if performance goals were met. Generally our performance-based compensation is payable only if performance is attained; however, we do provide for certain payments upon a change in control irrespective of whether performance goals are attained, and those payments would be disqualified under Section 162(m).

We were able to deduct all expense associated with the compensation paid to our NEOs in 2010 except for $635,655 associated with compensation to Mr. Berges and $235,962 associated with compensation to Mr. Stanage. For Mr. Berges, the nonperformance-based compensation consisted of salary and the taxable value of shares received from prior grants of RSUs that converted into shares in 2010. For Mr. Stanage, the nonperformance-based compensation consisted of salary, the taxable value of shares received from a prior grant of RSUs that converted into shares in 2010, and amounts paid for his relocation, as described on page 42 under "Employment and Severance Agreement with Mr. Stanage."

Deferred Compensation Rules—Section 409A

Section 409A limits the timing of deferral elections, the range of permissible payment events, and the ability to accelerate payments under nonqualified deferred compensation plans, and imposes certain additional taxes and penalties on participants if the plan fails to comply. It is our intention that our deferred compensation plans and arrangements comply with Section 409A.

Severance and Change in Control Arrangements

As described on pages 49-56 of this proxy statement, we provide certain payments, benefits, or enhancements to our NEOs as a result of certain terminations of employment or upon a change in control. In addition, as described on pages 51-53, we accelerate vesting of many of our equity grants upon certain terminations or upon a change in control. We also provide a modified gross-up for excise

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taxes incurred by our NEOs on "excess parachute payments" under 280G of the Code. With respect to Mr. Stanage, the modified gross-up applies only with respect to a change in control that occurs on or before November 9, 2014.

These severance and change in control benefits enhance our ability to attract and retain executives as we compete for talented individuals in a competitive marketplace.

Benefits Upon Termination of Employment

In providing for payments and enhancements upon termination by us without cause or by the NEO for good reason, other than in connection with a change in control, the compensation committee attempted to provide a level of benefits that is both reasonable and competitive, and took into consideration the likelihood that it will take more time for an executive-level employee to find comparable new employment.

The committee approved the enhanced benefits for our NEOs under their SERP and executive severance agreements following a termination in connection with a change in control in order to motivate executives to consider corporate transactions that are in the best interests of the company and its shareholders without undue concern over the impact of the transaction on the NEO's personal situation.

Single-Trigger Equity Vesting

In adopting a "single-trigger" for vesting equity awards—which means the equity awards vest upon a change in control regardless of whether the NEO's employment is terminated—the compensation committee considered the following:

- a single trigger on equity vesting can be an especially powerful retention device for senior executives during change in control discussions, as equity represents a significant portion of total compensation
- the desire to provide NEOs with the same opportunity as shareholders have to realize value at the time of a change in control, consistent with the intended alignment of NEO's interests to those of shareholders
- the fact that the company may no longer exist after a change in control, or performance measures may become misaligned with strategies formulated by new management or a new board

Modified Gross-Up

With respect to the modified gross-up for excise taxes incurred on "excess parachute payments," we believe that it serves to support the general principle of preserving the benefits intended to be delivered to the NEO and removing personal interests from decisions that enhance stockholder value. The effects of Section 280G are unpredictable and can have widely divergent and unexpected effects based on an NEO's personal compensation history. As indicated in the table on page 55, if a change in control and termination of employment occurred on December 31, 2010, Messrs. Stanage and Hennemuth are the only NEOs who would have received a gross-up payment.

See pages 50-52 for a description of post-termination obligations imposed on some NEOs.

Compensation Committee Interlocks and Insider Participation

The following directors were members of the compensation committee during 2010: Joel S. Beckman, Lynn Brubaker, Sandra L. Derickson, Thomas A. Gendron and David L. Pugh. None of these directors has been a Hexcel executive officer at any time. In addition, no Hexcel executive officer served on the compensation committee of another entity during 2010.

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COMPENSATION COMMITTEE REPORT

The compensation committee has reviewed the Compensation Discussion and Analysis and discussed it with management. Based on its review and discussions with management, the committee recommended to our Board of Directors that the Compensation Discussion and Analysis be included in our 2011 proxy statement and incorporated by reference into our Annual Report on Form 10-K for 2010. This report is provided by the following independent directors who comprise the committee (Mr. Gendron joined the committee in December 2010):

David L. Pugh (Chair)

Joel S. Beckman

Lynn Brubaker

Sandra L. Derickson

Thomas A. Gendron

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EQUITY COMPENSATION PLAN INFORMATION

The following information is provided as of December 31, 2010:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1)	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))(1)
	(a)	(b)	(c)
Equity compensation plans approved by security holders	5,803,475(2)	$ 10.90(3)	3,376,425(4)
Equity compensation plans not approved by security holders	734,022(5)	$ 10.50	0
Total	6,537,497	$ 10.84(3)	3,376,425(4)

(1) All numbers in these columns refer to shares of Hexcel common stock.

(2) Includes 3,828,276 shares issuable upon the exercise of NQOs, 932,485 shares issuable upon the vesting and conversion of restricted stock units, and 1,042,714 shares issuable as a result of outstanding PSAs. With respect to PSAs for the 2008-2009 performance period, reflects zero shares to be issued, based on the level of attainment of RONCE (the applicable performance measure) during the 2008-2009 period. With respect to the 2009-2011 and 2010-2012 periods, assumes that we will attain the maximum level of RONCE under the PSAs for each performance period, which would result in the PSAs converting into the maximum number of RSUs in early 2012 and 2013, respectively.

(3) Excludes the RSUs and PSAs referred to in note 2 above because they have no exercise price.

(4) Includes (i) 3,171,795 shares of common stock available for future issuance under the Amended and Restated Hexcel Corporation 2003 Incentive Stock Plan, which shares of common stock could be issued in connection with awards other than options, warrants or rights, (ii) 152,910 shares reserved for issuance under the Management Stock Purchase Plan, (iii) 204,630 shares of common stock subject to options as of December 31, 2010 under, and purchased in January 2011 pursuant to, the terms of the Hexcel Corporation 2009 Employee Stock Purchase Plan; and (iv) 195,623 shares of common stock that could after December 31, 2010 become subject to options under, and therefore be purchased under, the terms of the Hexcel Corporation 2009 Employee Stock Purchase Plan. The Management Stock Purchase Plan terminated according to its terms on March 31, 2010.

(5) The only equity compensation arrangements in which options, warrants or rights were authorized that have not been approved by stockholders are two option grants to Mr. Berges made in 2001 in connection with his initial employment by us as CEO, as described under the heading "Employment Agreement with Mr. Berges" on page 41 and an RSU award to Mr. Stanage granted in connection with his employment agreement, as described under the heading "Employment and Severance Agreement with Mr. Stanage" on page 41. This number reflects 678,047 shares of common stock issuable upon the exercise of Mr. Berges' outstanding options and 55,975 shares issuable as a result of vesting and conversion of Mr. Stanage's RSUs described therein.

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EXECUTIVE COMPENSATION

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Stock Awards ($)(1)(2)	Option Awards ($)(2)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
David E. Berges;	2010	923,113	1,153,896	1,153,891	1,846,226	3,485,791	110,506	8,673,423
Chairman and CEO	2009	905,013	1,153,891	1,153,832	1,386,208	3,900,944	97,271	8,597,159
	2008	875,000	1,487,496	743,752	841,313	543,434	94,499	4,585,494
Nick L. Stanage;	2010	535,000	401,251	401,251	802,500	320,100	399,005	2,859,107
President(8)	2009	72,019	999,999	—	102,432	39,203	1,852	1,215,505
Wayne C. Pensky;	2010	375,921	300,731	300,738	488,697	256,245	73,248	1,795,580
SVP and CFO	2009	368,550	294,846	294,825	366,930	358,169	74,283	1,757,603
	2008	351,000	397,796	198,902	219,366	57,460	79,829	1,304,353
Ira J. Krakower;	2010	349,408	244,596	244,585	454,230	719,958	54,068	2,066,845
SVP; General Counsel;	2009	341,219	238,846	238,839	339,719	858,643	69,257	2,086,523
Secretary	2008	329,680	561,062	153,867	206,042	0(7)	71,774	1,322,425
Robert G. Hennemuth;	2010	326,845	212,441	212,449	359,350	169,526	36,544	1,317,155
SVP—Human Resources	2009	320,436	208,278	208,272	269,947	183,208	52,104	1,242,245
	2008	310,500	269,110	134,535	164,200	64,409	68,397	1,011,151

(1) Reflects the aggregate grant date fair value of RSUs and PSAs granted to the NEO during such year, computed in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that will be realized by the NEO. The amount included for each PSA reflects the estimate of aggregate compensation cost to be recognized over the life of the PSA determined as of the grant date under FASB ASC Topic 718, excluding the effect of estimated forfeitures and assuming that the PSA will pay out at target. The value for each PSA at the grant date assuming that the target level of performance will be achieved and alternatively, that the highest level of performance will be achieved, is as follows:

	2010		2009		2008	
	Amount reflected in table above (target)	Maximum amount	Amount reflected in table above (target)	Maximum amount	Amount reflected in table above (target)	Maximum amount
David E. Berges	576,948	1,153,896	576,946	1,153,891	743,748	1,487,496
Nick L. Stanage	200,626	401,251	—	—	—	—
Wayne C. Pensky	150,366	300,731	147,423	294,846	198,898	397,796
Ira J. Krakower	122,298	244,596	119,423	238,846	153,871	307,742
Robert G. Hennemuth	106,221	212,441	104,139	208,278	134,555	269,110

(2) For additional information regarding the assumptions made in calculating these amounts, see Note 11, "Stock-Based Compensation," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010, and Note 11, "Stock-Based Compensation," to the consolidated financial statements, and the discussion under the heading "Critical Accounting Policies—Share-Based Compensation" in Management's Discussion and Analysis of Financial Condition and Results of Operations, each included in our Annual Report on Form 10-K for the year ended December 31, 2009.

(3) Reflects the aggregate grant date fair value of all NQOs granted to the NEO during such year, computed in accordance with FASB ASC Topic 718. These amounts do not necessarily correspond to the actual value that will be realized by the NEO.

(4) Reflects amounts earned under the MICP with respect to 2010, 2009 and 2008. Such amounts were paid in 2011, 2010 and 2009, respectively.

(5) For each year, represents the difference between the actuarial present value of the executive's accumulated benefit under his SERP or EDCA, as applicable, as of December 31 of the current year and December 31 of the prior year. Messrs. Berges, Stanage and Krakower each have a SERP, and Messrs. Pensky and Hennemuth each have an EDCA. The amounts in this column were calculated assuming retirement at age 65 for all NEOs except Mr. Krakower, which is the normal retirement age under the relevant pension plans and arrangements. Because Mr. Krakower is over age 65, his current age was used as the assumed retirement age. The interest rate and mortality assumptions used are consistent with those used in the preparation of our financial statements. See Note 8, "Retirement and Other Postretirement Benefit Plans" to the consolidated financial statements, and the discussion under the heading "Retirement and Other

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Postretirement Benefit Plans" in Management's Discussion and Analysis of Financial Condition and Results of Operations, each included in our Annual Report on Form 10-K for the year ended December 31, 2010, for a description of these interest rate and mortality assumptions.

The increase in pension value during 2009 for Messrs. Berges, Pensky, Krakower and Hennemuth was much larger than the increase during 2008. This result is due to a substantial decrease in the PBGC interest rate used to calculate a lump sum payment, as well as a decrease in the FAS 87 interest rate. In addition, because SERP benefits are based on a final average pay formula that is based on the highest paid 36 of the last 60 months, a higher than average 2009 cash incentive award contributed to the increase in SERP benefits for Messrs. Berges and Krakower.

The increase in pension value during 2010 resulted from a further decrease in the ASC 715 interest rate (formerly referred to as FAS 87) used to calculate a lump sum payment. In addition, because SERP benefits are based on a final average pay formula that is based on the highest paid 36 of the last 60 months, a higher than average 2010 cash incentive award contributed to the increase in the SERP benefits for Messrs. Berges and Krakower. Mr. Stanage's increase was largely due to his participation for a full year in his SERP.

(6) The amounts in the "All Other Compensation Column" for 2010 include the following:

Name	Hexcel Contributions to 401(K) Retirement Savings Plan	Hexcel Contributions to Nonqualified Deferred Compensation Plan	Cash in Lieu of 401(K) Contributions on Earnings Exceeding ERISA Limits	Premiums for Life Insurance in excess of $50,000	Premiums for Long-Term Disability Insurance	Perquisites Allowance(a)	Other
David E. Berges	$ 19,600	—	$ 86,601	$ 3,741	$ 564	—	—
Nick L. Stanage	$ 14,413	—	$ 7,849	$ 1,806	$ 564	—	$374,374(b)
Wayne C. Pensky	$ 24,500	$ 46,378	—	$ 1,806	$ 564	$ 22,600	—
Ira J. Krakower	$ 24,500	—	$ 27,198	$ 1,806	$ 564	$ 22,600	—
Robert G. Hennemuth	$ 19,600	—	$ 14,574	$ 1,806	$ 564	$ 17,600	

(a) The perquisites allowance consists of a car allowance of $12,000 and an additional amount of $10,600 (in the case of Messrs. Pensky and Krakower) and $5,600 (in the case of Mr. Hennemuth). The additional amount may be used for reimbursement of club membership dues, expenses incurred for financial counseling and tax planning and preparation, premiums for supplemental life and health insurance beyond the standard life and health insurance available to our executives and, to the extent of any remaining balance, to reimburse the NEO for taxes due on the reimbursements ("tax gross-up"). The additional amount was used by the NEOs for the following benefits: Mr. Pensky—supplemental life insurance; Mr. Krakower—tax planning, tax preparation and financial planning; and Mr. Hennemuth—supplemental life insurance. While the compensation committee always has the discretion to authorize additional perquisites for an NEO, our perquisites allowance has remained unchanged since 2000, except that all perquisites were eliminated for Mr. Berges in 2006 and were not offered to Mr. Stanage when he was hired.

(b) Consists of payments made to Mr. Stanage in relation to his relocation, including tax reimbursements of $8,305.

(7) The actuarial present value of Mr. Krakower's accumulated benefit under his SERP decreased by $239,541 from December 31, 2007 to December 31, 2008, and is reported as zero as required by SEC rules. See footnote (5) for an explanation of the changes in value from year to year.

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Grants of Plan-Based Awards in 2010

Name	Grant Date	Date Board or Compensation Committee took Action to Grant Such Award(3)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units (#)(4)	All Other Option Awards: Number of Securities Underlying Options (#)(5)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)(6)
			Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)				
David E. Berges	—	—	461,557	923,113	1,846,226	—	—	—	—	—	—	—
	02/01/2010	01/22/2010	—	—	—	26,466	52,931	105,862	—	—	—	576,948
	02/01/2010	01/22/2010	—	—	—	—	—	—	52,931	—	—	576,948
	02/01/2010	01/22/2010	—	—	—	—	—	—	—	221,932	10.90	1,153,891
Nick L. Stanage	—	—	200,625	401,250	802,500	—	—	—	—	—	—	—
	02/01/2010	01/22/2010	—	—	—	9,203	18,406	36,812	—	—	—	200,625
	02/01/2010	01/22/2010	—	—	—	—	—	—	18,406	—	—	200,625
	02/10/2010	01/22/2010	—	—	—	—	—	—	—	77,174	10.90	401,251
Wayne C. Pensky	—	—	122,174	244,349	488,697	—	—	—	—	—	—	—
	02/01/2010	01/22/2010	—	—	—	6,898	13,795	27,590	—	—	—	150,366
	02/01/2010	01/22/2010	—	—	—	—	—	—	13,795	—	—	150,366
	02/01/2010	01/22/2010	—	—	—	—	—	—	—	57,842	10.90	300,738
Ira J. Krakower	—	—	113,558	227,115	454,230	—	—	—	—	—	—	—
	02/01/2010	01/22/2010	—	—	—	5,610	11,220	22,440	—	—	—	122,298
	02/01/2010	01/22/2010	—	—	—	—	—	—	11,220	—	—	122,298
	02/01/2010	01/22/2010	—	—	—	—	—	—	—	47,042	10.90	244,585
Robert G. Hennemuth	—	—	89,882	179,765	359,530	—	—	—	—	—	—	—
	02/01/2010	01/22/2010	—	—	—	4,873	9,745	19,490	—	—	—	106,221
	02/01/2010	01/22/2010	—	—	—	—	—	—	9,745	—	—	106,221
	02/01/2010	01/22/2010	—	—	—	—	—	—	—	40,861	10.90	212,449

(1) The amounts shown reflect the range of potential awards for 2010 under the MICP, which is our annual cash incentive plan. The actual awards paid for 2010 are shown in the "Non-Equity Incentive Plan Compensation" column in the Summary Compensation Table above. If the threshold performance measure related to payment of an MICP award is not attained, no MICP award is paid.

(2) Reflects PSAs granted under the ISP, which will convert into shares of Hexcel common stock after a three-year performance period, if we achieve the required performance. The terms of the PSAs are described in more detail on page 29.

(3) For our regular annual equity awards, the committee approved a dollar value (as a percentage of salary) and the algorithm under which the awards would be converted into shares at its meeting on January 22, 2010. In accordance with our equity grant policy, the grant date for the 2010 annual equity awards was February 1, 2010, the third trading day following the release of 2010 fourth-quarter and year-end earnings.

(4) Reflects RSUs granted under the ISP, which will vest and convert into shares at the rate of one-third on each of the first three anniversaries of the grant date. The terms of the RSUs are described in more detail on page 28.

(5) Reflects NQOs granted under the ISP, which will vest and become exercisable at the rate of one-third on each of the first three anniversaries of the grant date. The terms of the NQOs are described in more detail on page 28.

(6) Reflects the full grant date fair value of PSAs, RSUs and NQOs as computed in accordance with the provisions of FASB ASC Topic 718 granted to the NEOs in 2010. Generally, the full grant date fair value is the amount that we will expense in our financial statements over the award's vesting schedule. For RSUs, fair value is calculated using the closing price of our common stock on the grant date. For stock options, fair value is calculated using the applicable Black-Scholes value on the grant date. For additional information on the valuation assumptions, see Note 11, "Stock-Based Compensation," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2010. These amounts reflect the company's accounting expense, and do not necessarily correspond to the actual value that will be realized by the NEOs.

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Employment Agreement with Mr. Berges

Mr. Berges' employment agreement, as amended and restated as of December 31, 2008, provides for Mr. Berges to be our Chairman and Chief Executive Officer. The agreement will automatically be extended for successive one-year terms unless either Mr. Berges or the company gives at least one year's prior notice to the other that the agreement shall not be extended. As no notice was given, the agreement is currently in force until July 30, 2012. Mr. Berges may terminate the agreement for good reason or upon 30 days' notice to us. The agreement provides that Mr. Berges is entitled to:

- an annual base salary of not less than his current salary, subject to annual review by the compensation committee;
- a target annual cash incentive award opportunity of not less than 100% of annual base salary, and a maximum annual cash incentive award opportunity of not less than 200% of annual base salary; and
- participation in all other employee benefit plans generally available to senior executives (except that Mr. Berges permanently agreed to forgo his perquisite allowance)

Under the employment agreement, on July 30, 2001 we granted Mr. Berges separate options to purchase 550,000 and 275,000 shares of Hexcel common stock. Each of the options has a term of ten years and an exercise price of $10.50 per share. The option to purchase 550,000 shares vested over four years at a rate of one-sixteenth of the shares at the end of each three-month period beginning with the three-month period ending October 31, 2001. The option to purchase 275,000 shares becomes exercisable in full on July 29, 2011, but is subject to earlier vesting in equal one-third parts if the price of a share of Hexcel common stock reaches $15.75, $21.00 and $26.25 over consecutive thirty-day trading periods. The option vested as to one-third of the underlying shares in 2005 as Hexcel stock closed at $15.75 or higher for thirty consecutive days, and vested as to an additional third of the underlying shares in 2006 as Hexcel stock closed at $21.00 or higher for thirty consecutive days.

Mr. Berges' employment agreement also provides that we will make payments to Mr. Berges upon his termination of employment with us under various circumstances, and imposes certain obligations on Mr. Berges following termination. These provisions are described on pages 49-50.

Employment and Severance Agreement with Mr. Stanage

We entered into an employment and severance agreement with Mr. Stanage when he began his employment with us on November 9, 2009. The initial term of the agreement is three years. The agreement is automatically extended for additional one-year periods unless the company gives at least one year's prior notice to Mr. Stanage that we are not extending the term of the agreement. The agreement provides for

- an initial base salary of $535,000
- an annual cash target incentive award of 75% of salary
- a sign-on award of RSUs valued at $1,000,000, an annual equity award in 2010 valued at 150% of base salary, and an annual equity award in subsequent years valued within a range of 140% to 210% of base salary, as determined by the compensation committee. All annual equity awards will be valued and granted in such form as determined by the compensation committee for all executives
- Mr. Stanage to participate in all of our employee benefit plans and arrangements applicable to senior level executives, except that Mr. Stanage will not participate in our executive perquisites program

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In addition, Mr. Stanage received certain relocation benefits designed to assist him in the purchase of a home in the Stamford, CT area, including:

- A lump sum payment of $325,000 that was paid at the time of closing on the purchase of a home in the Stamford, CT area; this amount was not grossed up for taxes, and Mr. Stanage must repay this amount to us if Mr. Stanage voluntarily terminates his employment or is terminated by us for cause prior to November 9, 2012
- Approximately $50,000 in temporary housing and other living expenses incurred by Mr. Stanage prior to his purchase of his home; this amount was grossed up for taxes

Mr. Stanage's employment and severance agreement also provides that we will make payments to Mr. Stanage upon his termination of employment with us under various circumstances, and imposes certain obligations on Mr. Stanage following termination. These provisions are described on pages 50-51.

Description of Plan-Based Awards

All NQOs, RSUs and PSAs granted to the NEOs in fiscal year 2010 were granted under the ISP and are governed by the terms and conditions of the ISP and the applicable award agreements. See pages 28-29 of this proxy statement for a detailed discussion of NQOs, RSUs and PSAs.

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Outstanding Equity Awards at 2010 Fiscal Year-End

The following table provides information on the holdings of outstanding stock options and unvested stock awards held by the NEOs as of December 31, 2010:

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($/Sh)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(3)
David E. Berges						113,797	2,058,588	122,030	2,207,523
		221,932		10.90	02/01/2020				
	94,268	188,534		7.83	01/26/2019				
	49,733	24,866		21.11	01/28/2018				
	121,505			18.17	01/29/2017				
	85,058			22.00	02/07/2016				
	121,082			14.51	01/06/2015				
	145,257			7.38	01/06/2014				
	280,713			3.13	01/06/2013				
	403,047			10.50	07/30/2011				
	183,334(5)			10.50	07/30/2011				
			91,666(5)	10.50	07/30/2011				
Nick L. Stanage						74,381	1,345,552	18,406	332,965
		77,174		10.90	02/01/2020				
Wayne C. Pensky						30,906(6)	559,090	31,362	567,339
		57,842		10.90	02/01/2020				
	24,087	48,174		7.83	01/26/2019				
	13,300	6,650		21.11	01/28/2018				
	8,542			18.17	01/29/2017				
	5,432			22.00	02/07/2016				
	8,252			14.51	01/06/2015				
	15,937			7.38	01/06/2014				
	37,466			3.13	01/06/2013				
Ira J. Krakower						27,817	503,210	25,435	460,119
		47,042		10.90	02/01/2020				
	19,513	39,026		7.83	01/26/2019				
	10,289	5,144		21.11	01/28/2018				
	25,772			18.17	01/29/2017				
	16,585			22.00	02/07/2016				
	20,888			14.51	01/06/2015				
	47,129			7.38	01/06/2014				
	107,885			3.13	01/06/2013				
	44,000			2.74	01/10/2012				
Robert G. Hennemuth						20,735	375,096	22,154	400,766
		40,861		10.90	02/01/2020				
	17,016	34,031		7.83	01/26/2019				
	8,997	4,498		21.11	01/28/2018				
	24,388			18.17	01/29/2017				
	13,363			20.82	03/20/2016				

(1) See footnote (5) below for an explanation as to the vesting of the option held by Mr. Berges to purchase 275,000 shares, which is separated into a vested option to purchase 183,334 shares and an unvested option to purchase 91,666 shares. All other options listed in this table vest at a rate of one-third per year on each of the first three anniversaries of the grant date. The grant date for each option is the date ten years prior to the option expiration date, as all options have a ten year term.

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(2) This column reflects the following:

	RSUs under the ISP(a)	Earned PSAs(b)	MSPP RSUs(c)
David E. Berges	113,797	—	—
Nick L. Stanage	74,381	—	—
Wayne C. Pensky	29,487	—	1,419
Ira J. Krakower	27,817	—	—
Robert G. Hennemuth	20,735	—	—

(a) RSUs granted under the ISP, which generally vest and convert into shares at the rate of one-third per year on each of the first three anniversaries of the grant date.

(b) PSAs for which the performance period has ended and the level of performance has been determined.

(c) RSUs that were issued under the MSPP. These were issued on January 22, 2008 at a purchase price of $16.0256 per RSU at the election of Mr. Pensky in lieu of a portion of his cash incentive award for 2007. These RSUs vest at the rate of one-third per year on each of the first three anniversaries of the grant date, and convert into shares at the end of the three year vesting period. See page 48 for further information regarding the MSPP.

(3) Values were computed using a price of $18.09 per share, the closing price of Hexcel common stock on December 31, 2010.

(4) This column reflects the shares that each NEO would receive under the PSAs granted on January 26, 2009 and February 1, 2010 based on actual performance during the applicable performance periods and assuming that the NEO's employment is terminated as of December 31, 2010. The February 1, 2010 grants, including the number of shares that will be awarded to each NEO if the threshold, target or maximum levels of the performance measure were obtained, are included in the "Grants of Plan-Based Awards in 2010" table above under the column "Estimated Future Payouts Under Equity Incentive Plan Awards." Each NEO will receive a number of shares of common stock based on the extent to which the performance criteria for the respective PSA are attained. Any such shares will be received by the NEO in early 2012 for the 2009 PSAs and early 2013 for the 2010 PSAs.

(5) On July 30, 2001, Mr. Berges' hire date with Hexcel, he was granted an option to purchase 275,000 shares of common stock. The option provided that it would become exercisable in full on July 29, 2011, subject to earlier vesting, in whole or in part, if the price of a share of Hexcel common stock reached $15.75, $21.00 and $26.25 over a consecutive thirty-day trading period. The option vested as to one-third of the underlying shares in 2005 as Hexcel stock closed at $15.75 or higher for thirty consecutive trading days, and vested as to an additional one-third of the underlying shares in 2006 as Hexcel stock closed at $21.00 or higher for thirty consecutive trading days. The option will vest immediately as to the remaining one-third of the underlying shares if Hexcel stock closes at above $26.25 for thirty consecutive trading days.

(6) In addition to the unvested RSUs reflected in this table, as of December 31, 2010, Mr. Pensky held 2,840 RSUs under the MSPP that have vested but have not yet converted into shares of stock. The value of these RSUs, based on the closing price of Hexcel common stock on December 31, 2010 was $51,376.

Option Exercises and Stock Vested in 2010

	Option Awards		Stock Awards(1)	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
David E. Berges	—	—	81,892	1,011,218
Nick L. Stanage	—	—	27,988	488,391
Wayne C. Pensky	—	—	16,353(2)	208,583(2)
Ira J. Krakower	82,413	256,303	21,183	259,191
Robert G. Hennemuth	—	—	15,709	194,173

(1) Reflects RSUs that vested during 2010. This includes RSUs that were granted in 2007, 2008 and 2009, with a vesting schedule of one-third of the shares subject to the grant on each of the three anniversaries of the grant date, and RSUs that resulted from the 2007 PSA, as follows:

	RSUs	2007 PSA
David E. Berges	45,903	35,989
Nick L. Stanage	27,988	0
Wayne C. Pensky	13,823	2,530
Ira J. Krakower	13,549	7,634
Robert G. Hennemuth	8,485	7,224

(2) In addition to the shares listed, 1,420 RSUs underlying an award granted to Mr. Pensky under the MSPP on January 22, 2008 vested, but did not convert into shares, in 2010. The value of these 1,420 shares, based on the closing share price on the date of vesting, was $17,083.

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Pension Benefits in Fiscal 2010

Our NEOs participate in the following pension plans and arrangements:

Supplemental Executive Retirement Agreements with Messrs. Berges, Stanage and Krakower

We have entered into supplemental executive retirement agreements (each a "SERP") with Messrs. Berges, Stanage and Krakower. Each SERP provides for a retirement benefit intended to supplement the executive's retirement income from our 401(k) plan and Nonqualified Deferred Compensation Plan (described on page 48). The material features of the SERPs are as follows:

- The monthly normal retirement benefit is equal to the product of the executive's final average pay, benefit percentage and vesting percentage, offset by any vested contributions made by us under our 401(k) plan and supplemental 401(k) plan. Mr. Krakower's benefit is also offset by his accrued benefit under our former qualified pension plan.
  - Final average pay equals the executive's average monthly compensation for the highest paid 36 months out of his final 60 months of employment, and includes salary and cash incentive award, but not equity compensation. The cash incentive award is deemed to be earned ratably over the period in which it was earned.
  - The current vesting percentage for each of Messrs. Berges and Krakower is 100%, and the current vesting percentage for Mr. Stanage is zero. The SERP is unvested for the first five years of service (subject to acceleration in certain circumstances as described below), and becomes fully vested at the end of the fifth year of service.
  - The benefits percentages are as follows:
    - Mr. Berges: $^{1}/_{2}$ of 1% for each of the first 96 months of service, and $^{1}/_{6}$ of 1% for each of the next 60 months of service.
    - Mr. Krakower: $^{5}/_{12}$ of 1% for each of the first 60 months of service, $^{1}/_{4}$ of 1% for each of the next 60 months of service, and $^{1}/_{6}$ of 1% for each additional month of service.
    - Mr. Stanage: $^{7}/_{30}$ of 1% for each month of service, but shall not increase further once Mr. Stanage reaches age 65.
- Upon retirement after reaching age 65, the executive will receive a lump sum that is actuarially equivalent to a lifetime payment stream of the monthly normal retirement benefit starting the month after employment terminates and ending on death, but is guaranteed to be at least 120 monthly payments.
- If the executive's employment terminates prior to age 65 (early retirement), he will receive a lump sum that is actuarially equivalent to a lifetime payment stream of the monthly normal retirement benefit, reduced by 3% for each year by which the date of the first payment precedes age 65. The lump sum is based on an assumed payment stream starting the month after his employment terminates (but no earlier than the month he reaches age 55), and ends on death, but is guaranteed to be at least 120 monthly payments. This does not apply to Mr. Krakower, as he has already attained the age of 65.
- Should the executive die before receiving any benefits under the SERP, the executive's designated beneficiary will receive a lump sum that is actuarially equivalent to the 50% survivor annuity the beneficiary would have received had the executive retired immediately prior to his death and elected to receive his benefit in the form of a 50% joint and survivor annuity. The executive also may elect to have the lump sum survivor benefit calculated on the basis of a 75% or 100% survivor annuity, or for it to equal the full lump sum he would have received had he retired immediately prior to his death. If the executive elects any of these alternative forms of benefit, the additional actuarial cost (above the cost of providing the benefit based on a 50%

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survivor annuity) reduces the amount of the executive's retirement benefit (and hence the survivor's benefit as well).

- Upon certain other types of termination, or permitted elections, the amount and form of benefit are different.
  - Termination for cause—no benefits are payable
  - Termination without cause, or by the executive for good reason
    - For Mr. Berges and Mr. Krakower, 12 months of service are added for purposes of computing the benefits percentage
    - For Mr. Stanage, upon such a termination after May 9, 2011, the vesting percentage is 100% regardless of whether Mr. Stanage has been employed by us for five years, and 12 months of service are added for purposes of computing the benefits percentage; upon such a termination prior to May 9, 2011, no benefits are payable
  - Upon termination without cause, or by the executive for good reason, within two years after a change in control or during a period which qualifies as a potential change in control (as defined in the SERPs)
    - For Mr. Berges and Mr. Krakower, 36 months of service are added for purposes of computing the benefits percentage
    - For Mr. Stanage, 36 months of service are added (if the termination is on or before November 9, 2014), or 24 months are added (if the termination is after November 9, 2014) for purposes of computing the benefits percentage, and the vesting percentage is 100% regardless of how long Mr. Stanage has been employed by us
  - Upon termination due to disability, the lump sum is calculated without reduction even if the assumed payment stream would start prior to age 65.

These enhanced benefits payable upon termination are quantified in the table on page 55.

Retirement Agreements with Messrs. Pensky and Hennemuth

We have entered into Executive Deferred Compensation and Consulting Agreements (each an "EDCA") with Mr. Pensky and Mr. Hennemuth. The material terms of the EDCAs are as follows:

- The executive is entitled to receive a monthly benefit upon retirement equal to 1/12th of his accrued benefit. The accrued benefit is equal to 1.5% of the executive's aggregate salary and cash incentive awards earned while employed by us multiplied by a fraction of X/67, with X=the number of months the executive has been employed by us since entering into his EDCA, subject to a maximum of 67 months.
- The normal monthly retirement benefit is payable starting the month after employment terminates on or after age 65 and ending on death, but is guaranteed to be at least 120 monthly payments; any payments after death are made to a surviving beneficiary or the executive's estate.
- If the executive's employment terminates prior to age 65, then
  - the payments will be actuarially reduced to reflect commencement prior to age 65
  - the executive's monthly retirement benefit will start the calendar month after he terminates employment and will end on death, but is guaranteed to be at least 120 monthly payments; any payments after death are made to a surviving beneficiary or the executive's estate.
- If the executive dies prior to commencement of payments to him, a benefit is payable to his beneficiary for the duration of the beneficiary's life, and is based on the actuarial equivalent of the early retirement benefit described above, as if the executive had retired immediately prior to his death.

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- Upon a change in control, the executive's benefits become payable.
- Upon termination for cause, no benefits are payable.
- Each executive has agreed to consult with us at our request for up to ten days a year for a period of ten years following his termination of employment with us.
- Each executive has agreed not to solicit our employees and not to engage in any activity competitive with our business for ten years after termination of his employment with us, unless he can show that such actions were taken without the use of confidential information regarding Hexcel.
- The executive is entitled to an additional amount based on the value of our providing medical, dental and life insurance from termination of employment to age 75. No benefit is provided if the executive has less than five years of service at termination.
  - the value of the medical and dental insurance is based on the group insurance provided by us to our employees at the time of termination of the executive's employment
  - the amount gets added to the value of the lump sum or increases the annuity, depending on the form of payment chosen by the executive.

Messrs. Pensky and Hennemuth have elected to receive their EDCA benefit in the form of an actuarially equivalent lump sum.

Pension Benefits Table

The table below shows the present value of accumulated benefits payable to each NEO as of December 31, 2010, including the number of years of service credited to each NEO, under each pension and retirement plan listed below, determined using interest rate and mortality rate assumptions consistent with those used in our financial statements. The table also shows payments made to the NEOS under the plans indicated during 2010.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)(1)	Payments During Last Fiscal Year ($)
David E. Berges	Supplemental Executive Retirement Agreement	9.42	13,969,217	0
Nick L. Stanage	Supplemental Executive Retirement Agreement	1.17	359,303	0
Wayne C. Pensky	Executive Deferred Compensation Agreement	17.42	1,157,687	0
Ira J. Krakower	Supplemental Executive Retirement Agreement	14.33	3,828,858	0
Robert G. Hennemuth	Executive Deferred Compensation Agreement	4.75	595,807	0

(1) The amounts in this column were calculated assuming retirement at age 65 (except with respect to Mr. Krakower, whose actual age at December 31, 2010 was used as he is over age 65), the normal retirement age under the relevant pension plans and arrangements, and using the interest rate and mortality assumptions consistent with those used in the preparation of our financial statements. See Note 8, "Retirement and Other Postretirement Benefit Plans" to the consolidated financial statements, and the discussion under the heading "Retirement and Other Postretirement Benefit Plans" in Management's Discussion and Analysis of Financial Condition and Results of Operations, each included in our Annual Report on Form 10-K for the year ended December 31, 2010, for a description of these interest rate and mortality assumptions.

These amounts represent the amounts required to be disclosed by SEC rules, and assume that each currently active executive will retire at the normal retirement age under the plan, which is age 65 (except with respect to Mr. Krakower, who was over age 65 at December 31, 2010), and reflect a discount rate of 3.70% to determine the present value of the lump sum payable at age 65, which rate is used for purposes of pension calculations in our financial statements.

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Nonqualified Deferred Compensation in Fiscal Year 2010

All information in the table below is with respect to our Nonqualified Deferred Compensation Plan ("NDCP") or Management Stock Purchase Plan ("MSPP"). The NDCP is an unfunded plan that permits a select number of highly compensated employees to defer a percentage of their pay and receive Hexcel matching and profit sharing contributions above the IRS limits permitted under our qualified 401(k) plan. Terms of the plan are as follows:

- participants can defer any amount of their cash compensation (salary and cash incentive award) on a pre-tax basis
- all of our matching contributions are made on the same 50% basis as described on page 31 with respect to the qualified 401(k) plan, but only with respect to the participant's deferrals under the NDCP up to 6% of their compensation in excess of the compensation taken into account for purposes of determining contributions to the qualified 401(k) plan
- all of our other contributions—discretionary profit-sharing, and fixed weekly contributions—are made on the same basis as described on page 31 with respect to the qualified 401(k) plan, but only with respect to the amount of the participant's compensation in excess of the amount used for purposes of determining contributions to the qualified 401(k) plan
- employee and company contributions are 100% vested at all times.
- the investment options generally mirror those available in our qualified 401(k) plan, except that the Hexcel stock fund is not an option
- distributions are in a lump sum or in a series of monthly, quarterly or annual installments after termination of service, as elected by the employee
- in-service distributions are generally prohibited except in the case of an unforeseeable emergency
- loans from the NDCP are prohibited

Mr. Pensky participated in the NDCP in 2010. Messrs. Berges, Stanage, Krakower and Hennemuth did not participate in the NDCP in 2010, and instead received a taxable cash payment equal to the contributions they would have received if they participated. Our contributions to this plan for the NEOs or related payments to the NEOs in 2010 are included in "All Other Compensation" in the Summary Compensation Table on page 38.

Under the MSPP, up until 2007 certain senior executives were given the opportunity to defer and apply a portion of their annual cash incentive award to purchase RSUs at a price of 80% of the average of the closing price of Hexcel common stock for the five trading days preceding the date of grant. The RSUs vest at the rate of one-third per year for three years, and convert to shares of Hexcel common stock on a one-to-one basis on the third anniversary of the grant date. Mr. Pensky deferred $68,256 of his 2007 cash incentive award to purchase 4,259 RSUs under the MSPP at a price of

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$16.0256 per RSU on January 22, 2008. This plan was discontinued with respect to annual cash incentive awards for years after 2007.

	Name of Plan	Executive Contributions in Last FY($)	Registrant Contributions in Last FY($)(1)	Aggregate Earnings in Last FY($)(2)	Aggregate Balance at Last FYE($)(3)
David E. Berges	NDCP	—	—	9,362	366,483
Nick L. Stanage	NDCP	—	—	—	—
Wayne C. Pensky	NDCP	35,822	46,378	12,000	191,977
	MSPP	17,083(4)	—	8,605(5)	25,688(6)
Ira J. Krakower	NDCP	—	—	—	—
Robert G. Hennemuth	NDCP	—	—	—	—

(1) Our contributions to the NDCP are included in the "All Other Compensation" column in the Summary Compensation Table on page 38.

(2) The aggregate annual earnings in 2010 are not reported in the Summary Compensation Table, as SEC rules provide that only above-market or preferential earnings be reported in that table.

(3) The NEO's contributions to the NDCP in prior years, and our contributions to the NDCP in prior years, were included in the Summary Compensation Table for the year in which the amount was contributed. Under the MSPP, the amount of cash incentive award deferred to purchase the RSUs, as well as the difference between the price paid by the NEO for the RSUs and the fair market value of the RSUs on the date of grant, were included in the Summary Compensation Table for the year with respect to which the applicable cash incentive was earned.

(4) Represents the value of RSUs granted to Mr. Pensky under the MSPP that vested, but did not convert into shares, on January 22, 2010. The value is based on the closing price of Hexcel stock on the date of vesting, which was $12.03.

(5) Represents the difference between the value of the RSUs as of December 31, 2010 (based on a stock closing price of $18.09 per share) and the value of the RSUs on the date of vesting (see footnote (4) above).

(6) Represents the value of the RSUs as of December 31, 2010, based on a closing price of Hexcel stock of $18.09 per share.

Potential Payments upon Termination or Change in Control

Severance Agreements and Arrangements

Under Mr. Berges' employment agreement, we have agreed to make certain payments to Mr. Berges upon termination of his employment under certain circumstances. In particular:

- in the event that we terminate Mr. Berges for any reason other than for disability or cause, or if Mr. Berges terminates his employment for good reason, then Mr. Berges will receive
  - an annual cash incentive award prorated for the portion of the year he was employed
  - a lump sum payment equal to two times the sum of his then current base salary and his average annual cash incentive award over the prior three years
  - participation for two years after termination in all medical, dental, life insurance and other welfare and perquisite plans and programs in which Mr. Berges was participating on the date of termination

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- in the event that we terminate Mr. Berges for any reason other than for disability or cause, or if Mr. Berges terminates his employment for good reason, in each case during a period which qualifies as a potential change in control period or within two years after a change in control, Mr. Berges will receive the same payments and benefits as described above except that
  - the lump sum payment will be equal to three times the sum described above
  - participation in health, welfare and perquisite plans and programs will be for three years instead of two
  - Mr. Berges will be entitled to receive a modified gross-up payment for any excise tax incurred under Section 280G of the Internal Revenue Code, but only if the total "parachute payments" exceed Mr. Berges' untaxed safe harbor amount by 10% or more. We have agreed to reimburse Mr. Berges for the excise tax as well as any income tax and excise tax payable by Mr. Berges as a result of any reimbursements for the excise tax.
- in the event of termination due to death or disability, Mr. Berges will receive an annual cash incentive award prorated for the portion of the year he was employed

Mr. Berges has agreed that, in consideration for these payments, he will not compete with us in any capacity for a period of two years following the termination of his employment. This includes, for example, any situation in which Mr. Berges is an employee of, consultant to, or owner of a business. If Mr. Berges' termination is in connection with change in control, the period is extended to three years. However, this restriction would not apply if Mr. Berges' duties and responsibilities with a company that competes with us do not relate to the business segment of that company that competes with us. Mr. Berges also agreed to customary terms regarding our ownership of, and the protection and confidentiality of, our trade secrets, proprietary information, and processes, technologies, designs and inventions.

We have entered into executive severance agreements with each of Messrs. Stanage, Pensky, Krakower and Hennemuth that contain terms substantially similar to the severance terms described above for Mr. Berges, except that

- if we terminate the executive for any reason other than for disability or cause, or if the executive terminates his employment for good reason, then
  - the lump sum payment will be equal to the sum of his then current base salary and his average annual cash incentive award over the prior three years (rather than two times the sum)
  - the applicable non-compete term, and the term for continuation of benefits, will be one year instead of two
  - in the case of Messrs. Pensky, Krakower and Hennemuth, there is no term providing for an annual cash incentive award pro-rated for the portion of the year the executive was terminated, and so whether such award is paid would be determined in accordance with the terms of the MICP
  - Mr. Stanage would be entitled to receive a pro-rata portion of his annual cash incentive award for the year in which he was terminated
- in the case of Mr. Stanage, if his employment terminates after November 9, 2014 for any reason other than for disability or cause, or if he terminates his employment for good reason, in each case during a change in control period, or within two years following a change in control, then
  - the lump sum payment will be equal to two times the sum of his then current base salary and his average annual cash incentive award over the prior three years

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- the applicable non-compete term, and the term for continuation of benefits, will be two years

- if Mr. Stanage's employment terminates before November 9, 2014 for any reason other than for disability or cause, or if he terminates his employment for good reason, in each case during a change in control period, or within two years following a change in control, then

  - the lump sum payment will be equal to three times the sum of his then current base salary and his average annual cash incentive award over the prior three years
  - the applicable non-compete term, and the term for continuation of benefits, will be three years

- in the case of Mr. Stanage, the modified gross-up payment for excise tax incurred under Section 280G of the Internal Revenue Code will not apply only if the applicable change in control occurs after November 9, 2014

Retirement Agreements

As described on page 53, our NEOs are party to various arrangements that provide for benefits payable upon retirement. As described on pages 45-46, the SERP agreements that we entered into with Messrs. Berges, Stanage and Krakower provide for enhanced benefits upon our termination of the executive without cause, the executive's termination for good reason or the executive's termination during a potential change of control or within two years following a change in control. None of our other retirement programs provide for any form of enhanced or accelerated benefit upon termination of the executive for any reason.

Equity Awards

Each of our NEOs have various NQOs, RSUs, PSAs and, in some cases, MSPP RSUs outstanding. Upon termination of employment of an NEO, the treatment of the equity award depends on the nature of the termination. Below is a description of what happens to the NEO's outstanding equity awards upon each different type of termination and upon a change in control.

NQOs

- Voluntary departure or termination without cause—upon any termination other than retirement, disability, death, or cause, the NEO has 90 days to exercise the option to the extent vested; to the extent not vested, the option terminates.
- Disability/Death—all options vest and remain exercisable for one year.
- Retirement—any unvested NQOs continue to vest on the schedule set forth in the option agreement, and the NEO has five years from the date of retirement to exercise the NQOs (but in no event can the NEO exercise an NQO after the expiration of the ten-year term of the option)
- Cause—all options are forfeited.
- Change in control—all options vest, and if the NEO is terminated without cause or terminates his employment for good reason within two years after the change in control, the options remain exercisable for three years.

RSUs

- Voluntary departure or termination without cause—all RSUs are forfeited.

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- Disability/Death—all RSUs vest and convert to stock.
- Retirement—all RSUs continue to vest on the schedule set forth in the RSU agreement.
- Cause—all RSUs are forfeited.
- Change in control—all RSUs vest and convert to common stock.

MSPP RSUs

- Voluntary departure or termination for cause—vested MSPP RSUs convert to shares of common stock; unvested MSPP RSUs are forfeited and the NEO receives back the cash deferred to purchase the unvested MSPP RSUs
- Termination without cause, or due to death or disability, or as a result of retirement—all MSPP RSUs vest and convert to shares of common stock.
- Change in control—all MSPP RSUs vest and convert to common stock.

PSAs

- Voluntary departure or termination for cause—the entire award is forfeited.
- Termination without cause, or due to disability, death or retirement, or for good reason—the NEO is entitled to a pro rata award based on the portion of the performance period for which he was employed, and also based on the extent to which the performance target is attained.
- Change in Control—the PSA is paid out at target immediately, unless an acquiring company exchanges the PSA for the right to receive a comparable publicly traded security, in which case the PSA is paid out at target at the end of the performance period.

An employee generally qualifies for retirement if, upon termination of employment for any reason other than for cause, he is age 65 or age 55 with five or more years of service with us.

Our agreements relating to NQOs, RSUs and PSAs require that the employee comply with any obligation of confidentiality to us contained in any written agreement signed by the employee, and refrain from competing with us. The non-compete provision is substantially similar to that contained in the severance arrangements of our NEOs described above. If the employee fails to comply with this requirement, then any outstanding equity grants are forfeited and the employee shall deliver to the company the number of option shares the employee received during the 180-day period immediately prior to the breach of the non-compete requirement, and if the employee sold any option shares during this 180-day period, then the employee shall deliver to the company the proceeds of such sales. These equity grants are also subject to the terms of the applicable plans under which they were issued including terms that cover other possible grounds for forfeiture or recoupment of payments and gains.

Change in Control; Good Reason; Cause

A "Change in Control" is generally defined in our plans and agreements to mean any of the following:

- the acquisition by any third party of 50% or more of our common stock
- the acquisition by any third party of 40% or more of our common stock within a 12 month period

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- a majority of the directors as of the date of the plan or agreement are replaced with persons who are not either (i) approved by the existing directors or (ii) approved by persons who were approved replacements of the existing directors
- a merger of Hexcel or a sale of all or substantially all the assets of Hexcel, except if (i) the stockholders of Hexcel prior to the transaction own the company resulting from the transaction in substantially the same proportion as they owned Hexcel prior to the transaction and (ii) the directors of Hexcel before the transaction comprise at least a majority of the directors of the company resulting from the transaction

"Good reason" is generally defined in our plans and agreements to mean:

- A material diminution in the executive's position, duties, responsibilities or authority
- A material reduction in the executive's base salary
- Failure by us to continue any compensation plan in which the executive participates which is material to the executive's total compensation, unless replaced with a plan of substantially equivalent value
- Failure by us to continue to provide the executive with the benefits enjoyed by the executive under our pension, savings, life insurance, medical, health, accident, and disability plans in which the executive was participating, except for across-the-board changes similarly affecting all executives, or failure by us to continue to provide the executive with at least twenty paid vacation days per year (or more if the executive is entitled to more under our vacation policy)
- Failure to provide facilities or services which are reasonably necessary for the executive's position
- Failure of any successor to Hexcel to assume our obligations under the relevant plan or agreement hereunder or failure by us to remain liable to the executive after such assumption
- In the case of the severance or SERP agreements, any termination by us of the executive's employment which is not effected pursuant to a notice that complies with the relevant agreement
- The relocation of the executive's principal place of employment to a location more than fifty (50) miles from the executive's place of employment as at the date of the relevant agreement
- Failure to pay the executive any portion of compensation within seven (7) days of the date such compensation is due

"Cause" is generally defined in our plans and agreements applicable to NEOs to mean (1) the willful and continued failure by the NEO to substantially perform his duties after we have notified the executive in writing with specificity of the nonperformance or (ii) the willful engagement by the NEO in misconduct that materially harms us. Before we can terminate an NEO for cause, our Board must give the NEO notice describing the reasons we intend to terminate the NEO for cause and must pass a resolution approved by at least two-thirds of the Board determining that the NEO is guilty of the improper conduct, and must provide the NEO with the opportunity to be heard before the Board with counsel present.

Benefits Payable upon Termination of Employment on December 31, 2010

As described above, the following agreements and arrangements with our NEOs provide for severance or enhanced benefits upon termination of employment or a change in control:

- severance benefits payable to Mr. Berges under his employment agreement and to Messrs. Stanage, Pensky, Krakower and Hennemuth under their executive severance agreements;

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- enhanced benefits payable under the SERP agreements we entered into with Messrs. Berges, Stanage and Krakower upon certain terminations; and
- the treatment of our various equity awards upon certain types of termination, as described on pages 51-52.

Other than the benefits described on page 32, and these benefits and enhancements, there are no agreements, arrangements or plans that entitle executive officers to severance, perquisites, or other enhanced benefits upon termination of their employment that are not available to salaried employees generally.

The table below describes the potential benefits and enhancements under the company's compensation and benefit plans and arrangements to which the NEOs would be entitled upon termination of employment or a change in control as of December 31, 2010. However, the following items are excluded from the table:

- The amounts reflected in the middle column of the "Pension Benefits" table on page 47, all of which are vested
- The balances under the NDCP listed in the "Nonqualified Deferred Compensation" table on page 49, all of which are vested
- Benefits provided on a non-discriminatory basis to salaried employees generally upon termination of employment, such as accrued salary, vacation pay and distributions under an employee's 401(k) plan

None of the payments or benefits reflected in the chart below would be payable solely in the event of a change of control without a subsequent termination, except for payment to Mr. Pensky or Mr. Hennemuth of his EDCA benefit and vesting and conversion of the equity awards (and the related values) reflected below.

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Benefits Payable Upon Termination of Employment on December 31, 2010

	Cash Severance/ Payment at Death ($)(1)	Incremental Benefit under SERP or EDCA ($)(2)	Benefits Continuation ($)(3)	Accelerated Vesting of Equity Awards (value based on 12/31/2010 share price) ($)(4)	Excise Tax Gross-Up ($)(5)	Payment under MICP ($)(6)	Total Termination Benefits ($)
David E. Berges							
• Voluntary retirement	—	—	—	—	—	—	—
• Involuntary or good reason termination	3,940,018	684,347	16,073	—	—	—	4,640,438
• Involuntary or good reason termination after change in control	5,910,027	2,053,244	24,110	319,174	—	—	8,306,555
• Death	1,500,000	—	—	—	—	—	1,500,000
• Disability	—	2,091,695	—	—	—	—	2,091,695
Nick L. Stanage							
• Voluntary retirement	—	—	—	—	—	—	—
• Involuntary or good reason termination	637,432	—	13,743	221,976	—	—	873,151
• Involuntary or good reason termination after change in control	1,912,296	847,316	41,229	2,233,398	2,821,393	—	7,855,632
• Death	1,274,864	—	—	2,122,410	—	—	3,397,274
• Disability	—	1,918,235	—	2,122,410	—	—	4,040,645
Wayne C. Pensky							
• Voluntary retirement	—	—	—	—	—	—	—
• Involuntary termination	636,358	—	10,805	—	—	—	647,163
• Involuntary or good reason termination after change in control	1,909,075	—	32,414	83,184	—	—	2,024,673
• Death	1,272,717	—	—	—	—	—	1,272,717
• Disability	—	—	—	—	—	—	—
Ira J. Krakower							
• Voluntary retirement	—	—	—	—	—	—	—
• Involuntary or good reason termination	594,740	178,952	6,101	—	—	—	779,793
• Involuntary or good reason termination after change in control	1,784,219	536,537	18,304	67,657	—	—	2,406,717
• Death	1,189,479	—	—	—	—	—	1,189,479
• Disability	—	—	—	—	—	—	—
Robert G. Hennemuth							
• Voluntary retirement	—	—	—	—	—	—	—
• Involuntary or good reason termination	526,109	—	14,250	400,764	—	—	941,123
• Involuntary or good reason termination after change in control	1,578,328	—	42,749	1,609,513	686,949	—	3,917,539

• Death	1,052,237	—	—	1,593,392	—	—	2,645,629
• Disability	—	—	—	1,593,392	—	—	1,593,392

(1) *Involuntary or good reason termination, with or without a change in control.* For all NEOs, Represents the lump sum cash payment that would have been paid to the executive under his employment agreement, employment and severance agreement or executive severance agreement, as applicable.

Death. Represents the death benefit we agreed to provide to the executive.

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(2) For all NEOs, represents the difference between (a) the actual lump sum the NEO would have received upon the indicated type of termination on December 31, 2010, and (b) the lump sum the NEO would have received had he voluntarily terminated his employment on December 31, 2010. Neither Mr. Pensky nor Hennemuth would receive any enhancement to his EDCA benefits as a result of any type of termination of employment or a change of control.

(3) Represents the value of welfare/medical benefits for (a) two years (in the case of Mr. Berges) or one year (in the case of Messrs. Stanage, Pensky, Krakower and Hennemuth), upon involuntary or good reason termination without a change in control, and (b) three years in the event of involuntary or good reason termination following a change in control.

(4) Reflects the value of equity awards that were unvested on December 31, 2010, and that would have vested as a result of the indicated type of termination of employment of the NEO. RSUs are valued at $18.09 per RSU, the closing price of Hexcel common stock on December 31, 2010. Unvested NQOs are valued at the difference between $18.09 and the exercise price of the option; no value is attributed to NQOs if the exercise price is greater than $18.09. Vested NQOs are not reflected in the table regardless of the exercise price. PSAs are valued at $18.09 as well. For PSAs, reflects the value of the additional shares, if any, the NEO would have received as a result of the specified type of termination on December 31, 2010 as compared to a voluntary departure on the part of the NEO on such date. For all PSAs, in the event of a termination in connection with a change of control, it is assumed the acquiring company does not exchange the PSAs for the right to receive a comparable publicly traded security, and therefore assumes payout at target. No value is attributed to unvested MSPP RSUs held by Mr. Pensky, as the value of the unvested MSPP RSUs, assuming a price of $18.09 per MSPP RSU, is less than the cash incentive award amount under the MICP originally deferred by Mr. Pensky to acquire the unvested MSPP RSUs. Vested MSPP RSUs are not reflected in the table regardless of the cash incentive award amount deferred to acquire the unvested MSPP RSUs.

The value of an equity award is not included in this chart if the NEO could have retired on December 31, 2010 and either received the equity award immediately or on the schedule set forth in the applicable equity award agreement after retirement. Messrs. Berges, Pensky and Krakower qualified for retirement under the terms of their NQO, RSU and PSA agreements, and therefore (i) no value is reflected for their NQOs and RSUs, and (ii) for their PSAs, no value is reflected in any termination scenario except for a change in control, in which case the value represents the additional shares, if any, the executive would have received upon termination in connection with a change in control on December 31, 2010 (based on a payout at target) and the value of the shares the NEO would have received if he retired on December 31, 2010 (which would have resulted in a pro-rata payout based on the portion of the performance period the executive was employed, and the extent to which the company achieved the applicable performance measure).

(5) Our severance arrangements with the NEOs provide for a modified gross-up for excise taxes incurred on "excess parachute payments" under section 280G of the Internal Revenue Code. The amounts in the table are based on a 280G excise tax rate of 20%, a statutory 35% federal income tax rate (adjusted for state taxes allowed as itemized deductions), a 1.45% Medicare tax rate and a 5.0% Connecticut state tax rate. With respect to Mr. Stanage, the modified gross-up applies only with respect to a change in control that occurs on or before November 9, 2014.

(6) Under the MICP, if an executive leaves voluntarily prior to the end of the year, it is within our discretion whether to provide an award to the executive for such year. If an MICP participant is involuntarily terminated, he receives an award pro-rated based on the portion of the year the participant was employed.

PROPOSAL 2—APPROVAL OF THE COMPANY'S 2010 EXECUTIVE COMPENSATION

We are seeking a stockholder vote with respect to compensation awarded to our named executive officers for 2010 as required pursuant to Section 14A of the Exchange Act.

The company's executive compensation program and compensation paid to the named executive officers are described on pages 20 to 56 of this proxy statement. The compensation committee oversees the program and compensation awarded, adopting changes to the program and awarding compensation as appropriate to reflect the company's circumstances and to promote the main objectives of the program: to provide competitive overall pay relative to peers, taking into account company performance, to effectively tie pay to performance, and to align the named executive officers' interest with the interest of stockholders.

You may vote for or against the following resolution, or you may abstain. Broker non-votes will be disregarded and will have no effect on the outcome of the vote. This vote is advisory and non-binding. However, the compensation committee will review the voting results and take them into consideration as one factor when making future decisions regarding executive compensation, in conjunction with other factors such as feedback from shareholder outreach programs.

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RESOLVED, that the stockholders approve the compensation of the company's named executive officers, as disclosed under Securities and Exchange Commission rules, including the compensation discussion and analysis, the compensation tables and related material included in this proxy statement.

**THE
BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
THE RESOLUTION APPROVING THE COMPANY'S 2010 EXECUTIVE
COMPENSATION**

PROPOSAL 3—FREQUENCY OF SAY-ON-PAY VOTE

As required by Section 14A of the Exchange Act, we are seeking a stockholder vote about how often we should present stockholders with the opportunity to vote on the compensation awarded to our named executive officers.

We believe that an annual vote is most appropriate.

You may elect to have the vote held annually, every two years or every three years, or you may abstain. You are not voting to approve or disapprove the Board's recommendation. Broker non-votes will be disregarded and will have no effect on the outcome of the vote. The vote is advisory and non-binding. The compensation committee will consider the outcome in recommending a voting frequency to the board of directors, but will not be bound either by its own recommendation or by the outcome of the vote, and may choose to conduct the vote more or less frequently in the future based on other factors, such as feedback from shareholder outreach programs, the adoption or revision of compensation policies, or the outcome of "Say on Pay" votes.

**THE
BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
AN ANNUAL STOCKHOLDER ADVISORY VOTE
REGARDING COMPENSATION AWARDED TO HEXCEL'S NAMED EXECUTIVE
OFFICERS**

PROPOSAL 4—APPROVAL OF MANAGEMENT INCENTIVE COMPENSATION PLAN

General

We maintain the Management Incentive Compensation Plan, which provides for annual cash incentive awards to be granted to eligible participants at the discretion of the compensation committee. On January 24, 2011, the compensation committee approved an amendment and restatement of the plan, subject to stockholder approval. The plan is being submitted to stockholders to meet the stockholder approval requirement of Section 162(m) of the Internal Revenue Code for qualified performance-based compensation. Below is a summary description of the material provisions of the plan. This description is qualified by the full text of the plan, which is included as Annex A to this proxy statement.

Description of the Principal Features of the Plan

Purpose

The purpose of the plan is to attract and retain highly qualified executives and key employees and to advance our interests by providing a cash incentive award for employees who have a direct, measurable opportunity to advance our goals.

Administration

The plan is administered by the compensation committee. The compensation committee establishes incentive awards, performance goals and all other material terms of awards for each participant. The compensation committee, in consultation with management, decides who participates in the plan.

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Eligibility

Any of our salaried exempt employees or officers is eligible to receive an award under the plan. In 2010, 161 of our employees (including the NEOs) participated in the MICP that was in effect at the time.

Awards

The plan provides for cash incentive awards as a percentage, which may exceed one hundred percent, of a target incentive award amount established for each participant. The percentage used to determine an award is based on the degree of achievement of performance goals. The applicable performance period may be one or more calendar years.

When an award to our CEO or any of our three most highly compensated executive officers (other than the CFO) (referred to as "Covered Employees" in this description, with the term being defined in the plan) is intended to qualify for tax deductibility under Section 162(m) (a "Qualified Award" as defined in the plan), the performance goals for the award must be based upon one or more of the following criteria, each of which may relate to the performance of Hexcel, a subsidiary, a business unit, any subsection of our business or any combination thereof and may be expressed as an amount, or as an increase or decrease over a specified period, or a relative comparison of performance to the performance of a peer group of entities or other external measure, of the selected performance criteria: earnings, cash flow, customer satisfaction, safety, revenues, financial return ratios, market performance, productivity, costs, shareholder return and/or value, operating profits (including earnings before any or all interest, taxes, depreciation and amortization), net profits, earnings per share, profit returns or margins, stock price and working capital (or elements thereof). With respect to an award to any employee other than a Covered Employee, or an award to a Covered Employee that is not intended to be a Qualified Award, the performance goals may be based on any of the criteria listed above and/or on any other objective or subjective performance measures.

The compensation committee has the discretion to increase the size of any award otherwise payable to a participant, other than for a Qualified Award to a Covered Employee. The compensation committee also may reduce or eliminate the size of any award otherwise payable to any participant including a Covered Employee. Any such increase or decrease may reflect a participant's individual performance or be based on other factors the compensation committee deems to be relevant. The amount of an award payable to any participant for any Plan Period (as that term is defined in the plan) cannot exceed $4,000,000 for any award where the Plan Period is a calendar year or $4,000,000 per calendar year where the Plan Period is greater than a calendar year.

An award is generally payable in cash as soon as practicable after the end of the year and certification by the compensation committee of the degree of achievement of the relevant performance goals.

Amendment and Termination

The compensation committee has the authority to amend, suspend or terminate the plan at any time. No amendment, suspension or termination of the plan may adversely affect the payment of any award for a year that has already ended, or the payment of an award due upon the occurrence of a change in control, without the consent of the participant.

Plan Benefits

Awards under the plan are granted at the discretion of the compensation committee and performance criteria may vary from year to year and from participant to participant. Therefore, benefits under the plan are generally not determinable.

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The compensation committee approved performance goals and aggregate target awards for 2011 for a group of 163 key employees, including the Covered Employees, subject to approval of the plan by the company's shareholders for awards to Covered Employees. Awards for 2010 are payable under the plan as previously in effect and are not dependent on approval of the plan by stockholders. Compensation paid and other benefits granted to certain of our executive officers for 2010 are set forth in this proxy statement in the section entitled "Executive Compensation."

NEW PLAN BENEFITS

Management Incentive Compensation Plan

Name and Position		Dollar Value ($)(1)
David E. Berges	Chairman and Chief Executive Officer	950,000
Nick L. Stanage	President	409,275
Wayne C. Pensky	SVP and CFO	254,123
Ira J. Krakower	SVP, General Counsel; Secretary	233,929
Robert G. Hennemuth	SVP—Human Resources	185,877
Executive Group		2,323,041
Non-Executive Director Group		0
Non-Executive Officer Employee Group		3,983,025

(1) Calculated based on target awards under MICP.

Federal Income Taxes

Section 162(m) of the Internal Revenue Code limits the deductibility of certain compensation in excess of $1 million per year paid by a publicly traded corporation to its Covered Employees. However, compensation which qualifies as "performance-based" is exempt from the $1 million limitation. In order for compensation paid under the plan to a covered person to qualify for this exemption, the material terms of the plan must be approved by stockholders every five years and payments to the executive officer must be based solely on the attainment of pre-established, objective performance goals and must be computed by a pre-established, objective formula or standard. The plan is designed to preserve our opportunity for a tax deduction for cash incentive compensation paid to our Covered Employees.

Participants will recognize income only upon the receipt of cash under an award. We will generally be entitled to a tax deduction at that time equal to the amount of the award, subject to possible Section 162(m) limitations.

Vote Required

Approval of the plan requires the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote on the matter at the Annual Meeting once a quorum is present. In determining whether the proposal to approve the plan receives the required number of affirmative votes, abstentions will be counted and will have the same effect as a vote against the proposal. Broker non-votes will be disregarded and will have no effect on the outcome of the vote.

**THE
BOARD OF DIRECTORS RECOMMENDS A VOTE FOR
APPROVAL OF THE MANAGEMENT INCENTIVE COMPENSATION
PLAN**

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AUDIT COMMITTEE REPORT

The audit committee is responsible for assisting the Board's oversight of the integrity of our financial statements, our exposure to risk and mitigation of those risks, our compliance with legal and regulatory requirements, our independent registered public accounting firm's qualifications, independence and performance, and our internal audit function. We also recommend to the Board of Directors, subject to stockholder ratification, the selection of our independent registered public accounting firm. We operate under a written charter adopted and approved by the Board of Directors, which was last amended on December 7, 2010.

Management is responsible for the financial reporting process, including the system of internal controls, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles in the United States. Our independent registered public accounting firm is responsible for auditing the financial statements and expressing an opinion as to their conformity with generally accepted accounting principles in the United States. Our responsibility is to monitor and review these processes.

We held eight meetings in 2010, held numerous discussions with management and met in executive session, without management, with PricewaterhouseCoopers LLP, our independent registered public accounting firm. We also met in executive session, without management present, with our internal auditors. We have reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. We discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees*.

Our independent registered public accounting firm also provided the written disclosures required by PCAOB Rule No. 3526, *Communications with Audit Committees Concerning Independence*, and we discussed with the independent registered public accounting firm their independence.

Based on our review and the discussions referred to above, we recommended that the board include our audited consolidated financial statements in the Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC. We have also selected PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2011, subject to stockholder ratification.

Jeffrey C. Campbell, Chair   W. Kim Foster   David C. Hill   David C. Hurley   The Members of the Audit Committee

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RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

General

We are asking the stockholders to ratify the audit committee's appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2011. In the event the appointment of PricewaterhouseCoopers LLP is not ratified, the audit committee will consider the appointment of another independent registered public accounting firm.

PricewaterhouseCoopers LLP has audited our financial statements annually since 1997. A representative of PricewaterhouseCoopers LLP is expected to be present at the Annual Meeting. The representative will have an opportunity to make a statement if she desires to do so and will be available to answer appropriate questions from stockholders.

Fees

Audit Fees

The aggregate fees billed by PricewaterhouseCoopers LLP for 2010 for professional services rendered for the audit of our annual financial statements and review of the financial statements included in our Forms 10-Q and services provided in connection with foreign statutory and regulatory filings and engagements were approximately $1,803,000. With respect to 2009, the aggregate amount of such fees was approximately $2,365,000.

Audit-Related Fees

There were approximately $37,000 in fees billed by PricewaterhouseCoopers LLP in 2010 for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and which are not included in the amount for 2010 under "Audit Fees" above. These fees related primarily to the filing of a French prospectus. With respect to 2009, the amount of such fees was approximately $47,000, related primarily to the MS Dynamics AX pre-implementation and filing of the French prospectus.

Tax Fees

The aggregate fees billed by PricewaterhouseCoopers LLP in 2010 and 2009 for professional services rendered for tax compliance, tax advice and tax planning were approximately $490,000 and $481,000, respectively. For both 2010 and 2009, these fees related primarily to research and development tax credit documentation and European tax compliance.

All Other Fees

There was an additional $5,200 billed by PricewaterhouseCoopers LLP in 2010 for a one-year license to use their proprietary online accounting research tool and statutory accounting training for our associates in Spain. There were no other fees billed by Pricewaterhouse Coopers LLP in 2009 for professional services rendered to us.

Audit Committee Pre-Approval Policies and Procedures

Our audit committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent registered public accounting firm on an annual basis. These services may include audit services, audit-related services, tax services and other services. Any pre-approval is detailed as to the particular service. Committee pre-approval is also required for additional services outside the scope of previously approved services in the event the fees for such additional services, in

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aggregate, are greater than $25,000 per annum. The independent registered public accounting firm and management are required to periodically report to the audit committee regarding the amount of audit and non-audit service fees incurred to date.

Rule 2-01(c)(7)(i) under SEC Regulation S-X provides that a company's independent registered public accounting firm can provide certain non-audit services without the prior approval of the audit committee if certain conditions are met, including that the services are incurred in accordance with policies and procedures detailed as to the particular service adopted by the company and are brought promptly to the attention of the audit committee.

Vote Required

The ratification of the appointment of PricewaterhouseCoopers LLP requires the affirmative vote of a majority of the shares present in person or by proxy and entitled to vote on the matter at the Annual Meeting once a quorum is present. Abstentions will be counted and will have the same effect as a vote against the proposal. The audit committee is directly responsible for appointing the Company's independent registered public accounting firm, regardless of the outcome of this vote. The audit committee is not bound by the outcome of this vote but will, however, consider these voting results when selecting the Company's independent auditor for 2011.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP

CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS

Review and Approval of Related Person Transactions

We have adopted a written policy that requires the review and pre-approval of all potential transactions valued at greater than $10,000 in which we and any of our directors, executive officers, shareholders owning greater than 5% of any class of our securities or any of their immediate family members participates or otherwise has an interest. The audit committee is responsible for evaluating and authorizing any transaction with a value greater than $120,000, although any member of the audit committee who is a related person with respect to a transaction under review may not participate in the deliberations or vote respecting approval or ratification of the transaction in question. The Chief Financial Officer is responsible for evaluating and authorizing any transaction with a value between $10,000 and $120,000, unless the Chief Financial Officer is a related person with respect to the transaction under review, in which case the General Counsel shall be responsible for such evaluation and possible authorization.

The factors to be considered in determining whether or not to authorize a transaction brought to the attention of the audit committee or the Chief Financial Officer under this policy include the following:

- the terms of the transaction, and whether the terms are no less favorable to us than would be obtained in the transaction were entered into with a party other than a related person
- the benefits to us
- the availability of other sources for the product or service that is the subject of the transaction
- the timing of the transaction
- the potential impact of the transaction on a director's independence
- any other factors deemed relevant

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Related Person Transactions

The company had no related person transactions during 2010, and is not currently aware of any proposed related person transactions.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of Hexcel common stock. Executive officers, directors, and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on a review of the copies of such reports furnished to us and representations that no other reports were required, for the year ended December 31, 2010, all Section 16(a) filing requirements applicable to our executive officers, directors and greater than ten percent stockholders were complied with, except (i) a Form 4 filed by Mr. David E. Berges on February 2, 2010 inadvertently reported that Mr. Berges acquired 51,983 RSUs and 217,850 NQOs (this was corrected by an amended Form filed on October 1, 2010); (ii) an amended Form 4 filed by Mr. David E. Berges on October 1, 2010 inadvertently omitted 20,152 shares of common stock that were transferred from the Berges 2009 Grantor Retained Annuity Trust I to Mr. Berges (this was corrected by an amended Form 4 filed on January 15, 2011); (iii) a Form 4 filed by Mr. Wayne C. Pensky on February 2, 2010 inadvertently reported that Mr. Pensky acquired 12,679 RSUs and 53,163 NQOs (this was corrected by an amended Form 4 filed on October 1, 2010); (iv) a Form 4 filed by Mr. Ira J. Krakower on February 2, 2010 inadvertently reported that Mr. Krakower acquired 10,957 RSUs and 45,939 NQOs (this was corrected by an amended Form filed on October 1, 2010); (v) a Form 4 filed by Mr. Robert G. Hennemuth on February 2, 2010 inadvertently reported that Mr. Hennemuth acquired 9,554 RSUs and 40,059 NQOs (this was corrected by an amended Form filed on October 1, 2010) and (vi) a Form 4 filed by Mr. Robert G. Hennemuth on August 3, 2010 incorrectly reported the number of shares of common stock held by Mr. Hennemuth was 32,191 shares (this was corrected by amended Form 4 filed on January 27, 2011).

OTHER MATTERS

As of the date of this proxy statement, the board does not know of any other matters to be presented for action by the stockholders at the Annual Meeting. However, if any other matters not known are properly brought before the Annual Meeting, proxies will be voted at the discretion of the proxy holders and in accordance with their judgment on such matters.

STOCKHOLDER PROPOSALS

Stockholder proposals intended for inclusion in our proxy materials for the 2012 Annual Meeting of Stockholders pursuant to Rule 14a-8 under the Exchange Act must be submitted in writing not later than November 19, 2011 to the Corporate Secretary at Hexcel Corporation, Two Stamford Plaza, 281 Tresser Boulevard, Stamford, CT 06901-3238.

Our Bylaws require that proposals of stockholders that are made outside of Rule 14a-8 under the Exchange Act and nominations for the election of directors at the 2012 Annual Meeting of Stockholders be submitted, in accordance with the requirements of our Bylaws, not later than January 6, 2012 in order to be considered timely. Stockholders are also advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations. We may exclude untimely proposals from our 2012 proxy statement. Management proxies will have discretionary authority to vote on the subject matter of the excluded proposal if otherwise properly brought before the annual meeting.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY
OF PROXY MATERIALS FOR THE
STOCKHOLDER MEETING TO BE HELD ON MAY 5, 2011**

The proxy statement, annual report to security holders and related materials are available at *http://phx.corporate-ir.net/phoenix.zhtml?c=75598&p=proxy*.

ANNUAL REPORT

Our Annual Report to Stockholders containing audited consolidated financial statements for the year ended December 31, 2010, is being mailed herewith to all stockholders of record. Additional copies are available without charge on request. Requests should be addressed to the Corporate Secretary, Hexcel Corporation, Two Stamford Plaza, 281 Tresser Boulevard, Stamford Connecticut, 06901-3238.

Stamford, Connecticut March 18, 2011

EXHIBIT IV

RESTATED CERTIFICATE OF INCORPORATION OF HEXCEL AND CERTIFICATE OF AMENDMENT OF THE RESTATED CERTIFICATE OF INCORPORATION OF HEXCEL

RESTATED CERTIFICATE OF INCORPORATION

OF

HEXCEL CORPORATION

(Pursuant to Sections 242 and 245 of
the Delaware General Corporation Law)

Hexcel Corporation, a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), does hereby certify as follows:

1. The name of the Corporation is Hexcel Corporation. The Corporation was originally incorporated in the State of Delaware as Hexcel Merger Corporation on March 2, 1983. On May 2, 1983, an Agreement of Merger was filed with the State of Delaware, whereby Hexcel Corporation, then a California Corporation, was merged with and into Hexcel Merger Corporation, and the name of Hexcel Merger Corporation was changed to Hexcel Corporation.

2. This Restated Certificate of Incorporation restates and integrates and also further amends the Certificate of Incorporation of the Corporation, as heretofore amended. This Restated Certificate of Incorporation was proposed by the Board of Directors and duly adopted by the stockholders of the Corporation in the manner and by the vote prescribed by Sections 242 and 245 of the General Corporation Law of the State of Delaware. The text of the Restated Certificate of Incorporation, as so amended and restated, is as follows:

1. NAME. The name of this Corporation is HEXCEL CORPORATION.

2. REGISTERED AGENT. The address in the State of Delaware of the registered office of the Corporation is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, and the name of its registered agent at that address is The Corporation Trust Company.

3. PURPOSE. The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "GCL").

4. CAPITALIZATION. The total number of shares which the Corporation is authorized to issue is 120,000,000, consisting of 20,000,000 shares of Preferred Stock without par value (hereinafter in this Certificate of Incorporation called the "Preferred Stock"), and 100,000,000 shares of Common Stock with a par value of $.01 per share (hereinafter in this Certificate called the "Common Stock").

5. PREFERRED STOCK. The Preferred Stock may be issued from time to time in one or more classes or series. The Board of Directors is hereby authorized to issue the Preferred Stock as Preferred Stock of any class or series and in connection with any such class or series fix or alter the designations, rights, preferences, limitations, qualifications, privileges and restrictions granted to or imposed upon such class or series of Preferred Stock to the fullest extent now or hereafter permitted by this Certificate of Incorporation and the laws of the State of Delaware, including without limiting the generality of the preceding clause, the authority to fix or alter distribution rights, dividend rights (whether cumulative or otherwise) dividend rate, conversion or exchange rights, subscription rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price or prices, and the liquidation preference of said shares. The Board of Directors is further authorized to determine or alter the number of shares of Preferred Stock constituting any such class or series and the designation thereof, and to increase or decrease the number of shares of any class or series subsequent to the issue of shares of that class or series, but not below the number of shares of such class or series then outstanding. In case the number of shares of any class or series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such class or series. Shares of Preferred Stock that have been issued and reacquired in any manner by the Corporation (excluding, until the Corporation elects to retire them, shares which are held as treasury shares, but including shares redeemed, shares purchased and retired and shares which have been converted into shares of Common

Stock or exchanged into other securities) shall have the status of authorized but unissued shares of Preferred Stock and may be reissued as a part of the class or series of which they were originally a part or may be reissued as part of another class or series of Preferred Stock, all subject to the conditions or restrictions on issuance set forth in the resolution or resolutions adopted by the Board of Directors providing for the issuance of any class or series of Preferred Stock. The holders of Preferred Stock shall not have any preemptive rights except to the extent such rights shall be specifically provided for in the resolution or resolutions adopted by the Board of Directors providing for the issuance thereof.

6. DIRECTORS.

6.1 NUMBER OF DIRECTORS. Except as provided in any certificate filed pursuant to Section 151(g) of the GCL designating the number of shares of Preferred Stock to be issued and the rights, preferences, privileges and restrictions granted to and imposed on the holders of such designated Preferred Stock, the authorized number of directors of the Corporation shall be not less than three (3) nor more than fifteen (15). The exact number of directors within such range may be changed from time to time in the manner provided in the Bylaws of the Corporation (the "Bylaws"), or if the Bylaws do not so provide, by a resolution passed by the Corporation's Board of Directors. The election of directors need not be by written ballot unless the Bylaws so provide.

6.2 PREFERRED STOCK TERMS. Notwithstanding any other provision of this Section 6, whenever the holder of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies, removal and other features of such directorships shall be governed by the terms of this Certificate of Incorporation applicable thereto, and by the terms of any applicable certificate filed pursuant to Section 151(g) of the GCL designating the number of shares of Preferred Stock to be issued and the rights, preferences, privileges and restrictions granted to and imposed on the holder of such designated Preferred Stock.

6.3 REMOVAL OF DIRECTORS. Except as provided in Subsection 6.2 hereof or in the Bylaws, a director may be removed from office at any time, with or without cause, by the affirmative vote of the holders of a majority of the outstanding shares entitled to vote at an election of directors. No reduction in the number of directors shall have the effect of removing any director prior to the expiration of his term.

6.4 VACANCIES. Except as provided in Subsection 6.2 hereof or in the Bylaws, any vacancies in the Board of Directors for any reason, and any newly created directorships, may be filled by the Board of Directors, acting by a majority of the directors then in office, even though less than a quorum; and any directors so chosen shall hold office until the next election of directors, and until their successors shall be elected and qualified or until their earlier death, resignation or removal.

6.5 MANAGEMENT BY DIRECTORS. The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(a) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

(b) In addition to the powers and authority expressly conferred upon them by statute, this Certificate of Incorporation or the Bylaws, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the GCL, this Certificate of Incorporation and the Bylaws, PROVIDED, HOWEVER, that no bylaw or provision of this Certificate of Incorporation hereafter adopted or amended shall invalidate any prior act of the directors which would have been valid absent such adoption or amendment.

7. ACTION BY STOCKHOLDERS; SPECIAL MEETINGS; VOTING. All actions required or permitted to be taken by the Corporation's stockholders must be effected at a duly called annual or special meeting and may not be effected by written consent in lieu thereof. Special meetings of the stockholders of the Corporation may be called at any time and for any purpose or purposes by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer or by a committee of the Board of Directors which has been duly designated by the Board of Directors and whose powers and authority, as provided in a resolution of the Board of Directors or in the Bylaws, include the power to call such meetings. If, and to the extent that, any special meeting of stockholders may be called by any other person or persons specified in any provision of the Certificate of Incorporation or any amendment thereto or in any certificate filed under Section 151(g) of the GCL, then such special meeting may also be called by such person or persons in the manner, at the times and for the purposes so specified. Except as provided in this Certificate of Incorporation or as otherwise provided in the Bylaws or by law, a stockholder shall be entitled to one vote for each share held of record on the record date fixed for the determination of stockholders entitled to vote at a meeting or, if no such date is fixed, the date determined in accordance with law. If any share is entitled to more or less than one vote on any matter, all references herein to a majority or other proportion of shares shall refer to a majority or other proportion of the voting power of holders of shares entitled to vote on such matter.

8. AMENDMENT OF CERTIFICATE OF INCORPORATION AND BYLAWS.

8.1 CERTIFICATE OF INCORPORATION. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereinafter prescribed by statute and consistent with the Bylaws, and all rights conferred to stockholders, directors and officers herein are granted subject to this reservation.

b The Board of Directors is authorized and empowered from time to time in its discretion to make, alter, amend or repeal the Bylaws, except as such power may be expressly restricted or limited by the GCL, this Certificate of Incorporation or the Bylaws.

9. CERTAIN COMPROMISES OR ARRANGEMENTS.

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders of the Corporation, as the case may be, and also on the Corporation.

10. ELIMINATION OF DIRECTORS' LIABILITY; INDEMNIFICATION.

10.1 ELIMINATION OF DIRECTORS' LIABILITY. The personal liability of the directors of the Corporation is hereby eliminated to the fullest extent authorized or permitted by the GCL, as the same exists or may hereafter be amended. Any repeal or modification of this Subsection 10.1 shall be prospective only, and shall not adversely affect the personal liability or alleged personal liability of any director of the Corporation with respect to any act or occurrence taking place prior to such repeal or modification.

10.2 INDEMNIFICATION AND INSURANCE.

(a) INDEMNIFICATION. The Corporation shall, to the fullest extent authorized or permitted by the GCL, as the same exists or may hereafter be amended, (i) indemnify its directors and officers from and against any and all expenses (including attorneys' fees), liabilities or other matters and (ii) advance expenses (including attorneys'

fees) incurred by any and all of its directors and officers in connection with any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative. Except for proceedings to enforce rights to indemnification, the Corporation shall not be obligated to indemnify any director or officer in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized by the Board of Directors. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses similar to those provided in this Subsection 10.2(a) to the directors and officers of the Corporation to employees and agents of the Corporation who are not directors or officers. The rights to indemnification and advancement of expenses provided for in this Subsection 10.2(a) (i) shall not be deemed exclusive of any other rights to which those entitled to indemnification may be entitled under the Bylaws, any agreement, any vote of stockholders or disinterested directors or otherwise, (ii) shall continue as to any person who has ceased to be a director, officer, employee or agent and (iii) shall inure to the benefit of the heirs, executors and administrators of any such person. Any repeal or modification of this Subsection 10.2(a) shall be prospective only, and shall not adversely affect any right to indemnification or advancement of expenses existing under this
Subsection 10.2(a) with respect to any act or occurrence taking place prior to such repeal or modification.

(b) The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of (i) the Corporation (notwithstanding whether any such individual is also a director, officer, employee or agent of another corporation) or (ii) another corporation, partnership, joint venture, trust or other enterprise (if such director, officer, employee or agent is or was serving as such at the request of the Corporation) against any liability asserted against him and incurred by him in any such capacity, whether or not the Corporation would have the power to indemnify such person against such liability under the GCL.

11. SEVERABILITY. If any provision in this Certificate of Incorporation is determined to be invalid, void, illegal or unenforceable, the remaining provisions of this Certificate of Incorporation shall continue to be valid and enforceable and shall in no way be affected, impaired or invalidated thereby.

THE UNDERSIGNED, being the Vice President and Secretary of the Corporation, does hereby certify that the Corporation has restated its Certificate of Incorporation as set forth above, does hereby certify that such restatement has been duly adopted in accordance with the applicable provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware, and does hereby make and file this Restated Certificate of Incorporation.

Dated: June 3, 1996

/s/ JOSEPH H. SHAULSON

Joseph H. Shaulson

CERTIFICATE OF AMENDMENT OF THE
RESTATED CERTIFICATE OF INCORPORATION OF
HEXCEL CORPORATION

Pursuant to Section 242
of the General Corporation Law
of the State of Delaware

Hexcel Corporation, a Delaware Corporation (the "Corporation"), does hereby certify as follows:

FIRST: Article 4 of the Corporation's Restated Certificate of Incorporation is hereby amended to read in its entirety as set forth below:

4. CAPITALIZATION.

The total number of shares which the Corporation is authorized to issue is 220,000,000, consisting of 20,000,000 shares of Preferred Stock, without par value (hereinafter in this Certificate of Incorporation called the "Preferred Stock"), and 200,000,000 shares of Common Stock with a par value of $0.01 per share (hereinafter in this Certificate called the "Common Stock").

SECOND: The foregoing amendment was duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, Hexcel Corporation has caused this Certificate to be duly executed in its corporate name this 19th day of March, 2003.

HEXCEL CORPORATION

By: /s/ David E. Berges

Name: David E. Berges
Title: Chairman, Chief Executive
Officer and President

EXHIBIT V

AMENDED AND RESTATED BYLAWS OF HEXCEL

BYLAWS OF HEXCEL CORPORATION
A DELAWARE CORPORATION
AMENDED AND RESTATED AS OF DECEMBER 7, 2010

OFFICES

1. **PRINCIPAL EXECUTIVE OFFICE**. The principal executive office of the Corporation is hereby fixed and located at 2 Stamford Plaza, Stamford, Connecticut. The Board of Directors is hereby granted full power and authority to change the place of said principal executive office from time to time.

2. **OTHER OFFICES.** The registered office of the Corporation in the State of Delaware is hereby fixed and located at 1209 Orange Street, Wilmington, Delaware, c/o The Corporation Trust Company. The Board of Directors is hereby granted full power and authority to change the place of said registered office within the State of Delaware from time to time. The Corporation may also have offices in such other places in the United States or elsewhere as the Board of Directors may from time to time designate or as the business of the Corporation may from time to time require.

STOCKHOLDERS

3. **PLACE OF MEETINGS.** Stockholders' meetings shall be held at such place, whether within or without the State of Delaware, as the Board of Directors shall, by resolution, designate.

4. **ANNUAL MEETINGS.** Annual meetings of stockholders shall be held on such dates and at such times as shall be designated from time to time by the Board of Directors and stated in the notice of such annual meeting. At such annual meetings directors shall be elected and such other business as may be properly brought before such meeting shall be conducted.

Written notice of each annual meeting shall be mailed to or delivered to each stockholder of record entitled to vote thereat not less than ten (10) days nor more than sixty (60) days before the date of such annual meeting. Such notice shall specify the place, the day, and the hour of such meeting, and the matters which the Board of Directors intends to present for action by the stockholders.

Except to the extent, if any, specifically provided to the contrary in the Certificate of Incorporation or these Bylaws, to be properly brought before an annual meeting, all business (other than the nomination of a person or persons for election to the Board of Directors, which nomination must comply with the provisions of Section 16) must be either (a) specified in the notice of annual meeting (or any supplement thereto) given by or at the direction of the Board of

Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by a stockholder of record who complies with the notice procedures set forth in this Section 4. In addition to any other applicable requirements, for business (other than the nomination of a person or persons for election to the Board of Directors) to be properly brought before any annual meeting by a stockholder, the stockholder must have given timely notice thereof, in proper form, to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not less than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event the annual meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper form, a stockholder's notice to the Secretary must be in writing and must set forth with respect to each matter the stockholder proposes to bring before the annual meeting (a) a brief description 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 record address of the stockholder proposing such business, (c) the class or series and number of shares of the capital stock of the Corporation that are owned beneficially or of record by the stockholder and any other direct or indirect pecuniary or economic interest in any capital stock of the Corporation of such person, including, without limitation, any derivative instrument, swap (including total return swaps), option, warrant, short interest, hedge or profit sharing arrangement, and the length of time that the interests in the shares have been held, (d) a description of all arrangements or understandings between such stockholder and any other person or persons (including their name(s)) in connection with the proposal of such business by any stockholder and any material interest of such stockholder in such business, (e) any other information that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies for the proposal pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder if such stockholder were engaged in such a solicitation and (f) a representation that such stockholder or a representative thereof intends to appear in person at the annual meeting to bring such business before the meeting. A stockholder providing notice of business proposed to be brought before an annual meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 4 shall be true and correct as of the record date for the meeting, and such update and supplement shall be delivered to or mailed and received at the principal executive offices of the Corporation not later than five (5) business days after the record date for the meeting.

The Chairman of the annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 4 and any such business not properly brought before the meeting shall not be transacted at the meeting.

5. **SPECIAL MEETINGS.** Special meetings of the stockholders may be called at any time and for any purpose or purposes by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or by a committee of the Board of Directors which has been duly designated by the Board of Directors and whose powers and authority, as provided in a resolution of the Board of Directors or in these Bylaws, include the power to call such meetings. If and to the extent that any special meeting of stockholders may be called by any other person or persons specified in any provision of the Certificate of Incorporation or any amendment thereto, or any certificate filed under Section 151(g) of the General Corporation Law of the State of Delaware (the "GCL") designating the number of shares of Preferred Stock to be issued and the rights, preferences, privileges and restrictions granted to and imposed on the holders of such designated Preferred Stock, then such special meeting may also be called by such person or persons in the manner, at the times and for the purposes so specified. Except in special cases where other express provision is made by statute, notice of such special meeting shall be given in the same manner as for an annual meeting of stockholders. Such notice shall also specify the general nature of the business to be transacted at the meeting, and no business shall be transacted at the special meeting except as specified in such notice (or any supplement thereto).

6. **ADJOURNED MEETINGS AND NOTICE THEREOF.** Any stockholders' meeting, annual or special, whether or not a quorum is present, may be adjourned from time to time by the chairman of such meeting or by the vote of a majority of the shares present in person or represented by proxy at such meeting, but in the absence of a quorum no other business may be transacted at such meeting.

Notice of an adjourned meeting need not be given if (a) the meeting is adjourned for thirty (30) days or less, (b) the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken, and (c) no new record date is fixed for the adjourned meeting. Otherwise, notice of the adjourned meeting shall be given as if the adjourned meeting were a new meeting.

7. **VOTING.** Except as otherwise provided by applicable law, the Certificate of Incorporation, any certificate filed under Section 151(g) of the GCL or these Bylaws, a stockholder shall be entitled to one vote for each share held of record on the record date fixed for the determination of the stockholders entitled to notice of and to vote at a meeting or, if no such date is fixed, the date determined in accordance with applicable law. If any share is entitled to more or less than one vote on any matter, all references herein to a majority or other proportion of shares shall refer to a majority or other proportion of the voting power of shares entitled to vote on such matter.

8. **QUORUM.** A majority of the outstanding shares entitled to vote, represented in person or by proxy, shall constitute a quorum for the transaction of business. No business may be transacted at a meeting in the absence of a quorum other than the adjournment of such meeting, except that if a quorum is present at the commencement of a meeting, business may be transacted until the meeting is adjourned even though the withdrawal of stockholders results in less than a quorum being present in person or by proxy at such meeting. If a quorum is present at a meeting, the affirmative vote of a majority of the shares present or represented by proxy at the meeting and entitled to vote on any matter shall be the act of the stockholders unless

the vote of a larger number is required by applicable law, the Certificate of Incorporation or these Bylaws. If a quorum is present at the commencement of a meeting but the withdrawal of stockholders results in less than a quorum being present in person or by proxy at such meeting, the affirmative vote of a majority of the shares required to constitute a quorum shall be the act of the stockholders unless the vote of a larger number is required by applicable law, the Certificate of Incorporation or these Bylaws.

9. **PROXIES.** A stockholder may be represented at any meeting of stockholders by a written proxy signed by the person entitled to vote or by such person's duly authorized attorney-in-fact. A proxy must bear a date within three (3) years prior to the meeting, unless the proxy specifies a different length of time. A revocable proxy is revoked by a writing delivered to the Secretary of the Corporation stating that the proxy is revoked or by a subsequent proxy executed by, or by attendance at the meeting and voting in person by, the person executing the proxy.

10. **CHAIRMAN AND SECRETARY AT MEETINGS.** At any meeting of stockholders, the Chairman of the Board of Directors, or in his absence, a person designated by the Board of Directors, shall preside at and act as chairman of the meeting. The Secretary, or in his absence a person designated by the chairman of the meeting, shall act as secretary of the meeting.

11. **INSPECTORS.** The Board of Directors may, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to faithfully execute the duties of inspector. The inspector(s) shall determine the number of shares of capital stock of the Corporation outstanding and the voting power of each, the number of shares present or represented by proxy at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, count and tabulate all votes, ballots or consents, determine the results of any election or vote, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. At the request of the chairman of the meeting, the inspectors shall make a written report of any matters determined by them. No director or candidate for the office of director shall act as an inspector of an election of directors.

12. **LIST OF STOCKHOLDERS.** The Secretary of the Corporation shall prepare and make, at least ten (10) days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

DIRECTORS

13. **POWERS.** Subject to any limitations contained in the Certificate of Incorporation, these Bylaws or the GCL as to actions to be authorized or approved by the stockholders, and subject to the duties of directors as prescribed by these Bylaws, all corporate powers shall be exercised by or under the ultimate direction of, and the business and affairs of the Corporation shall be managed by, or under the ultimate direction of, the Board of Directors.

14. **NUMBER OF DIRECTORS.** (a) Except as provided in Subsection 6.1 of the Certificate of Incorporation, the authorized number of directors of this Corporation shall be not less than three (3) nor more than fifteen (15), with the exact number of directors within such range fixed from time to time by resolution of the Board of Directors.

(b) One member of the Board of Directors shall be designated the Chairman of the Board. The Chairman of the Board shall be designated by a majority of the members of the Board of Directors.

(c) In the event that the Chairman of the Board is not independent (as determined by the Board), then one member of the Board of Directors shall be designated the Presiding Director. The Presiding Director shall be designated by a majority of the independent members of the Board of Directors.

15. **ELECTION.** (a) Directors shall hold office until the annual meeting next following their election and until their successors are nominated, elected and qualified pursuant to these Bylaws; subject, however, to their prior resignation, death or removal as provided by the Certificate of Incorporation, these Bylaws or applicable law.

Subject to the Certificate of Incorporation and Subsection (b) hereof, any vacancies in the Board of Directors for any reason, and any newly created directorships resulting from any increase in the number of directors, may be filled by the Board of Directors, acting by a majority of the directors then in office, even if less than a quorum; and any directors so chosen shall hold office until the next election of the class for which such directors shall have been chosen, and until their successors shall be elected and qualified or until their earlier death, resignation or removal.

(b) Whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation shall have the right, voting separately by class or series, to elect directors at any annual or special meeting of stockholders, the election, term of office, filling of vacancies, removal and other features of such directorships shall be governed by the terms of the Certificate of Incorporation applicable thereto, and by the terms of any certificate filed pursuant to Section 151(g) of the GCL designating such class or series and the rights, preferences, privileges and restrictions granted to and imposed on the holders of such designated Preferred Stock.

16. **NOMINATION OF DIRECTORS.** Except to the extent, if any, specifically provided to the contrary in the Certificate of Incorporation or these Bylaws, only

persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of person for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation of record who complies with the notice procedures set forth in this Section 16.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, the stockholder must have given timely notice thereof, in proper form, to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation (x) in the case of an annual meeting, not less than one hundred twenty (120) days prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event the annual meeting is called for a date that is not within twenty-five (25) days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs; and (y) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the tenth (10th) day following the day on which notice of the date of the special meeting was mailed or public disclosure of the date of the special meeting was made, whichever first occurs.

To be in proper form, a stockholder's notice to the Secretary must be in writing and must set forth (i) as to each person whom the stockholder proposes to nominate for election to the Board of Directors, (A) the name, age, business address and residence address of the person, (B) the person's resume or a listing of his or her qualifications to be a director of the Corporation, and (C) such other information that the Board of Directors may require from time to time, (D) the class or series and number of shares of the capital stock of the Corporation that are owned beneficially or of record by such person and any other direct or indirect pecuniary or economic interest in any capital stock of the Corporation of such person, including, without limitation, any derivative instrument, swap (including total return swaps), option, warrant, short interest, hedge or profit sharing arrangement, and the length of time that the interests in the shares have been held and (E) any other information that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies for the election of such person or persons to the Board of Directors pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder if such stockholder were engaged in such a solicitation and (ii) as to the stockholder giving notice (A) the name and record address of the stockholder, (B) the class or series and number of shares of the capital stock of the Corporation that are owned beneficially or of record by the stockholder and any other direct or indirect pecuniary or economic interest in any capital stock of the Corporation of such person, including, without limitation, any derivative instrument, swap (including total return swaps), option, warrant, short interest, hedge or profit sharing arrangement, and the length of time that the interests in the shares have been held, (C) a description of all arrangements or understandings between such stockholder and any other person or persons (including their name(s)) in connection with the nomination of any person or persons for election to the Board of Directors by any stockholder and any material interest of such stockholder in such nomination, (D) any other information that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies for the election of a person or persons to the Board of Directors pursuant to the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder if such stockholder were engaged in such a solicitation and (E) a representation that such stockholder or a representative thereof intends to appear in person at the stockholder meeting to nominate such person or persons for election to the Board of Directors. Any such notice relating to the nomination of a person or persons for election to the Board of Directors must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected. A stockholder providing notice of any nomination proposed to be made at an annual or special meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 16 shall be true and correct as of the record date for the annual or special meeting, and such update and supplement shall be delivered to or mailed and received at the principal executive offices of the Corporation not later than five (5) business days after the record date for the meeting.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 16. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

17. **QUORUM AND REQUIRED VOTE.** A majority of the directors then in office shall constitute a quorum for the transaction of business. Except as otherwise provided by the Certificate of Incorporation or these Bylaws, every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board of Directors.

18. **REMOVAL.** Except as provided in the Certificate of Incorporation and in Section 15 hereof, a director may be removed from office at any time, with or without cause, by the affirmative vote of the holders of a majority of the outstanding shares entitled to vote at an election of directors. No reduction in the number of directors shall have the effect of removing any director prior to the expiration of his term.

19. **RESIGNATION.** Any director may resign by giving written notice to the Chairman of the Board, the Chief Executive Officer, the Secretary or the Board of Directors. Such resignation shall be effective when given unless the notice specifies a later time. The resignation shall be effective regardless of whether it is accepted by the Corporation.

20. **COMPENSATION.** If the Board of Directors so resolves, the directors, including the Chairman of the Board, shall receive compensation and expenses of attendance at meetings of the Board of Directors and committees of the Board of Directors. Nothing herein shall preclude any director from serving the Corporation in another capacity and receiving compensation for such service.

21. **COMMITTEES.** (a) The Board of Directors may, by resolution adopted by a majority of the authorized number of directors, designate one or more committees, each consisting of one or more directors, to serve at the pleasure of the Board of Directors. In the

absence or disqualification of any member of a committee of the Board of Directors, the other members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act in the place of such absent or disqualified member. The Board of Directors may designate one or more directors as alternate members of a committee who may replace any absent member at any meeting of the committee. To the extent permitted by resolution of the Board of Directors, a committee may exercise all of the authority of the Board of Directors to the extent permitted by Section 141(c) of the GCL.

(b) Each committee shall report to the Board of Directors, no later than the Board of Directors' next regularly scheduled meeting, on any action taken by the committee on a material matter since the committee's last report to the Board of Directors. A committee may invite any director who is not a member of the committee to attend a meeting of the committee but the director invitee may not vote at the meeting except as provided in Section 21 (a) hereof.

(c) A majority of the members of a committee then in office shall constitute a quorum for the transaction of business by the committee. Except as otherwise provided by the Certificate of Incorporation or these Bylaws, every act or decision done or made by a majority of the members present at a committee meeting duly held at which a quorum is present is the act of the committee.

22. **TIME AND PLACE OF MEETINGS AND TELEPHONE MEETINGS** . Immediately following each annual meeting of stockholders (or at such other time and place as may be determined by the Board of Directors), the Board of Directors shall hold a regular meeting for purposes of organizing the Board of Directors, electing officers, appointing committees and transacting other business. The Board of Directors may establish by resolution the times, if any, that other regular meetings of the Board of Directors shall be held. All meetings of directors shall be held at the principal executive office of the Corporation or at such other place, whether within or without the State of Delaware, as shall be designated in the notice for the meeting or in a resolution of the Board of Directors. Directors may participate in a meeting through use of conference telephone or similar communications equipment, so long as all directors participating in such meeting can hear each other.

23. **CALL.** Meetings of the Board of Directors, whether regular or special, may be called by the Chairman of the Board, the Chief Executive Officer, the Secretary or any two directors. In the event that there is a Presiding Director, the Presiding Director may call for a meeting of the independent members of the Board of Directors.

24. **NOTICE.** Regular meetings of the Board of Directors may be held without notice if the date and time of such meetings have been fixed by the Board of Directors. Special meetings shall be held upon four days' notice by mail, 24 hours notice delivered personally or by telephone, telegraph or confirmed fax or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate under the circumstances. Regular meetings shall be held upon similar notice if notice is required for such meetings. Neither a notice nor a waiver of notice need specify the purpose of any regular or special meeting. Notice sent by mail, telegram or fax shall be addressed to a director at his business or home address/fax number as shown upon the records of the Corporation, or at such other

address/fax number as the director specifies in writing delivered to the Corporation, or if such an address/fax number is not so shown on such records and no written instructions have been received from the director, at the place at which meetings of directors are regularly held. Such mailing, telegraphing, delivery or transmittal, as above provided, shall be due, legal and personal notice to such director. If a meeting is adjourned for more than 24 hours, notice of the adjourned meeting shall be given prior to the time of such meeting to the directors who were not present at the time of the adjournment.

25. **MEETING WITHOUT REGULAR CALL AND NOTICE.** The transaction of business at any meeting of the Board of Directors, however called and noticed or wherever held, is as valid as though transacted at a meeting duly held after regular call and notice if a quorum is present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting or an approval of the minutes of the meeting. For such purposes, a director shall not be considered present at a meeting if, although in attendance at the meeting, the director protests the lack of notice prior to the meeting or at its commencement.

26. **ACTION WITHOUT MEETING.** Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all of the members of the Board of Directors individually or collectively consent in writing to such action.

27. **COMMITTEE MEETINGS.** The principles set forth in Sections 22 through 26 of these Bylaws shall also apply to committees of the Board of Directors and to actions taken by such committees.

28. **HONORARY ADVISORS TO THE BOARD.** The Board of Directors may appoint one or more Honorary Advisors, who shall hold such position for such period, shall have such authority and perform such duties as the Board of Directors may specify, subject to change at any time by the Board of Directors. An Honorary Advisor to the Board of Directors shall not be a director for any purpose or with respect to any provision of the Certificate of Incorporation, these Bylaws or of the GCL, and shall have no vote as a director. However, an Honorary Advisor to the Board of Directors may receive such compensation and expense reimbursement as the Board of Directors shall from time to time determine.

OFFICERS

29. **TITLES AND RELATION TO BOARD OF DIRECTORS.** The officers of the Corporation shall include a Chief Executive Officer, a President and a Secretary. The Board of Directors may also choose a Chairman of the Board, one or more Vice Chairmen of the Board, a Chief Operating Officer, a Chief Financial Officer, a General Counsel, a Treasurer, and one or more Vice Presidents (who may be designated Executive or Senior Vice Presidents), Assistant Secretaries, Assistant Treasurers or other officers. All officers shall perform their duties and exercise their powers subject to the direction of the Chief Executive Officer and the overriding direction of the Board of Directors. If there shall occur a vacancy in any office, in the absence of the appointment of a replacement by the Board of Directors, the Chief Executive Officer shall have the right and power to appoint a Secretary, a Treasurer, a

Chief Operating Officer, a Chief Financial Officer, a General Counsel, one or more additional Vice Presidents (who may be designated Executive or Senior Vice Presidents), one or more Assistant Secretaries and one or more Assistant Treasurers, all of whom shall serve at the pleasure of the Board of Directors, and shall perform their duties and exercise their powers subject to the direction of the Chief Executive Officer and the overriding direction of the Board of Directors. Any number of offices may be held simultaneously by the same person.

30. **ELECTION, TERM OF OFFICE AND VACANCIES.** At its regular annual meeting, the Board of Directors shall choose the officers of the Corporation. The officers shall hold office until their successors are chosen, except that the Board of Directors may remove any officer at any time. Subject to Section 29 of these Bylaws, if an office becomes vacant for any reason, the vacancy shall be filled by the Board of Directors.

31. **RESIGNATION.** Any officer may resign at any time upon written notice to the Corporation without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party. Such resignation shall be effective when given unless the notice specifies a later time. The resignation shall be effective regardless of whether it is accepted by the Corporation.

32. **COMPENSATION.** The Board of Directors shall fix the compensation of the Chairman of the Board, any Vice Chairman, the Chief Executive Officer and the President and may fix the salaries of other employees of the Corporation including the other officers. If the Board of Directors does not fix the salaries of the other officers, the Chief Executive Officer shall fix such salaries.

33. **CHAIRMAN OF THE BOARD.** The Chairman of the Board shall, if present, preside at all meetings of the Board of Directors, and exercise and perform such other powers and duties as may be from time to time assigned to the Chairman by the Board of Directors or prescribed by these Bylaws.

34. **PRESIDING DIRECTOR.** The Presiding Director shall, if present, preside at any meeting of the Board of Directors at which the Chairman is not present, and exercise and perform such other duties as may be from time to time assigned to the Presiding Director by the Board of Directors or prescribed by these Bylaws.

35. **CHIEF EXECUTIVE OFFICER.** Unless otherwise determined by the Board of Directors, the Chief Executive Officer shall be deemed general manager of the Corporation. The Chief Executive Officer shall effectuate orders and resolutions of the Board of Directors and exercise such other powers and perform such other duties as the Board of Directors shall from time to time prescribe.

36. **PRESIDENT AND VICE PRESIDENTS.** Unless otherwise determined by the Board of Directors, in the absence or disability of the Chief Executive Officer, the President, and in the absence or disability of the President, the Vice President (who may be designated Executive or Senior Vice President), if any, or if more than one, the Vice Presidents (who may be designated Executive or Senior Vice Presidents) in order of their rank as fixed by the Board of Directors or, if not so ranked, the Vice President (who may be designated Executive

or Senior Vice President) designated by the Board of Directors, shall perform all the duties of the Chief Executive Officer, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the Chief Executive Officer. The President and Vice Presidents (who may be designated Executive or Senior Vice Presidents) shall have such other powers and perform such other duties as from time to time may be prescribed for them by the Board of Directors or these Bylaws.

37. **SECRETARY.** The Secretary (or in his absence an Assistant Secretary or, if there be no Assistant Secretaries, another person designated by the Board of Directors) shall have the following powers and duties:

(a) **RECORD OF CORPORATE PROCEEDINGS**. The Secretary shall attend all meetings of the Board of Directors and its committees and shall record all votes and the minutes of such meetings in a book to be kept for that purpose at the principal executive office of the Corporation or at such other place as the Board of Directors may determine. The Secretary shall keep at the Corporation's principal executive office the original or a copy of these Bylaws, as amended from time to time.

(b) **RECORD OF SHARES.** Unless a transfer agent is appointed by the Board of Directors to keep a share register, the Secretary shall keep at the principal executive office of the Corporation a share register showing the names of the stockholders and their addresses, the number and class of shares held by each, the number and date of certificates issued, and the number and date of cancellation of each certificate surrendered for cancellation.

(c) **NOTICES.** The Secretary shall give such notices as may be required by law or these Bylaws.

(d) **ADDITIONAL POWERS AND DUTIES.** The Secretary shall exercise such other powers and perform such other duties as the Board of Directors or the Chief Executive Officer shall from time to time prescribe.

38. **TREASURER.** Unless otherwise determined by the Board of Directors, the Treasurer of the Corporation shall be its chief financial officer, and shall have custody of the corporate funds and securities and shall keep adequate and correct accounts of the Corporation's properties and business transactions. The Treasurer shall disburse such funds of the Corporation as may be ordered by the Board of Directors or by one or more persons authorized by the Board of Directors, taking proper vouchers for such disbursements, and when requested shall render to the Chief Executive Officer, the Board of Directors and, if applicable, the Chief Financial Officer, an account of all transactions and the financial condition of the Corporation and shall exercise such other powers and perform such other duties as the Board of Directors, the Chief Executive Officer or, if applicable, the Chief Financial Officer shall prescribe.

39. **OTHER OFFICERS AND AGENTS.** Such other officers and agents as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

SHARES

40. **CERTIFICATES.** The shares of capital stock of the Corporation shall be represented by a certificate, unless and until the Board of Directors of the Corporation adopts a resolution permitting shares to be uncertificated. Notwithstanding the adoption of any resolution providing for uncertificated shares, every stockholder shall be entitled to have a certificate or certificates certifying the number and class of shares of the capital stock of the Corporation owned by such stockholder. All such certificates shall be signed in the manner prescribed in the GCL. Any signature on such certificates may be a facsimile signature. The Board of Directors shall have the power to appoint one or more transfer agents and/or registrars for the transfer or registration of certificates of stock of any class, and may require stock certificates to be countersigned or registered by one or more of such transfer agents and/or registrars.

41. **TRANSFERS OF SHARES OF CAPITAL STOCK.** Transfers of shares shall be made only upon the transfer books of the Corporation, kept at the office of the Corporation or transfer agents and/or registrars designated by the Board of Directors. Any such transfer shall be made, in the case of certificated shares of stock, only by the person named in the certificate or by such person's attorney lawfully constituted in writing and upon the surrender of the certificate therefore, properly endorsed for transfer, and in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares or by such person's attorney lawfully constituted in writing.

42. **STOCKHOLDERS OF RECORD.** Only stockholders of record shall be entitled to be treated by the Corporation as the holders in fact of the shares standing in their respective names and the Corporation shall not be bound to recognize any equitable or other claim to or interest in any share of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by law.

43. **LOST, STOLEN OR DESTROYED CERTIFICATES.** The Corporation may cause a new stock certificate to be issued in place of any certificate previously issued by the Corporation alleged to have been lost, stolen or destroyed. The Corporation may, at its discretion and as a condition precedent to such issuance, require the owner of such certificate to deliver an affidavit stating that such certificate was lost, stolen or destroyed, or to give the Corporation a bond or other security sufficient to indemnify it against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction or the issuance of a new certificate.

44. **STOCKHOLDERS RECORD DATE.** In order that the Corporation may determine the stockholders entitled to notice of and to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall be not more than sixty (60) days nor less than ten (10) days before the date of such meeting. A determination of stockholders of record entitled to notice of and to vote at a meeting of stockholders shall apply to any adjournment of the meeting, provided, however, that the Board of Directors may fix a new record date for the adjourned meeting, and shall fix a

new record date for such adjourned meeting if the adjourned meeting is to take place more than thirty (30) days from the date set for the original meeting.

45. **DIVIDENDS.** Subject to the provisions of the Certificate of Incorporation and the GCL, the Board of Directors may, out of funds legally available therefor, declare dividends upon the stock of the Corporation. Before the declaration of any dividend, the Board of Directors may set apart, out of any funds of the Corporation available for dividends, such sum or sums as from time to time in its discretion may be deemed proper for working capital or as a reserve fund to meet contingencies or for such other purposes as shall be deemed conducive to the interests of the Corporation.

AMENDMENTS

46. **ADOPTION OF AMENDMENTS.** The Board of Directors is authorized and empowered from time to time in its discretion to make, alter, amend or repeal these Bylaws, except as such power may be restricted or limited by the GCL.

47. **RECORD OF AMENDMENTS**. Whenever an amendment or new bylaw is adopted, it shall be copied in the book to be kept for that purpose at the principal executive office of the Corporation or at such other place as the Board of Directors may determine. If any bylaw is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or written consent with respect thereto was filed shall be stated in said book.

CORPORATE SEAL

48. **FORM OF SEAL.** The corporate seal shall be circular in form, and shall have inscribed thereon the name of the Corporation, the date of its incorporation and the word “Delaware”.

MISCELLANEOUS

49. **CHECKS, DRAFTS, ETC.** All checks, drafts, or other orders for payment of money, notes, or other evidences of indebtedness, issued in the name of or payable by or to the Corporation, shall be signed or endorsed by the Chief Executive Officer, the President, the Chief Financial Officer, the Treasurer or such other person or persons as may from time to time be so authorized in accordance with a resolution of the Board of Directors.

50. **CONTRACTS, ETC.; HOW EXECUTED.** Except as otherwise provided in these Bylaws, the Chief Executive Officer, the President, any Vice President (who may be designated Executive or Senior Vice President) or Treasurer, or such other officer or officers as may from time to time be so authorized in accordance with a resolution of the Board of Directors, shall have the power and authority to sign and execute on behalf of the Corporation deeds, conveyances and contracts, and any and all other documents requiring execution by the Corporation. The Board of Directors may authorize any other officer or officers, or agent or

agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

51. **REPRESENTATION OF SHARES OF OTHER CORPORATIONS**. The Chief Executive Officer, the President or any Vice President (who may be designated Executive or Senior Vice President) or the Secretary or Assistant Secretary of the Corporation are authorized to vote, represent, and exercise on behalf of the Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the Corporation. The authority herein granted to said officers to vote or represent on behalf of the Corporation any and all shares held by the Corporation in any other corporation or corporations may be exercised either by such officers in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officers.

52. **INSPECTION OF BYLAWS.** The Corporation shall keep in its principal office for the transaction of business the original or a copy of these Bylaws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the stockholders at all reasonable times during office hours.

53. **FISCAL YEAR.** The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

54. **CONSTRUCTION AND DEFINITIONS.** Unless the context otherwise requires, the general provisions, rules and construction, and definitions contained in the GCL shall govern the construction of these Bylaws. Without limiting the generality of the foregoing, the masculine gender includes the feminine and neuter, the singular number includes the plural and the plural number includes the singular, and the term “person” includes a corporation or other entity or organization as well as a natural person.

55. **SEVERABILITY.** If any provision of these Bylaws is determined to be invalid, void, illegal or unenforceable, the remaining provisions of these Bylaws shall continue to be valid and enforceable and shall in no way be affected, impaired or invalidated thereby.

EXHIBIT VI

EXCERPTS FROM THE PRESS RELEASE ISSUED BY HEXCEL ON APRIL 25, 2011, RELATING TO THE FINANCIAL RESULTS OF HEXCEL FOR THE QUARTER ENDED MARCH 31, 2011

News Release

Hexcel Corporation, 281 Tresser Boulevard, Stamford, CT 06901 (203) 969-0666

HEXCEL REPORTS 2011 FIRST QUARTER RESULTS

First Quarter 2011 Highlights

- **Sales of $331.6 million were 26.1% higher than last year (26.2% in constant currency) led by strong Commercial Aerospace sales (up 30.0% in constant currency).**
- **Net income increased 67% to $26.4 million, $0.26 per diluted share ($0.25 per adjusted diluted share, see Table C), versus $15.8 million, $0.16 per diluted share last year ($0.15 per adjusted diluted share).**
- **[…].**

(In millions, except per share data)	Quarter Ended March 31, 2011		2010	% Change
Net Sales	$	**331.6**	$ 263.0	*26.1%*
Net sales change in constant currency				*26.2%*
Operating Income		**47.2**	23.8	*98%*
Net Income		**26.4**	15.8	*67%*
Diluted net income per common share	$	**0.26**	$ 0.16	*63%*
Non-GAAP Measures for y-o-y comparisons:				
Adjusted Operating Income (table C)	$	**41.5**	$ 27.3	*52%*
As a % of sales		***12.5%***	*10.4%*	
Adjusted Net Income (table C)		**25.3**	14.5	*74%*
Adjusted diluted net income per share	$	**0.25**	$ 0.15	*67%*

STAMFORD, CT. April 25, 2011 — Hexcel Corporation (NYSE: HXL), today reported results for the first quarter of 2011. Net sales during the quarter were $331.6 million, 26.1% higher than the $263.0 million reported for the first quarter of 2010. Operating income for the period was $47.2 million, compared to $23.8 million last year. Net income for the first quarter of 2011 was $26.4 million, or $0.26 per diluted share, compared to $15.8 million or $0.16 per diluted share in 2010. Excluding the items in Table C, adjusted diluted net income for the first quarter of 2011 was $0.25 per share compared to $0.15 per share in 2010.

Chief Executive Officer Comments

Mr. Berges commented, "We are very pleased with the start of 2011. Our sales growth was again led by new programs in the commercial aerospace market and we experienced solid year over year growth across all of our other markets as well. The higher sales helped us to increase our adjusted operating income by 52% and adjusted net income by 74% over last year."

Looking ahead, Mr. Berges said, "Thanks to the strong start to the year, we are **[…]** raising our sales guidance for the year by $50 million to $1,275 million - $1,350 million."

Markets

Commercial Aerospace

- Commercial Aerospace sales of $197.6 million increased 30.0% (same in constant currency) for the quarter as compared to the first quarter 2010. Revenues attributed to new aircraft programs (A380, A350, B787, B747-8) more than doubled versus the same period last year and now comprise more than 25% of Commercial Aerospace sales. Airbus and Boeing legacy aircraft related sales for the quarter were up about 5% compared to the first quarter of 2010 as we begin to see the additional demand of upcoming line-rate increases.

- Sales to "Other Commercial Aerospace," which include regional and business aircraft customers, were the highest since the first quarter of 2009 and more than 40% above the same period last year as revenues for business jet applications gained traction.

Space & Defense

- Space & Defense sales of $79.7 million were 9.9% higher (10.1% in constant currency) than the first quarter of 2010. We continue to benefit from rotorcraft related growth as new programs and blade retrofit programs are increasingly composites based. Rotorcraft sales were up 15% over last year and represent over 50% of our Space & Defense sales.

Industrial

- Total Industrial sales of $54.3 million for the first quarter of 2011 were 41.0% higher (41.8% in constant currency) than the first quarter of 2010. Wind sales for the quarter were up significantly from the first quarter of 2010 as last year was impacted by production shutdowns at our largest wind energy customer, but were in line with the 2010 full year run-rate. Based on the announced backlog of our wind turbine customers, we expect steady improvement in sales each quarter this year.

- Industrial sales other than wind were up over 10% in constant currency for the quarter from last year's first quarter levels. Sales were consistent with the range we experienced in the second half of 2010.

Tax

- The tax provision was $12.2 million for the first quarter of 2011, an effective tax rate of 32%, in line with our guidance for the year. Last year's first quarter tax provision of $1.5 million included a $3.5 million benefit from the New Clean Energy Manufacturing Tax Credits for qualifying expenditures made in our Colorado wind energy facility in 2009. Excluding these tax credits, our first quarter 2010 effective tax rate was 29.1%.

Cash and other

- Free cash flow for the quarter was a use of cash of $19 million versus a use of about $10 million in the first quarter of 2010, as increased capital spending was partially offset by the higher earnings. Free cash flow is defined as cash provided from operating activities less cash paid for capital expenditures. Total debt, net of cash as of March 31, 2011 was $229.2 million, an increase of $14.2 million from December 31, 2010, but a decrease of $68.1 million from March 31, 2010.

- Interest expense for the first quarter was $4.2 million compared to $6.6 million last year. The decrease reflects the lower borrowing rate as a result of the July 2010 refinancing and the February 1, 2011 bond redemption, as well as lower outstanding debt.

- As previously announced, the 2011 results include $5.7 million (after tax of $0.04 per diluted share) benefit from the curtailment of a pension plan, partially offset by a $4.9 million (after tax of $0.03 per diluted share) charge from the accelerated amortization of deferred financing costs and expensing of the call premium from redeeming $150 million of the 6.75% senior subordinated notes. The redemption was primarily funded by the $135 million add-on to our senior secured credit facility that was completed in December 2010.

*****

Hexcel will host a conference call at 10:00 A.M. ET, tomorrow, April 26, 2011 to discuss the first quarter results and respond to analyst questions. The telephone number for the conference call is (719) 325-4919 and the confirmation code is 9796559. The call will be simultaneously hosted on Hexcel's web site at www.hexcel.com/investors/index.html. Replays of the call will be available on the web site for approximately three days.

*****

Hexcel Corporation is a leading advanced composites company. It develops, manufactures and markets lightweight, high-performance structural materials, including carbon fibers, reinforcements, prepregs, honeycomb, matrix systems, adhesives and composite structures, used in commercial aerospace, space and defense and industrial applications such as wind turbine blades.

*****

Disclaimer on Forward Looking Statements

This press release contains statements that are forward looking, including statements relating to anticipated trends in constant currency for the market segments we serve (including changes in commercial aerospace revenues, the estimates and expectations based on aircraft production rates made publicly available by Airbus and Boeing, the revenues we may generate from an aircraft model or program, the impact of delays in new aircraft programs, the outlook for space & defense revenues and the trend in wind energy, recreation and other industrial applications); our ability to maintain and improve margins in light of the changes in product mix, efficiency improvements, continued cost reduction efforts and the current economic environment; outcome of legal matters; and the impact of the above factors on our expectations of 2011 financial results. Actual results may differ materially from the results anticipated in the forward looking statements due to a variety of factors, including but not limited to changing market conditions, increased raw material costs, competition, product mix, inability to achieve planned manufacturing improvements and cost reductions, supply chain disruptions, conditions in the financial markets and changes in currency exchange rates, interest rates, governmental and environmental regulations and tax codes. Additional risk factors are described in our filings with the SEC. We do not undertake an obligation to update our forward-looking statements to reflect future events.

Contact Information

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Hexcel Corporation and Subsidiaries
Condensed Consolidated Statements of Operations

(In millions, except per share data)	Unaudited Quarter Ended March 31, 2011	2010
Net sales	**$ 331.6**	$ 263.0
Cost of sales	**248.6**	196.9
Gross margin	**83.0**	66.1
% Gross margin	***25.0%***	*25.1%*
Selling, general and administrative expenses	**32.9**	31.4
Research and technology expenses	**8.6**	7.4
Other operating (income) expense (a)	**(5.7)**	3.5
Operating income	**47.2**	23.8
Interest expense, net	**4.2**	6.6
Non-operating expense (b)	**4.9**	—
Income before income taxes and equity in earnings from affiliated companies	**38.1**	17.2
Provision for income taxes (c)	**12.2**	1.5
Income before equity in earnings from affiliated companies	**25.9**	15.7
Equity in earnings from affiliated companies	**0.5**	0.1
Net income	**$ 26.4**	$ 15.8
Basic net income per common share:	**$ 0.27**	$ 0.16
Diluted net income per common share:	**$ 0.26**	$ 0.16
Weighted-average common shares:		
Basic	**98.2**	97.3
Diluted	**100.4**	99.0

(a) Other operating income for the quarter ended March 31, 2011 is a $5.7 million benefit from the curtailment of a pension plan. For the quarter ended March 31, 2010 other operating expense is for an increase in environmental reserves for remediation of a manufacturing facility sold in 1986.

(b) Non-operating expense is the accelerated amortization of deferred financing costs and expensing of the call premium from redeeming $150 million of 6.75% senior subordinated notes

(c) Provision for income taxes for the quarter ended March 31, 2010 includes $3.5 million of New Clean Energy Manufacturing Tax Credits awarded in January 2010 for qualifying capital investments made in our U.S. wind energy facility in 2009.

Hexcel Corporation and Subsidiaries
Condensed Consolidated Balance Sheets

(In millions)	Unaudited March 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ **50.6**	$ 117.2
Accounts receivable, net	**210.0**	173.9
Inventories, net	**198.7**	169.9
Prepaid expenses and other current assets	**44.2**	36.7
Total current assets	**503.5**	497.7
Property, plant and equipment	**1,106.0**	1,063.9
Less accumulated depreciation	**(487.2)**	(465.6)
Property, plant and equipment, net	**618.8**	598.3
Goodwill and other intangible assets, net	**56.7**	56.2
Investments in affiliated companies	**20.7**	19.9
Deferred tax assets	**55.1**	63.6
Other assets	**22.1**	22.4
Total assets	$ **1,276.9**	$ 1,258.1
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable and current maturities of capital lease obligations	$ **11.4**	$ 27.6
Accounts payable	**107.8**	83.0
Accrued liabilities	**89.3**	95.3
Total current liabilities	**208.5**	205.9
Long-term notes payable and capital lease obligations	**268.4**	304.6
Other non-current liabilities	**81.0**	88.2
Total liabilities	**557.9**	598.7
Stockholders' equity:		
Common stock, $0.01 par value, 200.0 shares authorized, 100.0 shares issued at March 31, 2011 and 99.5 shares issued at December 31, 2010	**1.0**	1.0
Additional paid-in capital	**562.9**	552.3
Retained earnings	**174.8**	148.4
Accumulated other comprehensive loss	**8.7**	(15.1)
	747.4	686.6
Less — Treasury stock, at cost, 2.1 shares and 2.2 shares at March 31, 2011 and December 31, 2010, respectively	**(28.4)**	(27.2)
Total stockholders' equity	**719.0**	659.4
Total liabilities and stockholders' equity	$ **1,276.9**	$ 1,258.1

Hexcel Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows

(In millions)	Unaudited Year to Date Ended March 31, 2011	2010
Cash flows from operating activities		
Net income	**$ 26.4**	$ 15.8
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization	**14.1**	12.0
Amortization of debt discount and deferred financing costs and call premium expense	**5.4**	1.5
Deferred income taxes	**9.3**	(0.6)
Equity in earnings from affiliated companies	**(0.5)**	(0.1)
Share-based compensation	**6.4**	5.7
Pension curtailment gain	**(5.7)**	—
Excess tax benefits on share-based compensation	**(2.0)**	(0.4)
Changes in assets and liabilities:		
Increase in accounts receivable	**(30.1)**	(15.7)
Increase in inventories	**(24.3)**	(13.6)
Increase in prepaid expenses and other current assets	**(1.0)**	(1.2)
Increase in accounts payable/accrued liabilities	**24.7**	1.5
Other — net	**(5.8)**	(2.0)
Net cash provided by operating activities (a)	**16.9**	2.9
Cash flows from investing activities		
Capital expenditures and deposits for capital purchases (b)	**(35.9)**	(12.6)
Net cash used for investing activities	**(35.9)**	(12.6)
Cash flows from financing activities		
Borrowings from senior secured credit facility	**135.0**	—
Repayment of 6.75% senior subordinated notes	**(150.0)**	—
Repayment of senior secured credit facility	**(35.0)**	—
Call premium payment for 6.75% senior subordinated notes	**(3.4)**	—
(Repayments) borrowings from credit line	**(1.3)**	0.8
Repayment of senior secured credit facility — term loan	**(1.2)**	(30.0)
Repayments of capital lease obligations and other debt, net	**(0.1)**	(0.1)
Activity under stock plans	**3.1**	(0.8)
Net cash (used in) financing activities	**(52.9)**	(30.1)
Effect of exchange rate changes on cash and cash equivalents	**5.3**	(4.6)
Net decrease in cash and cash equivalents	**(66.6)**	(44.4)
Cash and cash equivalents at beginning of period	**117.2**	110.1
Cash and cash equivalents at end of period	**$ 50.6**	$ 65.7
Supplemental Data:		
Free cash flow (a)+(b)	**$ (19.0)**	$ (9.7)
Accrual basis additions to property, plant and equipment	**$ 25.2**	$ 6.9

EXHIBIT VI - EXCERPTS FROM PRESS RELEASE ISSUED ON APRIL 25, 2011

Hexcel Corporation and Subsidiaries
Net Sales to Third-Party Customers by Market Segment

Quarters Ended March 31, 2011 and 2010 **Table A**

(In millions)	(Unaudited) As Reported 2011	2010	B/(W) %	FX Effect (b)	Constant Currency (a) 2010	B/(W) %
Market Segment						
Commercial Aerospace	**$ 197.6**	$ 152.0	**30.0**	$ —	**$ 152.0**	**30.0**
Space & Defense	**79.7**	72.5	**9.9**	(0.1)	**72.4**	**10.1**
Industrial	**54.3**	38.5	**41.0**	(0.2)	**38.3**	**41.8**
Consolidated Total	**$ 331.6**	$ 263.0	**26.1**	$ (0.3)	**$ 262.7**	**26.2**
	%	**%**			**%**	
Consolidated % of Net Sales						
Commercial Aerospace	**59.6**	57.8			**57.9**	
Space & Defense	**24.0**	27.6			**27.5**	
Industrial	**16.4**	14.6			**14.6**	
Consolidated Total	**100.0**	100.0			**100.0**	

(a) To assist in the analysis of our net sales trend, total net sales and sales by market for the quarter ended March 31, 2010 have been estimated using the same U.S. dollar, British pound and Euro exchange rates as applied for the respective period in 2011 and are referred to as "constant currency" sales.

(b) FX effect is the estimated impact on "as reported" net sales due to changes in foreign currency exchange rates.

Hexcel Corporation and Subsidiaries
Segment Information **Table B**

(In millions)	(Unaudited) Composite Materials (b)	Engineered Products	Corporate & Other (a)(b)	Total
First Quarter 2011				
Net sales to external customers	**$ 256.3**	**$ 75.3**	**$ —**	**$ 331.6**
Intersegment sales	**13.9**	**0.3**	**(14.2)**	**—**
Total sales	**270.2**	**75.6**	**(14.2)**	**331.6**
Operating income (loss) (b)	**49.8**	**12.5**	**(15.1)**	**47.2**
% Operating margin	***18.4%***	***16.5%***		***14.2%***
Other operating income	**5.7**	**—**	**—**	**5.7**
Depreciation and amortization	**12.9**	**1.1**	**0.1**	**14.1**
Stock-based compensation expense	**1.6**	**0.3**	**4.5**	**6.4**
Accrual based additions to capital expenditures	**24.3**	**0.9**	**—**	**25.2**
First Quarter 2010				
Net sales to external customers	$ 200.4	$ 62.6	$ —	$ 263.0
Intersegment sales	8.9	—	(8.9)	—
Total sales	209.3	62.6	(8.9)	263.0
Operating income (loss) (b)	30.6	11.4	(18.2)	23.8
% Operating margin	*14.6%*	*18.2%*		*9.0%*
Other operating expense	—	—	3.5	3.5
Depreciation and amortization	10.9	1.0	0.1	12.0
Stock-based compensation expense	1.6	0.3	3.8	5.7
Accrual based additions to capital expenditures	6.8	0.1	—	6.9

(a) We do not allocate corporate expenses to the operating segments.

(b) The first quarter 2011 Composite Materials operating income includes a $5.7 million benefit from the curtailment of a pension plan. First quarter 2010 Corporate and Other includes a $3.5 million charge to the environmental reserves primarily for remediation at a manufacturing facility sold in 1986.

Hexcel Corporation and Subsidiaries
Reconciliation of GAAP and Non-GAAP Operating Income and Net Income **Table C**

(In millions)	Unaudited Quarter Ended March 31, 2011	2010
GAAP operating income	**$ 47.2**	$ 23.8
- Other operating (income) expense (a)	**(5.7)**	3.5
Adjusted Operating Income	**$ 41.5**	$ 27.3
% of Net Sales	***12.5%***	*10.4%*
- Stock Compensation Expense	**$ 6.4**	$ 5.7
- Depreciation and amortization	**14.1**	12.0
Adjusted EBITDA	**$ 62.0**	$ 45.0

(In millions, except per diluted share data)	Unaudited Quarter Ended March 31, 2011 As Reported	2011 EPS	2010 As Reported	2010 EPS
GAAP net income	**$ 26.4**	**$ 0.26**	$ 15.8	$ 0.16
- Other operating (income) expense (net of tax) (a)	**(4.1)**	**(0.04)**	2.2	0.02
- Non-operating expense (net of tax) (b)	**3.0**	**0.03**	—	—
- Tax credits for capital investments in wind energy facility (c)	**—**	**—**	(3.5)	(0.04)
Adjusted net income	**$ 25.3**	**$ 0.25**	$ 14.5	$ 0.15

(a) Other operating expense for the quarter ended March 31, 2011 is a benefit from the curtailment of a pension plan. In 2010, other operating expense is the increase in environmental reserves primarily for remediation of a manufacturing facility sold in 1986.

(b) Non-operating expense is the accelerated amortization of deferred financing costs and expensing of the call premium from redeeming $150 million of 6.75% senior subordinated notes

(c) New Clean Energy Manufacturing Tax Credits awarded this quarter for qualifying capital investments made in our U.S. wind energy facility in 2009.

Management believes that adjusted operating income, adjusted EBITDA, adjusted net income and free cash flow (defined as cash provided by operating activities less cash payments for capital expenditures), which are non-GAAP measurements, are meaningful to investors because they provide a view of Hexcel with respect to ongoing operating results excluding special items. Special items represent significant charges or credits that are important to an understanding of Hexcel's overall operating results in the periods presented. In addition, management believes that total debt, net of cash, which is also a non-GAAP measure, is an important measure of Hexcel's liquidity. Such non-GAAP measurements are not recognized in accordance with generally accepted accounting principles and should not be viewed as an alternative to GAAP measures of performance.

Hexcel Corporation and Subsidiaries
Schedule of Net Income Per Common Share **Table D**

(In millions, except per share data)	Unaudited Quarter Ended March 31, 2011	2010
Basic net income per common share:		
Net income	**$ 26.4**	$ 15.8
Weighted average common shares outstanding	**98.2**	97.3
Basic net income per common share	**$ 0.27**	$ 0.16
Diluted net income per common share:		
Net income	**$ 26.4**	$ 15.8
Weighted average common shares outstanding — Basic	**98.2**	97.3
Plus incremental shares from assumed conversions:		
Restricted stock units	**0.8**	0.7
Stock Options	**1.4**	1.0
Weighted average common shares outstanding—Dilutive	**100.4**	99.0
Diluted net income per common share	**$ 0.26**	$ 0.16

Hexcel Corporation and Subsidiaries
Schedule of Total Debt, Net of Cash **Table E**

(In millions)	March 31, 2011	Unaudited December 31, 2010	March 31, 2010
Notes payable and current maturities of capital lease obligations	**$ 11.4**	$ 27.6	$ 4.4
Long-term notes payable and capital lease obligations	**268.4**	304.6	358.6
Total Debt	**279.8**	332.2	363.0
Less: Cash and cash equivalents	**(50.6)**	(117.2)	(65.7)
Total debt, net of cash	**$ 229.2**	$ 215.0	$ 297.3

Exhibit 99.2

Hexcel Corporation and Subsidiaries
Net Sales by Product Group and Market Segment
For the Quarters Ended March 31, 2011 and 2010,
the Quarter and Year Ended December 31, 2010

Unaudited

(In millions)	Commercial Aerospace	Space & Defense	Industrial	Total
First Quarter 2011				
Composite Materials	$ 143.2	$ 59.9	$ 53.2	$ 256.3
Engineered Products	54.4	19.8	1.1	75.3
Total	**$ 197.6**	**$ 79.7**	**$ 54.3**	**$ 331.6**
	60%	*24%*	*16%*	*100%*
Fourth Quarter 2010				
Composite Materials	$ 125.0	$ 62.9	$ 51.8	$ 239.7
Engineered Products	48.2	21.3	0.9	70.4
Total	**$ 173.2**	**$ 84.2**	**$ 52.7**	**$ 310.1**
	56%	*27%*	*17%*	*100%*
First Quarter 2010				
Composite Materials	$ 109.3	$ 53.1	$ 38.0	$ 200.4
Engineered Products	42.7	19.4	0.5	62.6
Total	**$ 152.0**	**$ 72.5**	**$ 38.5**	**$ 263.0**
	58%	*27%*	*15%*	*100%*
Year Ended December 31, 2010				
Composite Materials	$ 459.4	$ 229.3	$ 215.8	$ 904.5
Engineered Products	185.3	81.2	2.6	269.1
Total	**$ 644.7**	**$ 310.5**	**$ 218.4**	**$ 1,173.6**
	55%	*26%*	*19%*	*100%*

EXHIBIT VII

CONSOLIDATED FINANCIAL STATEMENTS OF HEXCEL AS OF DECEMBER 31, 2009 AND DECEMBER 31, 2008, AND FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 2009

DRAFT

Report of the Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of Hexcel Corporation

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hexcel Corporation and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. The Company's management is responsible for these financial statements and financial statement schedule. Our responsibility is to express opinions on these financial statements and on the financial statement schedule based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

/s/ PricewaterhouseCoopers LLP

Stamford, Connecticut
February 10, 2010

Hexcel Corporation and Subsidiaries
Consolidated Balance Sheets
As of December 31,

(In millions)	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	**$ 110.1**	$ 50.9
Accounts receivable, net	**158.4**	189.4
Inventories, net	**157.2**	195.3
Prepaid expenses and other current assets	**35.4**	45.1
Total current assets	**461.1**	480.7
Net property, plant and equipment	**602.1**	552.3
Goodwill and other intangible assets	**56.7**	56.0
Investments in affiliated companies	**17.7**	10.6
Deferred tax assets	**85.6**	88.3
Other assets	**23.4**	22.4
Total assets	**$1,246.6**	$1,210.3
Liabilities and Stockholders' Equity		
Current liabilities:		
Notes payable and current maturities of capital lease obligations	**$ 33.5**	$ 2.1
Accounts payable	**74.3**	120.5
Accrued compensation and benefits	**43.5**	47.2
Accrued interest	**9.6**	10.1
Other accrued liabilities	**40.8**	44.3
Total current liabilities	**201.7**	224.2
Long-term notes payable and capital lease obligations	**358.8**	392.5
Long-term retirement obligations	**73.1**	48.6
Other non-current liabilities	**37.4**	35.8
Total liabilities	**671.0**	701.1
Commitments and contingencies (see Note 14)		
Stockholders' equity:		
Common stock, $0.01 par value, 200.0 shares of stock authorized, 98.6 and 98.3 shares of stock issued and outstanding at December 31, 2009 and 2008, respectively	**1.0**	1.0
Additional paid-in capital	**535.3**	526.1
Retained earnings	**71.0**	14.6
Accumulated other comprehensive loss	**(7.0)**	(8.7)
	600.3	533.0
Less: Treasury stock, at cost, 2.0 and 1.9 shares at December 31, 2009 and 2008, respectively	**(24.7)**	(23.8)
Total stockholders' equity	**575.6**	509.2
Total liabilities and stockholders' equity	**$1,246.6**	$1,210.3

The accompanying notes are an integral part of these consolidated financial statements.

Hexcel Corporation and Subsidiaries
Consolidated Statements of Operations
For the Years Ended December 31,

(In millions, except per share data)	2009	2008	2007
Net sales	**$1,108.3**	$1,324.9	$1,171.1
Cost of sales	**859.8**	1,035.7	888.1
Gross margin	**248.5**	289.2	283.0
Selling, general and administrative expenses	**107.2**	112.9	114.0
Research and technology expenses	**30.1**	31.4	34.2
Business consolidation and restructuring expenses	**—**	3.8	7.3
Other expense, net	**7.5**	10.2	12.6
Operating income	**103.7**	130.9	114.9
Interest expense, net	**26.1**	20.2	22.5
Income from continuing operations before income taxes, equity in earnings and discontinued operations	**77.6**	110.7	92.4
Provision for income taxes	**22.0**	15.6	33.4
Income from continuing operations before equity in earnings and discontinued operations	**55.6**	95.1	59.0
Equity in earnings from and gain on sale of investments in affiliated companies	**0.7**	16.1	4.3
Net income from continuing operations	**56.3**	111.2	63.3
Loss from discontinued operations, net of tax	**—**	—	(5.1)
Gain on sale of discontinued operations, net of tax	**—**	—	3.1
Net income	**$ 56.3**	$ 111.2	$ 61.3
Basic net income (loss) per common share:			
Continuing operations	**$ 0.58**	$ 1.15	$ 0.67
Discontinued operations	**—**	—	(0.02)
Net income per common share	**$ 0.58**	$ 1.15	$ 0.65
Diluted net income (loss) per common share:			
Continuing operations	**$ 0.57**	$ 1.14	$ 0.66
Discontinued operations	**—**	—	(0.02)
Net income per common share	**$ 0.57**	$ 1.14	$ 0.64
Weighted average common shares outstanding:			
Basic	**96.9**	96.4	94.7
Diluted	**98.2**	97.6	96.5

The accompanying notes are an integral part of these consolidated financial statements.

Hexcel Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity and Comprehensive Income
For the Years Ended December 31, 2009, 2008 and 2007

	Common Stock		Accumulated	Accumulated			
(In millions)	**Par**	**Additional Paid-In Capital**	**Retained Earnings (Deficit)**	**Other Comprehensive Income (Loss)**	**Treasury Shares**	**Total Stockholders' Equity**	**Comprehensive Income**
Balance, December 31, 2006	$ 1.0	$ 479.3	$ (157.1)	$ (1.8)	$ (19.8)	$ 301.6	
Net income			61.3			61.3	$ 61.3
Retained earnings adjustment - ASC 740			(1.6)			(1.6)	(1.6)
Currency translation adjustments				13.9		13.9	13.9
Net unrealized loss on financial instruments, net of tax				(0.7)		(0.7)	(0.7)
Change in post-retirement benefit plans, net of tax				21.2		21.2	21.2
Comprehensive income							$ 94.1
Activity under stock plans		34.0			(2.1)	31.9	
Balance, December 31, 2007	$ 1.0	$ 513.3	$ (97.4)	$ 32.6	$ (21.9)	$ 427.6	
Net income			111.2			111.2	$ 111.2
Pension obligation — ASC 715 measurement date adjustment, net of tax			0.8			0.8	0.8
Currency translation adjustments				(27.7)		(27.7)	(27.7)
Net unrealized loss on financial instruments, net of tax				(12.0)		(12.0)	(12.0)
Change in post-retirement benefit plans, net of tax				(1.6)		(1.6)	(1.6)
Comprehensive income							**$** 70.7
Activity under stock plans		12.8			(1.9)	10.9	
Balance, December 31, 2008	$ 1.0	$ 526.1	**$ 14.6**	**$ (8.7)**	**$ (23.8)**	**$ 509.2**	
Net income			**56.3**			**56.3**	**$ 56.3**
Currency translation adjustments				**10.1**		**10.1**	**10.1**
Net unrealized gain on financial instruments, net of tax				**6.7**		**6.7**	**6.7**
Change in post-retirement benefit plans, net of tax				**(15.1)**		**(15.1)**	**(15.0)**
Comprehensive income							**$ 58.0**
Activity under stock plans		**9.3**			**(0.9)**	**8.4**	
Balance, December 31, 2009	**$ 1.0**	**$ 535.4**	**$ 70.9**	**$ (7.0)**	**$ (24.7)**	**$ 575.6**	

The accompanying notes are an integral part of these consolidated financial statements.

Hexcel Corporation and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31,

(In millions)	2009	2008 (See Note1)	2007 (See Note1)
Cash flows from operating activities of continuing operations			
Net income	**$ 56.3**	$ 111.2	$ 61.3
Loss from discontinued operations, net of tax	**—**	—	(2.0)
Net income from continuing operations	**56.3**	111.2	63.3
Reconciliation to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	**46.6**	43.9	39.8
Amortization of debt discount and deferred financing costs	**4.9**	1.7	1.7
Deferred income taxes (benefit)	**19.6**	(6.5)	10.0
Business consolidation and restructuring expenses	**—**	3.8	7.3
Business consolidation and restructuring payments	**(1.7)**	(4.3)	(14.9)
Loss on early retirement of debt	**—**	—	1.1
Equity in earnings from and gain on sale of investments in affiliated companies	**(0.7)**	(16.2)	(4.3)
Share-based compensation	**8.3**	9.4	10.4
Excess tax benefits on share-based compensation	**(0.7)**	2.0	(7.1)
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	**31.8**	(3.1)	(10.0)
Decrease (increase) in inventories	**38.4**	(20.1)	(19.1)
(Increase) decrease in prepaid expenses and other current assets	**(7.3)**	3.0	0.3
(Decrease) increase in accounts payable and accrued liabilities	**(28.1)**	(27.1)	15.6
Other, net	**5.4**	(0.2)	6.8
Net cash provided by operating activities of continuing operations	**172.8**	97.5	100.9
Cash flows from investing activities of continuing operations			
Capital expenditures and deposits for capital purchases	**(98.4)**	(175.9)	(115.2)
Investment in affiliated companies	**(6.0)**	—	(2.0)
Proceeds from sale of an investment in an affiliated company	**—**	22.3	—
Insurance recoveries on property damage	**—**	—	1.2
Net proceeds from sale of discontinued operations	**—**	—	84.0
Net cash used for investing activities of continuing operations	**(104.4)**	(153.6)	(32.0)
Cash flows from financing activities of continuing operations			
Borrowings from credit facility	**3.0**	—	—
Proceeds from senior secured credit facility — new term B loan	**171.5**	—	—
Repayment of senior secured credit agreement — term B and C loans	**(167.0)**	—	—
Repayment of senior secured credit agreement — new term B loan	**(10.9)**	—	—
Issuance costs related to new senior secured credit facility	**(10.3)**	—	—
Proceeds from senior secured credit facility — term C loan	**—**	79.3	—
Repayments and redemption of long-term debt	**—**	—	(96.2)
Capital lease obligations and other debt, net	**0.3**	(0.4)	(0.6)
Activity under stock plans and other	**0.7**	1.2	21.3
Net cash (used for) provided by financing activities of continuing operations	**(12.7)**	80.1	(75.5)
Net cash provided by operating activities of discontinued operations	**—**	—	7.2
Net cash used for investing activities of discontinued operations	**—**	—	(1.8)
Effect of exchange rate changes on cash and cash equivalents	**3.5**	(1.2)	3.6
Net increase in cash and cash equivalents	**59.2**	22.8	2.4
Cash and cash equivalents at beginning of year	**50.9**	28.1	25.7
Cash and cash equivalents at end of year	**$ 110.1**	$ 50.9	$ 28.1
Supplemental information (See Note 15):			

Accrual basis additions to property, plant and equipment	**$ 85.7**	$ 177.3	$ 120.6

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Significant Accounting Policies

Nature of Operations

Hexcel Corporation and its subsidiaries (herein referred to as "Hexcel", "the Company", "we", "us", or "our"), is a leading advanced composites company. We develop, manufacture, and market lightweight, high-performance composites, including carbon fibers, reinforcements, prepregs, honeycomb, matrix systems, adhesives and composite structures, for use in the Commercial Aerospace, Space and Defense and Industrial applications. Our products are used in a wide variety of end applications, such as commercial and military aircraft, space launch vehicles and satellites, wind turbine blades, automotive, bikes, skis and a wide variety of other industrial applications.

We serve international markets through manufacturing facilities, sales offices and representatives located in the Americas, Europe and Asia Pacific. We are also an investor in a joint venture, which manufactures composite structures for commercial aerospace.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Hexcel Corporation and its subsidiaries after elimination of all intercompany accounts, transactions and profits. An investment in an affiliated company, in which our interest is 50% and where we do not have the ability to exercise control over financial or operating decisions, nor are we the primary beneficiary, is accounted for using the equity method of accounting.

During 2007, the Company completed the sale of its U.S. electronics, ballistics and general industrial ("EBGI") product lines and its European Architectural business ("Architectural business"). The results of these businesses are classified as discontinued operations in these consolidated financial statements and notes to consolidated financial Statements (see Note 20). Unless otherwise indicated, information in these notes to the consolidated financial statements relates to continuing operations.

Reclassifications

Certain prior year amounts in the accompanying consolidated financial statements and related notes have been reclassified to conform to the 2009 presentation. Cash provided by operating activities for the years ended December 31, 2008 and 2007 was revised to $97.5 million and $100.9 million from the $98.9 million and $106.3 million, respectively, previously reported, while cash used for investing activities decreased by the same amount. Investing activities now include only cash payments for capital expenditures, whereas previously they included additions to property, plant and equipment on an accrual basis. The adjustment to the cash basis is reflected in the change in accounts payable and accrued liabilities.

Use of Estimates

Preparation of the accompanying consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with an original maturity of three months or less when purchased. Our cash equivalents are held in prime money market investments with strong sponsor organizations which are monitored on a continuous basis.

Inventories

Inventories are stated at the lower of cost or market, with cost determined using the first-in, first-out and average cost methods. Inventory is reported at its estimated net realizable value based upon our historical experience with inventory becoming obsolete due to age, changes in technology and other factors.

Property, Plant and Equipment

Property, plant and equipment, including capitalized interest applicable to major project expenditures, is recorded at cost. Asset and accumulated depreciation accounts are eliminated for dispositions, with resulting gains or losses reflected in earnings. Depreciation of plant and equipment is provided using the straight-line method over the estimated useful lives of the various assets. The estimated useful lives range from 10 to 40 years for buildings and improvements and from 3 to 20 years for machinery and equipment. Repairs and maintenance are expensed as incurred, while major replacements and betterments are capitalized and depreciated over the remaining useful life of the related asset.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of the identifiable net assets of an acquired business. Goodwill is tested for impairment at the reporting unit level annually, or when events or changes in circumstances indicate that goodwill might be impaired. The Company's annual test for goodwill impairment is performed in the fourth quarter as of November 30, 2009. Goodwill is reviewed for impairment utilizing a two-step process. The first step of the impairment test requires the identification of the reporting units and comparison of the fair value of each of these reporting units to the respective carrying value. A reporting unit is an operating segment or one level below an operating segment, for which discrete information is available and regularly reviewed by management. If the carrying value of the reporting unit is less than its fair value, no impairment exists and the second step is not performed. If the carrying value of the reporting unit is higher than its fair value, the second step must be performed to compute the amount of the goodwill impairment, if any. In the second step, the impairment is computed by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for the excess.

Fair value is calculated using discounted cash flows, based on a discount rate derived from the weighted average cost of capital for other companies in the industry adjusted to the higher end of the range to represent the companies more comparable in size to Hexcel. The other assumptions included in the discounted cash flow methodology included forecasted revenues, gross profit margins, operating income margins, working capital cash flow, and perpetual growth rates, among others, all of which require significant judgments by management.

We amortize the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. Indefinite lived intangibles are tested annually for impairment, or when events or changes in circumstances indicate the potential for impairment. If the carrying amount of the indefinite lived intangible exceeds the fair value, the intangible asset is written down to its fair value. Fair value is calculated using discounted cash flows.

Impairment of Long-Lived Assets

The company reviews long-lived assets, including property, plant and equipment and identifiable intangible assets, for impairment whenever changes in circumstances or events may indicate that the carrying amounts are not recoverable. These indicators include: a significant decrease in the market price of a long-lived asset, a significant change in the extent or manner in which a long-lived asset is used or its physical condition, a significant adverse change in legal factors or business climate that could affect the value of a long-lived asset, an accumulation of costs significantly in excess of the amount expected for the acquisition or construction of a long-lived asset , a current period operating or cash flow loss combined with a history of losses associated with a long-lived asset and a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated life.

The company also tests indefinite-lived intangible assets, consisting of purchased emissions credits, for impairment at least annually in the fourth quarter as of November 30, 2009. If the fair value is less than the carrying amount of the asset, a loss is recognized for the difference.

Software Development Costs

Costs incurred to develop software for internal-use are accounted for under Statement of Position 98-1, *"Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."* All costs relating to the preliminary project stage and the post-implementation/operation stage are expensed as incurred. Costs incurred during the application development stage are capitalized and amortized over the useful life of the software. The amortization of capitalized costs commences when functionality of the computer software is achieved.

Investments

We have an investment in an affiliated company with an equity interest of 50%. We believe that this affiliated company would be considered a variable interest entity ("VIEs"). However, we do not control the financial or operating decisions of this company, nor do we consider ourselves the primary beneficiary of this entity. As such, we account for our share of the operating performance of this affiliated company using the equity method of accounting. Future adverse changes in market conditions or poor operating results of the underlying investment could result in losses and the inability to recover the carrying value of the investment, thereby possibly requiring an impairment charge. We review our investment for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. We record an investment impairment charge when the decline in value is considered to be other than temporary.

Debt Financing Costs

Debt financing costs are deferred and amortized to interest expense over the life of the related debt, which ranges from 4 to 10 years. At December 31, 2009 and 2008, deferred debt financing costs were $11.9 million and $5.8 million, net of accumulated amortization of $4.6 million and $10.9 million, respectively, and are included in "other assets" in the consolidated balance sheets.

Share-Based Compensation

The fair value of the Restricted Stock Units (RSU's) is equal to the market price of our stock at date of grant and is amortized to expense ratably over the vesting period. Performance restricted stock units ("PRSUs") are a form of RSUs in which the number of shares ultimately received depends on the extent to which we achieve a specified performance target. The fair value of the PRSU is based on the closing market price of the Company's common stock on the date of grant and is amortized straight-line over the total three year period. A change in the performance measure expected to be achieved is recorded as an adjustment in the period in which the change occurs. We use the Black-Scholes model to value compensation expense for all option-based payment awards made to employees and directors based on estimated fair values on the grant date. The value of the portion of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the requisite service periods in our consolidated statements of operations.

Currency Translation

The assets and liabilities of international subsidiaries are translated into U.S. dollars at year-end exchange rates, and revenues and expenses are translated at average exchange rates during the year. Cumulative currency translation adjustments are included in "accumulated other comprehensive income (loss)" in the stockholders' equity section of the consolidated balance sheets. Gains and losses from foreign currency transactions are not material.

Revenue Recognition

Our revenue is predominately derived from sales of inventory, and is recognized when persuasive evidence of an arrangement exists, title and risk of loss passes to the customer, the sales price is fixed or determinable and collectability is reasonably assured. However, from time to time we enter into contractual arrangements for which other specific revenue recognition guidance is applied.

Recognition of revenue on bill and hold arrangements occurs only when risk of ownership has passed to the buyer, a fixed written commitment has been provided by the buyer, the goods are complete and ready for shipment, the goods are segregated from inventory, no performance obligations remain and a schedule for delivery of goods has been established. Revenues derived from design and installation services are recognized when the service is provided. Revenues derived from long-term construction-type contracts are accounted for using the percentage-of-completion method, and progress is measured on a cost-to-cost basis. If at any time expected costs exceed the value of the contract, the loss is recognized immediately.

Product Warranty

We provide for an estimated amount of product warranty at the point a claim is probable and estimable. This estimated amount is provided by product and based on current facts, circumstances and historical warranty experience. Warranty expense was $0.6 million, $1.4 million and $1.8 million for the years ended December 31, 2009, 2008 and 2007 respectively.

Research and Technology

Significant costs are incurred each year in connection with research and technology ("R&T") programs that are expected to contribute to future earnings. Such costs are related to the development and, in certain instances, the qualification and certification of new and improved products and their uses. R&T costs are expensed as incurred.

Income Taxes

We provide for income taxes using the liability approach. Under the liability approach, deferred income tax assets and liabilities reflect tax net operating loss and credit carryforwards and the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes. Deferred tax assets require a valuation allowance when it is more likely than not, based on the evaluation of positive and negative evidence, that some portion of the deferred tax assets may not be realized. The realization of deferred tax assets is dependent upon the timing and magnitude of future taxable income prior to the expiration of the deferred tax assets' attributes. When events and circumstances so dictate, we evaluate the realizability of our deferred tax assets and the need for a valuation allowance by forecasting future taxable income. On January 1, 2007, we adopted accounting guidance, which requires that uncertain tax positions be sustainable under regulatory review by tax authorities assumed to have all relevant information, at a more likely than not level based upon its technical merits before any benefit can be recognized.

Concentration of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of trade accounts receivable. Three customers and their related subcontractors accounted for more than half of our annual net sales for 2007 through 2009. Refer to Note 17 for further information on significant customers. We perform ongoing credit evaluations of our customers' financial condition but generally do not require collateral or other security to support customer receivables. We establish an allowance for doubtful accounts based on factors surrounding the credit risk of specific customers, historical trends and other financial information. As of December 31, 2009 and 2008, the allowance for doubtful accounts was $1.9 million and $2.1 million, respectively. Bad debt expense was immaterial for all years presented.

Derivative Financial Instruments

We use various financial instruments, including foreign currency forward exchange contracts, cross-currency swap agreements and interest rate swap agreements, to manage our exposure to market fluctuations by generating cash flows that offset, in relation to their amount and timing, the cash flows of certain foreign currency denominated transactions or underlying debt instruments. We mark our foreign exchange forward contracts to fair value. The change in the fair value is recorded in current period earnings. When the derivatives qualify, we designate our foreign currency forward exchange contracts as cash flow hedges against forecasted foreign currency denominated transactions and report the effective portions of changes in fair value of the instruments in "accumulated other comprehensive loss" until the underlying hedged transactions affect income. We designate our interest rate swap agreements as fair value or cash flow hedges against specific debt instruments and recognize interest differentials as adjustments to interest expense as the differentials may occur. Cross-currency swap agreements are used as hedges of portions of our net investment in foreign operations and to the extent effective, gains and losses are recorded as an offset in the cumulative translation account, the same account in which translation gains and losses on the investment are recorded. All other changes, including any difference in current interest, are excluded from the assessment of effectiveness and are included in operating income as a component of interest expense. We do not use financial instruments for trading or speculative purposes.

In accordance with accounting guidance, we recognize all derivatives as either assets or liabilities on our balance sheet and measure those instruments at fair value.

Self-insurance

We are self-insured up to specific levels for medical and health insurance and certain workers' compensation plans. Accruals are established based on actuarial assumptions and historical claim experience, and include estimated amounts for incurred but not reported claims.

New Accounting Pronouncements

In June 2009, the FASB issued revised authoritative guidance that amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under previously issued guidance. The revised guidance is effective as of the beginning of the first fiscal year that begins after November 15, 2009, which is January 1, 2010 for the Company. The Company does not expect this new guidance to have a material impact on the Company's financial position and results of operations.

In October 2009, the FASB issued new authoritative guidance regarding *"Revenue Recognition — Multiple Deliverable Revenue Arrangements"*. This update provides amendments for separating consideration in multiple deliverable arrangements and removes the objective-and-reliable-evidence-of-fair-value criterion from the separation criteria used to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting, replaces references to "fair value" with "selling price" to distinguish from the fair value measurements required under the "*Fair Value Measurements and Disclosures"* guidance, provides a hierarchy that entities must use to estimate the selling price, eliminates the use of the residual method for allocation, and expands the ongoing disclosure requirements. This update is effective for the Company beginning January 1, 2011 and can be applied prospectively or retrospectively. We are currently evaluating the effect that adoption of this update will have, if any, on the Company's consolidated financial position and results of operations.

Recently Adopted Accounting Pronouncements

In March 2008, the FASB issued revised authoritative guidance concerning disclosures about derivative instruments and hedging activities. The new guidance requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. This guidance also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements and the impact that hedges have on an entity's financial position, financial performance, and cash flows. The Company adopted the new guidance on January 1, 2009 and has expanded the disclosures regarding derivative instruments and hedging activities within Note 13.

In September 2006, the FASB issued new authoritative guidance regarding fair value measurements and the fair value option for financial assets and financial liabilities. This guidance defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosure about fair value measurements. As of January 1, 2009, the Company adopted the guidance with respect to its non-financial assets and liabilities that are measured at fair value within the financial statements. See Note 21.

In May 2009, the FASB issued new authoritative guidance regarding Subsequent Events, which established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The new guidance became effective in the second quarter of 2009. The Company has performed an evaluation of subsequent events through February 10, 2010, which is the date the financial statements were issued.

In August 2009, the FASB issued new authoritative guidance regarding "*Measuring Liabilities at Fair Value*". The new guidance provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using prescribed techniques. We adopted the new guidance in the third quarter of 2009 and it did not materially affect the Company's financial position and results of operations.

In December 2008 the FASB issued new authoritative guidance regarding employers' disclosures about postretirement benefit plan assets. This guidance adds required disclosures about (1) how investment allocation decisions are made by management, (2) major categories of plan assets and (3) significant concentrations of risk. Additionally, employers are required to disclose information about the valuation of plan assets similar to that required under existing fair value guidance. The new guidance is effective for our fiscal year ending December 31, 2009. The principal impact from this new guidance is the expanded disclosures included in Note 8.

Note 2 — Inventories

	December 31,	
(In millions)	**2009**	**2008**
Raw materials	**$ 72.7**	$ 89.2
Work in progress	**36.8**	52.0
Finished goods	**71.6**	77.3
Total inventories, gross	**181.1**	218.5
Inventory allowances	**(23.9)**	(23.2)
Total inventories, net	**$ 157.2**	$ 195.3

Note 3 — Net Property, Plant and Equipment

	December 31,	
(In millions)	**2009**	**2008**
Land	**$ 32.5**	$ 31.7
Buildings	**241.5**	242.3
Equipment	**597.9**	539.8
Construction in progress	**173.2**	157.9
Property, plant and equipment	**1,045.1**	971.7
Less accumulated depreciation	**(443.0)**	(419.4)
Net property, plant and equipment	**$ 602.1**	$ 552.3

Depreciation expense related to property, plant and equipment for the years ended December 31, 2009, 2008 and 2007, was $46.6 million, $43.9 million, and $39.6 million, respectively. Capitalized interest of $5.6 million and $4.0 million for 2009 and 2008 was included in construction in progress and is associated with our carbon fiber expansion programs. Capitalized costs associated with software developed for internal use were $1.7 million and $1.4 million for 2009 and 2008, respectively.

Note 4 — Goodwill and Purchased Intangible Assets

Changes in the carrying amount of gross goodwill and other purchased intangibles for the years ended December 31, 2009 and 2008, by segment, are as follows:

(In millions)	Composite Materials	Engineered Products	Total
Balance as of December 31, 2007	$ 40.7	$ 16.1	$ 56.8
Currency translation adjustments and other	(0.8)	—	(0.8)
Balance as of December 31, 2008	$ 39.9	$ 16.1	$ 56.0
Currency translation adjustments and other	**0.7**	—	**0.7**
Balance as of December 31, 2009	**$ 40.6**	**$ 16.1**	**$ 56.7**

During the fourth quarter of 2009, we performed our annual impairment review of goodwill as of November 30, 2009. The review indicated that the estimated fair market value of reporting units exceeded the carrying value of the net assets of those reporting units and therefore no impairment was indicated. The goodwill and intangible asset balances as of December 31, 2009 includes $2.2 million of indefinite-lived intangible assets and $54.5 million of goodwill.

Note 5 — Investments in Affiliated Companies

As of December 31, 2009, we have a 50% equity ownership investment in an Asian joint ventureAsian Composites Manufacturing Sdn. Bhd. ("ACM"). In September 2009, we increased our ownership percentage from 33.33% to 50%. Concurrently, Boeing Worldwide Operations Limited, the other existing equity investor also increased its ownership percentage to 50%. In connection therewith, we have considered the applicable accounting and disclosure requirements and believe that these investments would be considered "variable interest entities." However, we do not control the financial or operating decisions of this company, nor do we consider ourselves the primary beneficiary of this entity. As such, we account for our share of the operating performance of this affiliated company using the equity method of accounting. The Company previously owned an equity ownership investment in a second joint venture in Asia that was sold in July 2008. Equity in earnings from and gain on sale of investments in affiliated companies during 2008 included a pre-tax gain of $12.5 million from the sale of our interest to our joint venture partner for $22.3 million in cash. As the joint venture is not a significant subsidiary, separate summarized financial information is unaudited.

Summarized condensed combined balance sheets of our joint venture ownership interests as of December 31, 2009 and 2008, and summarized condensed combined statements of operations for periods of our ownership during the three years ended December 31, 2009, are as follows:

(In millions) Summarized Condensed Combined Balance Sheets	2009	2008
Current assets	**$ 16.2**	$ 12.3
Non-current assets	**39.2**	34.4
Total assets	**$ 55.4**	$ 46.7
Current liabilities	**$ 22.0**	$ 16.1
Non-current liabilities	—	—
Total liabilities	**22.0**	16.1
Partners' equity	**33.4**	30.6
Total liabilities and partners' equity	**$ 55.4**	$ 46.7

(In millions) Summarized Condensed Combined Statements of Operations	2009	2008 (a)	2007 (a)
Net sales	**$ 39.2**	$ 45.0	$ 62.9
Cost of sales	**32.9**	37.1	47.3
Gross profit	**6.3**	7.9	15.6
Other costs, expenses and (income)	**4.7**	(1.2)	5.4
Net income	**$ 1.6**	$ 9.1	$ 10.2

(a) Includes financial data for any periods where we held an equity interest in BHA Aero Composite Parts Co., Ltd.

Summary information related to our investment in Asian Composites as of December 31, 2009 and 2008 is as follows:

(In millions)	(Unaudited) 2009	2008
Equity ownership	**50.0%**	33.33%
Revenues	**$ 39.2**	$ 27.9
Net income	**$ 1.6**	$ 5.9
Equity investment balance	**$ 17.7**	$ 10.6
Accounts receivable balance	**$ 1.8**	$ 0.5
Accounts payable balance	**$ —**	$ 0.2

For the years ended December 31, 2009, 2008 and 2007, we had sales to Asian Composites of $6.3 million, $4.7 million and $5.6 million, respectively, and purchases of materials totaling $17.5 million, $15.1 million and $18.3 million, respectively. Apart from any outstanding accounts receivable balance and our investment in this joint venture, we have no other significant exposure to loss related to Asian Composites.

Note 6 - Notes Payable

(In millions)	December 31, 2009	December 31, 2008
Foreign operation's working capital line of credit	**$ 3.0**	$ —
Current maturities of capital lease and other obligations	**0.5**	0.4
Current maturities of senior secured credit facility	**30.0**	1.7
Notes payable and current maturities of long-term liabilities	**33.5**	2.1
Senior secured credit facility — new term B loan due 2014	**131.0**	—
Capital lease and other obligations	**2.8**	2.5
Senior secured credit facility — term B loan	**—**	86.5
Senior secured credit facility — term C loan	**—**	78.5
6.75% senior subordinated notes due 2015	**225.0**	225.0
Long-term notes payable and capital lease obligations	**358.8**	392.5
Total notes payable and capital lease obligations	**$ 392.3**	$ 394.6

Estimated Fair Values of Notes Payable

The approximate, aggregate fair value of our notes payable as of December 31, 2009 and 2008 were as follows:

(In millions)	December 31, 2009	December 31, 2008
6.75% senior subordinated notes, due 2015	**$ 216.0**	$ 171.0
Senior secured credit facility — New Term B loan due 2014	**$ 161.0**	$ —
Senior secured credit facility — Term B loan	**$ —**	$ 76.0
Senior secured credit facility — Term C loan	**$ —**	$ 73.0

The aggregate fair values of the notes payable were estimated on the basis of quoted market prices.

Senior Secured Credit Facility

On May 21, 2009, Hexcel Corporation entered into a new $300 million senior secured credit facility ("Senior Secured Credit Facility"), consisting of a $175 million term loan and a $125 million revolving loan. The term loan matures on May 21, 2014 and the revolving loan matures on May 21, 2013. Hexcel has the option of selecting either a LIBOR-based (the current option used) or U.S. domestic-based interest rate for each of the term loan and the revolving loans. Term and revolving loans borrowed as LIBOR-based loans bear interest at a rate of LIBOR plus 4%, and term and revolving loans borrowed as U.S. base rate loans bear interest at the base rate plus 3%. There is a LIBOR floor of 2.5%, and a base rate floor of 4%. The margin for revolving loans will decrease by 50 basis points if Hexcel's leverage ratio decreases below 2 to 1, and will decrease an additional 25 basis points if Hexcel's leverage ratio decreases below 1.75 to 1. The term loan was borrowed at closing and once repaid cannot be reborrowed. Depending upon our leverage ratio, there may be a mandatory repayment each year based on 50% of the cash flow generated for the year, as defined in the agreement. The mandatory repayment for the year ended December 31, 2009 is $26.4 million. In January 2010 we paid down the term loan by $30 million, which included the $26.4 million mandatory amount plus an additional $3.6 million as a voluntary prepayment. The term loan is now scheduled to be repaid at a rate of approximately $1.8 million per quarter starting in the second quarter of 2011 and increasing to $14.7 million in August and November 2013 with two final payments of $44.0 million in 2014. Previously, in September 2009, we prepaid $8.8 million of the term loan which represented the next four scheduled quarterly payments.

Proceeds from the term loan, and from an initial borrowing under the revolving loan, were used to repay all amounts, and terminate all commitments, outstanding under Hexcel's former credit agreement and to pay fees and expenses in connection with the refinancing. The Company incurred $10.3 million in issuance costs related to the refinancing of the Senior Secured Credit Facility, which will be expensed over the life of the new facility, and recorded $1.7 million in interest expense related to the write-off of deferred financing costs associated with the previous credit facility. At December 31, 2009, the Company had no borrowings outstanding under the revolving loan.

The Senior Secured Credit Facility contains financial and other covenants, including, but not limited to, restrictions on the incurrence of debt and the granting of liens, as well as the maintenance of an interest coverage ratio and a leverage ratio, and limitations on capital expenditures. A violation of any of these covenants could result in a default under this facility, which would permit the lenders to accelerate the payment of all borrowings and to terminate the facility. In addition, such a default could, under certain circumstances, permit the holders of other outstanding unsecured debt to accelerate the repayment of such obligations.

In accordance with the terms of the Senior Secured Credit Facility, we are required to maintain a minimum interest coverage ratio of 4.00 (based on the ratio of EBITDA, as defined in the credit agreement, to interest expense) and may not exceed a maximum leverage ratio of 2.75 (based on the ratio of total debt to EBITDA) throughout the term of the Senior Secured Credit Facility. In addition, the Senior Secured Credit Facility contains other terms and conditions such as customary representations and warranties, additional covenants and customary events of default. As of December 31, 2009, we were in compliance with all debt covenants.

The Senior Secured Credit Facility permits us to issue letters of credit up to an aggregate amount of $40 million. Any outstanding letters of credit reduce the amount available for borrowing under the revolving loan. As of December 31, 2009, we had issued letters of credit totaling $3.5 million under the Senior Secured Credit Facility. As we had no borrowings under the revolving loan at December 31, 2009, total undrawn availability under the Senior Secured Credit Facility as of December 31, 2009 was $121.5 million.

6.75% Senior Subordinated Notes, due 2015

On February 1, 2005, we issued 6.75% senior subordinated notes due 2015. The senior subordinated notes are unsecured senior subordinated obligations of Hexcel Corporation. Interest accrues at the rate of 6.75% per annum and is payable semi-annually in arrears on February 1 and August 1. The senior subordinated notes mature on February 1, 2015. We will have the option to redeem all or a portion of the senior subordinated notes at any time during the one-year period beginning February 1, 2010 at 103.375% of principal plus accrued and unpaid interest. This percentage decreases to 102.25% for the one-year period beginning February 1, 2011, to 101.125% for the one-year period beginning February 1, 2012 and to 100.0% any time on or after February 1, 2013. In the event of a "change of control" (as defined in the indenture), we are generally required to make an offer to all noteholders to purchase all outstanding senior subordinated notes at 101% of the principal amount plus accrued and unpaid interest.

The indenture contains various customary covenants including, but not limited to, restrictions on incurring debt, making restricted payments (including dividends), the use of proceeds from certain asset dispositions, entering into transactions with affiliates, and merging or selling all or substantially all of our assets. The indenture also contains many other customary terms and conditions, including customary events of default, some of which are subject to grace and notice periods.

Other Credit Facility

We have a $5.0 million borrowing facility for working capital needs of our Chinese entity with an outstanding balance of $3.0

million on December 31, 2009. These funds can only be used locally, accordingly we do not include this facility in our borrowing capacity disclosures. The facility expires on November 20, 2010 and is guaranteed by Hexcel.

Aggregate Maturities of Notes Payable

The table below reflects aggregate scheduled maturities of notes payable, excluding capital lease obligations but including the accretion of the original issue discount, as of December 31, 2009. See Note 7 for capital lease obligation maturities.

Payable during the years ending December 31:	(In millions)
2010	**$ 33.3**
2011	6.0
2012	7.4
2013	33.0
2014	88.1
Thereafter	225.0
Total notes payable	$ 392.8

Note 7 - Leasing Arrangements

We have entered into several capital leases for buildings with expirations through 2012, and with an obligation of $2.6 million as of December 31, 2009. The related assets, accumulated depreciation, and related liability balances under capital leasing arrangements, as of December 31, 2009 and 2008, were:

(In millions)	2009	2008
Property, plant and equipment	**$ 4.0**	$ 5.8
Less accumulated depreciation	**(1.5)**	(3.1)
Net property, plant and equipment	**$ 2.5**	$ 2.7
Capital lease obligations	**$ 2.6**	$ 2.9
Less current maturities	**(0.2)**	(0.4)
Long-term capital lease obligations, net	**$ 2.4**	$ 2.5

In addition to the capital leases above, certain sales and administrative offices, data processing equipment and manufacturing facilities are leased under operating leases. We recognize rental expense on operating leases straight-line over the term of a lease. Total rental expense was $13.1 million in 2009, $13.4 million in 2008 and $11.4 million in 2007.

Scheduled future minimum lease payments as of December 31, 2009 were:

(In millions)	Type of Lease	
Payable during the years ending December 31:	Capital	Operating
2010	$ 0.4	$ 11.2
2011	0.4	7.8
2012	0.3	6.3
2013	—	5.9
2014	—	5.2
Thereafter	2.0	14.2
Total minimum lease payments	3.1	$ 50.6
Less amounts representing interest	0.5	
Present value of future minimum capital lease payments	$ 2.6	

Note 8 — Retirement and Other Postretirement Benefit Plans

We maintain qualified and nonqualified defined benefit retirement plans covering certain current and former European employees, as well as nonqualified defined benefit retirement plans and a retirement savings plans covering eligible U.S. employees, and participate in a union sponsored multi-employer pension plan covering certain U.S. employees with union affiliations. In addition, we provide certain postretirement health care and life insurance benefits to eligible U.S. retirees. Our U.S. qualified defined benefit plan was terminated as of April 1, 2007.

Accounting standards require the use of certain assumptions, such as the expected long-term rate of return, discount rate, rate of compensation increase, healthcare cost trend rates, and retirement and mortality rates, to determine the net periodic costs of such plans. These assumptions are reviewed and set annually at the beginning of each year. In addition, these models use an "attribution approach" that generally spreads individual events, such as plan amendments and changes in actuarial assumptions, over the service lives of the employees in the plan. That is, employees render service over their service lives on a relatively smooth basis and therefore, the income statement effects of retirement and postretirement benefit plans are earned in, and should follow, the same pattern.

We use our actual return experience, future expectations of long-term investment returns, and our actual and targeted asset allocations to develop our expected rate of return assumption used in the net periodic cost calculations of our funded European defined benefit retirement plans. Due to the difficulty involved in predicting the market performance of certain assets, there will be a difference in any given year between our expected return on plan assets and the actual return. Following the attribution approach, each year's difference is amortized over a number of future years. Over time, the expected long-term returns are designed to approximate the actual long-term returns and therefore result in a pattern of income and expense recognition that more closely matches the pattern of the services provided by the employees.

We annually set our discount rate assumption for retirement-related benefits accounting to reflect the rates available on high-quality, fixed-income debt instruments. The rate of compensation increase for nonqualified pension plans, which is another significant assumption used in the actuarial model for pension accounting, is determined by us based upon our long-term plans for such increases and assumed inflation. The rates used have dropped slightly over the past three years and are expected to drop an additional 75 basis points for 2010. For the postretirement health care and life insurance benefits plan, we review external data and its historical trends for health care costs to determine the health care cost trend rates. Retirement and termination rates are based primarily on actual plan experience. The mortality table used for the U.S. plans is based on the RP2000 Mortality Table projected to 2012 and for the U.K. Plans the PMA/PFA 92 YOBMC mortality table is used.

Actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, generally affect the net periodic costs and recorded obligations in such future periods. While we believe that the assumptions used are appropriate, significant changes in economic or other conditions, employee demographics, retirement and mortality rates, and investment performance may materially impact such costs and obligations.

U.S. Defined Benefit Retirement Plans

During 2007, we obtained approval from the Pension Benefit Guaranty Corporation to proceed with the termination of the U.S. Qualified Defined Benefit Plan. In December 2007 we began the process of distributing lump-sum benefit payments and purchasing annuity contracts for all of the U.S. qualified plan participants. During December, we distributed $19.7 million out of the pension fund in the form of lump-sum payments and recognized pension expense of $9.4 million relating to the settlement of benefit obligations, which is included in "Other expense, net" on the accompanying consolidated statements of operations. Additional lump-sum payments of $6.9 million were made during the first quarter of 2008 to complete the settlement of our pension benefit obligation, for which the Company incurred $2.6 million of pension expense. The additional $6.9 million of cash payments were funded by Hexcel. Cash contributions to the plan in 2007 were $5.9 million.

Our funding policy for the nonqualified defined benefit retirement plans covering certain current and former U.S. employees is generally to pay benefits as they are incurred. Under the provisions of these plans, we expect to contribute approximately $1.0 million in 2010 to cover unfunded benefits.

U.S. Retirement Savings Plan

Under the retirement savings plans, eligible U.S. employees can contribute up to 20% of their annual compensation to an individual 401(k) retirement savings account. The Company makes matching contributions equal to 50% of employee contributions, not to exceed 3% of employee compensation each year. We also contribute an additional 2% to 3% of each eligible employee's salary to an individual 401(k) retirement savings account, depending on the employee's age. This increases the maximum contribution to individual employee savings accounts to between 5% and 6% per year, before any profit sharing contributions that are made when we meet or exceed certain performance targets that are set annually.

U.S. Postretirement Plans

In addition to defined benefit and retirement savings plan benefits, we also provide certain postretirement health care and life insurance benefits to eligible U.S. retirees. Depending upon the plan, benefits are available to eligible employees who retire after meeting certain age and service requirements and were employed by Hexcel as of February 1996. Our funding policy for the postretirement health care and life insurance benefit plans is generally to pay covered expenses as they are incurred. Under the provisions of these plans, we expect to contribute approximately $1.1 million in 2010 to cover unfunded benefits.

European Defined Benefit Retirement Plans

We maintain defined benefit retirement plans in the United Kingdom, Belgium, and Austria covering certain employees of our subsidiaries in those countries. The defined benefit plan in the United Kingdom (the "U.K. Plan") is the largest of the European plans, which represented approximately 76% of the total 2009 net periodic benefit cost for European plans. The U.K. plan was closed to new members as of March 31, 2007 and, thereafter, new employees in the UK may enter a defined contribution benefit plan where fixed employee contributions are matched by the Company.

As of December 31, 2009, 60% of the total assets of the European Plans were invested in equities. Equity investments are made with the objective of achieving a return on plan assets consistent with the funding requirements of the plan, maximizing portfolio return and minimizing the impact of market fluctuations on the fair value of the plan assets. We use long-term historical actual return experience to develop the expected long-term rate of return assumptions used in the net periodic cost calculations of our European Plans. As a result of an annual review of historical returns and market trends, the expected long-term weighted average rate of return for the European Plans for the 2010 plan year will be 6.19%. We plan to contribute approximately $6.0 million to the European Plans during the 2010 plan year.

Retirement and Other Postretirement Plans - France

The employees of our French subsidiaries are entitled to receive a lump-sum payment upon retirement subject to certain service conditions under the provisions of the national chemicals and textile workers collective bargaining agreements. The amounts attributable to the French plans have been included within the total expense and obligation amounts noted for the European plans.

Net Periodic Pension Expense

Net periodic expense for our U.S. and European qualified and nonqualified defined benefit pension plans and our U.S. retirement savings plans for the three years ended December 31, 2009 is detailed in the table below.

(In millions)	2009	2008	2007
Defined benefit retirement plans (a)	**$ 7.8**	$ 8.5	$ 23.2
Union sponsored multi-employer pension plan	**0.6**	0.6	0.6
Retirement savings plans-matching contributions	**2.4**	2.0	2.4
Retirement savings plans-profit sharing contributions	**5.4**	4.7	6.6
Net periodic expense	**$ 16.2**	$ 15.8	$ 32.8

(a) Defined benefit retirement plan expense for 2007, includes $9.4 million of expense related to the settlement of the U.S. qualified pension plan.

Defined Benefit Retirement and Postretirement Plans

Net periodic cost of our defined benefit retirement and postretirement plans for the three years ended December 31, 2009, were:

(In millions)	U.S. Plans			European Plans		
Defined Benefit Retirement Plans	2009	2008	2007	2009	2008	2007
Service cost	**$ 1.9**	$ 1.6	$ 1.1	**$ 3.2**	$ 4.2	$ 4.6
Interest cost	**1.0**	1.0	2.0	**6.1**	7.0	7.0
Expected return on plan assets	—	—	(0.8)	**(5.0)**	(7.8)	(8.1)
Net amortization	**0.2**	0.1	1.6	**0.4**	(0.2)	1.4
Curtailment and settlement loss	—	2.6	10.2	—	—	—
Net periodic pension cost	**$ 3.1**	$ 5.3	$ 14.1	**$ 4.7**	$ 3.2	$ 4.9

U.S. Postretirement Plans	2009	2008	2007
Service cost	**$ 0.1**	$ 0.1	$ 0.1
Interest cost	**0.6**	0.6	0.7
Net amortization and deferral	**(0.3)**	(0.2)	(0.1)
Curtailment and settlement gain	**—**	—	0.2
Net periodic postretirement benefit cost	**$ 0.4**	$ 0.5	$ 0.9

(In millions) Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income	For the Year Ended December 31, 2009 U.S. Plans	 European Plans	 Postretirement Plans
Net loss	$ **3.9**	**$ 17.0**	**$ 0.2**
Amortization of actuarial losses	**(0.1)**	**(0.8)**	**—**
Amortization of prior service (credit) cost	**(0.1)**	**0.3**	**0.2**
Effect of foreign exchange	**—**	**1.9**	**—**
Total recognized in other comprehensive income (pre-tax)	$ **3.7**	**$ 18.4**	**$ 0.4**

The Company expects to recognize $2.3 million of net actuarial loss and $0.2 million of net prior service credit as a component of net periodic pension cost in 2010 for its defined benefit plans. The recognition of net prior service credit and net actuarial loss as a component of net periodic postretirement benefit cost in 2010 is expected to be immaterial.

The benefit obligation, fair value of plan assets, funded status, and amounts recognized in the consolidated financial statements for our defined benefit retirement plans and postretirement plans, as of and for the years ended December 31, 2009 and 2008, were:

	Defined Benefit Retirement Plans					
	U.S. Plans		European Plans		Postretirement Plans	
(In millions)	2009	2008	2009	2008	2009	2008
Change in benefit obligation:						
Benefit obligation - beginning of year	**$ 17.1**	$ 22.1	**$ 97.4**	$ 134.4	**$ 10.9**	$ 11.4
Service cost	**1.9**	1.6	**3.2**	4.2	**0.1**	0.1
Interest cost	**1.0**	1.0	**6.1**	7.0	**0.6**	0.6
ASC 715 measurement date adoption	—	—	—	2.6	—	—
ASC 715 gap period benefit payments, contributions and expenses	—	—	—	(0.8)	—	—
Plan participants' contributions	**—**	—	**0.1**	0.2	**0.4**	0.4
Actuarial loss (gain)	**3.9**	(0.2)	**24.4**	(13.3)	**0.2**	(0.4)
Benefits and expenses paid	**(0.6)**	(0.5)	**(5.0)**	(5.0)	**(1.0)**	(1.2)
Settlement	**—**	(6.9)	**(0.4)**	—	—	—
Currency translation adjustments	**—**	—	**8.8**	(31.9)	—	—
Benefit obligation - end of year	**$ 23.3**	$ 17.1	**$ 134.6**	$ 97.4	**$ 11.2**	$ 10.9
Change in plan assets:						
Fair value of plan assets - beginning of year	**$**	$ 0.4	**$ 74.2**	$ 119.6	**$ —**	$ —
ASC 715 gap period benefit payments, contributions and expenses	—		**—**	(0.8)		
Actual return on plan assets	—	—	**12.5**	(17.6)	—	—
Employer contributions	**0.6**	7.0	**4.7**	5.4	**0.6**	0.8
Plan participants' contributions	**—**	—	**0.1**	0.2	**0.4**	0.4
Benefits and expenses paid	**(0.6)**	(0.5)	**(5.0)**	(5.0)	**(1.0)**	(1.2)
Currency translation adjustments	**—**	—	**7.2**	(27.6)	—	—
Settlement	—	(6.9)	**(0.4)**	—	—	—
Fair value of plan assets - end of year	**$ —**	$ —	**$ 93.3**	$ 74.2	**$ —**	$ —
Amounts recognized in Consolidated Balance Sheets:						
Current liabilities	**$ 1.0**	$ 1.0	**$ 0.7**	$ 1.1	**$ 1.1**	$ 1.1
Non-current liabilities	**22.3**	16.7	**40.7**	22.1	**10.1**	9.8
Total Liabilities	**$ 23.3**	$ 17.7	**$ 41.4**	$ 23.2	**$ 11.2**	$ 10.9
Amounts recognized in Accumulated Other Comprehensive Income:						
Actuarial net (loss) gain	**$ (5.4)**	$ (1.6)	**$ (40.9)**	$ (22.2)	**$ 0.5**	$ 0.7
Prior service credit (cost)	**(0.4)**	(0.5)	**6.1**	5.8	**0.4**	0.6
Total amounts recognized in accumulated other comprehensive (loss) income	**$ (5.8)**	$ (2.1)	**$ (34.8)**	$ (16.4)	**$ 0.9**	$ 1.3

The measurement date used to determine the benefit obligations and plan assets of the defined benefit retirement and postretirement plans was December 31, 2009. In accordance with the measurement date adoption provisions of new authoritative guidance, in 2008 the U.K. plan changed its measurement date to December 31, 2008.

The total accumulated benefit obligation ("ABO") for the U.S. defined benefit retirement plans was $21.9 million and $16.0 million as of December 31, 2009 and 2008, respectively. The European Plans' ABO exceeded plan assets as of December 31, 2009 and 2008, by $36.9 million and $19.4 million, respectively. These plans' ABO was $130.2 million and $93.6 million as of December 31, 2009 and 2008, respectively.

As of December 31, 2009 and 2008, the accrued benefit costs for the defined benefit retirement plans and postretirement benefit plans included within "accrued compensation and benefits" was $2.8 million and $3.2 million, respectively, and within "other non-current liabilities" was $73.1 million and $48.6 million, respectively, in the accompanying consolidated balance sheets.

Benefit payments for the plans are expected to be as follows:

(In millions)	U.S. Plans	European Plans	Postretirement Plans
2010	$ 1.0	$ 3.3	$ 1.1
2011	0.7	3.3	1.2
2012	3.9	2.9	1.2
2013	1.3	3.5	1.2
2014	1.1	3.7	1.1
2015-2019	20.7	19.5	4.9
	$ 28.7	$ 36.2	$ 10.7

Fair Values of Pension Assets

The following table presents pension assets measured at fair value at December 31, 2009 utilizing the fair value hierarchy discussed in Note 21:

(In millions) Description	December 31, 2009	Fair Value Measurements at December 31, 2009 Level 1	Level 2	Level 3
Equity funds	**$ 57.8**	**$ —**	**$ 57.8**	**$ —**
Active corporate bond fund	**29.2**	**—**	**29.2**	**—**
Diversified investment funds	**3.0**	**—**	**—**	**3.0**
Insurance contracts	**3.3**	**—**	**—**	**3.3**
Total assets	**$ 93.3**	**$ —**	**$ 87.0**	**$ 6.3**

Reconciliation of Level 3 Assets	Balance at January 1, 2009	Actual return on plan assets	Purchases, sales and settlements	Changes due to exchange rates	Balance at December 31, 2009
Diversified investment funds	**$ 2.4**	**$ 0.1**	**$ 0.4**	**$ 0.1**	**$ 3.0**
Insurance contracts	**3.0**	**0.4**	**(0.2)**	**0.1**	**3.3**
Total level 3 assets	**$ 5.4**	**$ 0.5**	**$ 0.2**	**$ 0.2**	**$ 6.3**

Plan assets are invested in a number of linked pooled funds by an independent assets management group. Equity funds are split 50/50 between U.K. and overseas equity funds (North America, Japan, Asia Pacific and Emerging Markets). The asset management firm uses quoted prices in active markets to value the assets.

The Bond Allocation is invested in a number of Active Corporate Bond funds which are pooled funds. The Corporate Bond funds primarily invest in corporate fixed income securities denominated in British Pounds Sterling with credit ratings of BBB- and above. The asset management firm uses quoted prices in active markets to value the assets.

Diversified investment funds are invested in an external pension fund which in turn invests in a range of asset classes including equities and government and corporate bonds, hedge funds and private equity. The fair value of the assets is equal to the fair value of the assets as of January 1, 2009, as provided by the external pension fund, adjusted for cash flows over the year and the estimated investment return on underlying assets over the year.

Insurance contracts contain a minimum guaranteed return. The fair value of the assets is equal to the total amount of all individual technical reserves plus the non allocated employer's financing fund reserves at the valuation date. The individual technical and financing fund reserves are equal to the accumulated paid contributions taking into account the insurance tarification and any allocated profit sharing return.

The actual allocations for the pension assets at December 31, 2009 and 2008, and target allocations by asset class, are as follows:

Asset Class	Percentage Of Plan Assets 2009	Target Allocation 2009
U.K. Equity Fund	**30.8%**	
Overseas Equity Fund	**31.1**	
Active Corporate Bond Funds	**31.2**	
Insurance Contracts	**3.6**	
Diversified Investment Funds	**3.3**	
Total	**100%**	

Assumptions

The assumed discount rate for pension plans reflects the market rates for high-quality fixed income debt instruments currently available. In 2009, 2008 and 2007, we utilized local currency denominated long-dated AA-rated corporate bonds for the European plans. For 2009, 2008 and 2007, we used the Mercer Yield Curve to set our discount rate for the U.S. non-qualified plans and the U.S. Postretirement plans. We believe that the timing and amount of cash flows related to these instruments is expected to match the estimated defined benefit payment streams of our plans. In 2007, as a result of our decision to terminate the U.S. Qualified plan, we used the settlement rate specified to pay lump-sums in the plan to set our discount rate for the U.S. Qualified Plan.

Salary increase assumptions are based on historical experience and anticipated future management actions. For the postretirement health care and life insurance benefit plans, we review external data and our historical trends for health care costs to determine the health care cost trend rates. Retirement rates are based primarily on actual plan experience and mortality rates are based on the

RP2000 mortality table. Actual results that differ from our assumptions are accumulated and amortized over future periods and, therefore, generally affect the net periodic costs and recorded obligations in such future periods. While we believe that the assumptions used are appropriate, significant changes in economic or other conditions, employee demographics, retirement and mortality rates, and investment performance may materially impact such costs and obligations.

Assumptions used to estimate the actuarial present value of benefit obligations at December 31, 2009, 2008 and 2007 are shown in the following table. These year-end values are the basis for determining net periodic costs for the following year.

	2009	**2008**	**2007**
U.S. defined benefit retirement plans:			
Discount rates	**4.55%**	6.15%	6.50%
Rate of increase in compensation	**3.5%**	4.5%	4.5%
Expected long-term rate of return on plan assets	**N/A**	N/A	N/A
European defined benefit retirement plans:			
Discount rates	**5.25% - 5.7%**	5.6% – 6.0%	5.0% – 5.7%
Rates of increase in compensation	**3.0% - 4.25%**	0.0% – 3.7%	0.0% – 4.1%
Expected long-term rates of return on plan assets	**4.5% – 6.3%**	5.0% – 7.1%	5.0% – 6.0%
Postretirement benefit plans:			
Discount rates	**5.1%**	6.35%	6.00%
Rates of increase in compensation	**N/A**	N/A	N/A

The following table presents the impact that a one-percentage-point increase and a one-percentage-point decrease in the expected long-term rate of return and discount rate would have on the 2010 pension expense, and the impact on our retirement obligation as of December 31, 2009 for a one-percentage-point change in the discount rate:

(In millions)	**Non Qualified Pension Plans**	**Retiree Medical Plans**	**U.K. Retirement Plan**
Periodic pension expense			
One-percentage-point increase:			
Expected long-term rate of return	$ N/A	$ N/A	$ (0.8)
Discount rate	$ (0.2)	$ 0.1	$ (1.0)
One-percentage-point decrease:			
Expected long-term rate of return	$ N/A	$ N/A	$ 0.8
Discount rate	$ 0.2	$ (0.1)	$ 1.2
Retirement obligation			
One-percentage-point increase in discount rate	$ (1.2)	$ (0.6)	$ (19.7)
One-percentage-point decrease in discount rate	$ 1.3	$ 0.7	$ 23.1

The annual rate of increase in the per capita cost of covered health care benefits is assumed to be 7.5% for medical and 5.0% for dental and vision for 2009. The medical rates are assumed to gradually decline to 4.5% by 2025, whereas dental and vision rates are assumed to remain constant at 5.0%. A one-percentage-point increase and a one-percentage-point decrease in the assumed health care cost trend would have an insignificant impact on the total of service and interest cost components, and would have an unfavorable and a favorable impact of approximately $0.4 million, respectively, on the postretirement benefit obligation for both 2009 and 2008.

Note 9 - Income Taxes

Income before income taxes and the provision for income taxes, for the three years ended December 31, 2009, were as follows:

(In millions)	2009	2008	2007
Income before income taxes:			
U.S.	**$ 63.6**	$ 51.3	$ 67.5
International	**14.0**	59.4	24.9
Total income before income taxes	**$ 77.6**	$ 110.7	$ 92.4
Provision for income taxes:			
Current:			
U.S.	**$ 1.5**	$ 3.2	$ 10.3
International	**0.9**	18.9	13.0
Current provision for income taxes	**2.4**	22.1	23.3
Deferred:			
U.S.	**23.8**	(7.6)	10.7
International	**(4.2)**	1.1	(0.6)
Deferred provision (benefit) for income taxes	**19.6**	(6.5)	10.1
Total provision for income taxes	**$ 22.0**	$ 15.6	$ 33.4

A reconciliation of the provision for income taxes at the U.S. federal statutory income tax rate of 35% to the effective income tax rate, for the three years ended December 31, 2009, is as follows:

(In millions)	2009	2008	2007
Provision for taxes at U.S. federal statutory rate	**$ 27.1**	$ 38.7	$ 32.4
State and local taxes, net of federal benefit	**1.6**	0.9	0.6
Foreign effective rate differential	**(7.4)**	(2.3)	1.8
Other	**(0.7)**	1.4	(1.4)
Foreign Tax Credit Carryforward	**1.4**	(9.4)	—
U.S. Research & Development Tax Credits	**(2.0)**	(0.4)	(0.6)
Capital Loss Carryover Write-Off	—	2.5	—
Tax Benefit of Federal Net operating losses recognized	—	(19.9)	—
Reversal of Prior Year Tax on Other Comprehensive Income	—	3.5	—
Adjustment to state deferred tax assets (a)	—	—	(1.9)
Net operating losses not benefitted	**2.0**	0.6	2.5
Total provision for income taxes	**$ 22.0**	$ 15.6	$ 33.4

(a) Included in the provision recorded in the fourth quarter of 2007 was a net benefit of $1.9 million, which includes an adjustment of $2.3 million to certain prior period balances to primarily record additional deferred tax assets arising from state net operating loss carryforwards, offset by other discrete items of $0.4 million.

Included in the 2008 provision were certain tax benefits relating to the implementation of tax planning strategies which enabled the Company to revise its estimate of U.S. net operating loss (NOL) and foreign tax credit (FTC) carry-forwards expected to be realized in the future. The tax provision for the year included $26.2 million of net tax benefits primarily attributable to changing prior year foreign taxes paid from a deduction to a credit and the reversal of valuation allowances against net operating losses and the reinstatement of net operating losses which were previously written off. The Company has additional FTCs for which we have recorded valuation allowances, but we will not reverse these valuation allowances until such time that we believe it is more likely than not that they are realizable.

As of December 31, 2009 and 2008, we have no U.S. income tax provision for undistributed earnings of international subsidiaries. Such earnings are considered to be permanently reinvested. Estimating the tax liability that would result if these earnings were repatriated is not practicable at this time.

Deferred Income Taxes

Deferred income taxes result from tax attributes including foreign tax credits, net operating loss carryforwards and temporary differences between the recognition of items for income tax purposes and financial reporting purposes. Principal components of deferred income taxes as of December 31, 2009 and 2008 are:

(In millions)	2009	2008
Assets		
Net operating loss carryforwards	**$ 58.3**	$ 56.6
Unfunded pension liability and other postretirement obligations	**13.0**	10.7
Accelerated amortization	**18.6**	29.5
Tax Credit Carryforwards	**27.8**	26.0
Other Comprehensive Income	**12.6**	8.9
Reserves and other	**26.3**	24.4
Subtotal	**156.6**	156.1
Valuation allowance	**(30.8)**	(16.1)
Total assets	**$ 125.8**	$ 140.0
Liabilities		
Accelerated depreciation	**(19.0)**	(17.9)
Other	**(2.2)**	(2.3)
Total liabilities	**(21.2)**	(20.2)
Net deferred tax asset	**$ 104.6**	$ 119.8

Deferred tax assets and deferred tax liabilities as presented in the consolidated balance sheets as of December 31, 2009 and 2008 are as follows and are recorded in prepaid expenses and other current assets, deferred tax assets, and other non-current liabilities in the consolidated balance sheets:

(In millions)	2009	2008
Current deferred tax assets, net	**$ 21.7**	$ 34.4
Current deferred tax liability, net	**(0.8)**	—
Long-term deferred tax assets, net	**85.6**	88.3
Long-term deferred tax liability, net	**(1.9)**	(2.9)
Net deferred tax assets	**$ 104.6**	$ 119.8

The deferred tax assets for the respective periods were assessed for recoverability and, where applicable, a valuation allowance was recorded to reduce the total deferred tax asset to an amount that will, more likely than not, be realized in the future. The net change in the total valuation allowance for the years ended December 31, 2009 and 2008 was an increase of $14.7 million and a decrease of $12.8 million, respectively. The valuation allowance as of December 31, 2009 and 2008 relates primarily to net operating loss carryforwards of our foreign subsidiaries, certain state temporary differences, state net operating loss carryforwards, and foreign tax credit carryforwards for which we have determined, based upon historical results and projected future book and taxable income levels, that a valuation allowance should continue to be maintained.

Although realization is not assured, we have concluded that it is more-likely-than-not that the deferred tax assets for which a valuation allowance was determined to be unnecessary, will be realized in the ordinary course of operations based on the available positive and negative evidence, including scheduling of deferred tax liabilities and projected income from operating activities. The amount of the net deferred tax assets considered realizable, however, could be reduced in the near term if actual future income or income tax rates are lower than estimated, or if there are differences in the timing or amount of future reversals of existing taxable or deductible temporary differences.

Net Operating Loss & Tax Credit Carryforwards

At December 31, 2009, we had tax credit carryforwards for U.S. tax purposes of $27.8 million available to offset future income taxes, of which $1.4 million are available to carryforward indefinitely while the remaining $26.4 will begin to expire, if not utilized, in 2010. We also have net operating loss carryforwards for U.S. and foreign income tax purposes of $98.7 million and $99.3 million, respectively. The use of our net operating losses generated prior to 2003 are limited because we had an "ownership change" pursuant to IRC Section 382 resulting from a refinancing of our capital structure. In addition, we have $25.4 million of net operating loss carryforwards attributable to the excess tax deductions on stock option activity that will be realized as a benefit to APIC when they reduce income taxes payable. We believe we will utilize all of the net operating losses prior to their expiration. Our foreign net operating losses can be carried forward without limitation in Belgium, Luxembourg and UK. The carryforward period in Spain and China is limited to 15 and 5 years, respectively.

Uncertain Tax Positions

On January 1, 2007 we adopted the provisions of ASC 740 regarding Accounting for Uncertainty in Income Taxes.   Our unrecognized tax benefits at December 31, 2009, relates to various Foreign and U.S. jurisdictions.

The following table summarizes the activity related to our unrecognized tax benefits:

(In millions)	Unrecognized Tax Benefits 2009	Unrecognized Tax Benefits 2008	Unrecognized Tax Benefits 2007
Balance as of January 1	$ **18.2**	$ 18.5	$ 15.3
Additions based on tax positions related to the current year	**3.2**	3.0	3.5
Additions for tax positions of prior years	**—**	1.2	0.7
Reductions for tax positions of prior years	**(1.8)**	(1.3)	(0.7)
Decreases relating to settlements with tax authorities	**(0.1)**	—	(1.1)
Expiration of the statute of limitations for the assessment of taxes	**(0.5)**	(2.5)	(0.9)
Other, including currency translation	**0.4**	(0.7)	1.7
Balance as of December 31	**$ 19.4**	**$ 18.2**	**$ 18.5**

Included in the unrecognized tax benefits of $19.4 million at December 31, 2009 was $16.1 million of tax benefits that, if recognized, would impact our annual effective tax rate. In addition, we recognize interest accrued related to unrecognized tax benefits as a component of interest expense and penalties as a component of income tax expense in the consolidated statements of operations. During 2009, we accrued potential interest of $0.2 million, net of reversals, related to the unrecognized tax benefits. We have recorded a liability of $2.8 million and $2.6 million for the payment of interest as of December 31, 2009 and 2008, respectively.

We are subject to taxation in the U.S. and various states and foreign jurisdictions. The U.S. federal statute of limitations remains open for prior years; however the U.S. tax returns have been audited through 2006 and currently tax year 2007 is under audit. Foreign and U.S. state jurisdictions have statutes of limitations generally ranging from 3 to 5 years. Years still open to examination by foreign tax authorities in major jurisdictions include Austria (2002 onward), Belgium (2003 onward), France (2007 onward), Spain (2004 onward) and UK (2007 onward). We are currently under examination in various U.S. state and foreign jurisdictions.

As of December 31, 2009, we had uncertain tax positions for which it is reasonably possible that amounts of unrecognized tax benefits could significantly change over the next year. These uncertain tax positions relate to our tax returns from 2003 onward, some of which are currently under examination by certain European and U.S. taxing authorities. We are unable to provide an estimate of possible change to the unrecognized tax benefits related to these tax positions. As of December 31, 2009, the Company has classified approximately $2.4 million of unrecognized tax benefits as a current liability, representing income tax positions under examination in various jurisdictions which the Company expects to settle over the next twelve months.

We expect that the amount of unrecognized tax benefits will continue to change in the next twelve months as a result of ongoing tax deductions, the resolution of audits and the passing of the statute of limitations.

On January 8, 2010 we were awarded approximately $8.1 million in New Clean Energy Manufacturing Tax Credits as part of the American Recovery and Reinvestment Act. The credit will be on qualifying expenditures incurred at our Colorado facility from February 2009 to February 2013. The company expects to record a tax credit in excess of $3 million in 2010 based on qualifying expenditures already incurred.

Note 10 - Capital Stock

Common Stock Outstanding

Common stock outstanding as of December 31, 2009, 2008 and 2007 was as follows:

(Number of shares in millions)	2009	2008	2007
Common stock:			
Balance, beginning of year	**98.3**	97.6	95.5
Activity under stock plans	**0.3**	0.7	2.1
Balance, end of year	**98.6**	98.3	97.6
Treasury stock:			
Balance, beginning of year	**1.9**	1.8	1.7
Repurchased	**0.1**	0.1	0.1
Balance, end of year	**2.0**	1.9	1.8
Common stock outstanding	**96.6**	96.4	95.8

Note 11 — Stock-Based Compensation

The following table details the stock-based compensation expense by type of award for the years ended December 31, 2009, 2008 and 2007:

(In millions, except per share data)	Year Ended December 31, 2009	2008	2007
Non-qualified stock options	**$ 3.4**	$ 2.5	$ 4.2
Restricted stock, service based ("RSUs")	**4.2**	4.6	3.9
Restricted stock, performance based ("PRSUs")	**0.7**	2.3	2.3
Stock-based compensation expense before tax effect	**8.3**	9.4	10.4
Tax effect on stock-based compensation expense	**(3.1)**	(3.6)	(4.1)
Total stock-based compensation expense, net of tax	**$ 5.2**	$ 5.8	$ 6.3
Effect on net income from continuing operations per basic share	**$ 0.05**	$ 0.06	$ 0.07
Effect on net income from continuing operations per diluted share	**$ 0.05**	$ 0.05	$ 0.07

Non-Qualified Stock Options

Non-qualified stock options have been granted to our employees and directors under our stock compensation plan. Options granted generally vest over three years and expire ten years from the date of grant.

A summary of option activity under the plan for the three years ended December 31, 2009 is as follows:

	Number of Options (In millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)
Outstanding at December 31, 2006	5.2	$ 9.40	5.15
Options granted	0.5	$ 18.37	
Options exercised	(1.9)	$ 8.66	
Options expired or forfeited	(0.1)	$ 18.20	
Outstanding at December 31, 2007	3.7	$ 10.62	5.07
Options granted	0.3	$ 21.11	
Options exercised	(0.5)	$ 10.41	
Options expired or forfeited	(0.1)	$ 17.15	
Outstanding at December 31, 2008	3.4	$ 11.34	4.82
Options granted	**1.0**	**$ 7.60**	
Options exercised	**(0.1)**	**$ 5.78**	
Options expired or forfeited	**(0.2)**	**$ 8.33**	
Outstanding at December 31, 2009	**4.1**	**$ 10.67**	**5.06**

(In millions, except weighted average exercise price)	Year Ended December 31, 2009	2008
Aggregate intrinsic value of outstanding options	**$ 16.3**	$ 3.5
Aggregate intrinsic value of exercisable options	**$ 11.4**	$ 3.5
Total intrinsic value of options exercised	**$ 0.5**	$ 5.4
Total number of options exercisable	**2.9**	2.7
Weighted average exercise price of options exercisable	**$ 10.65**	$ 9.42
Total unrecognized compensation cost on nonvested options (a)	**$ 1.9**	$ 1.8

(a) Unrecognized compensation cost relates to nonvested stock options and is expected to be recognized over the remaining vesting period ranging from one year to three years.

The following table summarizes information about non-qualified stock options outstanding as of December 31, 2009:

			Options Outstanding			Options Exercisable	
Range of Exercise Prices			Number of Options Outstanding	Weighted Average Remaining Life (in Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
$	2.74 –	3.15	0.7	2.86	$ 3.06	0.7	$ 3.06
$	4.75 –	6.68	0.1	1.12	$ 5.90	0.1	$ 5.90
$	7.38 –	11.00	2.1	5.09	$ 8.90	1.1	$ 9.63
$	14.51 –	21.11	1.0	6.56	$ 17.58	0.7	$ 16.66
$	22.00 –	22.24	0.2	6.17	$ 22.01	0.3	$ 22.01
$	2.74 –	22.24	4.1	5.06	$ 10.67	2.9	$ 10.65

Valuation Assumptions in Estimating Fair Value

We estimated the fair value of stock options at the grant date using the Black-Scholes option pricing model with the following assumptions for the years ended December 31, 2009, 2008 and 2007:

	2009	2008	2007
Risk-free interest rate	**1.52%**	2.98%	4.84%
Expected option life (in years) Executive	**4.97**	6.00	5.97
Expected option life (in years) Non-Executive	**4.62**	5.16	5.24
Dividend yield	**—%**	—%	—%
Volatility	**61.75%**	45.21%	40.94%
Weighted-average fair value per option granted	**$ 3.96**	$ 9.69	$ 8.41

We determine the expected option life for each grant based on ten years of historical option activity for two separate groups of employees (executive and non-executive). The weighted-average expected life ("WAEL") is derived from the average midpoint between the vesting and the contractual term and considers the effect of both the inclusion and exclusion of post-vesting cancellations during the ten-year period. Expected volatility is calculated based on a blend of both historic volatility of our common stock and implied volatility of our traded options. We weigh both volatility inputs equally and utilize the average as the volatility input for the Black-Scholes calculation. The risk-free interest rate for the expected term is based on the U.S. Treasury yield curve in effect at the time of grant. No dividends were paid in either period; furthermore, we do not plan to pay any dividends in the future.

Restricted Stock Units — Service Based

As of December 31, 2009, a total of 904,610 shares of service based restricted stock ("RSUs") were outstanding, which vest based on years of service under the 2003 incentive stock plan. RSUs are granted to key employees, executives and directors of the Company. The fair value of the RSU is based on the closing market price of the Company's common stock on the date of grant and is amortized on a straight line basis over the requisite service period. The stock-based compensation expense recognized is based on an estimate of shares ultimately expected to vest, and therefore it has been reduced for estimated forfeitures.

The table presented below provides a summary of the Company's RSU activity for the years ended December 31, 2009 and 2008:

	Number of RSUs (In millions)	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2007	0.4	$ 18.39
RSUs granted	0.2	$ 20.82
RSUs issued	(0.2)	$ 21.87
Outstanding at December 31, 2008	0.4	$ 20.17
RSUs granted	**0.7**	$ **8.42**
RSUs issued	**(0.1)**	$ **20.09**
RSUs forfeited	**(0.1)**	$ **9.46**
Outstanding at December 31, 2009	**0.9**	$ **12.21**

As of December 31, 2009, there was total unrecognized compensation cost related to nonvested RSUs of $3.5 million, which is to be recognized over the remaining vesting period ranging from one year to three years.

Restricted Stock Units — Performance Based

As of December 31, 2009, a total of 519,602 shares of performance based restricted stock ("PRSUs") were outstanding under the 2003 incentive stock plan. The total amount of PRSUs that will ultimately vest is based on the achievement of various financial

performance targets set forth by the Company's Compensation Committee on the date of grant. PRSUs issued prior to 2009 contain a one year service period restriction that commences immediately after the conclusion of a two year performance period. Based on the formula no PRSU's were earned for the 2008 award, accordingly they are shown on the table below as forfeited. PRSUs issued in 2009 are based on a three year performance period. The fair value of the PRSU is based on the closing market price of the Company's common stock on the date of grant and is amortized straight-line over the total three year period. A change in the performance measure expected to be achieved is recorded as an adjustment in the period in which the change occurs.

The table presented below provides a summary of the Company's PRSU activity for the years ended December 31, 2009 and 2008:

	Number of PRSUs (In millions)		Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2007	0.3	$	19.19
PRSUs granted	0.1	$	21.11
Outstanding at December 31, 2008	0.4	$	19.74
PRSUs granted	**0.4**	**$**	**7.83**
PRSUs issued	**(0.1)**	**$**	**20.97**
PRSUs forfeited	**(0.2)**	**$**	**21.11**
Outstanding at December 31, 2009	**0.5**	**$**	**11.18**

As of December 31, 2009, there was total unrecognized compensation cost related to nonvested PRSUs of $1.8 million, which is to be recognized over the remaining vesting period ranging from one year to three years. The final amount of compensation cost to be recognized is dependent upon our financial performance.

Stock-Based Compensation Cash Activity

During 2009, cash received from stock option exercises and from employee stock purchases was $0.2 million. We used a minor amount in cash related to the shares withheld to satisfy employee tax obligations for RSUs converted during the year ended December 31, 2009. We realized a tax benefit of $0.7 million in connection with stock options exercised and RSUs converted during 2009.

We classify the cash flows resulting from these tax benefits as financing cash flows. It has been our practice to issue new shares of our common stock upon the exercise of stock options or the conversion of stock units. In the future, we may consider utilizing treasury shares for stock option exercises or stock unit conversions.

Shares Authorized for Grant

As of December 31, 2009, an aggregate of 4.3 million shares were authorized for future grant under our stock plan, which covers stock options, RSUs, PRSUs and at the discretion of Hexcel, could result in the issuance of other types of stock-based awards.

Employee Stock Purchase Plan ("ESPP")

In October a new ESPP plan, approved by the Company's shareholders, was offered to our employees. The new ESPP allows for eligible employees to contribute up to 10% of their base earnings toward the quarterly purchase of our common stock at a purchase price equal to 85% of the fair market value of the common stock. The first ESPP share purchase occurred in January 2010 with the purchase of 13,986 shares. In April 2008 the prior ESPP expired. Shares of common stock issued under the prior ESPP during 2008 and 2007 were 4,138 and 12,053, respectively.

Note 12 - Net Income Per Common Share

Computations of basic and diluted net income per common share for the years ended December 31, 2009, 2008 and 2007, are as follows:

(In millions, except per share data)	2009	2008	2007
Net income from continuing operations	**$ 56.3**	$ 111.2	$ 63.3
Loss from discontinued operations	**—**	—	(5.1)
Gain on sale of discontinued operations	**—**	—	3.1
Net income	**$ 56.3**	$ 111.2	$ 61.3
Basic net income per common share:			
Weighted average common shares outstanding	**96.9**	96.4	94.7
Net income from continuing operations per common share	**$ 0.58**	$ 1.15	$ 0.67
Loss from discontinued operations per common share	**—**	—	(0.02)
Basic net income per common share	**$ 0.58**	$ 1.15	$ 0.65
Diluted net income per common share:			
Weighted average common shares outstanding — Basic	**96.9**	96.4	94.7
Plus incremental shares from assumed conversions:			
Restricted stock units	**0.6**	0.2	0.5
Stock options	**0.7**	1.0	1.3
Weighted average common shares outstanding — Diluted	**98.2**	97.6	96.5
Net income from continuing operations per share	**$ 0.57**	$ 1.14	$ 0.66
Loss from discontinued operations per share	**—**	—	(0.02)
Diluted net income per common share	**$ 0.57**	$ 1.14	$ 0.64
Anti-dilutive shares outstanding, excluded from computation	**2.1**	0.9	0.7

Note 13 — Derivative Financial Instruments

Interest Rate Swap Agreements

In May 2005, we entered into an agreement to swap $50.0 million of a floating rate obligation for a fixed rate obligation at an average of 3.99% against LIBOR in U.S. dollars. The term of the swap was three years, and was scheduled to mature on July 1, 2008. The swap was accounted for as a cash flow hedge of our floating rate bank loan. To ensure the swap was highly effective, all the principal terms of the swap matched the terms of the bank loan. At June 29, 2007 we terminated the swap and received a cash payment of $0.6 million. The amounts deferred were released from other comprehensive income ("OCI") in accordance with the original terms through July 2008. A net gain of $0.8 million was recognized as a component of "interest expense" for 2008.

Cross-Currency Interest Rate Swap Agreement

In September 2006, we entered into a cross-currency interest rate swap agreement to hedge a portion of our net Euro investment in Hexcel France SA. This agreement is accounted for as a hedge of the foreign currency exposure of a net investment in a foreign operation and to the extent it is effective, gains and losses are recorded as an offset in the cumulative translation account, the same account in which translation gains and losses on the investment in Hexcel France SA are recorded. All other changes, including any difference in current interest, are excluded from the assessment of effectiveness and are included in operating income as a component of interest expense. The agreement has a notional value of $63.4 million, a term of five years, and is scheduled to mature on September 20, 2011. We receive interest in U.S. dollars quarterly and pay interest in Euros on the same day. U.S. interest is based on the three month LIBOR. Euro interest is based on the three month EURIBOR. The fair value of the swap at December 31, 2009 and December 31, 2008 was a liability of $8.2 million and $7.3 million, respectively. Net credits to interest expense of $0.3 million and $0.1 million related to the excluded portion of the derivative were recorded in 2009 and 2008, respectively. Net charges to interest expense of $0.6 million and $1.5 million related to the interest coupons were recorded during 2009 and 2008, respectively. The net amount of gains/losses included in the CTA adjustment during the reporting periods were a loss of $1.2 million, a gain of $3.2 million and a loss of $7.7 million in 2009, 2008 and 2007, respectively. The impact of applying prescribed credit risk adjustments was immaterial.

Foreign Currency Forward Exchange Contracts

A number of our European subsidiaries are exposed to the impact of exchange rate volatility between the U.S. dollar and the subsidiaries' functional currencies, being either the Euro or the British Pound Sterling. We entered into contracts to exchange U.S. dollars for Euros and British Pound Sterling through May 2012. The aggregate notional amount of these contracts was $100.1 million and $118.2 million at December 31, 2009 and 2008, respectively. The purpose of these contracts is to hedge a portion of the forecasted transactions of European subsidiaries under long-term sales contracts with certain customers. These contracts are expected to provide us with a more balanced matching of future cash receipts and expenditures by currency, thereby reducing our exposure to fluctuations in currency exchange rates. The effective portion of the hedges was a loss of $4.1 million is recorded in

OCI for the year ended December 31, 2009. We exclude the forward points of less than $0.1 million from the effectiveness assessment for the current year. The carrying amount of these contracts was $2.5 million in other assets and $11.8 million classified in other liabilities on the Consolidated Balance Sheets. During the year ended December 31, 2009 we recognized net losses of $5.7 recorded in sales and cost of sales. During the year ended December 31, 2009 we recognized net gains of $4.1 million in other comprehensive income. For the three years ended December 31, 2009, hedge ineffectiveness was immaterial. Cash flows associated with these contracts are classified within net cash provided by operating activities of continuing operations.

In addition, we enter into foreign exchange forward contracts which are not designated as hedges. These are used to provide an offset to transactional gains or losses arising from the remeasurement of non-functional monetary assets and liabilities such as accounts receivable. The change in the fair value of the derivatives is recorded in the consolidated statements of operations. There are no credit contingency features in these derivatives. During the year ended December 31, 2009 we recognized a net foreign exchange gain of $1.0 million. Asset and liability derivatives not designated as hedging instruments were not material.

The activity in "accumulated other comprehensive income (loss)" related to foreign currency forward exchange contracts for the years ended December 31, 2009, 2008 and 2007 was as follows:

(In millions)	2009	2008	2007
Unrealized gains (losses) at beginning of period	**$ (8.9)**	$ 3.2	$ 3.9
(Gains) losses reclassified to net sales	**4.3**	(1.3)	(3.1)
(Decrease) increase in fair value, net of tax	**3.2**	(10.8)	2.4
Unrealized gains (losses) at end of period	**$ (1.4)**	$ (8.9)	$ 3.2

Unrealized losses of $1.5 million recorded in "accumulated other comprehensive income (loss)," net of tax, as of December 31, 2009 are expected to be reclassified into earnings over the next twelve months as the hedged sales are recorded. The impact of credit risk adjustments was immaterial.

In addition, non-designated foreign exchange forward contracts are used to hedge balance sheet exposures, such as recognized foreign denominated receivables and payables. The notional amounts outstanding at December 31, 2009 and 2008, respectively were U.S. $53.8 million and GBP 3.0 million against EUR, and U.S. $15.0 million and GBP 7.3 million against EUR. The change in fair value of these forward contracts is recorded in the consolidated statements of operations and was immaterial for the years 2009, 2008 and 2007.

Note 14 — Commitments and Contingencies

We are involved in litigation, investigations and claims arising out of the normal conduct of our business, including those relating to commercial transactions, environmental, employment, and health and safety matters. We estimate and accrue our liabilities when a loss becomes probable and estimable. These judgments take into consideration a variety of factors, including the stage of the proceeding; potential settlement value; assessments by internal and external counsel; and assessments by environmental engineers and consultants of potential environmental liabilities and remediation costs. Such estimates are not discounted to reflect the time value of money due to the uncertainty in estimating the timing of the expenditures, which may extend over several years.

While it is impossible to ascertain the ultimate legal and financial liability with respect to certain contingent liabilities and claims, we believe, based upon our examination of currently available information, our experience to date, and advice from legal counsel, that the individual and aggregate liabilities resulting from the ultimate resolution of these contingent matters, after taking into consideration our existing insurance coverage and amounts already provided for, will not have a material adverse impact on our consolidated results of operations, financial position or cash flows.

Environmental Matters

We are subject to various U.S. and international federal, state and local environmental, and health and safety laws and regulations. We are also subject to liabilities arising under the Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund"), the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, and similar state and international laws and regulations that impose responsibility for the control, remediation and abatement of air, water and soil pollutants and the manufacturing, storage, handling and disposal of hazardous substances and waste.

We have been named as a potentially responsible party ("PRP") with respect to several hazardous waste disposal sites that we do not own or possess, which are included on, or proposed to be included on, the Superfund National Priority List of the U.S. Environmental Protection Agency ("EPA") or on equivalent lists of various state governments. Because CERCLA allows for joint and several liability in certain circumstances, we could be responsible for all remediation costs at such sites, even if we are one of many PRPs. We believe, based on the amount and nature of our waste, and the number of other financially viable PRPs, that our liability in connection with such matters will not be material.

Lodi, New Jersey Site

Pursuant to the New Jersey Industrial Site Recovery Act, we entered into a Remediation Agreement to pay for the environmental remediation of a manufacturing facility we formerly operated in Lodi, New Jersey. We have commenced remediation of this site in accordance with an approved plan; however, the ultimate cost of remediating the Lodi site will depend on developing circumstances. The total accrued liability related to this matter was $5.7 million as of December 31, 2009.

Lower Passaic River Study Area

In October 2003, we received, along with 66 other entities, a directive from the New Jersey Department of Environmental Protection ("NJDEP") that requires the entities to assess whether operations at various New Jersey sites, including our former manufacturing site in Lodi, New Jersey, caused damage to natural resources in the Lower Passaic River watershed. In May 2005, the NJDEP dismissed us from the Directive. In February 2004, 42 entities, including Hexcel, received a general notice letter from the EPA which requested that the entities consider helping to finance an estimated $10 million towards an EPA study of environmental conditions in the Lower Passaic River watershed. In May 2005, we signed onto an agreement with the EPA to participate (bringing the total number of participating entities to 43) in financing such a study up to $10 million, in the aggregate. Since May 2005, a number of additional PRPs have joined into the agreement with the EPA. In October 2005, we, along with the other EPA notice recipients were advised by the EPA that the notice recipients' share of the costs of the EPA study was expected to significantly exceed the earlier EPA estimate. While we and the other recipients were not obligated by our agreement to share in such excess, a Group of notice recipients (73 companies including Hexcel) negotiated an agreement with the EPA to assume responsibility for the study pursuant to an Administrative Order on Consent. Work on the study is ongoing. We believe we have viable defenses to the EPA claims and expect that other, as yet unnamed parties, also will receive notices from the EPA. In June 2007, the EPA issued a draft Focused Feasibility Study ("FFS") that considers six interim remedial options for the lower eight miles of the river, in addition to a "no action" option. The estimated costs for the six "action" options range from $900 million to $2.3 billion. The PRP group provided comments to the EPA on the FFS; EPA has not yet taken further action. The Administrative Order on Consent regarding the study does not cover work contemplated by the FFS. Furthermore, the Federal Trustees for natural resources have indicated their intent to perform a natural resources damage assessment on the river and invited the PRPs to participate in the development and performance of this assessment. The PRP Group, including Hexcel, has not agreed to participate in the assessment at this time. Finally, on February 4, 2009, Tierra Solutions ("Tierra") and Maxus Energy Corporation ("Maxus") filed a third party complaint in New Jersey Superior Court against us and over 300 other entities in an action brought against Tierra and Maxus (and other entities) by the State of New Jersey. We entered into a Joint Defense Agreement with many of the third-party defendants (approximately 120 to date). New Jersey's suit against Tierra and Maxus relates to alleged discharges of contaminants by Tierra and Maxus to the Passaic River and seeks payment of all past and future costs the State has and will incur regarding cleanup and removal of contaminants, investigation of the Passaic River and related water bodies, assessment of natural resource injuries and other specified injuries. The third party complaint seeks contribution from us for all or part of the damages that Tierra and Maxus may owe to the State. We have not yet responded to the complaint; our answer is due February 11, 2010. Our initial disclosures are due 45 days after filing our answer; however, substantially all additional third-party discovery and motions practice have been stayed until May 2010, with the possibility that the stay could be extended. Our ultimate liability for investigatory costs, remedial costs and/or natural resource damages in connection with the Lower Passaic River cannot be determined at this time.

Kent, Washington Site

We were party to a cost-sharing agreement regarding the operation of certain environmental remediation systems necessary to satisfy a post-closure care permit issued to a previous owner of our Kent, Washington site by the EPA. Under the terms of the cost-sharing agreement, we were obligated to reimburse the previous owner for a portion of the cost of the required remediation activities. Management has determined that the cost-sharing agreement terminated in December 1998; however, the other party disputes this determination. The Washington Department of Ecology ("Ecology") has issued a unilateral Enforcement Order requiring us to (a) maintain the interim remedial system and to perform system separation, (b) conduct a focused remedial investigation and (c) conduct a focused feasibility study to develop recommended long term remedial measures. We asserted defenses against performance of the order, particularly objecting to the remediation plan proposed by the previous owner, who still owns the adjacent contaminated site. Hexcel and Ecology have entered into an agreement to modify certain work requirements and to extend certain deadlines, and we are in full compliance with the order as modified. The total accrued liability related to this matter was $1.7 million as of December 31, 2009.

Environmental remediation reserve activity for the years ended December 31, 2009, 2008, 2007 was as follows:

	For the year ended		
(In millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Beginning remediation accrual balance	**$ 9.2**	$ 3.2	$ 5.3
Current period expenses (a)	**1.9**	8.7	0.6
Cash expenditures	**(2.8)**	(2.7)	(2.7)
Ending remediation accrual balance	**$ 8.3**	$ 9.2	$ 3.2
Capital expenditures for environmental matters	**$ 4.8**	$ 7.3	$ 2.3

(a) 2008 Includes $7.6 million of expense related to the Lodi, New Jersey site resulting from a change in the estimated time period that remediation is expected to continue.

Our estimate of liability as a PRP and our remaining costs associated with our responsibility to remediate the Lodi, New Jersey; Kent, Washington; and other sites are accrued in the consolidated balance sheets. As of December 31, 2009 and 2008, our aggregate environmental related accruals were $8.3 million and $9.2 million, respectively. As of December 31, 2009 and 2008, $4.5 million and $3.8 million, respectively, were included in current other accrued liabilities, with the remainder included in other non-current liabilities. As related to certain environmental matters, the accrual was estimated at the low end of a range of possible outcomes since no amount within the range is a better estimate than any other amount. If we had accrued for these matters at the high end of the range of possible outcomes, our accrual would have been $12.8 million and $14.1 million at December 31, 2009 and 2008, respectively.

These accruals can change significantly from period to period due to such factors as additional information on the nature or extent of contamination, the methods of remediation required, changes in the apportionment of costs among responsible parties and other actions by governmental agencies or private parties, or the impact, if any, of being named in a new matter.

Litigation

Gurit Infringement Claim

On January 22, 2010 we and Gurit entered into a settlement and license agreement that provides for dismissal with prejudice of the litigation pending against our Austrian subsidiary in Germany and Austria upon our payment of $7.5 million. Under this agreement we also obtained a license under a number of Gurit patents. In the fourth quarter of 2009, we recorded a $7.5 million charge included in "Other expense, net" for this settlement.

Seemann Composites, Inc. v. Hexcel Corporation

Seemann Composites, Inc., (SCI) has sued us in the United States District Court, Southern District of Mississippi (Civil Action No. 1:09-cv-00675-HSO-JMR), filed September 16, 2009. SCI alleges that we supplied the wrong or a defective finished fabric to them, through one of our distributors, and is seeking unspecified compensatory damages and $10.0 million in punitive damages. We intend to vigorously defend the suit. Our ultimate liability for this matter cannot be determined at this time.

Product Warranty

Warranty expense for the years ended December 31, 2009, 2008 and 2007, and accrued warranty cost, included in "other accrued liabilities" in the consolidated balance sheets at December 31, 2009 and 2008, was as follows:

(In millions)	**Product Warranties**
Balance as of December 31, 2006	$ 4.6
Warranty expense	1.8
Deductions and other	(3.5)
Balance as of December 31, 2007	$ 2.9
Warranty expense	1.4
Deductions and other	(0.5)
Balance as of December 31, 2008	**$ 3.8**
Warranty expense	**0.6**
Deductions and other	**(0.7)**
Balance as of December 31, 2009	**$ 3.7**

Note 15 — Supplemental Cash Flow

Supplemental cash flow information, for the years ended December 31, 2009, 2008 and 2007, consisted of the following:

(In millions)	2009	2008	2007
Cash paid for:			
Interest	**$ 27.8**	$ 25.3	$ 24.5
Taxes	**$ 11.9**	$ 23.5	$ 18.0
Accrual basis additions to property, plant and equipment	**$ 85.7**	$ 177.3	$ 120.6

Note 16 — Accumulated Other Comprehensive Income (Loss)

Comprehensive income represents net income and other gains and losses affecting stockholders' equity that are not reflected in the consolidated statements of operations. The components of accumulated other comprehensive income (loss) as of December 31, 2009 and 2008 were as follows:

(In millions)	2009	2008
Currency translation adjustments (a)	**$ 22.6**	$ 12.5
Net unrealized (losses) gains on financial instruments, net of tax (b)	**(1.5)**	(8.2)
Pension obligation adjustment, net of tax (c)	**(28.1)**	(13.0)
Accumulated other comprehensive income (loss)	**$ (7.0)**	$ (8.7)

(a) The currency translation adjustments are not currently adjusted for income taxes as they relate to indefinite investments in non-U.S. subsidiaries.
(b) Reduced by the tax impact of $0.6 million and $4.1 million at December 31, 2009 and 2008, respectively.
(c) Reduced by the tax impact of $11.7 million and $4.2 million at December 31, 2009 and 2008, respectively.

Note 17 — Segment Information

The financial results for our segments are prepared using a management approach, which is consistent with the basis and manner in which we internally segregate financial information for the purpose of assisting in making internal operating decisions. We evaluate the performance of our segments based on operating income, and generally account for intersegment sales based on arm's length prices. We report two segments, Composite Materials and Engineered Products. Corporate and certain other expenses are not allocated to the segments, except to the extent that the expense can be directly attributable to the segment. Corporate & Other is shown to reconcile to Hexcel's consolidated results.

In addition to the product line-based segmentation of our business, we also monitor sales into our principal end markets as a means to understanding demand for our products. Therefore, for each segment, we have also reported disaggregated sales by end market.

The following table presents financial information on our segments as of December 31, 2009, 2008 and 2007, and for the years then ended.

(In millions)	Composite Materials	Engineered Products	Corporate & Other	Total
Third-Party Sales				
2009	**$ 856.5**	**$ 251.8**	**—**	**$ 1,108.3**
2008	1,075.3	249.6	—	1,324.9
2007	941.9	229.2	—	1,171.1
Intersegment sales				
2009	**$ 27.2**	**$ 0.1**	**(27.3)**	**$ —**
2008	40.1	0.4	(40.5)	—
2007	34.0	2.5	(36.5)	—
Operating income (loss)				
2009	**$ 111.4**	**$ 36.0**	**(43.7)**	**$ 103.7**
2008	158.8	26.8	(54.7)	130.9
2007	142.8	21.3	(49.2)	114.9

Depreciation and amortization				
2009	**$ 42.3**	**$ 4.1**	**$ 0.2**	**$ 46.6**
2008	39.6	4.2	0.1	43.9
2007	35.9	3.8	0.1	39.8
Equity in earnings from and gain on sale of affiliated companies				
2009	**$ —**	**$ 0.7**	**$ —**	**$ 0.7**
2008	—	16.1	—	16.1
2007	—	4.3	—	4.3
Business consolidation and restructuring expenses				
2009	**$ —**	**$ —**	**$ —**	**$ —**
2008	3.4	0.4	—	3.8
2007	6.4	0.9	—	7.3
Business consolidation and restructuring payments				
2009	**$ 1.6**	**$ 0.1**	**$ —**	**$ 1.7**
2008	4.1	0.2	—	4.3
2007	12.9	2.0	—	14.9
Other expense, net				
2009	**$ 8.4**	**$ —**	**(0.9)**	**$ 7.5**
2008	—	—	10.2	10.2
2007	3.2	—	9.4	12.6
Segment assets				
2009	**$ 957.3**	**$ 172.9**	**$ 116.4**	**$ 1,246.6**
2008	949.7	193.3	67.3	1,210.3
2007	793.5	176.2	90.8	1,060.5
Investments in affiliated companies				
2009	**$ —**	**$ 17.7**	**$ —**	**$ 17.7**
2008	—	10.6	—	10.6
2007	—	17.0	—	17.0
Accrual basis additions to property, plant and equipment				
2009	**$ 82.7**	**$ 2.4**	**$ 0.6**	**$ 85.7**
2008	170.7	3.4	3.2	177.3
2007	111.4	7.2	2.0	120.6

Geographic Data

Net sales and long-lived assets, by geographic area, consisted of the following for the three years ended December 31, 2009, 2008 and 2007:

(In millions)	**2009**	**2008**	**2007**
Net sales by Geography (a):			
United States	**$ 532.6**	$ 640.4	$ 552.2
International			
France	**203.7**	288.2	238.3
Austria	**144.4**	193.3	160.2
United Kingdom	**79.8**	111.5	100.8
Other	**147.8**	91.5	119.6
Total international	**575.7**	684.5	618.9
Total consolidated net sales	**$ 1,108.3**	$ 1,324.9	$ 1,171.1
Net Sales to External Customers (b):			
United States	**$ 462.6**	$ 482.9	$ 467.2
International			
France	**103.7**	155.2	128.8
Spain	**87.3**	117.5	75.9
Germany	**83.2**	95.3	87.2

United Kingdom	**61.2**	75.6	65.5
Other	**310.3**	398.4	346.5
Total international	**645.7**	842.0	703.9
Total	**$ 1,108.3**	$ 1,324.9	$ 1,171.1
Long-lived assets (c):			
United States	**$ 458.8**	$ 409.3	$ 271.4
International			
Spain	**69.0**	68.3	58.4
France	**40.1**	42.4	44.5
United Kingdom	**48.1**	34.8	40.2
Other	**42.8**	53.5	40.4
Total international	**200.0**	199.0	183.5
Total consolidated long-lived assets	**$ 658.8**	$ 608.3	$ 454.9

(a) Net sales by geography based on the location in which the product sold was manufactured.
(b) Net sales to external customers based on the location to which the product sold was delivered.
(c) Long-lived assets primarily consist of property, plant and equipment, net and goodwill.

Significant Customers and Suppliers

The Boeing Company and its subcontractors accounted for approximately 27%, 23% and 25% of 2009, 2008 and 2007 net sales, respectively. Similarly, EADS, including Airbus and its subcontractors accounted for approximately 22%, 24% and 22% of 2009, 2008 and 2007 net sales, respectively. In the Composites Materials segment approximately 18%, 16% and 17% of sales for 2009, 2008 and 2007, respectively, were to Boeing and its subcontractors. Approximately 27%, 28% and 26% of sales for 2009, 2008 and 2007, respectively were to EADS and its subcontractors. In the Engineered Products segment approximately 60%, 56% and 60% of sales for 2009, 2008 and 2007, respectively were to Boeing and its subcontractors.

In 2009 and 2008, Vestas Wind Systems A/S accounted for nearly 12% and 11%, respectively, of the Company's total net sales. All of these sales are included in the Composite Materials segment and are in the Industrial market. Prior to 2008, their sales were less than 10% of total net sales. A significant decline in business with Boeing, EADS or Vestas could materially impact our business, operating results, prospects and financial condition.

Certain key raw materials we consume are available from relatively few sources, and in many cases the cost of product qualification makes it impractical to develop multiple sources of supply. The lack of availability of these materials could under certain circumstances materially impact our consolidated results of operations.

Note 18 - Business Consolidation and Restructuring Programs

The aggregate business consolidation and restructuring activities for the three years ended December 31, 2009, consisted of the following:

(In millions)	**Employee Severance**	**Facility & Equipment**	**Total**
Balance as of December 31, 2006	$ 10.7	$ 0.3	$ 11.0
Business consolidation and restructuring expenses	2.0	5.3	7.3
Cash expenditures	(9.6)	(5.3)	(14.9)
Balance as of December 31, 2007	$ 3.1	$ 0.3	$ 3.4
Business consolidation and restructuring expenses	0.8	3.0	3.8
Cash expenditures	(1.9)	(2.4)	(4.3)
Balance as of December 31, 2008	$ 2.0	$ 0.9	$ 2.9
Cash expenditures	**(1.3)**	**(0.4)**	**(1.7)**
Currency translation adjustments and other adjustments	**(0.2)**	**—**	**(0.2)**
Balance as of December 31, 2009	**$ 0.5**	**$ 0.5**	**$ 1.0**

Reserves associated with the remaining restructuring programs include certain expected severance payments associated with reorganization programs announced in prior years and lease payments remaining on facilities no longer used.

Note 19 — Discontinued Operations

In 2007, we completed the sale of the EBGI portion of our reinforcements business and of our European Architectural business. Cash proceeds from the sales were $58.5 million and $25.0 million, respectively. As a result of the sales, we recognized an after-tax loss of $3.4 million on EBGI and an after-tax gain of $6.5 million on the European Architectural business.

The EBGI sale included up to $12.5 million of additional payments contingent upon future sales of the Ballistics product line. The additional payments are capped with a maximum of $5.0 million in any individual year. In 2009 and 2008 the Company received $2.0 million and $0.3 million, respectively. The income recognized after providing for a litigation claim is included as "Other expense, net" on the consolidated statements of operations. Additional payments, if any, will be recorded as income when earned. The earnout provision expires in August 2010.

Revenues associated with the EBGI business were $108.7 million for the year ended December 31, 2007. In 2007, Hexcel recorded a charge of $15 million ($9.7 million after-tax) relating to the settlement agreement for the Zylon product liability case. Pre-tax loss associated with the discontinued operation was $13.7 million (including a pre-tax loss on the sale of the business of $3.6 million and the $15 million Zylon charge).

Revenues associated with the Architectural business were $4.4 million for the year ended December 31, 2007 Pre-tax income associated with the discontinued operation was $10.6 million (including a pre-tax gain on the sale of the business of $10.5 million) for the year ended December 31, 2007.

Note 20 — Other Expense, net

Other expense, net, for the three years ended December 31, 2009, consisted of the following:

(In millions)	2009	2008	2007
Legal settlement expense	**$ 7.5**	$ —	$ —
Environmental expense	**1.7**	7.6	—
Contingent payment received on sale of EBGI business	**(1.7)**	—	—
Pension settlement expense	**—**	2.6	9.4
Impairment expense	**—**	—	3.2
Other expense, net	**$ 7.5**	$ 10.2	$ 12.6

In 2009, the Company recorded a $7.5 million charge related to a license agreement, settling a previously disclosed legal matter (See Note 14). In addition, in 2009 the Company recorded a $1.7 million environmental expense due to an increase in the expected remediation costs at two previously sold operations. Also in 2009, the Company recorded a $1.7 million adjustment to a gain on a prior year sale of a business, primarily due to the receipt of an earnout payment from the buyer.

In 2008, the Company increased its environmental accruals for the Lodi, New Jersey site by $7.6 million due to new information that more fully identified the extent of the required remediation, as further discussed in Note 14 to the consolidated financial statements. In connection with the termination of our U.S. Qualified Pension Plan, as described in Note 8, we recorded $2.6 million and $9.4 million of pension expense during 2008 and 2007, respectively. In 2007, we also recorded an impairment charge of $3.2 million related to purchased technology and certain related fixed assets.

Note 21 — Fair Value measurements

Effective January 1, 2008, we adopted new accounting guidance related to financial assets and liabilities. This guidance defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. The guidance indicates, among other things, that a fair value measurement assumes a transaction to sell an asset or transfer a liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. We adopted the new guidance related to all nonfinancial assets and nonfinancial liabilities on January 1, 2009.

In order to increase consistency and comparability in fair value measurements, the accounting guidance established a hierarchy for observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than quoted prices in active markets, but corroborated by market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider our own and counterparty credit risk. At December 31, 2009, we did not have any assets or liabilities that utilize Level 3 inputs.

For derivative assets and liabilities that utilize Level 2 inputs we prepare estimates of future cash flows to be generated by our derivatives, which are discounted to a net present value. The estimated cash flows and the discount factors used in the valuation model are based on observable inputs, and incorporate non-performance risk (the credit standing of the counterparty when the derivative is in a net asset position, and the credit standing of Hexcel when the derivative is in a net liability position). The fair value of these asstes and liabilities was approximately $39 million and $20 million, respectively at December 31, 2008. Below is a summary of valuation techniques for all Level 2 financial assets and liabilities:

- Cross-Currency interest rate swap derivative liabilities — valued using LIBOR and EURIBOR yield curves and foreign currency market exchange rates at the reporting date. Counterparties to these contracts are highly rated financial institutions none of which experienced any significant downgrades in 2009 that would reduce the receivable amount owed, if any, to the Company. Fair value at December 31, 2009 was $8.2 million.
- Foreign exchange derivative assets and liabilities — valued using quoted forward foreign exchange prices at the reporting date. Counterparties to these contracts are highly rated financial institutions none of which experienced any significant downgrades in 2009 that would significantly reduce the receivable amount owed, if any, to the Company. Fair value of assets and liabilities at December 31, 2009 was $2.6 million and $5.1 million, respectively.
- Money market funds — considered available-for-sale, and classified as cash equivalents. Fair value at December 31, 2009 was $34.7 million, the same as book value.

Note 22- Quarterly Financial and Market Data (Unaudited)

Quarterly financial and market data for the years ended December 31, 2009 and 2008 were:

(In millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2009				
Net sales	**$ 307.3**	**$ 277.3**	**$ 257.1**	**$ 266.6**
Gross margin	**77.0**	**63.1**	**52.1**	**56.3**
Other expense, net	**—**	**1.7**	**(1.7)**	**7.5**
Operating income	**39.9**	**29.7**	**19.6**	**14.5**
Net income	**23.4**	**16.8**	**10.4**	**5.7**
Net income per common share:				
Basic	**$ 0.24**	**$ 0.17**	**$ 0.11**	**$ 0.06**
Diluted	**$ 0.24**	**$ 0.17**	**$ 0.11**	**$ 0.06**
Market price:				
High	**$ 9.07**	**$ 13.56**	**$ 11.99**	**$ 13.35**
Low	**$ 4.59**	**$ 6.81**	**$ 8.73**	**$ 10.40**
2008				
Net sales	$ 344.5	$ 359.5	$ 331.4	$ 289.5
Gross margin	80.1	76.1	71.1	61.9
Business consolidation and restructuring expenses	0.6	1.2	0.7	1.3
Other expense, net	2.7	7.6	—	—
Operating income	36.4	29.3	35.9	29.3
Net income	23.2	26.7	33.0	28.3
Net income per common share:				
Basic	$ 0.24	$ 0.28	$ 0.34	$ 0.29
Diluted	$ 0.24	$ 0.27	$ 0.34	$ 0.29
Market price:				
High	$ 23.88	$ 26.46	$ 21.43	$ 13.20
Low	$ 18.48	$ 18.45	$ 13.36	$ 5.76

Schedule II

Hexcel Corporation and Subsidiaries
Valuation and Qualifying Accounts

(In millions)	Balance at beginning of year	Charged to expense	Deductions and other	Balance at end of year
Year ended December 31, 2009				
Allowance for doubtful accounts	$ 2.1	$ 0.1	$ (0.3)	$ 1.9
Allowance for obsolete and unmarketable inventory	23.2	7.5	(6.8)	23.9
Allowance for deferred tax assets	16.1	14.7	—	30.8
Year ended December 31, 2008				
Allowance for doubtful accounts	$ 2.2	$ —	$ (0.1)	$ 2.1
Allowance for obsolete and unmarketable inventory	19.5	8.2	(4.5)	23.2
Allowance for deferred tax assets	28.9	1.6	(14.4)	16.1
Year ended December 31, 2007				
Allowance for doubtful accounts	$ 1.6	$ 1.3	$ (0.7)	$ 2.2
Allowance for obsolete and unmarketable Inventory	14.9	5.3	(0.7)	19.5
Allowance for deferred tax assets	26.4	2.5	—	28.9