



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

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2022

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

(State or Other Jurisdiction of Incorporation or Organization)

94-1109521

(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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01	HXL	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒

Non-accelerated filer ☐

Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

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

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

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

Class	Outstanding at April 21, 2022
COMMON STOCK	84,051,315

HEXCEL CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. Condensed Consolidated Financial Statements Hexcel Corporation and Subsidiaries Condensed Consolidated Balance Sheets

(In millions)	(Unaudited)	
	March 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 112.8	\$ 127.7
Accounts receivable, net	212.1	160.3
Inventories, net	265.9	245.7
Contract assets	32.5	30.5
Prepaid expenses and other current assets	47.9	39.5
Assets held for sale	13.2	12.6
Total current assets	684.4	616.3
Property, plant and equipment	3,088.7	3,110.0
Less accumulated depreciation	(1,376.9)	(1,363.9)
Net property, plant and equipment	1,711.8	1,746.1
Goodwill and other intangible assets, net	264.0	267.5
Investments in affiliated companies	45.6	44.6
Other assets	147.7	144.9
Total assets	\$ 2,853.5	\$ 2,819.4
Liabilities and Stockholders' Equity		
Current liabilities:		
Short-term borrowings	\$ 0.7	\$ 0.9
Accounts payable	112.5	113.2
Accrued compensation and benefits	52.3	54.4
Financial instruments	7.8	5.7
Accrued liabilities	73.8	73.4
Total current liabilities	247.1	247.6
Long-term debt	857.5	822.4
Retirement obligations	52.4	52.6
Deferred income taxes	135.5	140.0
Other non-current liabilities	73.9	71.3
Total liabilities	1,366.4	1,333.9
Stockholders' equity:		
Common stock, \$0.01 par value, 200.0 shares authorized, 110.2 shares and 110.1 shares issued at March 31, 2022 and December 31, 2021, respectively	1.1	1.1
Additional paid-in capital	889.9	878.6
Retained earnings	2,021.8	2,012.5
Accumulated other comprehensive loss	(144.1)	(126.5)
	2,768.7	2,765.7
Less – Treasury stock, at cost, 26.2 shares at March 31, 2022 and 26.1 shares at December 31, 2021	(1,281.6)	(1,280.2)
Total stockholders' equity	1,487.1	1,485.5
Total liabilities and stockholders' equity	\$ 2,853.5	\$ 2,819.4

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

Hexcel Corporation and Subsidiaries
Condensed Consolidated Statements of Operations

(In millions, except per share data)	(Unaudited)	
	Quarter Ended March 31,	
	2022	2021
Net sales	\$ 390.6	\$ 310.3
Cost of sales	303.9	257.2
Gross margin	86.7	53.1
Selling, general and administrative expenses	44.7	39.6
Research and technology expenses	10.9	11.6
Other operating expense	1.0	12.1
Operating income (loss)	30.1	(10.2)
Interest expense, net	9.1	10.3
Income (loss) before income taxes, and equity in earnings from affiliated companies	21.0	(20.5)
Income tax expense (benefit)	4.7	(7.5)
Income (loss) before equity in earnings from affiliated companies	16.3	(13.0)
Equity in earnings (losses) from affiliated companies	1.5	(1.0)
Net income (loss)	\$ 17.8	\$ (14.0)
Basic net income (loss) per common share	\$ 0.21	\$ (0.17)
Diluted net income (loss) per common share	\$ 0.21	\$ (0.17)
Weighted-average common shares:		
Basic	84.3	84.0
Diluted	84.9	84.0

Hexcel Corporation and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)

(In millions)	(Unaudited)	
	Quarter Ended March 31,	
	2022	2021
Net income (loss)	\$ 17.8	\$ (14.0)
Currency translation adjustments	(15.7)	(12.0)
Net unrealized pension and other benefit actuarial gains (losses) and prior service credits (net of tax)	3.2	(1.7)
Net unrealized losses on financial instruments (net of tax)	(5.1)	(5.4)
Total other comprehensive loss	(17.6)	(19.1)
Comprehensive income (loss)	\$ 0.2	\$ (33.1)

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

Hexcel Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows

(In millions)	(Unaudited)	
	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities		
Net income (loss)	\$ 17.8	\$ (14.0)
Reconciliation to net cash used for operating activities:		
Depreciation and amortization	32.2	34.5
Amortization related to financing	0.3	1.5
Deferred income taxes	(1.8)	(8.8)
Equity in earnings from affiliated companies	(1.5)	1.1
Stock-based compensation	10.4	9.0
Merger and restructuring expenses, net of payments	(5.0)	1.5
Changes in assets and liabilities:		
Increase in accounts receivable	(54.7)	(42.0)
Increase in inventories	(24.4)	(7.6)
Increase in prepaid expenses and other current assets	(8.6)	(6.8)
Increase in accounts payable/accrued liabilities	13.4	30.2
Other – net	2.9	0.2
Net cash used for operating activities	(19.0)	(1.2)
Cash flows from investing activities		
Capital expenditures	(20.9)	(4.9)
Net cash used for investing activities	(20.9)	(4.9)
Cash flows from financing activities		
Borrowing from senior unsecured credit facility - 2024	35.0	-
Repayment of senior unsecured credit facility - 2024	-	(14.0)
Repayment of finance lease obligation and other debt, net	(0.3)	(0.3)
Dividends paid	(8.5)	-
Activity under stock plans	(0.3)	0.8
Net cash provided by (used for) financing activities	25.9	(13.5)
Effect of exchange rate changes on cash and cash equivalents	(0.9)	(1.7)
Net decrease in cash and cash equivalents	(14.9)	(21.3)
Cash and cash equivalents at beginning of period	127.7	103.3
Cash and cash equivalents at end of period	\$ 112.8	\$ 82.0
Supplemental data:		
Accrual basis additions to plant, property and equipment	\$ 11.1	\$ 4.0

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

Hexcel Corporation and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)
For the Quarters ended March 31, 2022, and March 31, 2021

(In millions)	Par	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2020	\$ 1.1	\$ 849.7	\$ 1,996.4	\$ (59.6)	\$ (1,277.4)	\$ 1,510.2
Net loss	—	—	(14.0)	—	—	(14.0)
Change in other comprehensive income (loss)— net of tax	—	—	—	(19.1)	—	(19.1)
Stock based compensation	—	11.8	—	—	(2.0)	9.8
Balance, March 31, 2021	<u>\$ 1.1</u>	<u>\$ 861.5</u>	<u>\$ 1,982.4</u>	<u>\$ (78.7)</u>	<u>\$ (1,279.4)</u>	<u>\$ 1,486.9</u>

(In millions)	Par	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2021	\$ 1.1	\$ 878.6	\$ 2,012.5	\$ (126.5)	\$ (1,280.2)	\$ 1,485.5
Net income	—	—	17.8	—	—	17.8
Dividends paid on common stock (\$0.10 per share)	—	—	(8.5)	—	—	(8.5)
Change in other comprehensive income (loss)— net of tax	—	—	—	(17.6)	—	(17.6)
Stock based compensation	—	11.3	—	—	(1.4)	9.9
Balance, March 31, 2022	<u>\$ 1.1</u>	<u>\$ 889.9</u>	<u>\$ 2,021.8</u>	<u>\$ (144.1)</u>	<u>\$ (1,281.6)</u>	<u>\$ 1,487.1</u>

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

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, 2021 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 to present fairly the statement of financial position, results of operations, cash flows and statement of stockholders’ equity for the interim periods presented. The Condensed Consolidated Balance Sheet as of December 31, 2021 was derived from the audited 2021 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 2021 Annual Report on Form 10-K.

Investments in Affiliated Companies

We have a 50% equity investment in Aerospace Composites Malaysia Sdn. Bhd. This investment is accounted for using the equity method of accounting.

Assets Held for Sale

In November 2020 we closed our wind energy prepreg production facility in Windsor, Colorado and as a result, certain plant assets to be sold with a carrying value of approximately \$12.6 million have been recorded in “Assets held for sale” in the Condensed Consolidated Balance Sheets as of March 31, 2022 and December 31, 2021. The sale of these assets is expected to occur during 2022.

During the first quarter of 2022, we entered into an agreement to sell our Dublin, California facility, and as a result, certain assets to be sold with a carrying value of approximately \$0.6 million have been recorded in “Assets held for sale” in the Condensed Consolidated Balance Sheet as of March 31, 2022. As a result of the sale of the building, the Company will be relocating certain of its Dublin-based research, technology and laboratory support personnel and equipment to a newly constructed facility in Salt Lake City, Utah. The sale of the facility is expected to occur during the second quarter of 2022.

Note 2 — Net Income (Loss) Per Common Share

(In millions, except per share data)	Quarter Ended March 31,	
	2022	2021
Basic net income (loss) per common share:		
Net income (loss)	\$ 17.8	\$ (14.0)
Weighted average common shares outstanding	84.3	84.0
Basic net income (loss) per common share	\$ 0.21	\$ (0.17)
Diluted net income (loss) per common share:		
Net income (loss)	\$ 17.8	\$ (14.0)
Weighted average common shares outstanding — Basic	84.3	84.0
Plus incremental shares from assumed conversions:		
Restricted stock units	0.4	-
Stock options	0.2	-
Weighted average common shares outstanding — Dilutive	84.9	84.0
Diluted net income (loss) per common share	\$ 0.21	\$ (0.17)

Total common stock equivalents of 0.7 million and 1.1 million were excluded from the computation of diluted net income (loss) per share for the three months ended March 31, 2022 and 2021, respectively, because to do so would have been anti-dilutive.

Note 3 — Inventories

(In millions)	March 31, 2022	December 31, 2021
Raw materials	\$ 132.3	\$ 113.7
Work in progress	35.6	41.0
Finished goods	98.0	91.0
Total Inventory	<u>\$ 265.9</u>	<u>\$ 245.7</u>

Note 4 — 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. and U.K. 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 three months ended March 31, 2022 and 2021 were as follows:

(In millions)	Quarter Ended March 31,	
	2022	2021
<i>U.S. Nonqualified Defined Benefit Retirement Plans</i>		
Service cost	\$ 0.3	\$ 0.2
Interest cost	0.1	0.1
Net amortization	0.2	0.2
Net periodic benefit cost	<u>\$ 0.6</u>	<u>\$ 0.5</u>

(In millions)	March 31, 2022	December 31, 2021
Amounts recognized on the balance sheet for U.S. nonqualified defined benefit retirement plans:		
Accrued liabilities	\$ 2.8	\$ 2.7
Other non-current liabilities	21.2	21.3
Total accrued benefit	<u>\$ 24.0</u>	<u>\$ 24.0</u>

(In millions)	Quarter Ended March 31,	
	2022	2021
<i>European Defined Benefit Retirement Plans</i>		
Service cost	\$ 0.2	\$ 0.2
Interest cost	0.6	0.5
Expected return on plan assets	(0.6)	(0.9)
Net amortization and deferral	0.6	0.3
Net periodic benefit cost	<u>\$ 0.8</u>	<u>\$ 0.1</u>

(In millions)	March 31, 2022	December 31, 2021
Amounts recognized on the balance sheet for European defined benefit retirement plans:		
Other assets	\$ 7.1	\$ 6.9
Accrued liabilities	1.1	0.2
Other non-current liabilities	16.9	15.8
Total accrued benefit	\$ 18.0	\$ 16.0

All costs related to our pensions are included as a component of operating income in our Condensed Consolidated Statements of Operations. For the three months ended March 31, 2022 and 2021, amounts unrelated to service costs were a charge of \$0.9 million and \$0.2 million, respectively.

Contributions

We generally fund our U.S. non-qualified defined benefit retirement plans when benefit payments are incurred. We contributed approximately \$0.2 million in the first three months of 2022 to cover unfunded benefits. We expect to contribute a total of \$0.7 million in 2022 to cover unfunded benefits. We contributed \$0.2 million to our U.S. non-qualified defined benefit retirement plans during the quarter ended March 31, 2021.

We contributed \$0.1 million and \$1.1 million to our European defined benefit retirement plans during the three months ended March 31, 2022 and 2021, respectively. We plan to contribute approximately \$0.5 million during 2022 to our European plans.

Postretirement Health Care and Life Insurance Benefit Plans

We recorded \$0.3 million and \$0.2 million of net amortization gain deferral for the three months ended March 31, 2022 and 2021, respectively. Net periodic benefit costs of our postretirement health care and life insurance benefit plans for the three months ended March 31, 2022 and 2021 were immaterial.

(In millions)	March 31, 2022	December 31, 2021
Amounts recognized on the balance sheet:		
Accrued liabilities	\$ 0.3	\$ 0.3
Other non-current liabilities	1.5	1.5
Total accrued benefit	\$ 1.8	\$ 1.8

Amounts contributed in connection with our postretirement plans were immaterial for both the three months ended March 31, 2022 and 2021. We periodically fund our postretirement plans to pay covered expenses as they are incurred. We expect to contribute less than \$0.3 million in 2022 to cover unfunded benefits.

Note 5 — Debt

(In millions)	March 31, 2022	December 31, 2021
Current portion of finance lease	\$ 0.7	\$ 0.9
Current portion of debt	0.7	0.9
Senior unsecured credit facility	160.0	125.0
4.7% senior notes --- due 2025	300.0	300.0
3.95% senior notes --- due 2027	400.0	400.0
Senior notes --- original issue discount	(1.1)	(1.2)
Senior notes --- deferred financing costs	(2.7)	(2.9)
Non-current portion of finance lease and other debt	1.3	1.5
Long-term debt	857.5	822.4
Total debt	\$ 858.2	\$ 823.3

In June 2019, the Company refinanced its senior unsecured credit facility (the “Facility”), increasing borrowing capacity from \$700 million to \$1 billion. The Facility matures in June 2024. The interest rate ranges from LIBOR + 0.875% to a maximum of LIBOR + 1.50%, depending upon the better of the Company’s leverage ratio or the credit rating. The Facility agreement contains

financial and other covenants, including, but not limited to customary restrictions on the incurrence of debt by our subsidiaries and the granting of liens, as well as the maintenance of an interest coverage ratio and a leverage ratio.

In September 2020, we amended the Facility to allow for relief from certain terms, including adjusting the maximum leverage ratio covenant for a defined period. On January 28, 2021, we further amended the Facility agreement (the “Second Amendment”) to provide that, from January 28, 2021 through and including March 31, 2022, we would not be subject to a maximum leverage ratio covenant but instead be required to maintain Liquidity (as defined in the Facility agreement) of at least \$250 million. Additionally, during such period, the Company was subject to limitations on share repurchases, cash dividends, and its ability to incur secured debt, in each case subject to certain exceptions; the applicable margin and commitment fees would be increased; the incremental facility would not be available; and if the Company’s public debt rating was downgraded to (i) BB or lower by Standard & Poor’s and (ii) Ba2 or lower by Moody’s, we would be required to grant liens on certain of our assets, which liens would be released upon the Company’s public debt rating being upgraded to BB+ or higher by Standard & Poor’s or Ba1 or higher by Moody’s. The Company’s public debt rating as of March 31, 2022 is BB+/Baa3. In addition, the Second Amendment provided that the Company would not be subject to an interest coverage ratio covenant until the test period ending December 31, 2021 and revolving commitments under the Facility were reduced from \$1 billion to \$750 million. As of March 31, 2022, we were in compliance with all debt covenants. As of April 1, 2022, the original terms and conditions to the Facility agreement were reinstated except that the borrowing capacity will remain at \$750 million. Share repurchases restrictions that had been in effect per the Second Amendment expired on March 31, 2022.

As of March 31, 2022, total borrowings under the Facility were \$160 million, which approximates fair value. The Facility agreement permits us to issue letters of credit up to an aggregate amount of \$50 million. Outstanding letters of credit reduce the amount available for borrowing under the Facility. As of March 31, 2022, there were no issued letters of credit under the Facility, resulting in undrawn availability under the Facility of \$590 million. The weighted average interest rate for the Facility was 4.5% for the three months ended March 31, 2022.

In 2017, the Company issued \$400 million in aggregate principal amount of 3.95% Senior Unsecured Notes due in 2027. The interest rate on these senior notes may be increased 0.25% each time a credit rating applicable to the notes is downgraded. Conversely, such increases would be reversed should the credit rating be subsequently upgraded. The maximum rate is 5.95%. The effective interest rate for the three months ended March 31, 2022 was 4.12% inclusive of an approximately 0.25% benefit of treasury locks. Based on quoted prices the fair value of the senior unsecured notes due in 2027 was \$402.2 million at March 31, 2022.

In 2015, the Company issued \$300 million in aggregate principal amount of 4.7% Senior Unsecured Notes due in 2025. The interest rate on these senior notes may be increased by 0.25% each time a credit rating applicable to the notes is downgraded. Conversely, such increases would be reversed should the credit rating be subsequently upgraded. The maximum rate is 6.7%. The effective interest rate for the three months ended March 31, 2022 was 5.07%. Based on quoted prices, the fair value of the senior unsecured notes due in 2025 was \$304.7 million at March 31, 2022.

Note 6 — Derivative Financial Instruments

Interest Rate Swap and Interest Lock Agreements

At March 31, 2022 and December 31, 2021, we had no interest rate swap agreements outstanding.

The Company had treasury lock agreements to protect against unfavorable movements in the benchmark treasury rate related to the issuance of our 3.95% Senior Unsecured Notes. These hedges were designated as cash flow hedges for hedge accounting purposes thus any change in fair value was recorded as a component of other comprehensive (loss) income. As part of the issuance of our 3.95% Senior Unsecured Notes, we net settled these derivatives for \$10 million in cash. As a result of settling these derivatives the previously deferred gains recorded in other comprehensive (loss) income will be released to interest expense over the life of the 3.95% Senior Unsecured Notes. The effect of these treasury locks reduced the effective interest rate on these notes by approximately 0.25%.

Cross Currency and Interest Rate Swap Agreements

In November 2020, we entered into a cross currency and interest rate swap, which is designated as a cash flow hedge of a €270 million, 5-year amortizing, intercompany loan between one of our European subsidiaries and the U.S. parent company. Changes in the spot exchange are recorded to the general ledger and offset the fair value re-measurement of the hedged item. The net difference in the interest rates coupons is recorded as a credit to interest expense. The derivative swaps €270 million bearing interest at a fixed rate of 0.30% for \$319.9 million plus fixed rate interest of 1.115%. The interest coupons settle semi-annually. The principal will amortize each year on November 15, as follows: for years 1 through 4, beginning November 15, 2021, €50 million versus \$59.2 million, and a final settlement on November 15, 2025 of €70 million versus \$82.9 million. The carrying value of the derivative at March 31, 2022 is

a current asset of \$5.4 million and a long-term asset of \$5.7 million. The carrying value of the derivative at December 31, 2021 was a current asset of \$4.0 million and a long-term asset of \$3.4 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 have entered into contracts to exchange U.S. dollars for Euros and British pound sterling through September 2024. The aggregate notional amount of these contracts was \$359.3 million and \$316.4 million at March 31, 2022 and December 31, 2021, respectively. The purpose of these contracts is to hedge a portion of the forecasted transactions of our 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, losses of \$6.8 million were recorded in other comprehensive (loss) income for the three months ended March 31, 2022, and losses of \$5.5 million were recorded for the three months ended March 31, 2021, respectively. We classified \$0.5 million of the carrying amount of these contracts as assets (\$0.3 million of which was recorded in prepaid expenses and other current assets) and \$11.5 million as liabilities (\$3.9 million of which is recorded in non-current liabilities) on the Condensed Consolidated Balance Sheets at March 31, 2022, and \$1.9 million of the carrying amount of these contracts was classified in assets (\$1.7 million of which was recorded in prepaid expenses and other current assets) and \$6.8 million as liabilities (less than \$3.9 million of which is in other non-current liabilities) at December 31, 2021. We recognized losses of \$0.7 million and gains of \$1.4 million in gross margin during the three months ended March 31, 2022 and 2021, respectively.

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, 2022 and 2021, we recognized net foreign exchange losses of \$0.2 million and \$1.6 million, respectively, in the Condensed Consolidated Statements of Operations. The net foreign exchange impact recognized from these hedges offset the translation exposure of these transactions. The carrying amount of the contracts for derivatives not designated as hedging instruments was \$0.1 million classified in current liabilities at March 31, 2022, and \$0.2 million classified in current liabilities on our Condensed Consolidated Balance Sheet at December 31, 2021.

The change in fair value of our foreign currency forward exchange contracts under hedge designations recorded net of tax within accumulated other comprehensive loss for the quarters ended March 31, 2022 and March 31, 2021 was as follows:

(In millions)	Quarter Ended March 31,	
	2022	2021
Unrealized (losses) gains at beginning of period, net of tax	\$ (3.5)	\$ 10.6
Losses (gains) reclassified to net sales	0.3	(1.1)
Decrease in fair value	(4.8)	(3.9)
Unrealized (losses) gains at end of period, net of tax	<u>\$ (8.0)</u>	<u>\$ 5.6</u>

Unrealized losses of \$7.4 million recorded in accumulated other comprehensive loss, less taxes of \$1.8 million, as of March 31, 2022, are expected to be reclassified into earnings over the next twelve months as the hedged sales are recorded.

Commodity Swap Agreements

On occasion we enter into commodity swap agreements to hedge against price fluctuations of raw materials, including propylene (the principal component of acrylonitrile). As of March 31, 2022, we had commodity swap agreements with a notional value of \$23.0 million. The swaps mature monthly through December 2023. The swaps are accounted for as a cash flow hedge of our forward raw material purchases. To ensure the swaps are highly effective, all of the critical terms of the swap matched the terms of the hedged items. The fair value of the commodity swap agreements was an asset of \$2.3 million (\$2.2 million of which was recorded in prepaid expenses and other current assets) and a liability of \$0.3 million (\$0.2 million of which was recorded in other non-current liabilities) at March 31, 2022, and an asset of \$0.9 million (\$0.9 million of which was recorded in prepaid expenses and other current assets) and a liability of \$2.3 million (\$0.8 million of which was recorded in other non-current liabilities) at December 31, 2021.

Note 7 — 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.

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 in our assessment of fair value.

We have no assets or liabilities that utilize Level 1 inputs. However, we have derivative instruments classified as liabilities and assets which utilize Level 2 inputs, and one liability that utilizes Level 3 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 \$13.9 million and \$11.9 million, respectively, at March 31, 2022 and \$10.2 million and \$9.3 million, respectively, at December 31, 2021. In addition, the fair value of these derivative contracts, which are subject to a master netting arrangement under certain circumstances, is presented on a gross basis in the Condensed Consolidated Balance Sheets.

Below is a summary of valuation techniques for all Level 2 financial assets and liabilities:

- Cross Currency and Interest Rate Swap Agreements — valued using the USD Secured Overnight Financing Rate curves and quoted forward foreign exchange prices at the reporting date. The fair value of the assets were \$11.1 million, at March 31, 2022 and the fair value of the assets were \$7.4 million, at December 31, 2021.
- 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, 2022 was \$0.5 million and \$11.6 million, respectively. The fair value of assets and liabilities at December 31, 2021 was \$1.9 million and \$7.0 million, respectively.
- Commodity swap agreements — valued using quoted forward commodity prices at the reporting date. Fair value of the assets and liabilities at March 31, 2022 was \$2.3 million and \$0.3 million, respectively. The fair value of the assets and liabilities at December 31, 2021 was \$0.9 million and \$2.3 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, 2022 that would reduce the receivable amount owed, if any, to the Company.

Liabilities classified as Level 3 — At March 31, 2022 we had a liability for \$0.4 million, which represented contingent consideration that was recognized in connection with the Company's Oxford Performance Materials, Inc. acquisition. This amount was estimated based on certain contractual stipulations which require payments to be made to the seller in the future based upon the achievement of certain results. We used forecasted results which were discounted using an internally derived discount rate. Future amounts payable may differ from this estimate by the difference between the actual and forecasted results.

Note 8 — Revenue

Our revenue is primarily derived from the sale of inventory under long-term contracts with our customers. We have determined that individual purchase orders ("PO"), the terms and conditions of which are taken with a master agreement, create the ASC 606 contracts which are generally short-term in nature. For those sales that are not tied to a long-term agreement, we generate a PO that is subject to our standard terms and conditions. In instances where our customers acquire our goods related to government contracts, the contracts are typically subject to terms similar, or equal to, the Federal Acquisition Regulation Part 52.249-2. This regulation contains a termination for convenience clause ("T for C"), which requires that the customer pay for the cost of both the finished and unfinished goods at the time of cancellation plus a reasonable profit.

We recognize revenue over time for those agreements that have T for C, and where the products being produced have no alternative use. As our production cycle is typically nine months or less, it is expected that goods related to the revenue recognized over time will be shipped and billed within the next twelve months. Less than half of our agreements contain provisions which would require revenue to be recognized over time. All other revenue is recognized at a point in time.

We disaggregate our revenue based on market for analytical purposes. The following table details our revenue by market for the three months ended March 31, 2022 and 2021:

(In millions)	Quarter Ended March 31,	
	2022	2021
Consolidated Net Sales	\$ 390.6	\$ 310.3
Commercial Aerospace	218.9	147.6
Space & Defense	118.2	111.7
Industrial	53.5	51.0

Revenue recognized over time gives rise to contract assets, which represent revenue recognized but unbilled. Contract assets are included in our Condensed Consolidated Balance Sheets as a component of current assets. The activity related to contract assets for the three months ended March 31, 2022 was as follows:

(In millions)	Composite Material	Engineered Products	Total
Balance at December 31, 2021	\$ 6.8	\$ 23.7	\$ 30.5
Net revenue billed	0.6	1.4	2.0
Balance at March 31, 2022	\$ 7.4	\$ 25.1	\$ 32.5

Accounts receivable, net, includes amounts billed to customers where the right to payment is unconditional.

Note 9 — 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 operating segments for the three months ended March 31, 2022 and 2021 were as follows:

(In millions)	(Unaudited)			
	Composite Materials	Engineered Products	Corporate & Other (a)	Total
Quarter Ended March 31, 2022				
Net sales to external customers	\$ 313.8	\$ 76.8	\$ —	\$ 390.6
Intersegment sales	16.5	0.3	(16.8)	—
Total sales	\$ 330.3	\$ 77.1	\$ (16.8)	\$ 390.6
Other operating expense	0.9	0.1	—	1.0
Operating income (loss)	42.6	10.6	(23.1)	30.1
Depreciation and amortization	28.6	3.6	—	32.2
Stock-based compensation	2.6	0.7	7.1	10.4
Accrual basis additions to capital expenditures	10.1	1.0	—	11.1
Quarter Ended March 31, 2021				
Net sales to external customers	\$ 237.2	\$ 73.1	\$ —	\$ 310.3
Intersegment sales	13.2	0.6	(13.8)	—
Total sales	\$ 250.4	\$ 73.7	\$ (13.8)	\$ 310.3
Other operating expense	12.7	(0.7)	0.1	12.1
Operating income (loss)	7.4	4.7	(22.3)	(10.2)
Depreciation and amortization	30.8	3.7	—	34.5
Stock-based compensation	0.6	0.2	8.2	9.0
Accrual basis additions to capital expenditures	3.6	0.4	—	4.0

(a) We do not allocate corporate expenses to the operating segments.

<i>Goodwill and Intangible Assets</i> (In millions)	Composite Materials	Engineered Products	Total
Balance at December 31, 2021	\$ 93.4	\$ 174.1	\$ 267.5
Amortization expense	(0.5)	(1.2)	(1.7)
Currency translation adjustments	(1.8)	—	(1.8)
Balance at March 31, 2022	\$ 91.1	\$ 172.9	\$ 264.0

At March 31, 2022, the balance of goodwill and intangible assets was \$189.2 million and \$74.8 million, respectively.

Note 10 — Accumulated Other Comprehensive Loss

Comprehensive loss represents net loss and other gains and losses affecting stockholders' equity that are not reflected in the Condensed Consolidated Statements of Operations. The components of accumulated other comprehensive loss as of March 31, 2022 and December 31, 2021 were as follows:

(In millions)	Unrecognized Net Defined Benefit and Postretirement Plan Costs	Change in Fair Value of Derivatives Products (1)	Foreign Currency Translation	Total
Balance at December 31, 2021	\$ (61.7)	\$ (3.1)	\$ (61.7)	\$ (126.5)
Other comprehensive income (loss) before reclassifications	2.8	1.0	(15.7)	(11.9)
Amounts reclassified from accumulated other comprehensive loss	0.4	(6.1)	—	(5.7)
Other comprehensive income (loss)	3.2	(5.1)	(15.7)	(17.6)
Balance at March 31, 2022	\$ (58.5)	\$ (8.2)	\$ (77.4)	\$ (144.1)

(1) Includes forward foreign exchange contracts, interest rate derivatives and commodity swaps.

The amounts of net losses reclassified to earnings from the unrecognized net defined benefit and postretirement plan costs component of accumulated other comprehensive loss for the three months ended March 31, 2022, were \$0.5 million less taxes of \$0.1 million. The amounts reclassified to earnings from the change in fair value of the derivatives products component of accumulated other comprehensive loss for the three months ended March 31, 2022 were net losses of \$0.7 million less taxes of \$0.3 million, for those related to foreign currency forward exchange contracts and gains of \$0.8 million less taxes of \$0.2 million, related to commodity swaps, and net gains of \$7.5 million less taxes of \$1.7 million related to interest rate swaps.

Note 11 — 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. While it is impossible to predict the ultimate resolution of litigation, investigations and claims asserted against us, we believe, based upon our examination of currently available information, our experience to date, and advice from legal counsel, that, after taking into account our existing insurance coverage and amounts already provided for, the currently pending legal proceedings against us will not have a material adverse impact on our consolidated results of operations, financial position or cash flows.

Environmental Matters

We have been named as a potentially responsible party ("PRP") with respect to the below and other 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 the Federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA" or "Superfund") 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 the hazardous waste at issue, and the number of other financially viable PRPs at each site, that our liability in connection with such environmental matters will not be material.

Lower Passaic River Study Area

Hexcel together with approximately 48 other PRPs that comprise the Lower Passaic Cooperating Parties Group (the "CPG"), are subject to a May 2007 Administrative Order on Consent ("AOC") with the EPA requiring the CPG to perform a Remedial

Investigation/Feasibility Study of environmental conditions of a 17-mile stretch of the Passaic River in New Jersey (the “Lower Passaic River”). We were included in the CPG based on our operations at our former manufacturing site in Lodi, New Jersey.

In March 2016, the EPA issued a Record of Decision (“ROD”) setting forth the EPA’s selected remedy for the lower eight miles of the Lower Passaic River at an expected cost ranging from \$0.97 billion to \$2.07 billion. This estimate did not include any costs related to a future remedy for the upper nine miles of the Lower Passaic River. In August 2017, the EPA appointed an independent third-party allocation expert to make recommendations on the relative liability of approximately 120 identified non-government PRPs for the lower eight miles of the Lower Passaic River. In December 2020, the allocator issued its non-binding report on PRP liability (including Hexcel’s) to the EPA. In October 2021, the EPA released a ROD selecting an interim remedy for the upper nine miles of the Lower Passaic River at an expected additional cost ranging from \$308.7 million to \$661.5 million.

In October 2016, pursuant to a settlement agreement with the EPA, Occidental Chemical Corporation (“OCC”), one of the PRPs, commenced performance of the remedial design required by the ROD for the lower eight miles of the Lower Passaic River, reserving its right of cost contribution from all other PRPs. In June 2018, OCC filed suit against approximately 120 parties, including Hexcel, in the U.S. District Court of the District of New Jersey seeking cost recovery and contribution under CERCLA related to the Lower Passaic River. In July 2019, the court granted in part and denied in part the defendants’ motion to dismiss. In August 2020, the court granted defendants’ motion for summary judgement for certain claims. Discovery for the remaining claims is ongoing. On February 24, 2021, Hexcel and certain other defendants filed a third-party complaint against the Passaic Valley Sewerage Commission and certain New Jersey municipalities seeking recovery of Passaic-related cleanup costs incurred by defendants, as well as contribution for any cleanup costs incurred by OCC for which the court deems the defendants liable.

Summary of Environmental Reserves

Our estimate of liability as a PRP and our remaining costs associated with our responsibility to remediate the Lower Passaic River and other sites are accrued in the Condensed Consolidated Balance Sheets. As of March 31, 2022 and December 31, 2021, our aggregate environmental related accruals were \$7.2 million and \$2.1 million, respectively. These amounts are included in non-current liabilities with the exception of \$0.1 million at December 31, 2021 which was included in accrued 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.

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.

Product Warranty

We provide standard assurance-type warranties for our products, which cannot be purchased separately and do not meet the criteria to be considered a performance obligation. Warranty expense for the three months ended March 31, 2022, and accrued warranty cost, included in “accrued liabilities” in the Condensed Consolidated Balance Sheets at March 31, 2022 and December 31, 2021, were as follows:

(In millions)	Product Warranties
Balance as of December 31, 2021	\$ 2.5
Warranty expense	1.2
Deductions and other	(0.5)
Balance as of March 31, 2022	\$ 3.2

Note 12 — Restructuring

We recognized restructuring charges of \$0.8 million for the quarter ended March 31, 2022 primarily related to severance. Anticipated future cash payments as of March 31, 2022 were \$3.8 million.

(In Millions)	December 31, 2021	Activity for the Quarter Ended March 31, 2022				March 31, 2022
		Restructuring Charge	FX Impact	Cash Paid	Non-Cash	
Employee termination	\$ 9.0	\$ 0.7	\$ (0.2)	\$ (5.7)	\$ —	\$ 3.8
Impairment and other	—	0.1	—	(0.1)	—	—
Total	\$ 9.0	\$ 0.8	\$ (0.2)	\$ (5.8)	\$ —	\$ 3.8

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

We develop, manufacture, and market lightweight, high-performance structural materials, including carbon fibers, specialty reinforcements, preregs and other fiber-reinforced matrix materials, honeycomb, adhesives, radio frequency / electromagnetic interference ("RF/EMI") and microwave absorbing materials, engineered honeycomb and composite structures, for use in Commercial Aerospace, Space & Defense, and Industrial markets. We propel the future of flight, energy generation, transportation, and recreation through excellence in providing innovative high-performance material solutions that are lighter, stronger and tougher, helping to create a better world for us all.

We serve international markets through manufacturing facilities, sales offices and representatives located in the Americas, Asia Pacific, Europe, India, and Africa. We also have a presence in Malaysia where we are a partner in a joint venture which manufactures composite structures for Commercial Aerospace applications.

We are a manufacturer of products within a single industry: Advanced Composites. We have two reportable segments: Composite Materials and Engineered Products. The Composite Materials segment is comprised of our carbon fiber, specialty reinforcements, resin systems, preregs and other fiber-reinforced matrix materials, and honeycomb core product lines and pultruded profiles. The Engineered Products segment is comprised of lightweight high strength composite structures, RF/EMI and microwave absorbing materials, engineered core and specialty machined honeycomb products with added functionality and thermoplastic additive manufacturing.

The Commercial Aerospace market began to see signs of recovery from the economic impacts of the COVID-19 pandemic in the second half of 2021, and this has continued into the first quarter of 2022 with further growth in air travel and customer inventory destocking now largely completed. Despite these improvements in business and market conditions, COVID-19 has had and may continue to have further negative impacts on our operations, supply chain, transportation networks and customers, all of which have and may continue to compress our margins, even after the preventative and precautionary measures that we, other businesses, and governments are taking.

We are also monitoring developments in the ongoing conflict between Russia and Ukraine including the related export controls and resulting sanctions imposed on Russia by the U.S. and other countries. Although we do not presently foresee direct material adverse effects upon our business, the global implications of the Russian/Ukraine conflict are difficult to predict at this time. Factors such as increased inflation, escalating energy costs, constrained raw material availability, and thus increasing costs, and embargos on flights from Russian airlines could impact the global economy and the aerospace industry in particular.

Financial Overview Results of Operations

(In millions, except per share data)	Quarter Ended March 31,		
	2022	2021	% Change
Net sales	\$ 390.6	\$ 310.3	25.9 %
<i>Net sales change in constant currency</i>			27.4 %
Operating income (loss)	\$ 30.1	\$ (10.2)	395.1 %
<i>As a percentage of net sales</i>	7.7 %	(3.3) %	
Net income (loss)	17.8	(14.0)	227.1 %
Diluted net income (loss) per common share	\$ 0.21	\$ (0.17)	223.5 %

Net Sales

The following table summarizes net sales to third-party customers by segment and end market for the quarters ended March 31, 2022 and 2021:

(In millions)	Quarter Ended March 31,		
	2022	2021	% Change
Consolidated Net Sales	\$ 390.6	\$ 310.3	25.9 %
Commercial Aerospace	218.9	147.6	48.3 %
Space & Defense	118.2	111.7	5.8 %
Industrial	53.5	51.0	4.9 %
Composite Materials	\$ 313.8	\$ 237.2	32.3 %
Commercial Aerospace	184.8	112.5	64.3 %
Space & Defense	76.6	74.8	2.4 %
Industrial	52.4	49.9	5.0 %
Engineered Products	\$ 76.8	\$ 73.1	5.1 %
Commercial Aerospace	34.1	35.1	(2.8) %
Space & Defense	41.6	36.9	12.7 %
Industrial	1.1	1.1	—

Sales by Segment

Composite Materials: Net sales of \$313.8 million in the first quarter of 2022 increased by \$76.6 million or 32.3% from the prior year quarter. Commercial Aerospace sales increased \$72.3 million or 64.3% in the first quarter of 2022 as compared to the prior year quarter primarily due to stronger narrowbody and A350 sales as well as business jet growth.

Engineered Products: For the first quarter of 2022, net sales of \$76.8 million increased \$3.7 million or 5.1% as compared to the prior year quarter. The increase was driven by higher Space & Defense sales which were up \$4.7 million or 12.7% in the first quarter of 2022 as compared to the same period in 2021.

Sales by Market

Commercial Aerospace sales of \$218.9 million increased \$71.3 million or 48.3% (48.8% in constant currency) for the first quarter of 2022 compared to the first quarter of 2021 on strengthening narrowbody sales and higher A350 sales as the prior year period was impacted by channel destocking. There was also strong growth in business jets in the quarter.

Space & Defense sales of \$118.2 million increased 5.8% (7.0% in constant currency) for the first quarter of 2022 compared to the first quarter of 2021 driven by growth in the Space market, CH-53K, and military jet programs.

Total Industrial sales in the first quarter of 2022 of \$53.5 million increased 4.9% (9.4% in constant currency) compared to the first quarter of 2021 due to strength in recreation, consumer electronics and automotive.

Gross Margin

(In millions)	Quarter Ended March 31,		
	2022	2021	% Change
Gross margin	\$ 86.7	\$ 53.1	63.3 %
Percentage of sales	22.2 %	17.1 %	

Gross margin for the first quarter of 2022 and 2021 was 22.2% and 17.1%, respectively. The improvement in the first quarter of 2022 compared to the same period last year was primarily due to the higher sales and greater capacity utilization which led to improved cost absorption.

Operating Expenses

(In millions)	Quarter Ended March 31,		
	2022	2021	% Change
SG&A expense	\$ 44.7	\$ 39.6	12.9 %
Percentage of sales	11.4 %	12.8 %	
R&T expense	\$ 10.9	\$ 11.6	(6.0) %
Percentage of sales	2.8 %	3.7 %	

Selling, general and administrative expenses were higher for the three months ended March 31, 2022 compared to the same period in 2021, although the current quarter expenses were lower as a percentage of sales. The increase in selling, general and administrative expenses for the current quarter was primarily driven by higher employee benefit costs. Research and technology expenses were lower than the prior year due to additional tax credits.

Operating Income

(In millions)	Quarter Ended March 31,		
	2022	2021	% Change
Consolidated operating income (loss)	\$ 30.1	\$ (10.2)	395.1 %
Operating margin	7.7 %	(3.3) %	
Composite Materials	42.6	7.4	475.7 %
Operating margin	12.9 %	3.0 %	
Engineered Products	10.6	4.7	125.5 %
Operating margin	13.7 %	6.4 %	
Corporate & Other	(23.1)	(22.3)	N/M

Operating income (loss) for the first quarters of 2022 and 2021 was \$30.1 million and \$(10.2) million, respectively. The increase in operating income for the first quarter of 2022 over the same period last year was primarily driven by higher sales in all markets and strong gross margins as well as lower restructuring costs. Operating loss for the quarter ended March 31, 2021 was due to lower sales in Commercial Aerospace as a result of pandemic-induced build rate reductions and a decline in wind energy sales in the Industrial market as well as higher restructuring costs.

Interest Expense, Net

(In millions)	Quarter Ended March 31,		
	2022	2021	% Change
Interest expense, net	\$ 9.1	\$ 10.3	(11.7) %

Interest expense for the first quarter ended March 31, 2022 was lower compared to the first quarter of 2021 due to lower average debt levels.

Provision for Income Taxes

(In millions)	Quarter Ended March 31,		
	2022	2021	
Income tax expense (benefit)	\$ 4.7	\$ (7.5)	
Effective tax rate	22.5 %	36.8 %	

The tax expense for the three months ended March 31, 2022 was \$4.7 million. The tax benefit for the quarter ended March 31, 2021 was \$7.5 million and included a discrete tax benefit of \$3.2 million from the revaluation of our deferred tax liabilities related to a favorable U.S. state tax law change.

Financial Condition

Liquidity: Cash on hand at March 31, 2022 was \$112.8 million as compared to \$127.7 million at December 31, 2021. As of March 31, 2022, total debt was \$858.2 million as compared to \$823.3 million at December 31, 2021.

In September 2020, we amended our Facility to allow for relief from certain terms, including adjusting the maximum leverage ratio covenant for a defined period. On January 28, 2021, we entered into the Second Amendment, which further amended the Facility agreement to provide that, from January 28, 2021 through and including March 31, 2022, we would not be subject to a

maximum leverage ratio covenant but instead be required to maintain Liquidity (as defined in the Facility agreement) of at least \$250 million. Effective April 1, 2022, the original terms and conditions to the Facility agreement were reinstated except the borrowing capacity which will remain at \$750 million. As a result, share repurchases restrictions that had been in effect per the Second Amendment expired on March 31, 2022. The remaining authorization under the share repurchase program at March 31, 2022 was \$217 million.

As of March 31, 2022, total borrowings under the Facility were \$160 million, which approximated fair value. The Facility agreement permits us to issue letters of credit up to an aggregate amount of \$50 million. Outstanding letters of credit reduce the amount available for borrowing under the Facility. As of March 31, 2022, there were no issued letters of credit under the Facility, resulting in undrawn availability under the Facility of \$590 million. The weighted average interest rate for the Facility was 4.5% for the three months ended March 31, 2022.

We expect to meet our short-term liquidity requirements (including capital expenditures) through net cash from operating activities, cash on hand and the Facility. As of March 31, 2022, long-term liquidity requirements consist primarily of obligations under our long-term debt obligations. We do not have any significant required debt repayments until June 2024 when the Facility expires.

In 2021, the Company applied for the Aviation Manufacturing Jobs Protection ("AMJP") program, created under the American Rescue Plan Act of 2021, which provides funding to eligible businesses to pay up to half of their compensation costs for certain categories of employees, for up to six months. To qualify for funding, eligible companies must have involuntarily furloughed or laid off at least 10% of its U.S. workforce or have experienced at least a 15% decline in 2020 global operating revenue. In September 2021, the U.S. Department of Transportation announced that it had approved for the Company to receive up to \$20.9 million under the AMJP program. The Company received \$10.5 million of the offered funds in the fourth quarter of 2021 and anticipates receiving the remaining funds in 2022.

During the first quarter of 2022, we entered into an agreement to sell our Dublin, California facility, and as a result, certain assets to be sold have been recorded in "Assets held for sale" in the Condensed Consolidated Balance Sheets at March 31, 2022. As a result of the sale of the facility, the Company will be relocating certain of its Dublin-based research, technology and laboratory support personnel and equipment to a new Salt Lake City, Utah building. The sale of the facility is expected to occur during the second quarter of 2022.

On April 25, 2022, our Board of Directors declared a quarterly dividend of \$0.10 per share payable to stockholders of record as of May 6, 2022, with a payment date of May 13, 2022.

Operating Activities: Net cash used for operating activities for the first three months of 2022 was \$19.0 million compared to \$1.2 million for the same period last year. Working capital was a cash use of \$74.3 million for the first three months of 2022 compared to a use of \$26.2 million in the same period in 2021 primarily driven by higher inventory and accounts receivable to support higher sales.

Investing Activities: Net cash used for investing activities was \$20.9 million and \$4.9 million in the first three months of 2022 and 2021, respectively, reflecting an increase in capital expenditures from two ongoing construction projects for the previously announced expansion of Hexcel's facility in Morocco and the construction of a research and technology innovation center in Salt Lake City, Utah.

Financing Activities: Net cash provided by financing activities was \$25.9 million for first three months of 2022 compared to a use of \$13.5 million in the same period in 2021. Borrowing under the Facility during the first quarter of 2022 was \$35 million. In response to the impacts of the COVID-19 pandemic, we announced in 2020 that we had suspended our dividend payments. During the first quarter of 2022, we reinstated our quarterly dividend and a payment of approximately \$8.5 million was made to shareholders.

Financial Obligations and Commitments: The next significant scheduled debt maturity will not occur until 2024, when the Facility matures. Certain sales and administrative offices, data processing equipment and manufacturing facilities are leased under operating leases.

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, 2021.

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 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, or in our existing insurance coverage, that could cause the actual liability to exceed the estimates, or may require adjustments to the recorded liability balances in the future. For further discussion, see Note 11, Commitments and Contingencies, to the accompanying Condensed Consolidated Financial Statements of this Form 10-Q.

Non-GAAP Financial Measures

The Company uses non-GAAP financial measures, including sales and expenses measured in constant dollars (prior year sales and expenses measured at current year exchange rates); operating income, net income and earnings per share adjusted for items included in operating expense and non-operating expenses; and free cash flow. Management believes these non-GAAP measures are meaningful to investors because they provide a view of Hexcel with respect to ongoing operating results and comparisons to prior periods. These adjustments can represent significant charges or credits that we believe are important to an understanding of Hexcel's overall operating results in the periods presented. Such non-GAAP measures are not determined in accordance with generally accepted accounting principles and should not be viewed in isolation or as an alternative to or substitutes for GAAP measures of performance. Our calculation of these measures may not be comparable to similarly titled measures used by other companies, and the measures exclude financial information that some may consider important in evaluating our performance. Reconciliations to adjusted operating income, adjusted net income, adjusted diluted net income per share and free cash flow are provided below.

(In millions)	Operating Income	
	Quarter Ended March 31,	
	2022	2021
GAAP operating income (loss)	\$ 30.1	\$ (10.2)
Other operating expense (a)	1.0	12.1
Adjusted operating income (non-GAAP)	\$ 31.1	\$ 1.9

(In millions, except per diluted share data)	Quarter Ended March 31,			
	2022		2021	
	Net Income	Diluted Net Income Per Share	Net Loss	Diluted Net Loss Per Share
GAAP net income (loss)	\$ 17.8	\$ 0.21	\$ (14.0)	\$ (0.17)
Other operating expense, net of tax (a)	0.8	0.01	8.8	0.11
Tax benefit (b)	—	—	(3.2)	(0.04)
Adjusted net income (loss) (non-GAAP)	\$ 18.6	\$ 0.22	\$ (8.4)	\$ (0.10)

- (a) The quarters ended March 31, 2022 and 2021 included restructuring costs primarily related to severance.
- (b) The quarter ended March 31, 2021 included a discrete tax benefit from the revaluation of deferred tax liabilities related to a favorable U.S. tax law change.

(In millions)	Quarter Ended March 31,	
	2022	2021
Net cash used for operating activities	\$ (19.0)	\$ (1.2)
Less: Capital expenditures	(20.9)	(4.9)
Free cash flow (non-GAAP)	\$ (39.9)	\$ (6.1)

Forward-Looking Statements

This report contains 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,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “seek,” “target,” “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 provided by Airbus, Boeing and others; (b) the revenues we may generate from an aircraft model or program; (c) the impact of the push-out in deliveries of the Airbus and Boeing backlog and the impact of delays in the startup or ramp-up of new aircraft programs or the final Hexcel composite material content once the design and material selection have been completed; (d) expectations with regard to regulatory clearances or the build rate of the Boeing 737 MAX or Boeing 787 and the related impact on our revenues; (e) expectations with regard to raw material cost and availability; (f) expectations of composite content on new commercial aircraft programs and our share of those requirements; (g) expectations regarding revenues from space and defense applications, including whether certain programs might be curtailed or discontinued; (h) expectations regarding sales for wind energy, recreation, automotive and other industrial applications; (i) expectations regarding working capital trends and expenditures and inventory levels; (j) expectations as to the level of capital expenditures and completion of capacity expansions and qualification of new products; (k) expectations regarding our ability to improve or maintain margins; (l) expectations regarding the outcome of legal matters or the impact of changes in laws or regulations or government policies; (m) our projections regarding our tax rate; (n) expectations with regard to the continued impact of the COVID-19 pandemic and the impact of the conflict between Russia and Ukraine on worldwide air travel and aircraft programs, as well as on our customers and suppliers and, in turn, on our operations and financial results; (o) expectations regarding our strategic initiatives and other goals, including, but not limited to, our sustainability goals; (p) expectations regarding the sale of certain of our assets; and (q) the anticipated impact of the above factors and various market risks on our expectations of financial results for 2022 and beyond.

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: the impact of the COVID-19 pandemic (including continued disruption in global financial markets and supply chains, ongoing restrictions on movement and travel, employee absenteeism and labor shortages, and reduced demand for air travel) on the operations, business and financial condition of Hexcel and its customers and suppliers; reductions in sales to any significant customers, particularly Airbus or Boeing, including related to the timing of pending regulatory clearances for the Boeing 737 MAX and the Boeing 787, as well as due to the impact of the COVID-19 pandemic; our ability to effectively adjust production and inventory levels to align with customer demand; our ability to effectively motivate, retain and hire the necessary workforce; our ability to successfully implement or realize our business strategies, plans, goals and objectives of management, including our sustainability goals and any restructuring or alignment activities in which we may engage; the impact of any government mandated COVID-19 precautions, including mandatory vaccination; changes in sales mix; changes in current pricing and cost levels, including cost inflation, as well as increasing energy prices resulting from the conflict between Russia and Ukraine; changes in aerospace delivery rates; changes in government defense procurement budgets; changes in military aerospace program technology; timely new product development or introduction; industry capacity; increased competition; availability and cost of raw materials, including the impact of supply shortages and inflation; supply chain disruptions, which may be exacerbated by the conflict between Russia and Ukraine; inability to install, staff and qualify necessary capacity or complete capacity expansions to meet customer demand; cybersecurity-related risks, including the potential impact of breaches or intrusions; currency exchange rate fluctuations; changes in political, social and economic conditions, including, but not limited to, the effect of change in global trade policies, such as sanctions imposed as a result of the conflict between Russia and Ukraine; work stoppages or other labor disruptions; our ability to successfully complete any strategic acquisitions, investments or dispositions; compliance with environmental, health, safety and other related laws and regulations, including those related to climate change; the effects of natural disasters, which may be worsened by the impact of climate change, and other severe catastrophic events; the potential impact of environmental, social and governance matters; and the unexpected outcome of legal matters or impact of changes in laws or regulations.

Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements. As a result, the foregoing factors should not be construed as exhaustive and should be read together with other cautionary statements included in this and other reports we file with the SEC. For additional information regarding certain factors that may cause our actual results to differ from those expected or anticipated, see the information under the caption “Risk Factors,” which is located in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. We do not undertake any obligation to update our forward-looking statements or risk factors to reflect future events or circumstances, except as otherwise required by law.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Except for the continued broad effects of COVID-19 and the Russian/Ukraine conflict on market risk, there have been no material changes in our market risk from the information provided in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021.

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, 2022, and with the participation of the Company’s management have concluded that these disclosure controls and procedures were 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, as amended, 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.

Changes in Internal Control over Financial Reporting

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 three months ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

The information required by Item 1 is contained within [Note 11](#) on pages 15 through 16 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, 2021, which could materially affect our business, financial condition or future results. There have been no material changes in the Company’s risk factors from the aforementioned Form 10-K.

ITEM 5. Other Information

Colleen Pritchett, President - Aerospace, Americas, is leaving Hexcel at the end of April 2022. The Company has appointed an interim business leader and initiated a search for her successor.

ITEMS 2, 3, and 4 are not applicable, and therefore have been omitted.

ITEM 6. Exhibits

EXHIBIT INDEX

Exhibit No.	Description
10.1*	Form of Performance Based Award Agreement for Executive Officers (2022)
10.2*	Form of Performance Based Award Agreement for Non-U.S. Executive Officers (2022)
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 (furnished herewith)
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statements of Stockholders' Equity, and (vi) Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File: the cover page XBRL tags are embedded within the Inline XBRL document and are contained within Exhibit 101.

* Indicates management contract or compensatory plan or arrangement

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 thereunto duly authorized.

Hexcel Corporation

April 25, 2022

(Date)

/s/ Amy S. Evans

Amy S. Evans
Senior Vice President,
Chief Accounting Officer

PERFORMANCE BASED AWARD AGREEMENT
under the
Hexcel Corporation 2013 Incentive Stock Plan

This Performance Based Award Agreement (the “Agreement”), is entered into as of the Grant Date, by and between Hexcel Corporation, a Delaware corporation (the “Company”), and the Grantee.

The Company maintains the Hexcel Corporation 2013 Incentive Stock Plan (the “Plan”). The Compensation Committee (the “Committee”) of the Board of Directors of the Company (the “Board”) has determined that the Grantee shall be granted a Performance Based Award (“PBA”) upon the terms and subject to the conditions hereinafter contained. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Plan.

1. Notice of Grant; Acceptance of PBA. A Notice of Grant is attached hereto as Annex A and incorporated by reference herein. The PBA awarded pursuant to this Agreement may result in the Grantee being awarded up to that number of unrestricted shares of Common Stock equal to the Maximum Share Award (as defined herein). Grantee will be deemed to accept the terms and conditions of this Agreement by clicking the “Accept” button on the Award Acceptance screen with regard to this PBA. By accepting the Agreement, the Grantee agrees to be bound by the terms of the Plan and this Agreement and further agrees that all of the decisions and determinations of the Committee shall be final and binding.

2. Incorporation of Plan. The Plan is incorporated by reference and made a part of this Agreement, and this Agreement shall be subject to the terms of the Plan, as the Plan may be amended from time to time. The PBA granted hereunder constitutes an Award within the meaning of the Plan and in the event of any conflict between the terms of the Plan and this Agreement, the terms of the Plan shall govern.

3. Performance Periods; Award of Unrestricted Shares of Common Stock.

(a) There is a Long-Term Performance Period (calendar years 2022-2024) under this PBA. The performance measures for the Long-Term Performance Period are Incremental EBIT Leverage, Return on Invested Capital or “ROIC” and Relative Earnings Per Share Growth Rate or “Relative EPS Growth Rate.”

(b) (i) Subject to Section 5, so long as the Grantee is employed by a member of the Hexcel Group at the end of the Long-Term Performance Period, or the Grantee’s employment with a member of the Hexcel Group terminates during the Long-Term Performance Period due to the Grantee’s Retirement, the Grantee shall, at such time as the number of PBA Shares earned for Year 3, if any, is determined pursuant to Annex B, become entitled to receive the number of PBA Shares, if any, equal to the aggregate number of PBA Shares earned in each of Year 1, Year 2 and Year 3 determined in accordance with the Incremental EBIT Leverage Performance Measure Share Award Schedule that appears on Annex B.

(ii) Subject to Section 5, if and only if the Threshold Level for the Return on Invested Capital Long-Term Performance Measure is met for the Long-Term Performance Period, and so long as the Grantee is employed by a member of the Hexcel Group at the end of the Long-Term Performance Period, or the Grantee’s employment with a member of the Hexcel Group terminates during the Long-Term Performance Period due to the Grantee’s Retirement, the Grantee shall, at such time as the number of PBA Shares is determined, if any, under this Section 3(b)(ii), become entitled to receive that number of PBA Shares equal to the number determined in accordance with the ROIC Performance Measure Share Award Schedule that appears on Annex B.

(iii) Subject to Section 5, if and only if the Threshold Level for the Relative EPS Growth Rate Long-Term Performance Measure is met for the Long-Term Performance Period, and so long as the Grantee is employed by a member of the Hexcel Group at the end of the Long-Term Performance Period, or the Grantee’s employment with a member of the Hexcel Group terminates during the Long-Term Performance Period due to the Grantee’s Retirement, the Grantee shall, at such time as the number of PBA Shares is determined, if any, under this Section 3(b)(iii), become entitled to receive that number of PBA Shares equal to the number determined in accordance with the Relative EPS Growth Rate Long-Term Performance Measure Share Award Schedule that appears on Annex B.

(iv) The Committee shall certify the degree of achievement of the Incremental EBIT Leverage Performance Measure for each of Year 1, Year 2 and Year 3 and the degree of achievement of the Return on Invested Capital Long-Term Performance Measure and Relative EPS Growth Rate Long-Term Performance Measure at the end of the

Long-Term Performance Period promptly (but in no event later than 60 days) after the end of Year 1, Year 2 and Year 3, or the Long-Term Performance Period, as applicable.

4. Termination of Employment; Pro-rata Award

(a) For purposes of the grant hereunder, any transfer of employment by the Grantee within the Hexcel Group, or any other change in employment that does not constitute a “separation from service” within the meaning of Section 1.409A-1(h) of the Treasury Regulations (or any successor provision), shall not be considered a termination of employment by the applicable member of the Hexcel Group. Any change in employment that does constitute a “separation from service” within the meaning of Section 1.409A-1(h) of the Treasury Regulations (or any successor provision) shall be considered a termination of employment.

(b) Subject to Section 4(c) and Section 5, if during the Long-Term Performance Period, the Grantee’s employment with a member of the Hexcel Group terminates due to death or Disability, or the Grantee’s employment with a member of the Hexcel Group is involuntarily terminated without Cause or the Grantee terminates employment with a member of the Hexcel Group for Good Reason, then the Grantee shall be entitled to receive that number of PBA Shares that the Grantee would have been entitled to receive under Section 3(b) had the Grantee been employed by a member of the Hexcel Group at the end of the Long-Term Performance Period multiplied by a fraction equal to $M/36$, where M is the number of partial or total months the Grantee is employed by a member of the Hexcel Group during the Long-Term Performance Period.

(c) Subject to Section 5, if, at any time during the Long Term Performance Period, the Grantee’s employment with a member of the Hexcel Group terminates due to the Grantee’s Retirement, then, following the completion of the Long-Term Performance Period, the Grantee shall be entitled to receive such number of PBA Shares as determined under Section 3(b) above without regard to any pro-rata under Section 4(b).

(d) If, at any time during the Long-Term Performance Period the Grantee’s employment with a member of the Hexcel Group terminates for any reason other than due to death, Disability, Retirement, termination by the Grantee for Good Reason or involuntary termination by a member of the Hexcel Group without Cause, the Grantee shall receive no PBA Shares and this PBA shall be null and void.

(e) The Grantee shall become entitled to receive PBA Shares under Section 4(b) or Section 4(c) at the same time as the Grantee would have become entitled to receive PBA Shares under Section 3(b) if the Grantee were employed by a member of the Hexcel Group at the end of the Long-Term Performance Period.

5. Change in Control.

(a) Notwithstanding any other provision of this Agreement, if a Change in Control occurs any time on or after the start of the Long-Term Performance Period, but prior to the last day of the Long-Term Performance Period, then the Grantee shall immediately be awarded the PBA Target Share Award, and any dividend equivalents that have been credited to the Grantee pursuant to Section 6(c). Delivery of the PBA Shares pursuant to this Section 5 shall discharge any obligation the Company has or may have to the Grantee under this Agreement in its entirety and the Grantee shall not be entitled to any additional award under this Agreement.

(b) Notwithstanding anything herein to the contrary, the provisions of the Plan applicable to an event described in Article X(d) of the Plan, which would include a Change in Control, shall apply to the PBA and, in such event, the Committee may take such actions as it deemed appropriate pursuant to the Plan, consistent with the requirements of the Applicable Regulations (as defined below).

6. Transferability of PBA; No Incidents of Ownership; Dividend Equivalents

(a) The PBA may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempt to transfer the PBA in contravention of this Section 6(a) is void ab initio. The PBA shall not be subject to execution, attachment or other process.

(b) The Grantee shall not possess any incidents of ownership (including, without limitation, dividend and voting rights) in shares of Common Stock in respect of this PBA unless and until the Grantee becomes the holder of record of the PBA Shares.

(c) Should any dividends be declared and paid with respect to the shares of Common Stock during the period between (I) the Grant Date and (II) the last day of the Long-Term Performance Period, the Company shall credit to a dividend equivalent bookkeeping account (the “Dividend Equivalent Account”) the value of the dividends that would have been paid if the underlying PBA Target Share Award at the time of the declaration of the dividend were outstanding shares of Common Stock. At the same time that the corresponding PBA is converted to shares of Common Stock and distributed to the Grantee as set forth in Section 3(b), the Company shall pay to the Grantee a lump sum cash payment equal to the value of the dividends credited to the Grantee’s Dividend Equivalent Account that correspond to such PBA Shares; provided, however, that any dividends that were credited to the Grantee’s Dividend

Equivalent Account that are attributable to PBA Shares that have been forfeited as provided in this Agreement shall be forfeited and not payable to the Grantee. No interest shall accrue on any dividend equivalents credited to the Grantee's Dividend Equivalent Account.

7. Forfeiture of PBA and PBA Shares on Certain Conditions. Grantee hereby acknowledges that the Hexcel Group has given or will give Grantee access to certain confidential, proprietary or trade secret information, which the Hexcel Group considers extremely valuable and which provides the Hexcel Group with a competitive advantage in the markets in which the Hexcel Group develops or sells its products. The Grantee further acknowledges that the use of such information by Grantee other than in furtherance of Grantee's job responsibilities with the Hexcel Group would be extremely detrimental to the Hexcel Group and would cause immediate and irreparable harm to the Hexcel Group. In exchange for access to such confidential, proprietary or trade secret information, Grantee hereby agrees as follows:

(a) Notwithstanding anything to the contrary contained in this Agreement, should the Grantee breach the "Protective Condition" (as defined in Section 7(b)), then (I) the PBA and any PBA Shares distributed to the Grantee pursuant to this Agreement, shall immediately be forfeited upon such breach, (II) the Grantee shall immediately deliver to the Company the number of PBA Shares previously distributed to the Grantee during the 180-day period prior to the termination of the Grantee's employment with any member of the Hexcel Group and (III) if any PBA Shares were sold during the 180-day period immediately prior to such termination of employment in an arms' length transaction or disposed of in any other manner, the Grantee shall immediately deliver to the Company all proceeds of such arms' length sales, and if disposed of otherwise than in an arms' length sale, the Fair Market Value of such PBA Shares determined at the time of disposition. The PBA Shares and proceeds to be delivered under clauses (II) and (III) may be reduced to reflect the Grantee's liability for taxes payable on such PBA Shares and/or proceeds.

(b) "Protective Condition" shall mean that (I) the Grantee complies with all terms and provisions of any obligation of confidentiality contained in a written agreement with any member of the Hexcel Group signed by the Grantee, or otherwise imposed on Grantee by applicable law, and (II) during the time Grantee is employed by any member of the Hexcel Group and for a period of one year following the termination of the Grantee's employment with any member of the Hexcel Group, the Grantee does not (1) engage, in any capacity, directly or indirectly, including but not limited to as employee, agent, consultant, manager, executive, owner or stockholder (except as a passive investor holding less than a 5% equity interest in any enterprise), in any business enterprise then engaged in competition with the business conducted by the Hexcel Group anywhere in the world; provided, however, that the Grantee may be employed by a competitor of the Hexcel Group within such one year period so long as the duties and responsibilities of Grantee's position with such competitor do not involve the same or substantially similar duties and responsibilities as those performed by the Grantee for any member of the Hexcel Group in a business segment of the new employer which competes with the business segment(s) with which the Grantee worked or had supervisory authority over while employed by any member of the Hexcel Group during the twelve (12) months immediately preceding the date on which the Grantee's employment terminates, (2) employ or attempt to employ, solicit or attempt to solicit, or negotiate or arrange the employment or engagement with Grantee or any other Person, of any Person who was at the date of termination of the Grantee's employment, or within twelve (12) months prior to that date had been, a member of the senior management of any member of the Hexcel Group with whom the Grantee worked closely or was an employee with whom the Grantee worked closely or had supervisory authority over during the twelve months immediately preceding the date on which the Grantee's employment terminates or (3) disparage any member of the Hexcel Group, any of its respective current or former directors, officers or employees or any of its respective products (notwithstanding the foregoing, to the extent Grantee is a California based employee, then foregoing clauses (1) and (2) shall not apply).

(c) This paragraph (c) shall apply if the Grantee is an executive officer or officer (as defined in Rule 3b-7 or Rule 3b-2 under the Exchange Act). In accordance with the Company's policy adopted by the Board on the Potential Impact on Compensation from Executive Misconduct, if it is determined, within eighteen (18) full calendar months after the date on which the Grantee became entitled to receive any PBA Shares, that the Grantee engaged in misconduct resulting in the inaccurate reporting of the Company's financial results, and the number of PBA Shares the Grantee became entitled to receive (the "Incorrect Number of Shares") was greater than the number of PBA Shares that would have been awarded, paid or delivered to, or realized by, the Grantee, if calculated based on the accurate reporting of financial results (the "Correct Number of Shares"), then (I) if the Grantee has not yet received the PBA Shares, the number of PBA Shares to which the Grantee shall be entitled shall be immediately reduced from the Incorrect Number of Shares to the Correct Number of Shares, (II) if the Grantee has received the PBA Shares, then the Grantee shall immediately deliver to the Company that number of PBA Shares equal to the difference between the Incorrect Number of Shares and the Correct Number of Shares (the "Forfeited Shares"), and (III) if the Grantee has received the PBA Shares and sold any of the Forfeited Shares in an arms' length transaction or disposed of such shares in any other manner, the Grantee shall immediately deliver to the Company all proceeds from the arms' length sales of such Forfeited Shares and, if disposed of otherwise than in an arms' length sale, the Fair Market Value of such shares determined at the time of disposition. The PBA Shares and proceeds to be delivered under clauses (II) and (III) may be reduced to reflect the Grantee's liability for taxes payable on such PBA Shares and/or proceeds.

(d) In the event any of Section 7(a), Section 7(b) or Section 7(c) is unenforceable in the jurisdiction in which the Grantee is employed on the date hereof, such section nevertheless shall be enforceable to the full extent permitted by the laws of the jurisdiction in which the Company shall have the ability to seek remedies against the Grantee arising from any activity prohibited by this Section 7.

(e) Notwithstanding any other provision in the Plan or this Agreement to the contrary, whenever the Company may be entitled or required by law, Company policy, including, without limitation, any applicable clawback, recoupment or other policies of the Company relating to the PBA Shares, or the requirements of an exchange on which the Company's shares are listed for trading, to cause an Award to be forfeited or to recoup compensation received by the Grantee pursuant to the Plan, including recovery of shares distributed or the proceeds of shares sold or transferred, the Grantee shall accept such forfeiture and comply with any Company request or demand for recoupment of compensation received. Without limiting the preceding sentence, the PBA granted hereunder shall be subject to the Company's Clawback Policy (CP No. 1.7) or any similar successor policy adopted by the Company.

8. Issuance of PBA Shares. Subject to Section 11(e) below, any PBA Shares to be issued to the Grantee under this PBA (i) shall be delivered to the Grantee promptly, but in no event later than ten days, after such time as the Grantee becomes entitled to receive such PBA Shares, and (ii) may be issued in either certificated form or in uncertificated form (via the Direct Registration System or otherwise).

9. Taxes. Upon the distribution of PBA Shares to the Grantee, absent a notification by the Grantee to the Company (or an agent designated by the Company to administer the Company's stock incentive program) which is received by the Company or its agent at least three business days prior to the date of such distribution, to the effect that the Grantee will pay to the Company or its Subsidiary by check or wire transfer any taxes ("Withholding Taxes") the Company reasonably determines it or its Subsidiary is required to withhold under applicable tax laws with respect to such shares, the Company will reduce the number of PBA Shares to be distributed to the Grantee in connection with such distribution by a number of PBA Shares the Fair Market Value of which (as of the date the Grantee becomes entitled to receive such shares) is equal to the total amount of Withholding Taxes; provided, however, that, even in the absence of such notification from the Grantee, the Committee shall retain the discretion at all times to require the Grantee to pay to the Company or its Subsidiary by check or wire transfer the Withholding Taxes. In the event the Grantee elects, or is required by the Committee, to pay to the Company or its Subsidiary the Withholding Taxes with respect to such shares by check or wire transfer, the Company's obligation to deliver such PBA Shares shall be subject to receipt by the Company or its Subsidiary of such payment in available funds. The Company or its Subsidiary shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Grantee any federal, state, local or other taxes required to be withheld with respect to such payment.

10. No Guarantee of Employment. Nothing set forth herein or in the Plan shall confer upon the Grantee any right of continued employment for any period by the Hexcel Group, or shall interfere in any way with the right of the Hexcel Group to terminate such employment.

11. Section 409A.

(a) It is intended that this Agreement comply in all respects with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and applicable Treasury Regulations and other generally applicable guidance issued thereunder (collectively, the "Applicable Regulations"), and this Agreement shall be interpreted for all purposes in accordance with this intent.

(b) Notwithstanding any term or provision of this Agreement (including any term or provision of the Plan incorporated in this Agreement by reference), the parties hereto agree that, from time to time, the Company may, without prior notice to or consent of the Grantee, amend this Agreement to the extent determined by the Company, in the exercise of its discretion in good faith, to be necessary or advisable to prevent the inclusion in the Grantee's gross income pursuant to the Applicable Regulations of any compensation intended to be deferred hereunder. The Company shall notify the Grantee as soon as reasonably practicable of any such amendment affecting the Grantee.

(c) In the event that the PBA Shares issuable or amounts payable under this Agreement are subject to any taxes, penalties or interest under the Applicable Regulations, the Grantee shall be solely liable for the payment of any such taxes, penalties or interest. Although the Company intends to administer the Plan and this Agreement to prevent adverse taxation under the Applicable Regulations, the Company does not represent nor warrant that the Plan or this Agreement complies with any provision of federal, state, local or other tax law.

(d) Except as otherwise specifically provided herein, the time for distribution of PBA Shares under this PBA shall not be accelerated or delayed for any reason, unless to the extent necessary to comply with or permitted under the Applicable Regulations.

(e) Notwithstanding any term or provision of this Agreement to the contrary, if the Grantee is a specified employee (as defined in Section 409A(a)(2)(B)(i) of the Code) as of the date of his or her termination of employment, then any PBA Shares issuable or amounts payable to the Grantee under this PBA on account of his or her termination of employment (including without limitation any dividend equivalents payable to the Grantee pursuant to Section 6(c) if payable on account of his or her termination of employment) shall be paid to the Grantee upon the later of (i) the date such PBA Shares would otherwise be issuable or such amounts would otherwise be payable to the Grantee under this PBA without regard to this Section 11(e) and (ii) the date which is six months

following the date of the Grantee's termination of employment. The preceding sentence shall not apply in the event Grantee's termination of employment is due to his or her death. If the Grantee should terminate employment for a reason other than his or her death but subsequently die during the six-month period described in subclause (ii) of the first sentence above, such six-month period shall be deemed to end on the date of the Grantee's death.

12. Notices. Any notice required or permitted under this Agreement shall be deemed given when delivered personally, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Grantee at the last address specified in Grantee's employment records, or such other address as the Grantee may designate in writing to the Company, Attention: Corporate Secretary, or such other address as the Company may designate in writing to the Grantee.

13. Failure to Enforce Not a Waiver. The failure of either party hereto to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

14. Governing Law/Jurisdiction/Resolution of Disputes. This Agreement shall be governed by and construed according to the laws of the State of Delaware, USA without regard to the conflicts of laws provisions thereof. Any disputes arising under or in connection with this Agreement shall be resolved by binding arbitration before three arbitrators constituting an Employment Dispute Tribunal, to be held in the state of Connecticut, USA in accordance with the commercial rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator shall be final and subject to appeal only to the extent permitted by law. Each party shall bear such party's own expenses incurred in connection with any arbitration. Anything to the contrary notwithstanding, each party hereto has the right to proceed with a court action for injunctive relief or relief from violations of law not within the jurisdiction of an arbitrator.

15. Miscellaneous. This Agreement cannot be changed or terminated orally. This Agreement and the Plan contain the entire agreement between the parties relating to the subject matter hereof. This Agreement inures to the benefit of, and is binding upon, the Company and its successors-in-interest and its assigns, and the Grantee, the Grantee's heirs, executors, administrators and legal representatives. The section headings herein are intended for reference only and shall not affect the interpretation hereof.

16. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

17. Definitions. For purposes of this Agreement:

- (a) "Cause" shall have the meaning ascribed to such term in the Executive Severance Agreement or Executive Severance Policy, as applicable;
 - (b) "Change in Control" shall have the meaning ascribed to such term in the Executive Severance Agreement or Executive Severance Policy, as applicable;
 - (c) "Disability" shall have the meaning ascribed to such term in the Executive Severance Agreement or Executive Severance Policy, as applicable;
 - (d) "Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended;
 - (e) "Executive Severance Agreement" shall mean the Executive Severance Agreement between the Company or its Subsidiary and the Grantee, as amended from time to time;
 - (f) "Executive Severance Policy" shall mean the Executive Severance Policy adopted by the Committee, and which applies to a termination of employment of a Grantee who has received an offer letter of employment from the Company or its Subsidiary that expressly extends the provisions of such Policy to such Grantee;
 - (g) "Good Reason" shall have the meaning ascribed to such term in the Executive Severance Agreement or Executive Severance Policy, as applicable;
 - (h) "Hexcel Group" shall mean the Company and its Subsidiaries;
 - (i) "Incremental EBIT Leverage" is defined on Annex B attached hereto;
 - (j) "Long-Term Performance Measures" shall mean Incremental EBIT Leverage, ROIC and Relative EPS Growth Rate as defined on Annex B attached hereto;
 - (k) "Long-Term Performance Period" shall mean the period beginning on January 1, 2022 and ending on December 31, 2024;
-

(l) “Maximum Share Award” is the maximum amount of unrestricted shares of Common Stock that can be awarded to the Grantee under this PBA, which is 200% of the PBA Target Share Award, exclusive of any amounts credited as dividend equivalents to Grantee pursuant to Section 6(c);

(m) “PBA Shares” shall mean the unrestricted shares of Common Stock that Grantee is entitled to receive under this Agreement pursuant to Section 3, Section 4 or Section 5.

(n) “PBA Target Share Award” shall mean the number of unrestricted shares of Common Stock set forth on Annex A (which number represents the number of unrestricted shares that can be awarded to the Grantee under this PBA if the Target Level of 100% for each of the Long-Term Performance Measures is achieved as set forth in Annex B);

(o) “Person” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) of the Exchange Act and shall include “persons acting as a group” within the meaning of Section 1.409A-3(i)(5)(v)(B) of the Treasury Regulations (or any successor provision);

(p) “Relative Earnings Per Share Growth Rate” or “Relative EPS Growth Rate” is defined on Annex B attached hereto;

(q) “Retirement” shall mean termination of the Grantee’s employment with a member of the Hexcel Group, other than by reason of death or Cause, either (A) at or after age 65 or (B) at or after age 55 after five (5) years of employment by the Hexcel Group;

(r) “Return on Invested Capital” or “ROIC” is defined on Annex B attached hereto;

(s) “Subsidiary” shall mean any “subsidiary” of the Company within the meaning of Rule 405 under the Securities Act;

(t) “Target Level” for each of the Long-Term Performance Measures is defined on Annex B;

(u) “Threshold Level” for each of the Long-Term Performance Measures is defined on Annex B;

(v) “Year 1” shall mean the period beginning on January 1, 2022 and ending on December 31, 2022;

(w) “Year 2” shall mean the period beginning on January 1, 2023 and ending on December 31, 2023; and

(x) “Year 3” shall mean the period beginning on January 1, 2024 and ending on December 31, 2024.

Annex A

NOTICE OF GRANT
PERFORMANCE BASED AWARD
HEXCEL CORPORATION 2013 INCENTIVE STOCK PLAN

The following employee of Hexcel Corporation, a Delaware corporation, or a Subsidiary, has been granted a Performance Based Award in accordance with the terms of this Notice of Grant and the Agreement to which this Notice of Grant is attached.

The terms below shall have the meanings ascribed to them below when used in the Agreement.

Grantee	
Grant Date	January 31, 2022
Target number of unrestricted shares of Common Stock which may be granted as a result of this PBA ("PBA Target Share Award")	

IN WITNESS WHEREOF, the parties hereby agree to the terms of this Notice of Grant and the Agreement to which this Notice of Grant is attached and execute this Notice of Grant and the Agreement as of the Grant Date.

Grantee

HEXCEL CORPORATION

By: _____

Gail E. Lehman
Executive Vice President, General Counsel and Secretary

PERFORMANCE BASED AWARD AGREEMENT
under the
Hexcel Corporation 2013 Incentive Stock Plan

This Performance Based Award Agreement (the “Agreement”), is entered into as of the Grant Date, by and between Hexcel Corporation, a Delaware corporation (the “Company”), and the Grantee.

The Company maintains the Hexcel Corporation 2013 Incentive Stock Plan (the “Plan”). The Compensation Committee (the “Committee”) of the Board of Directors of the Company (the “Board”) has determined that the Grantee shall be granted a Performance Based Award (“PBA”) upon the terms and subject to the conditions hereinafter contained. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Plan.

1. Notice of Grant; Acceptance of PBA. A Notice of Grant is attached hereto as Annex A and incorporated by reference herein. The PBA awarded pursuant to this Agreement may result in the Grantee being awarded up to that number of unrestricted shares of Common Stock equal to the Maximum Share Award (as defined herein). Grantee will be deemed to accept the terms and conditions of this Agreement by clicking the “Accept” button on the Award Acceptance screen with regard to this PBA. By accepting the Agreement, the Grantee agrees to be bound by the terms of the Plan and this Agreement and further agrees that all of the decisions and determinations of the Committee shall be final and binding.

2. Incorporation of Plan. The Plan is incorporated by reference and made a part of this Agreement, and this Agreement shall be subject to the terms of the Plan, as the Plan may be amended from time to time. The PBA granted hereunder constitutes an Award within the meaning of the Plan and in the event of any conflict between the terms of the Plan and this Agreement, the terms of the Plan shall govern.

3. Performance Periods; Award of Unrestricted Shares of Common Stock.

(a) There is a Long-Term Performance Period (calendar years 2022-2024) under this PBA. The performance measures for the Long-Term Performance Period are Incremental EBIT Leverage, Return on Invested Capital or “ROIC” and Relative Earnings Per Share Growth Rate or “Relative EPS Growth Rate.”

(b) (i) Subject to Section 5, so long as the Grantee is employed by a member of the Hexcel Group at the end of the Long-Term Performance Period, or the Grantee’s employment with a member of the Hexcel Group terminates during the Long-Term Performance Period due to the Grantee’s Retirement, the Grantee shall, at such time as the number of PBA Shares earned for Year 3, if any, is determined pursuant to Annex B, become entitled to receive the number of PBA Shares, if any, equal to the aggregate number of PBA Shares earned in each of Year 1, Year 2 and Year 3 determined in accordance with the Incremental EBIT Leverage Performance Measure Share Award Schedule that appears on Annex B.

(ii) Subject to Section 5, if and only if the Threshold Level for the Return on Invested Capital Long-Term Performance Measure is met for the Long-Term Performance Period, and so long as the Grantee is employed by a member of the Hexcel Group at the end of the Long-Term Performance Period, or the Grantee’s employment with a member of the Hexcel Group terminates during the Long-Term Performance Period due to the Grantee’s Retirement, the Grantee shall, at such time as the number of PBA Shares is determined, if any, under this Section 3(b)(ii), become entitled to receive that number of PBA Shares equal to the number determined in accordance with the ROIC Performance Measure Share Award Schedule that appears on Annex B.

(iii) Subject to Section 5, if and only if the Threshold Level for the Relative EPS Growth Rate Long-Term Performance Measure is met for the Long-Term Performance Period, and so long as the Grantee is employed by a member of the Hexcel Group at the end of the Long-Term Performance Period, or the Grantee’s employment with a member of the Hexcel Group terminates during the Long-Term Performance Period due to the Grantee’s Retirement, the Grantee shall, at such time as the number of PBA Shares is determined, if any, under this Section 3(b)(iii), become entitled to receive that number of PBA Shares equal to the number determined in accordance with the Relative EPS Growth Rate Long-Term Performance Measure Share Award Schedule that appears on Annex B.

(iv) The Committee shall certify the degree of achievement of the Incremental EBIT Leverage Performance Measure for each of Year 1, Year 2 and Year 3 and the degree of achievement of the Return on Invested Capital Long-Term Performance Measure and Relative EPS Growth Rate Long-Term Performance Measure at the end of the

Long-Term Performance Period promptly (but in no event later than 60 days) after the end of Year 1, Year 2 and Year 3, or the Long-Term Performance Period, as applicable.

4. Termination of Employment; Pro-rata Award

(a) For purposes of the grant hereunder, any transfer of employment by the Grantee within the Hexcel Group, or any other change in employment that does not constitute a “separation from service” within the meaning of Section 1.409A-1(h) of the Treasury Regulations (or any successor provision), shall not be considered a termination of employment by the applicable member of the Hexcel Group. Any change in employment that does constitute a “separation from service” within the meaning of Section 1.409A-1(h) of the Treasury Regulations (or any successor provision) shall be considered a termination of employment.

(b) Subject to Section 4(c) and Section 5, if during the Long-Term Performance Period, the Grantee’s employment with a member of the Hexcel Group terminates due to death or Disability, or the Grantee’s employment with a member of the Hexcel Group is involuntarily terminated without Cause or the Grantee terminates employment with a member of the Hexcel Group for Good Reason, then the Grantee shall be entitled to receive that number of PBA Shares that the Grantee would have been entitled to receive under Section 3(b) had the Grantee been employed by a member of the Hexcel Group at the end of the Long-Term Performance Period multiplied by a fraction equal to $M/36$, where M is the number of partial or total months the Grantee is employed by a member of the Hexcel Group during the Long-Term Performance Period.

(c) Subject to Section 5, if, at any time during the Long Term Performance Period, the Grantee’s employment with a member of the Hexcel Group terminates due to the Grantee’s Retirement, then, following the completion of the Long-Term Performance Period, the Grantee shall be entitled to receive such number of PBA Shares as determined under Section 3(b) above without regard to any pro-rata under Section 4(b).

(d) If, at any time during the Long-Term Performance Period the Grantee’s employment with a member of the Hexcel Group terminates for any reason other than due to death, Disability, Retirement, termination by the Grantee for Good Reason or involuntary termination by a member of the Hexcel Group without Cause, the Grantee shall receive no PBA Shares and this PBA shall be null and void.

(e) The Grantee shall become entitled to receive PBA Shares under Section 4(b) or Section 4(c) at the same time as the Grantee would have become entitled to receive PBA Shares under Section 3(b) if the Grantee were employed by a member of the Hexcel Group at the end of the Long-Term Performance Period.

5. Change in Control.

(a) Notwithstanding any other provision of this Agreement, if a Change in Control occurs any time on or after the start of the Long-Term Performance Period, but prior to the last day of the Long-Term Performance Period, then the Grantee shall immediately be awarded the PBA Target Share Award, and any dividend equivalents that have been credited to the Grantee pursuant to Section 6(c). Delivery of the PBA Shares pursuant to this Section 5 shall discharge any obligation the Company has or may have to the Grantee under this Agreement in its entirety and the Grantee shall not be entitled to any additional award under this Agreement.

(b) Notwithstanding anything herein to the contrary, the provisions of the Plan applicable to an event described in Article X(d) of the Plan, which would include a Change in Control, shall apply to the PBA and, in such event, the Committee may take such actions as it deemed appropriate pursuant to the Plan, consistent with the requirements of the Applicable Regulations (as defined below).

6. Transferability of PBA; No Incidents of Ownership; Dividend Equivalents

(a) The PBA may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempt to transfer the PBA in contravention of this Section 6(a) is void ab initio. The PBA shall not be subject to execution, attachment or other process.

(b) The Grantee shall not possess any incidents of ownership (including, without limitation, dividend and voting rights) in shares of Common Stock in respect of this PBA unless and until the Grantee becomes the holder of record of the PBA Shares.

(c) Should any dividends be declared and paid with respect to the shares of Common Stock during the period between (I) the Grant Date and (II) the last day of the Long-Term Performance Period, the Company shall credit to a dividend equivalent bookkeeping account (the “Dividend Equivalent Account”) the value of the dividends that would have been paid if the underlying PBA Target Share Award at the time of the declaration of the dividend were outstanding shares of Common Stock. At the same time that the corresponding PBA is converted to shares of Common Stock and distributed to the Grantee as set forth in Section 3(b), the Company shall pay to the Grantee a lump sum cash payment equal to the value of the dividends credited to the Grantee’s Dividend Equivalent

Account that correspond to such PBA Shares; provided, however, that any dividends that were credited to the Grantee's Dividend Equivalent Account that are attributable to PBA Shares that have been forfeited as provided in this Agreement shall be forfeited and not payable to the Grantee. No interest shall accrue on any dividend equivalents credited to the Grantee's Dividend Equivalent Account.

7. **Forfeiture of PBA and PBA Shares on Certain Conditions.** Grantee hereby acknowledges that the Hexcel Group has given or will give Grantee access to certain confidential, proprietary or trade secret information, which the Hexcel Group considers extremely valuable and which provides the Hexcel Group with a competitive advantage in the markets in which the Hexcel Group develops or sells its products. The Grantee further acknowledges that the use of such information by Grantee other than in furtherance of Grantee's job responsibilities with the Hexcel Group would be extremely detrimental to the Hexcel Group and would cause immediate and irreparable harm to the Hexcel Group. In exchange for access to such confidential, proprietary or trade secret information, Grantee hereby agrees as follows:

(a) Notwithstanding anything to the contrary contained in this Agreement, should the Grantee breach the "Protective Condition" (as defined in Section 7(b)), then (I) the PBA and any PBA Shares distributed to the Grantee pursuant to this Agreement, shall immediately be forfeited upon such breach, (II) the Grantee shall immediately deliver to the Company the number of PBA Shares previously distributed to the Grantee during the 180-day period prior to the termination of the Grantee's employment with any member of the Hexcel Group and (III) if any PBA Shares were sold during the 180-day period immediately prior to such termination of employment in an arms' length transaction or disposed of in any other manner, the Grantee shall immediately deliver to the Company all proceeds of such arms' length sales, and if disposed of otherwise than in arms' length sale, the Fair Market Value of such PBA Shares determined at the time of disposition. The PBA Shares and proceeds to be delivered under clauses (II) and (III) may be reduced to reflect the Grantee's liability for taxes payable on such PBA Shares and/or proceeds.

(b) "Protective Condition" shall mean that (I) the Grantee complies with all terms and provisions of any obligation of confidentiality contained in a written agreement with any member of the Hexcel Group signed by the Grantee, or otherwise imposed on Grantee by applicable law, and (II) during the time Grantee is employed by any member of the Hexcel Group and for a period of one year following the termination of the Grantee's employment with any member of the Hexcel Group, the Grantee does not (1) engage, in any capacity, directly or indirectly, including but not limited to as employee, agent, consultant, manager, executive, owner or stockholder (except as a passive investor holding less than a 5% equity interest in any enterprise), in any business enterprise then engaged in competition with the business conducted by the Hexcel Group anywhere in the world; provided, however, that the Grantee may be employed by a competitor of the Hexcel Group within such one year period so long as the duties and responsibilities of Grantee's position with such competitor do not involve the same or substantially similar duties and responsibilities as those performed by the Grantee for any member of the Hexcel Group in a business segment of the new employer which competes with the business segment(s) with which the Grantee worked or had supervisory authority over while employed by any member of the Hexcel Group during the twelve (12) months immediately preceding the date on which the Grantee's employment terminates, (2) employ or attempt to employ, solicit or attempt to solicit, or negotiate or arrange the employment or engagement with Grantee or any other Person, of any Person who was at the date of termination of the Grantee's employment, or within twelve (12) months prior to that date had been, a member of the senior management of any member of the Hexcel Group with whom the Grantee worked closely or was an employee with whom the Grantee worked closely or had supervisory authority over during the twelve months immediately preceding the date on which the Grantee's employment terminates or (3) disparage any member of the Hexcel Group, any of its respective current or former directors, officers or employees or any of its respective products.

(c) This paragraph (c) shall apply if the Grantee is an executive officer or officer (as defined in Rule 3b-7 or Rule 3b-2 under the Exchange Act). In accordance with the Company's policy adopted by the Board on the Potential Impact on Compensation from Executive Misconduct, if it is determined, within eighteen (18) full calendar months after the date on which the Grantee became entitled to receive any PBA Shares, that the Grantee engaged in misconduct resulting in the inaccurate reporting of the Company's financial results, and the number of PBA Shares the Grantee became entitled to receive (the "Incorrect Number of Shares") was greater than the number of PBA Shares that would have been awarded, paid or delivered to, or realized by, the Grantee, if calculated based on the accurate reporting of financial results (the "Correct Number of Shares"), then (I) if the Grantee has not yet received the PBA Shares, the number of PBA Shares to which the Grantee shall be entitled shall be immediately reduced from the Incorrect Number of Shares to the Correct Number of Shares, (II) if the Grantee has received the PBA Shares, then the Grantee shall immediately deliver to the Company that number of PBA Shares equal to the difference between the Incorrect Number of Shares and the Correct Number of Shares (the "Forfeited Shares"), and (III) if the Grantee has received the PBA Shares and sold any of the Forfeited Shares in an arms' length transaction or disposed of such shares in any other manner, the Grantee shall immediately deliver to the Company all proceeds from the arms' length sales of such Forfeited Shares and, if disposed of otherwise than in an arms' length sale, the Fair Market Value of such shares determined at the time of disposition. The PBA Shares and proceeds to be delivered under clauses (II) and (III) may be reduced to reflect the Grantee's liability for taxes payable on such PBA Shares and/or proceeds.

(d) In the event any of Section 7(a), Section 7(b) or Section 7(c) is unenforceable in the jurisdiction in which the Grantee is employed on the date hereof, such section nevertheless shall be enforceable to the full extent permitted by the laws of the jurisdiction in which the Company shall have the ability to seek remedies against the Grantee arising from any activity prohibited by this Section 7.

(e) Notwithstanding any other provision in the Plan or this Agreement to the contrary, whenever the Company may be entitled or required by law, Company policy, including, without limitation, any applicable clawback, recoupment or other policies of the Company relating to the PBA Shares, or the requirements of an exchange on which the Company's shares are listed for trading, to cause an Award to be forfeited or to recoup compensation received by the Grantee pursuant to the Plan, including recovery of shares distributed or the proceeds of shares sold or transferred, the Grantee shall accept such forfeiture and comply with any Company request or demand for recoupment of compensation received. Without limiting the preceding sentence, the PBA granted hereunder shall be subject to the Company's Clawback Policy (CP No. 1.7) or any similar successor policy adopted by the Company.

8. Issuance of PBA Shares. Subject to Section 14(e) below, any PBA Shares to be issued to the Grantee under this PBA (i) shall be delivered to the Grantee promptly, but in no event later than ten days, after such time as the Grantee becomes entitled to receive such PBA Shares, and (ii) may be issued in either certificated form or in uncertificated form (via the Direct Registration System or otherwise).

9. Taxes.

(a) Upon the distribution of PBA Shares to the Grantee, absent a notification by the Grantee to the Company (or an agent designated by the Company to administer the Company's stock incentive program) which is received by the Company or its agent at least three business days prior to the date of such distribution, to the effect that the Grantee will pay to the Company or its Subsidiary by check or wire transfer any income tax, social insurance, social security, payroll tax, national insurance contributions, social contributions, other contributions, payment on account obligations or other amounts ("Withholding Taxes") the Company reasonably determines it or its Subsidiary is required to withhold under applicable laws with respect to such shares, the Company will reduce the number of PBA Shares to be distributed to the Grantee in connection with such distribution by a number of PBA Shares the Fair Market Value of which (as of the date the Grantee becomes entitled to receive such shares) is equal to the total amount of Withholding Taxes; provided, however, that, even in the absence of such notification from the Grantee, the Committee shall retain the discretion at all times to require the Grantee to pay to the Company or its Subsidiary by check or wire transfer the Withholding Taxes. In the event the Grantee elects, or is required by the Committee, to pay to the Company or its Subsidiary the Withholding Taxes with respect to such shares by check or wire transfer, the Company's obligation to deliver such PBA Shares shall be subject to receipt by the Company or its Subsidiary of such payment in available funds. The Company or its Subsidiary shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Grantee any federal, state, local or other taxes required to be withheld with respect to such payment. If the obligation for Withholding Taxes is satisfied by withholding PBA Shares, for tax purposes the Grantee will be deemed to have been issued the full number of PBA Shares under the PBA, notwithstanding that a number of PBA Shares are held back solely for purposes of paying the Withholding Taxes.

(b) Regardless of any action the Company or its Subsidiary takes with respect to any such Withholding Taxes, the Grantee acknowledges that the ultimate liability for all Withholding Taxes legally due by the Grantee is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company or its Subsidiary. The Grantee further acknowledges that the Company and its Subsidiary (i) make no representations or undertakings regarding the treatment of any Withholding Taxes in connection with any aspect of the PBA, including the grant, vesting or settlement of the PBA and the subsequent sale of any PBA Shares acquired at settlement; and (ii) do not commit to structure the terms of the grant or any aspect of the PBA to reduce or eliminate the Grantee's liability for Withholding Taxes. Further, if the Grantee has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Grantee acknowledges that the Company or its Subsidiaries may be required to collect, withhold or account for Withholding Taxes in more than one jurisdiction.

10. No Guarantee of Employment. Nothing set forth herein or in the Plan shall confer upon the Grantee any right of continued employment for any period by the Hexcel Group, or shall interfere in any way with the right of the Hexcel Group to terminate such employment.

11. No Entitlement or Claims for Compensation. In connection with the acceptance of the grant of the PBA under this Agreement, the Grantee acknowledges the following:

(a) The Plan is established voluntarily by the Company, the grant of performance based awards under the Plan is made at the discretion of the Committee and the Plan may be modified, amended, suspended or terminated by the Company at any time.

(b) The grant of the PBA is voluntary and occasional and does not create any contractual or other right to receive future grants of performance based awards, or benefits in lieu of performance based awards, even if performance based awards have been granted repeatedly in the past.

(c) All decisions with respect to future grants of performance based awards, if any, will be at the sole discretion of the Committee.

(d) The Grantee is voluntarily participating in the Plan.

- (e) This grant of the PBA and any PBA Shares acquired under the Plan in connection with the PBA are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or any Subsidiary and which are outside the scope of the Grantee's employment contract, if any.
- (f) This grant of the PBA and any shares acquired under the Plan and their value are not to be considered part of the Grantee's normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, payment in lieu of notice, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.
- (g) This grant of the PBA and any PBA Shares acquired under the Plan in connection with the PBA are not intended to replace any pension rights or compensation.
- (h) The future value of PBA Shares is unknown and cannot be predicted with certainty. If the Grantee vests in the PBA and receives PBA Shares, the value of the acquired shares may increase or decrease. The Grantee acknowledges and agrees that neither the Company nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the PBA or of any amounts received by the Grantee pursuant to the PBA or the subsequent sale of any PBA Shares acquired in connection with the PBA.
- (i) The Grantee shall have no rights, claim or entitlement to compensation or damages as a result of the Grantee's termination of employment or service for any reason whatsoever, whether or not in breach of contract or local labor law, insofar as these rights, claim or entitlement arise or may arise from the Grantee's ceasing to have rights under or be entitled to the PBA as a result of such termination or loss or diminution in value of the PBA or any of the PBA Shares received in connection with the PBA as a result of such termination, and the Grantee irrevocably releases the Company and its Subsidiaries, as applicable, from any such rights, entitlement or claim that may arise. If, notwithstanding the foregoing, any such right or claim is found by a court of competent jurisdiction to have arisen, then, by accepting this Agreement, the Grantee shall be deemed to have irrevocably waived the Grantee's entitlement to pursue such rights or claim.
12. Data Privacy.
- (a) The Grantee hereby acknowledges and understands that the Grantee's personal data is collected, retained, used, processed, disclosed and transferred, in electronic or other form, as described in this Agreement by and among, as applicable, the Grantee's employer, the Company and its Subsidiaries, and third parties assisting in the implementation, administration and management of the Plan for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.
- (b) The Grantee understands that the Grantee's employer, the Company and its Subsidiaries hold certain personal information about the Grantee regarding the Grantee's employment, the nature and amount of the Grantee's compensation and the fact and conditions of the Grantee's participation in the Plan, including, but not limited to, the Grantee's name, home address, telephone number and e-mail address, date of birth, social insurance number or other identification number, salary, nationality, job title, any equity or directorships held in the Company or its Subsidiaries, and details of all performance based awards or any other entitlement to equity awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, in connection with the implementation, management and administration of the Plan (the "Data").
- (c) The Grantee understands that the Data may be transferred to the Company, its Subsidiaries and any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Grantee's country, or elsewhere, and that the recipient's country may have a lower standard of data privacy rights and protections than the Grantee's country of residence. The Grantee understands that the Grantee may request a list with the names and addresses of any recipients of the Data by contacting the Grantee's local human resources representative. The Grantee understands that the recipients receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Grantee's participation in the Plan, including transfers of such Data to a broker or other third party. The Grantee understands that the Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan in accordance with applicable law. The Grantee understands that the Grantee may, at any time, request to access or be provided the Data, request additional information about the storage and processing of the Data, require any corrections or amendments to the Data, in any case without cost and to the extent permitted by law, by contacting in writing the Grantee's local human resources representative. The Grantee may also refuse or withdraw the consents in the Agreement; the Grantee understands, however, that not providing or withdrawing consent to the processing of his/her Data may affect the Grantee's ability to participate in the Plan. For more information on the processing of his or her Data and other personal data, the Grantee is referred to the Privacy Notice made available provided to him/her by his/her employer.

13. Country Specific Terms. Notwithstanding anything to the contrary herein, the PBA shall be subject to the Country-Specific Terms attached hereto as an Addendum to this Agreement. In addition, if the Grantee relocates to one of the countries included in the Country-Specific Terms, the special terms and conditions for such country will apply to the Grantee to the extent the Company

determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Country-Specific Terms constitute part of this Agreement and are incorporated herein by reference.

14. Section 409A.

(a) It is intended that this Agreement comply in all respects with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”) and applicable Treasury Regulations and other generally applicable guidance issued thereunder (collectively, the “Applicable Regulations”), and this Agreement shall be interpreted for all purposes in accordance with this intent.

(b) Notwithstanding any term or provision of this Agreement (including any term or provision of the Plan incorporated in this Agreement by reference), the parties hereto agree that, from time to time, the Company may, without prior notice to or consent of the Grantee, amend this Agreement to the extent determined by the Company, in the exercise of its discretion in good faith, to be necessary or advisable to prevent the inclusion in the Grantee’s gross income pursuant to the Applicable Regulations of any compensation intended to be deferred hereunder. The Company shall notify the Grantee as soon as reasonably practicable of any such amendment affecting the Grantee.

(c) In the event that the PBA Shares issuable or amounts payable under this Agreement are subject to any taxes, penalties or interest under the Applicable Regulations, the Grantee shall be solely liable for the payment of any such taxes, penalties or interest. Although the Company intends to administer the Plan and this Agreement to prevent adverse taxation under the Applicable Regulations, the Company does not represent nor warrant that the Plan or this Agreement complies with any provision of federal, state, local or other tax law.

(d) Except as otherwise specifically provided herein, the time for distribution of PBA Shares under this PBA shall not be accelerated or delayed for any reason, unless to the extent necessary to comply with or permitted under the Applicable Regulations.

(e) Notwithstanding any term or provision of this Agreement to the contrary, if the Grantee is a specified employee (as defined in Section 409A(a)(2)(B)(i) of the Code) as of the date of his or her termination of employment, then any PBA Shares issuable or amounts payable to the Grantee under this PBA on account of his or her termination of employment (including without limitation any dividend equivalents payable to the Grantee pursuant to Section 6(c) if payable on account of his or her termination of employment) shall be paid to the Grantee upon the later of (i) the date such PBA Shares would otherwise be issuable or such amounts would otherwise be payable to the Grantee under this PBA without regard to this Section 14(e) and (ii) the date which is six months following the date of the Grantee’s termination of employment. The preceding sentence shall not apply in the event Grantee’s termination of employment is due to his or her death. If the Grantee should terminate employment for a reason other than his or her death but subsequently die during the six-month period described in subclause (ii) of the first sentence above, such six-month period shall be deemed to end on the date of the Grantee’s death.

15. Notices. Any notice required or permitted under this Agreement shall be deemed given when delivered personally, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Grantee at the last address specified in Grantee’s employment records, or such other address as the Grantee may designate in writing to the Company, Attention: Corporate Secretary, or such other address as the Company may designate in writing to the Grantee.

16. Failure to Enforce Not a Waiver. The failure of either party hereto to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

17. Governing Law/Jurisdiction/Resolution of Disputes. This Agreement shall be governed by and construed according to the laws of the State of Delaware, USA without regard to the conflicts of laws provisions thereof. Any disputes arising under or in connection with this Agreement shall be resolved by binding arbitration before three arbitrators constituting an Employment Dispute Tribunal, to be held in the state of Connecticut, USA in accordance with the commercial rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator shall be final and subject to appeal only to the extent permitted by law. Each party shall bear such party’s own expenses incurred in connection with any arbitration. Anything to the contrary notwithstanding, each party hereto has the right to proceed with a court action for injunctive relief or relief from violations of law not within the jurisdiction of an arbitrator.

18. Miscellaneous. This Agreement cannot be changed or terminated orally. This Agreement and the Plan contain the entire agreement between the parties relating to the subject matter hereof. This Agreement inures to the benefit of, and is binding upon, the Company and its successors-in-interest and its assigns, and the Grantee, the Grantee’s heirs, executors, administrators and legal representatives. The section headings herein are intended for reference only and shall not affect the interpretation hereof.

19. Severability. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

20. Definitions. For purposes of this Agreement:

(a) “Cause” shall mean:

1. the willful and continued failure by the Grantee to substantially perform his duties or discharge his responsibilities to the Company, or to follow the reasonable requests of his supervisor to undertake actions falling within the scope of such duties and responsibilities; or
2. any fraudulent or intentional misconduct by the Grantee that causes or might reasonably be expected to cause material reputational, financial or other harm to the Company, or any improper or grossly negligent failure by the Grantee, including in a supervisory capacity, to identify, escalate, monitor or manage, in a timely manner and as reasonably expected, risks that cause or might reasonably be expected to cause material reputational, financial or other harm to the Company; or
3. any conduct that violates the covenants set forth in Section 3(c) hereof or restrictive covenants in any other written agreement between the Grantee and the Company, or violates requirements of the Company embodied in its employee policies adopted from time to time including, but not limited to, policies directed to ethical business conduct, insider trading, anti-corruption, harassment, and other policies proscribing or prohibiting conduct as an employee of the Company; or
4. the Grantee becomes subject to a suspension or debarment proceeding, or related investigations, conducted in connection with any actual or suspected violations of any United States Government procurement laws or regulations, or is for any other reason ineligible to participate in the discussion, negotiation and entering into of contracts with respect to United States government procurement, or fails to obtain or maintain any professional license reasonably required for the Grantee lawfully to perform her duties and responsibilities.

No act, or failure to act, on the Grantee's part shall be considered "willful" unless done, or omitted to be done, not in good faith and without reasonable belief that the action or omission was in the best interest of the Company. The Grantee shall not be deemed to have been terminated for Cause without delivery to the Grantee of a written notice of termination from the Chief Executive Officer specifying the grounds for Cause.

(b) “Change in Control” shall mean:

1. any person (as defined in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) of the Exchange Act) (a "Person") is or becomes the Beneficial Owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of more than 50% of either (A) the combined fair market value of the then outstanding stock of the Company (the “Total Fair Market Value”) or (B) the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the Company (the “Total Voting Power”); excluding, however, the following: (I) any acquisition by the Company or any of its affiliates, (II) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any of its affiliates, (III) any Person who becomes such a Beneficial Owner in connection with a transaction described in the exclusion within paragraph (4) below and (IV) any acquisition of additional stock or securities by a Person who owns more than 50% of the Total Fair Market Value or Total Voting Power of the Company immediately prior to such acquisition; or
 2. any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company that, together with any securities acquired directly or indirectly by such Person within the immediately preceding twelve-consecutive month period, represent 40% or more of the Total Voting Power of the Company; excluding, however, any acquisition described in sub-clauses (I) through (IV) of subsection (1) above; or
 3. a change in the composition of the Board such that the individuals who, as of the original effective date of this Agreement, constitute the Board (such individuals shall be hereinafter referred to as the “Incumbent Directors”) cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this definition, that any individual who becomes a director subsequent to such effective date, whose election, or nomination for election by the Company’s stockholders, was made or approved by a vote of at least a majority of the Incumbent Directors (or directors whose election or nomination for election was previously so approved) shall be considered an Incumbent Director; but, provided, further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest or other
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actual or threatened solicitation of proxies or consents by or on behalf of a person or legal entity other than the Board shall not be considered an Incumbent Director; provided finally, however, that, as of any time, any member of the Board who has been a director for at least twelve consecutive months immediately prior to such time shall be considered an Incumbent Director for purposes of this definition, other than for the purpose of the first proviso of this definition; or

4. there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company or a sale or other disposition of all or substantially all of the assets of the Company (“Corporate Transaction”); excluding, however, such a Corporate Transaction (A) pursuant to which all or substantially all of the individuals and entities who are the Beneficial Owners, respectively, of the outstanding Common Stock of the Company and Total Voting Power immediately prior to such Corporate Transaction will Beneficially Own, directly or indirectly, more than 50%, respectively, of the outstanding common stock and the combined voting power of the then outstanding securities entitled to vote generally in the election of directors of the company resulting from such Corporate Transaction (including, without limitation, a company which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Corporate Transaction of the Outstanding Common Stock and Total Voting Power, as the case may be, and (B) immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the company resulting from such Corporate Transaction (including, without limitation, a company which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries); provided, however, that notwithstanding anything to the contrary in subsections (1) through (4) above, an event which does not constitute a change in the ownership of the Company, a change in the effective control of the Company, or a change in the ownership of a substantial portion of the assets of the Company, each as defined in Section 1.409A-3(i)(5) of the Treasury Regulations (or any successor provision), shall not be considered a Change in Control for purposes of this Agreement.

(c) “Disability” shall mean Disability as determined under the Company’s then-existing long-term disability compensation programs.

(d) “Exchange Act” shall mean the U.S. Securities Exchange Act of 1934, as amended;

(e) “Good Reason” shall mean a termination by the Grantee after a reduction of more than 10% in the Grantee’s annual Total Direct Compensation (“TDC”) as in effect on the date hereof or as his TDC may be increased from time to time hereafter (except for across-the-board reductions in TDC affecting all similarly situated officers of the Company which reductions shall not count toward the 10%). TDC means the sum of the Grantee’s annual base salary, annual target award under MICP, and the grant date value of an annual equity award under the Company’s Incentive Stock Plan, as may be amended hereafter (the determination of grant date value shall be conclusively determined by the Compensation Committee for grants to the Grantee and all similarly situated officers of the Company). The Grantee shall be deemed to have waived any assertion of Good Reason unless the Grantee shall have delivered a written notice of termination to the Company, and specifying the reasons therefor, within 20 days after the effective date of such reduction. The Company shall have 10 days from the receipt of such notice to rescind or reverse the effect of such reduction and, upon doing so, both the grounds for Good Reason and the Grantee’s notice of termination automatically shall be deemed void with retroactive effect.

(f) “Hexcel Group” shall mean the Company and its Subsidiaries;

(g) “Incremental EBIT Leverage” is defined on Annex B attached hereto;

(h) “Long-Term Performance Measures” shall mean Incremental EBIT Leverage, ROIC and Relative EPS Growth Rate as defined on Annex B attached hereto;

(i) “Long-Term Performance Period” shall mean the period beginning on January 1, 2022 and ending on December 31, 2024;

(j) “Maximum Share Award” is the maximum amount of unrestricted shares of Common Stock that can be awarded to the Grantee under this PBA, which is 150% of the PBA Target Share Award, exclusive of any amounts credited as dividend equivalents to Grantee pursuant to Section 6(c);

(k) “PBA Shares” shall mean the unrestricted shares of Common Stock that Grantee is entitled to receive under this Agreement pursuant to Section 3, Section 4 or Section 5.

(l) “PBA Target Share Award” shall mean the number of unrestricted shares of Common Stock set forth on Annex A (which number represents the number of unrestricted shares that can be awarded to the Grantee under this PBA if the Target Level of 100% for each of the Long-Term Performance Measures is achieved as set forth in Annex B);

- (m) “Person” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) of the Exchange Act and shall include “persons acting as a group” within the meaning of Section 1.409A-3(i)(5)(v)(B) of the Treasury Regulations (or any successor provision);
 - (n) “Relative Earnings Per Share Growth Rate” or “Relative EPS Growth Rate” is defined on Annex B attached hereto;
 - (o) “Retirement” shall mean termination of the Grantee’s employment with a member of the Hexcel Group, other than by reason of death or Cause, either (A) at or after age 65 or (B) at or after age 55 after five (5) years of employment by the Hexcel Group;
 - (p) “Return on Invested Capital” or “ROIC” is defined on Annex B attached hereto;
 - (q) “Subsidiary” shall mean any “subsidiary” of the Company within the meaning of Rule 405 under the Securities Act;
 - (r) “Target Level” for each of the Long-Term Performance Measures is defined on Annex B;
 - (s) “Threshold Level” for each of the Long-Term Performance Measures is defined on Annex B;
 - (t) “Year 1” shall mean the period beginning on January 1, 2022 and ending on December 31, 2022;
 - (u) “Year 2” shall mean the period beginning on January 1, 2023 and ending on December 31, 2023; and
 - (v) “Year 3” shall mean the period beginning on January 1, 2024 and ending on December 31, 2024.
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**ADDENDUM TO PERFORMANCE BASED AWARD AGREEMENT
COUNTRY-SPECIFIC TERMS
FOR PARTICIPANTS OUTSIDE THE U.S.**

These Country-Specific Terms include additional terms and conditions that govern the PBA awarded to the Grantee under the Plan if the Grantee resides in one of the countries listed below. Capitalized terms used but not defined in these Country-Specific Terms are defined in the Plan or this Agreement and have the meanings set forth therein.

FRANCE

French Sub-Plan

The PBA is intended to qualify for specific treatment under French tax and social security laws and is subject to the provisions below and the Specific and Additional Terms and Conditions for French Employees (the “French Sub-Plan”), which has been provided to the Grantee and is incorporated herein. Capitalized terms below shall have the same definitions assigned to them under the French Sub-Plan and the Agreement.

No Dividend Equivalents. The Grantee shall not be entitled to any dividend equivalents with respect to the PBA and accordingly, not dividend equivalents shall be credited to the Grantee.

Closed Periods

The Grantee may be subject to restrictions on sale of PBA Shares during Closed Periods as set forth in the French Sub-Plan.

UNITED KINGDOM

PBA Payable Only in Shares. Notwithstanding any discretion in the Plan or anything to the contrary in this Agreement, the grant of the PBA does not provide the Grantee any right to receive a cash payment and the PBA may be settled only in shares of Common Stock.

Termination of Service. The Grantee has no right to compensation or damages on account of any loss in respect of the PBA under the Plan where the loss arises or is claimed to arise in whole or part from: (a) the termination of the Grantee’s office or employment; or (b) notice to terminate the Grantee’s office or employment. This exclusion of liability shall apply however termination of office or employment, or the giving of notice, is caused, and however compensation or damages are claimed. For the purpose of the Plan, the implied duty of trust and confidence is expressly excluded.

Annex A

NOTICE OF GRANT
PERFORMANCE BASED AWARD
HEXCEL CORPORATION 2013 INCENTIVE STOCK PLAN

The following employee of Hexcel Corporation, a Delaware corporation, or a Subsidiary, has been granted a Performance Based Award in accordance with the terms of this Notice of Grant and the Agreement to which this Notice of Grant is attached.

The terms below shall have the meanings ascribed to them below when used in the Agreement.

Grantee	
Grant Date	January 31, 2022
Target number of unrestricted shares of Common Stock which may be granted as a result of this PBA ("PBA Target Share Award")	

IN WITNESS WHEREOF, the parties hereby agree to the terms of this Notice of Grant and the Agreement to which this Notice of Grant is attached and execute this Notice of Grant and the Agreement as of the Grant Date.

Grantee

HEXCEL CORPORATION

By: _____
Gail E. Lehman
Executive Vice President, General Counsel and Secretary

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Nick L. Stanage, 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 registrant as of, and for, the periods presented in this report;
4. The registrant'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 registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 25, 2022
(Date)

/s/ Nick L. Stanage
Nick L. Stanage
Chairman of the Board of Directors,
Chief Executive Officer and President

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Patrick Winterlich, 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 registrant as of, and for, the periods presented in this report;
4. The registrant'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 registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

April 25, 2022
(Date)

/s/ Patrick Winterlich
Patrick Winterlich
Executive Vice President and
Chief Financial Officer

**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, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Nick L. Stanage, Chairman of the Board of Directors, Chief Executive Officer and President of the Company, and Patrick Winterlich, Executive 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, 2022

(Date)

/s/ Nick L. Stanage

Nick L. Stanage
Chairman of the Board of Directors,
Chief Executive Officer and President

April 25, 2022

(Date)

/s/ Patrick Winterlich

Patrick Winterlich
Executive 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.