

Hexcel Corporation
1996 Annual Report

Lighter

Stronger

Faster



Table of Contents

1	Hexcel Corporation Overview
2	Letter to Our Stakeholders
6	Vertical Integration
8	Fibers and Fabrics
10	Composite Materials
12	Engineered Products
14	Glossary of Terms
15	Financial Review
55	Board of Directors
56	Executives; Facilities
57	Corporate Information

On the cover:

TOP: The XC 1517 fabric shown here is woven from carbon and glass fibers at our facility in Seguin, Texas and is used in the arch bridge support of Reebok's athletic shoes.

MIDDLE: The corrosion resistant CR III® aluminum honeycomb pictured here is manufactured in Hexcel's Casa Grande, Arizona facility. It is used in a variety of applications including: aircraft bulkheads, snow and water skis, automotive parts and solar panels.

BOTTOM: The overwing panel featured here is an example of Hexcel's vertical integration. This finished wing component installed on commercial aircraft is designed, manufactured and assembled at our facility in Kent, Washington using Hexcel's composite materials.

Hexcel Corporation: Lighter. Stronger. Faster.

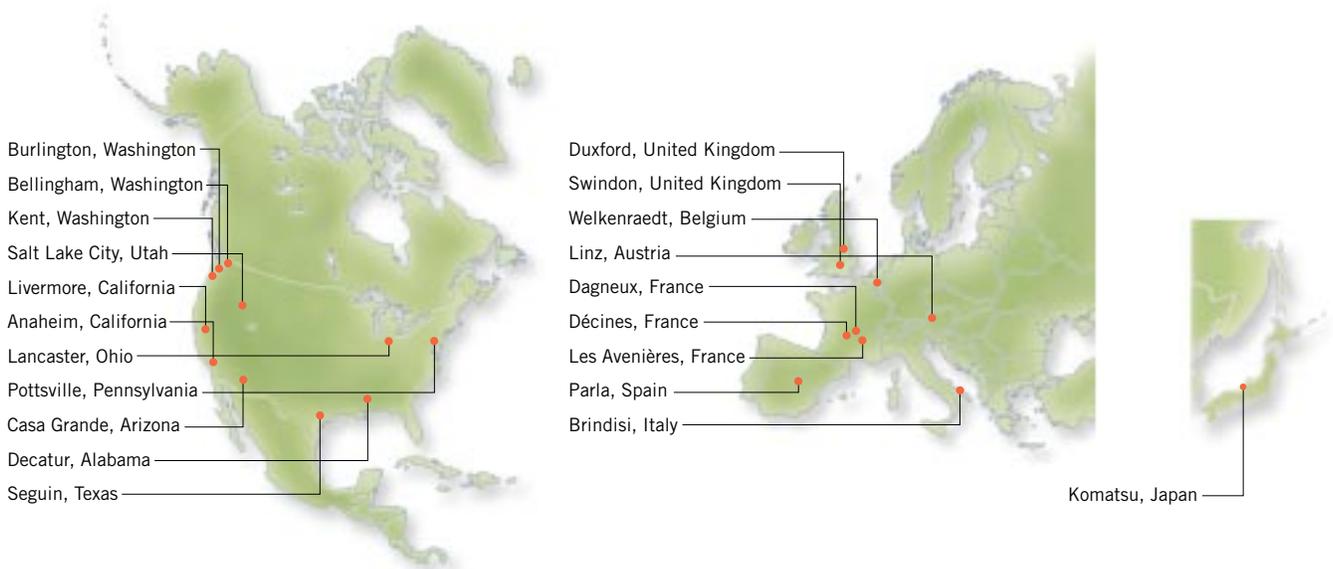
Hexcel Corporation is the global leader in the advanced structural materials industry, vertically integrated and poised for strong growth. The company manufactures lightweight, high performance carbon fibers, industrial fabrics, composite materials and engineered parts and structures and sells them to customers in the commercial aerospace, space and defense, recreation and general industrial markets.

Hexcel commands strong positions in all of its key markets. It is:

- **the #1 US producer of high strength carbon fibers,**
- **the global leader in structural fabrics,**
- **the world's largest manufacturer of composite materials and**
- **one of the premier suppliers in the aerospace structures and interiors business.**

Hexcel materials are used in many thousands of products—everything from commercial and military aircraft to high speed trains and ferries, sports equipment, decorative window coverings and printed circuit boards.

CONCENTRATED MANUFACTURING EXPERTISE...CLOSE TO CUSTOMERS





John J. Lee
Chairman and
Chief Executive Officer

Letter to Our Stakeholders

1996 was a remarkable year for Hexcel.

We more than doubled our size. We strengthened our financial foundation. And we achieved world leadership in an industry that is poised for strong growth. It is no exaggeration to say that 1996 was a watershed year for the company.

Included among our major accomplishments:

- **We successfully completed two important acquisitions, and in the process created a unique company—a vertically integrated supplier and global leader in advanced structural materials.**
- **In May we launched a comprehensive, three-year business consolidation program. Its aim is to integrate our acquired businesses and reduce operating costs.**
- **We secured a new \$255 million revolving credit facility and re-entered the public capital market with a well received \$115 million offering of convertible subordinated notes. Together these two steps expand our capital base and provide the financial flexibility we need for continued growth.**
- **Another enhancement to our capital base is the continued rapid rise in our equity market capitalization, which now has increased by over \$700 million since 1994. During 1996 Hexcel's common stock price rose from \$10.88 to \$16.25, a 50% increase.**
- **We began to capitalize on a broad-based resurgence in our primary market, commercial aerospace. Industry analysts believe this uptrend is likely to continue for some time.**

1996 FINANCIAL RESULTS: STRONG PROGRESS

Including the results of the two acquired businesses since their respective acquisition dates, the company's net sales for 1996 increased to \$695.3 million, compared to \$350.2 million for 1995. Gross margin for 1996 was \$141.3 million, or 20.3% of sales, against \$67.1 million, or 19.2% of sales, for 1995. Excluding the results of the acquisitions, 1996 sales were about \$385 million, a 10% improvement from 1995, and gross margin was about 24% of sales, up from the 19.2% for 1995.

The net loss for 1996 was \$19.2 million, or \$0.58 per share, compared with net income of \$2.7 million, or \$0.17 per share, for 1995. However, the 1996 net loss includes business acquisition and consolidation expenses of \$42.4 million, or \$1.16 per share after taxes. Excluding these charges and associated tax benefits, the company would have reported 1996 net income of \$19.5 million, or \$0.58 per share.

TWO IMPORTANT ACQUISITIONS MORE THAN DOUBLE THE COMPANY'S SIZE

Over the past three years, Hexcel has thoroughly streamlined its business, beginning with an internal restructuring program initiated shortly before the company voluntarily filed for Chapter 11 bankruptcy protection in December 1993. During that first stage, we sharply refocused our operations, reduced staff, sold non-core assets, closed plants and repositioned our product lines.

In February 1995 we emerged from Chapter 11 a leaner, more competitive company. We reinstated or paid in full all creditors' claims, with interest. Equally important, we successfully positioned ourselves to begin executing the second stage of our strategic plan.

The centerpiece of this second stage was a decision by Hexcel to lead the global consolidation of the advanced structural materials industry. That consolidation reduced the number of major competitors in the industry to three, from seven as late as 1993. In February 1996 we acquired the worldwide composites business of Ciba-Geigy Limited and Ciba-Geigy Corporation for about \$206 million in stock, cash and debt. And in June 1996 we purchased the composites products division of Hercules Incorporated for about \$139 million in cash.

These two acquisitions more than doubled the size of Hexcel in terms of revenues. More important, they were natural complements to, and extensions of, Hexcel's existing operations: Ciba's composites business significantly expanded our geographic penetration, particularly in Europe, and extended our product line downstream into the composite structures and interiors business. The acquisition also strengthened our long-standing relationship with Boeing, a major customer and the key US aerospace player. Hercules' composites business further improved our competitive position in the space and defense markets and provided upstream capabilities as one of the world's leading producers of carbon fiber, an important raw material for several of Hexcel's other businesses. It also enhanced our relationship with Airbus, our major European aerospace customer.

THE RESULT: A VERTICALLY INTEGRATED, GLOBAL INDUSTRY LEADER

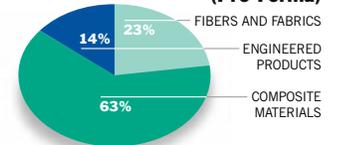
These transactions have produced a unique and dynamic company, focused on complete vertical integration, from carbon fiber to pre-impregnated fibers and fabrics (or "prepregs") and honeycomb to composite parts and structures. We are a global leader in many areas of the advanced structural materials business:

- Hexcel is a world-class producer of high strength, high modulus carbon fibers;
- Hexcel is the global leader in the weaving of structural fabrics;
- Hexcel is the world's largest producer of composite materials, including prepregs and honeycomb, and
- Hexcel holds a strategic position in the aerospace structures and interiors business.

This new, vertically integrated company is organized into three business sectors:

- **FIBERS AND FABRICS:** carbon fibers, woven industrial fabrics and reinforcement materials, the foundation of many composite materials;
- **COMPOSITE MATERIALS:** our historic franchise in honeycomb and prepregs, as well as structural adhesives and specially machined honeycomb parts and composite panels, and
- **ENGINEERED PRODUCTS:** composite parts and structures, including the finished components we make for aircraft structures and interiors and for non-aerospace applications.

1996 Sales by Business Sector
(Pro Forma)



Total: \$798.5 million

CONSOLIDATING NEW BUSINESSES AND REDUCING OPERATING COSTS

We initiated an ambitious business consolidation program throughout the organization in May 1996. This three-year program is designed to fully integrate the acquired Ciba and Hercules operations and generate additional manufacturing, research, sales, marketing and administrative efficiencies.

We anticipate this program will result in charges against earnings totaling about \$58 million, of which \$42 million was recognized in 1996. There should be an aggregate offsetting cash savings during the period 1996–1998, and we estimate annual savings of about \$32 million starting in 1999.

This aggressive internal restructuring, combined with an increasingly buoyant commercial aerospace market, should continue to yield substantial benefits to the company.

OPTIMISTIC OUTLOOK FOR 1997 AND BEYOND

As we look ahead to 1997 and beyond, we cannot help but feel optimistic. We now have the most comprehensive array of technologies and qualifications, and the highest degree of integration in the industry.

Moreover, we are now truly a global enterprise. Today we operate 21 manufacturing facilities in eight countries, with sales offices in six others. Our sales are about evenly divided between the US and Europe, with a growing presence in Pacific Rim markets.

In terms of product lines, competitive position, internal structure, management talent and financial strength, Hexcel is extremely well positioned to capitalize fully on the enormous opportunities existing in today's global marketplace.

We expect revenues to continue to grow in 1997. Major factors will be increased commercial aerospace build rates and enhanced carbon fiber capacity in the second half of the year. In terms of gross margin, we look for continued gradual but steady improvement. Reflecting business consolidation and industry growth opportunities, we anticipate capital expenditures of about \$60 million.

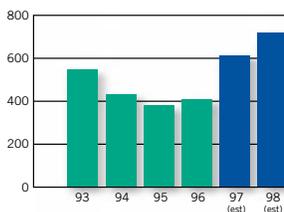
Each of Hexcel's primary businesses has real opportunities for targeted, profitable growth. Our primary market, commercial aerospace, is expanding rapidly. Hexcel is well positioned with the world's two dominant aircraft manufacturers to capitalize on this favorable trend. Not only will we be outfitting more new planes with composite materials, but we also anticipate increased demand in our Engineered Products business as airlines refurbish existing planes. In addition, there will be opportunities for geographic expansion in the Pacific Rim.

In our other primary markets, we will focus on maintaining our current position and improving it where possible. Demand for high performance materials should increase as new applications develop. In transportation, we anticipate new applications for our materials and engineered products in trains, high speed ferries, trucks and automobiles. And we should continue to see improved sales in the lightweight, high performance fabrics used in many personal electronic components. Overall, growth in fabrics applications should at least match GDP growth.

Longer term, we expect to expand our franchise in civil engineering and infrastructure. Current opportunities exist in seismic stabilization and structural rehabilitation.

Rebound in Commercial Aerospace

Aircraft deliveries from 1993–1998 (estimate)
for 100 person and larger commercial jet aircraft.
SOURCE: INDUSTRY ANALYSTS



CREATING VALUE: ENHANCING PRODUCT QUALITY AND CUSTOMER SATISFACTION

To help us achieve still higher levels of product quality and customer satisfaction, we are concentrating on creating value in five key areas:

- We will continue to challenge and develop our people and optimize our other assets.
- We will pursue our business consolidation program aggressively, to be certain it delivers the results we are committed to achieve.
- We are determined to strengthen our global leadership position by developing new products and new applications for existing products.
- We will leverage our existing businesses and assets through sensible capacity expansions and strategic alliances.
- And we expect to continue to selectively pursue acquisitions and other business combinations which fit with our vision and strategic objectives.

MEASURING OUR SUCCESS

Revenues and profits are two traditional measurements of a company's progress, but we believe other yardsticks are equally important at this stage in Hexcel's evolution. Accordingly, we have set these formal three-year targets, to be achieved in 1999:

- Gross margins equal to 25% of sales;
- Operating income equal to 13% of sales, and
- Return on net assets (RONA) of 20% or better.

We are emphasizing RONA as a key performance measurement and will include it as a specific component of the 1997 management cash incentive program. This will encourage our managers to improve RONA and commit capital to areas of growth and cost reduction. In this way, RONA improvement is driven by both growth in operating profit and sensible control of capital employed.

We believe that achieving these financial objectives will, over time, enable Hexcel to generate a very attractive return for stockholders.

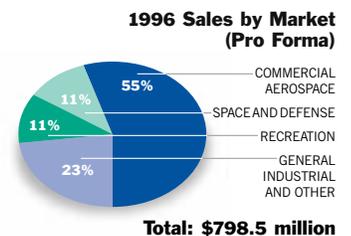
WORDS OF THANKS

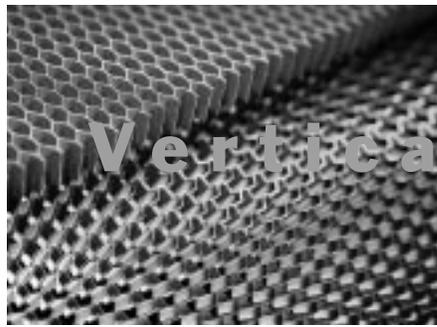
It is clear to us that Hexcel's remarkable turnaround and promising future would not have been possible without the support and dedication of our employees, management team and board of directors. To each of you, we extend our sincere thanks for your continuing efforts on the company's behalf. To our customers, we thank you for your business, and we pledge our unceasing efforts to bring you the highest quality products and services at a fair price. To our suppliers, we appreciate the importance of the products and services that you provide to us. And to our stockholders and bondholders, we express our gratitude for your continuing support. There is real excitement throughout the company today, and we have great expectations about Hexcel's future.



John J. Lee
Chairman and Chief Executive Officer

April 8, 1997





Vertical Integration

Hexcel is the global leader in the advanced structural materials industry.

Industry leadership doesn't mean just being the biggest. It means meeting customers' needs better than anyone else. And Hexcel's leadership is built on vertical integration, the result of two strategically important acquisitions made in 1996:

- Ciba-Geigy's composites business, acquired in February, provided downstream integration into finished components, used primarily in building aircraft and equipping their interiors.
- Hercules' composites business, purchased in June, added the upstream capability to produce carbon fibers, the starting point for many composite materials.

Hexcel today offers a breadth of products and services unmatched by any competitor. We are the only manufacturer whose capabilities extend over a broad spectrum of advanced structural materials—from basic carbon fibers and structural fabrics, to pre-impregnated materials (or “prepregs”) and honeycomb core, all the way to finished, ready-to-install engineered components.

What are Composites? Composite materials are created by combining fibers and fabrics (such as carbon, glass and aramid) with epoxies and other matrix binders to achieve specific performance properties that do not exist in the original materials. Hexcel's vertical integration means we can better control the cost, quality and delivery of our products, and offer our customers a variety of solutions to their structural materials requirements.

Composites offer a very high strength-to-weight ratio. That is why they became an essential material for the commercial aerospace, space and defense industries decades ago, and continue to grow in importance. For example, 10% of the structural weight of the new Boeing 777 is composite materials, compared to 2-3% in earlier Boeing aircraft.

Composites today are finding more and more applications in other transportation industries (rail, marine and automotive), and in the recreation, infrastructure and general industrial markets.

Vertical Integration: Composite materials begin with carbon, glass and other structural fibers, which we weave into fabrics. Woven or unidirectional fibers are impregnated with a formulated polymer resin to form prepregs. Honeycomb cores are manufactured from aluminum, Nomex® and other materials and supplied directly to customers. Or these honeycomb cores can be sandwiched between metallic or prepreg skins to form lightweight and exceptionally strong honeycomb sandwich panels. Honeycomb and panels can be shaped and tailored into any number of forms to meet customers' specifications.

Using our composite materials, we manufacture custom parts for installation in aircraft, trains, cars, marine vessels and a variety of other products. We consume about 25% of our production of fibers, fabrics and composite materials internally. The balance is sold in the various markets where we compete. This exposes each product line to market forces, stimulates competition and assures that we stay competitive through continuous improvement and innovation. To maintain our position as the industry leader, Hexcel must remain a cost-competitive company at the leading edge of technology.

Hexcel's three business sectors—Fibers and Fabrics, Composite Materials and Engineered Products—are described in more detail on the following pages.

Fibers and Fabrics

PRODUCTS

Fibers:

Carbon Fibers

Fabrics:

Fiberglass, carbon,
aramid, other
specialty fabrics

Reinforcements

MARKETS

Commercial Aerospace

Space and Defense

General Industrial

Recreational



Composite Materials

PRODUCTS

Honeycomb

Prepregs

Adhesives

Sandwich Panels

Special Process:

Machined and
fabricated

honeycomb parts

MARKETS

Commercial Aerospace

Space and Defense

General Industrial

Recreational



Engineered Products

PRODUCTS

Structures

Interiors

MARKETS

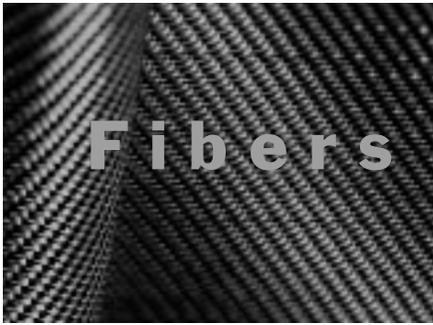
Commercial Aerospace

Space and Defense

General Industrial



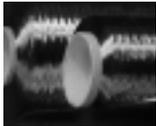
Fibers and Fabrics



Fibers:

Carbon Fibers

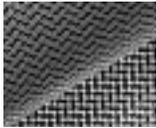
Raw materials for preregs and fabrics, filament winding for various space, defense and industrial applications.



Fabrics:

Woven Fiberglass Carbon and Aramid Reinforcements

Used for preregs, honeycomb, printed circuit boards, window blinds, insulation, soft body armor, metal and fume filtration systems.



Hexcel's Fibers and Fabrics sector is the number one US producer of high performance carbon fibers. And we are the world leader in structural fabrics woven from fiberglass, carbon, aramid and quartz fibers. Whenever a lightweight, high strength reinforcement material is required for a high performance product or structure, Hexcel's fibers and fabrics are generally present.

Hexcel acquired its carbon fibers business from Hercules Incorporated in June 1996, and expanded its fabrics business with the acquisition of the Ciba-Geigy composites business in February 1996. Today the Hexcel Fibers and Fabrics sector produces a growing family of carbon fibers from specialty acrylic fibers (precursor) and manufactures a broad range of structural fabrics.

The manufacturing process for carbon fibers begins in the company's Decatur, Alabama facility, which produces polyacrylonitrile (PAN) precursor fibers. Our Salt Lake City, Utah plant then converts the PAN precursor into a range of carbon fibers tailored to customers' performance requirements. Using these fibers, as well as fiberglass, aramid and other specialty fibers, weaving plants in Décines and Les Avenières, France, and Seguin, Texas produce woven fabrics.

Beginning in 1997, we will use about 35% of our carbon fiber production internally in our weaving and prepreg operations. And we will consume about one third of our output of structural fabrics to produce preregs and honeycomb.

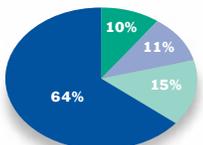
Whether the waves you're cruising are electromagnetic or liquid, Hexcel enhances your ability to catch... and surf them.

A WORLD OF APPLICATIONS

- The strength of Hexcel's woven fabrics makes them ideal for such high performance reinforcement applications as commercial aircraft, military airplanes, Formula One race cars and America's Cup yachts, among many others.
- Law enforcement officers now work more safely because of bullet-resistant and stab-resistant vests made of Hexcel's aramid and Spectra® fabrics.
- Our fiberglass fabrics are used worldwide in printed circuit boards, skis, surfboards and many other applications.
- Hexcel fabrics and composites figured prominently in many events during the 1996 Summer Olympic Games, including archery, canoeing, cycling, mountain biking, javelin, high jump, discus and pole vault.

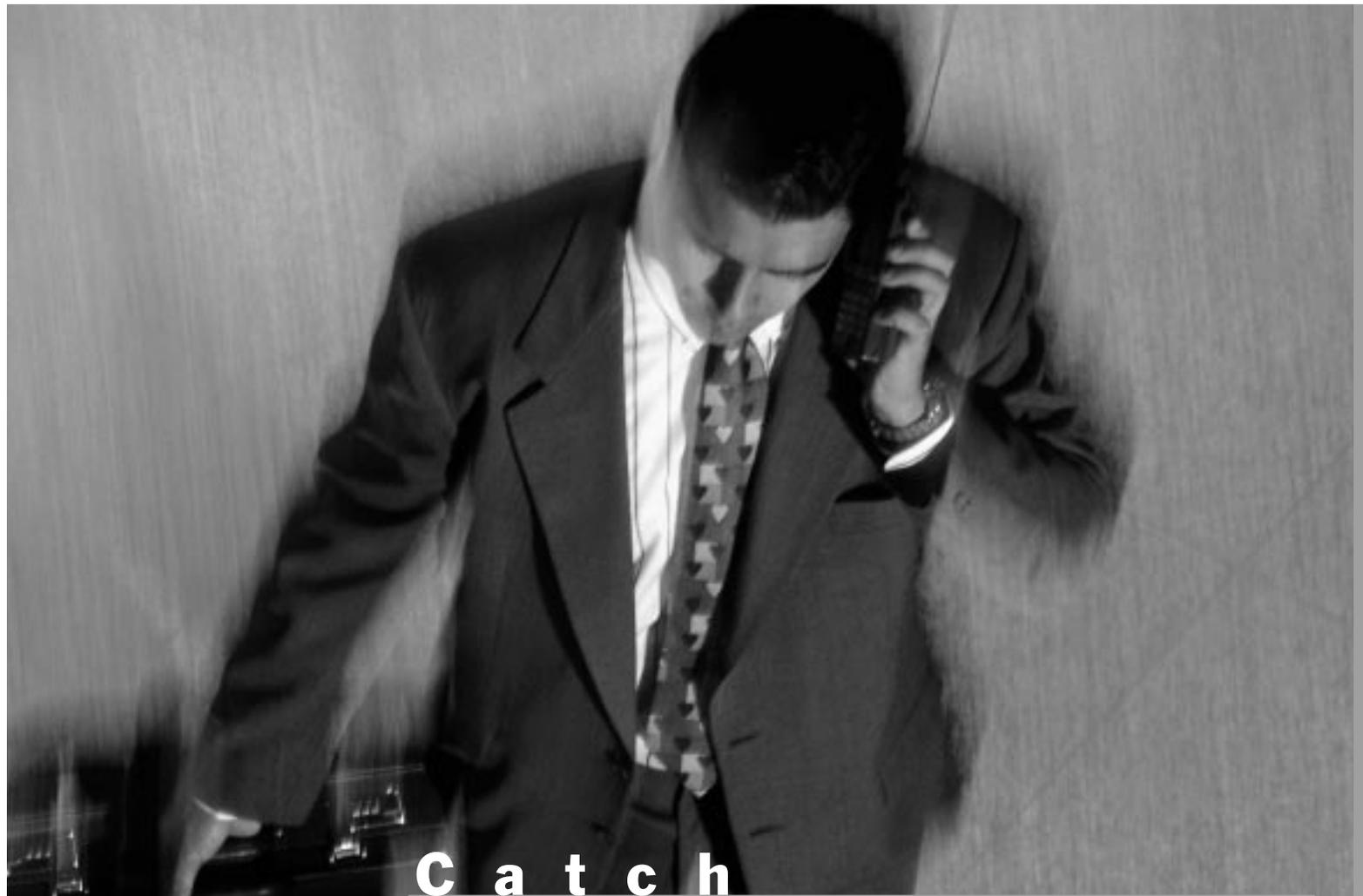
The Future: In recognition of the growing worldwide demand for carbon fibers, Hexcel is increasing its production capacity by nearly 50%, to about 4.5 million pounds annually (at current mix) during the second half of 1997. In fabrics, Hexcel is increasing European capacity to further improve its already strong position there and is expanding within the US market. Research is underway to develop new fabrics and fabric-forming capabilities for a variety of applications.

Fibers and Fabrics Sector
1996 Sales by Market
(Pro Forma)



1996 Total:
\$181.8 million

- COMMERCIAL AEROSPACE
- SPACE AND DEFENSE
- GENERAL INDUSTRIAL AND OTHER
- RECREATION



C a t c h t h e W a v e





Composite Materials

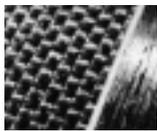
Honeycomb

Used for aircraft components, high speed and mass transit trains, energy absorption, athletic shoes and many other components.



Prepregs

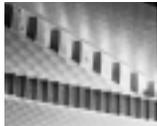
Used for aircraft components, recreation applications (fishing rods, tennis rackets, golf clubs, skis and snowboards), munitions and defense systems.



Adhesives and Special Process

Adhesives: Bonding of honeycomb to prepregs and aluminum.

Special Process: Semi-finished parts for commercial and military aerospace and general industrial applications.



Hexcel's Composite Materials sector is the global leader in its field, with a product offering that is unmatched in the industry. This is Hexcel's largest business, accounting for over 60% of its 1996 revenues. The sector's primary market is commercial aerospace, with smaller but important positions in the space and defense, recreation and general industrial markets.

Each succeeding generation of commercial aircraft has incorporated more and more of our composite materials. In the Boeing 707, introduced some 40 years ago, we supplied materials only for the radome and wing structures. The Boeing 747, however, utilizes over an acre of honeycomb to completely envelop the cargo and passenger sections. In the new Boeing 777, about 10% of the plane's structural weight is composite materials, compared to 2-3% in earlier Boeing aircraft.

Composite materials are created by combining two or more dissimilar materials like fibers and resins, so that the performance qualities of the composite material far surpass those of the individual substances. Hexcel's primary products are:

Prepregs: Fiber and fabric reinforcements impregnated with resin. Hexcel is the world leader in supplying prepregs to the aerospace and recreation industries.

Honeycomb: A composite based on the beehive principle. Hexagonal cells made of prepregs, aluminum, Nomex® paper and craft paper are nested together to create a strong, lightweight, high performance material. Hexcel is the world's leading producer of metallic and non-metallic honeycomb, which we sell to all our primary markets.

Adhesives: Hexcel is a leading supplier of structural and film adhesives, primarily to the commercial aerospace industry but also for a growing number of industrial applications. Lightweight film adhesives are ideal for bonding metallic and composite materials.

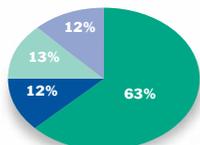
Sandwich Panels: Hexcel manufactures a wide range of honeycomb sandwich panels for aircraft flooring, high speed train interiors and fast ship decking, partitions and furniture. The company's Fiberlam® aircraft flooring panels are qualified for every aircraft currently in operation in the Western world.

Specially Processed Honeycomb: Hexcel's Special Process unit uses computer-aided design tools and computer-controlled, five-axis milling machines to form and shape honeycomb into complex structures specified precisely by customers. These products are used primarily for commercial and military aerospace applications such as helicopter blades and flight control surfaces. Other applications include airflow directional core which enhances fuel efficiency in automobiles.

Hexcel's Composite Materials sector operates seven facilities in the US, seven in Europe and participates in a joint venture with Dainippon Ink & Chemicals in Japan.

Man-made or man-powered, everything soars higher with Hexcel's composite materials.

Composite Materials Sector 1996 Sales by Market (Pro Forma)



1996 Total: \$502.0 million

- COMMERCIAL AEROSPACE
- SPACE AND DEFENSE
- GENERAL INDUSTRIAL AND OTHER
- RECREATION



S o a r
H i g h e r



Engineered Products

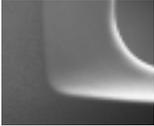
Structures

Wing-to-body fairings, flap track fairings, radomes, engine cowls, inlet ducts, wing panels, other aircraft components.



Interiors

OEM and retrofit interior systems for aircraft such as: overhead stowage bins, lavatories, sidewalls, ceilings.



Hexcel's Engineered Products sector manufactures and markets a range of lightweight, high strength composite structures and interior systems, primarily for the commercial aerospace industry but also for space and defense and other selected general industrial applications. The sector supplies finished components to the three major commercial aircraft manufacturers, Boeing, Airbus and McDonnell Douglas.

Based in Kent and Bellingham, Washington, with a small facility in Brindisi, Italy, the Engineered Products sector has over 45 years of experience, and offers a breadth of capabilities which spans concept development, design, manufacturing, testing and certification. The exceptional performance of these components in the areas of reliability, quality, cost-competitiveness and technical capabilities has earned Hexcel recognition as one of the premier suppliers in the industry.

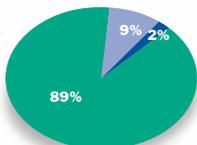
Structures: The Engineered Products sector produces composite structures used on the exterior of commercial aircraft. For example, these structures are used for wing panels, wing-to-body fairings and tail sections. One familiar part manufactured by Hexcel is the radome located at the nose of an aircraft, which houses and protects the aircraft's radar system, guarding it from the elements while permitting radar transmissions.

Interiors: Components manufactured by Hexcel for aircraft interiors include a range of products which are very familiar to most regular airline travelers: overhead stowage bins, sidewalls, ceiling panels, lavatories and bulkheads. Recently Hexcel's Engineered Products sector began work on certain cockpit and door-liner programs for Boeing aircraft. We have provided components for over 1,700 new production aircraft and more than 2,500 kits to retrofit existing aircraft.

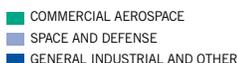
The Future: A number of developments will benefit Hexcel's Engineered Products sector in the future. After several difficult years, airlines have begun to buy new aircraft at a strong pace. Passenger miles continue to increase, and manufacturers are ramping up production to meet the growing demand. Older aircraft are also being modified and refurbished. In addition, Hexcel has developed new customers from Asia, such as Mitsubishi and Kawasaki of Japan. Engineered Products is pursuing initiatives to exploit the upturn in commercial aerospace.

Planes, trains
and automobiles...
all break the
barrier with
Hexcel's
engineered
products.

Engineered Products Sector
1996 Sales by Market
(Pro Forma)



1996 Total:
\$114.7 million





B r e a k t h e B a r r i e r



Glossary of Terms

Adhesive

A thermoset resin (e.g., epoxy, phenolic or BMI) in the form of a thin film or paste, cured under heat and pressure to bond a wide range of composite, metallic and honeycomb surfaces.

Aramid

A high strength, high stiffness fiber derived from polyamide. Kevlar® and Nomex® are examples of aramids.

Carbon Fiber

Fiber produced by carbonizing precursor fibers based on PAN (polyacrylonitrile), rayon and pitch to eliminate non-carbon atoms. The term is often used interchangeably with graphite. However, carbon fibers and graphite fibers are made and heat treated at different temperatures and have different carbon contents.

Composite Material

Product made by combining two or more dissimilar materials such as fibers and resins to create a product with exceptional structural properties not present in the original materials.

Cowls or Cowling

The outside protective shell of a jet engine, traditionally made out of metal. Cowls mainly provide the engine with protection from the elements and with structural support.

Engineered Products

Completed composite components that typically are manufactured from prepregs, honeycomb, adhesives and assembled hardware. These parts are ready for direct attachment to a structure (e.g., aircraft) or to sub-assemblies.

Fairing

A secondary structure of an airplane providing enhanced aerodynamics. Typically, fairings are found where the wing meets the body or at various locations on the leading or trailing edge of the wing.

Fiberglass

Filaments made by drawing molten glass, commonly used to reinforce composite materials.

Filament Winding

A process to manufacture composite materials components such as rocket casings and cylinders. Fiber filaments are impregnated in a resin matrix and then wound in a predetermined pattern over a form of the desired component.

Honeycomb

A unique, lightweight, cellular structure made from either metallic sheet materials or non-metallic materials (e.g., resin-impregnated paper or woven fabric) and formed into hexagonal nested cells, similar in appearance to a cross-section of beehive.

Inlet Ducts

Intake passages or tubes that confine and conduct air. They are usually located at the upstream end of an airplane engine on the engine cowling and aid in propulsion and engine cooling.

Interiors

Finished internal aircraft components, such as overhead stowage compartments, lavatories, sidewalls, floor panels and ceilings.

Kevlar®

An aramid fiber from DuPont. Woven Kevlar® fabrics are used in both ballistic and composite materials applications.

Modulus

The physical measurement of stiffness in a material. A high modulus indicates a stiff material.

Nacelle

The protective shell of a jet engine housed within the cowling, usually made from honeycomb. Provides noise absorption, insulation, structural support and can aid heat dissipation.

Nomex®

DuPont's registered trade name for its high temperature resistant aramid papers, pressboard, staple fibers and filament yarns. Nomex® aramid paper is used in the manufacture of honeycomb.

PAN (Polyacrylonitrile)

A polymer which when spun into fiber is used as a precursor material in the manufacture of certain carbon fibers.

Precursor

The PAN, rayon or pitch fibers from which carbon or graphite fibers are derived.

Prepreg (Pre-impregnated)

A composite material made from combining high performance reinforcement fibers or fabrics with a thermoset or thermoplastic resin matrix. When cured under high temperature and pressure, exceptional structural properties are achieved.

Primary Structure

A critical load-bearing structure on an aircraft. If this structure is severely damaged, the aircraft cannot fly.

Radome

The housing which protects the aircraft radar system from the elements while allowing transmission of radar signals. Often the radome is in the nose of an aircraft but can be found at other locations on the aircraft, as well.

Reinforcement

A strong material which when combined with a resin matrix forms a composite material. Reinforcements are usually continuous fibers, which may be woven. Fiberglass, aramid and carbon fibers are typical reinforcements.

Reinforcement Fabrics

Woven fiberglass, carbon or aramid fabrics used in production of prepregs and honeycomb.

Resin Matrix

In reinforced fiber composites, a formulated polymeric substrate.

Sandwich Panels

A stiff and lightweight panel consisting of thin sheets such as aluminum or cured prepreg laminate bonded to a low density, rigid core material (e.g., foam or honeycomb).

Seismic Retrofit

The reinforcement of existing structures to increase their ability to withstand an earthquake. Until recently, the reinforcement was done with steel, but now it can also be done with composite materials.

Special Process

The forming, shaping, machining or bonding of sheets or blocks of honeycomb into profiled and complex shapes for use as semi-finished components in the fabrication of composite parts and structures.

Spectra®

A high strength polyolefin fiber from Allied Signal. Woven Spectra® fabrics are very strong and lightweight and are used in both ballistic and composite materials applications.

Structures

Finished components for aircraft and industrial applications. For aircraft, these may be for primary or secondary external structures. Truck applications include chassis fairings and floors.

Board of Directors



John J. Lee

Chairman of the Board
and Chief Executive Officer
Hexcel Corporation

Nominating Committee
(Chairman)

Finance Committee



**Juergen
Habermeier**

President and
Chief Operating Officer
Hexcel Corporation

Technology Committee



**John M.D.
Cheesmond**

Executive Vice President
Ciba Specialty Chemicals Inc.
(Switzerland)

Executive Compensation
Committee (Chairman)

Finance Committee



**Marshall S.
Geller**

Chairman of the Board and
Chief Executive Officer
Geller & Friend Capital
Partners, Inc.

Audit Committee (Chairman)

Executive Compensation
Committee

Nominating Committee



Stanley Sherman

President and
Chief Executive Officer
Ciba Specialty Chemicals
Corporation (North America)

Executive Compensation
Committee

Finance Committee



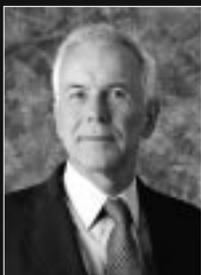
**Martin L.
Solomon**

Investor

Finance Committee
(Chairman)

Audit Committee

Executive Compensation
Committee



**George S.
Springer**

Paul Pigott Professor and
Chairman, Department of
Aeronautics and Astronautics;
Professor of Mechanical
Engineering and Professor
of Civil Engineering
Stanford University

Technology Committee
(Chairman)



**Joseph T.
Sullivan**

Consultant

Nominating Committee

Technology Committee



Hermann Vodicka

Chief Executive Officer
and Member of the Board
Ciba Specialty Chemicals Inc.
(Switzerland)

Nominating Committee

Technology Committee



Franklin S. Wimer

President
UniRock Management
Corporation

Audit Committee

Technology Committee

EXECUTIVE OFFICERS

John J. Lee

Chairman of the Board;
Chief Executive Officer;
Director

Juergen Habermeier

President; Chief Operating
Officer; Director

Stephen C. Forsyth

Senior Vice President
Finance and
Administration;
Chief Financial Officer

Ira J. Krakower

Senior Vice President;
General Counsel; Secretary

Bruce D. Herman

Treasurer

Wayne C. Pensky

Corporate Controller;
Chief Accounting Officer

Joseph H. Shaulson

Vice President,
Corporate Development

David M. Wong

Vice President,
Corporate Affairs

OPERATIONS

James N. Burns

President, Carbon Fibers
Business Unit

Michael J. Carpenter

Vice President, Structures
and Interiors Business Unit

Claude Genin

President,
Fabrics Business Unit

William Hunt

President, EuroMaterials
Business Unit

Rodney P. Jenks, Jr.

Vice President;
General Counsel of
Americas and Asia-Pacific
Operations

James A. Koshak

President, US Materials
Business Unit

Thomas J. Lahey

President, Pacific Rim
Business Unit

William P. Meehan

Vice President; Deputy
Director of Operations

Robert A. Petrisko

Vice President,
Research and Technology

Gary L. Sandercock

Vice President,
Manufacturing

David R. Tanonis

Vice President, Structures
and Interiors Business Unit

Justin Taylor

President, Structures and
Interiors Business Unit

WORLDWIDE MANUFACTURING FACILITIES

Linz, Austria

Welkenraedt, Belgium

Dagneux, France

Décines, France

Les Avenières, France

Brindisi, Italy

Komatsu, Japan

Parla, Spain

Duxford, United Kingdom

Swindon, United Kingdom

Decatur, Alabama USA

Casa Grande, Arizona USA

Anaheim, California USA

Livermore, California USA

Lancaster, Ohio USA

Pottsville, Pennsylvania USA

Seguin, Texas USA

Salt Lake City, Utah USA

Bellingham, Washington USA

Burlington, Washington USA

Kent, Washington USA

BUSINESS SECTOR OFFICES

Fibers and Fabrics

Villeurbanne, France

Pleasanton, California USA

Composite Materials

Duxford, United Kingdom

Pleasanton, California USA

Engineered Products

Kent, Washington USA

Corporate Information

EXECUTIVE OFFICES

Hexcel Corporation
Two Stamford Plaza
281 Tresser Boulevard
Stamford, CT 06901-3238
(203) 969-0666

FINANCIAL INFORMATION

To receive Hexcel financial publications, please contact the Investor Relations Department at Hexcel executive offices.

STOCKHOLDER RELATIONS

American Stock
Transfer & Trust Company
40 Wall Street
New York, NY 10005
(800) 937-5449
info@amstock.com

STOCK EXCHANGES

Hexcel common stock is listed on the New York and Pacific Stock Exchanges under the symbol "HXL."



Hexcel Corporation
Two Stamford Plaza
281 Tresser Boulevard
Stamford, CT 06901-3238