



News Release

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Hexcel Corporation Advises of Increase in the Benefit of the Reversal of its Valuation Allowance as of December 31, 2005

STAMFORD, CT. February 27, 2006 – Hexcel Corporation (NYSE/PCX: HXL) today advised that it is increasing the benefit of the reversal of its valuation allowance against its U.S. deferred tax assets as of December 31, 2005 from \$117.6 million to \$119.2 million. After the issuance of the Company's year end earnings release on January 25, 2006, a further review of the Company's tax attributes concluded that the amount of the valuation allowance reversal as of December 31, 2005 should have been \$1.6 million higher. Net income for the fourth quarter and the full year of 2005 are increased by \$1.6 million to \$122.0 million and \$110.5 million, respectively. The reversal of the valuation allowance has no impact on the cash flows of the Company.

Attached are the condensed consolidated statements of operations and the condensed consolidated statements of cash flows for the fourth quarter and full year of 2005, together with the condensed consolidated balance sheet as of December 31, 2005, each updated to reflect this additional benefit. The Company will file its 2005 Annual Report on Form 10-K, which will reflect this change in the reversal of the valuation allowance, by March 15, 2006.

Hexcel Corporation is a leading advanced structural materials company. It develops, manufactures and markets lightweight, high-performance reinforcement products, composite materials and composite structures for use in commercial aerospace, space and defense, electronics, and industrial applications.

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Hexcel Corporation and Subsidiaries
Revised Condensed Consolidated Statements of Operations

<i>(In millions, except per share data)</i>	<i>Unaudited</i>			
	<i>Quarter Ended December 31,</i>		<i>Year Ended December 31,</i>	
	2005	2004	2005	2004
Net sales	\$ 282.9	\$ 276.4	\$ 1,161.4	\$ 1,074.5
Cost of sales	223.5	218.3	907.2	845.4
Gross margin	59.4	58.1	254.2	229.1
% Gross Margin	21.0%	21.0%	21.9%	21.3%
Selling, general and administrative expenses	26.7	29.2	106.6	110.8
Research and technology expenses	5.9	7.4	25.4	23.6
Business consolidation and restructuring expenses	1.1	0.9	2.9	2.9
Other expense, net	-	-	15.1	3.0
Operating income	25.7	20.6	104.2	88.8
Interest expense	7.2	11.4	33.9	47.7
Non-operating expense, net	-	1.6	40.9	2.2
Income before income taxes	18.5	7.6	29.4	38.9
Provision for income taxes (a)	(116.9)	0.3	(108.3)	11.2
Income (loss) before equity in earnings	135.4	7.3	137.7	27.7
Equity in earnings of affiliated companies	1.0	0.3	3.6	1.1
Net income	136.4	7.6	141.3	28.8
Deemed preferred dividends and accretion	(14.4)	(16.0)	(30.8)	(25.4)
Net income (loss) available to common shareholders	\$ 122.0	\$ (8.4)	\$ 110.5	\$ 3.4
Net income (loss) per common share:				
Basic	\$ 1.76	\$ (0.20)	\$ 1.84	\$ 0.09
Diluted	\$ 1.45	\$ (0.20)	\$ 1.51	\$ 0.08
Weighted-average common shares:				
Basic	69.1	41.6	60.0	39.3
Diluted	94.4	41.6	93.7	42.1

- (a) Provision for income taxes in the fourth quarter and year ended December 31, 2005 includes a \$1.6 million increase in the benefit of the reversal of the valuation allowance against the Company's U.S. deferred tax assets from that reported in the Company's year end earnings release dated January 25, 2006. The total reversal is now \$119.2 million.

Hexcel Corporation and Subsidiaries
Revised Condensed Consolidated Balance Sheets

	<i>Unaudited</i>		
	December 31, 2005	September 30, 2005	December 31, 2004
<i>(In millions, except per share data)</i>			
Assets			
Current assets:			
Cash and cash equivalents	\$ 21.0	\$ 12.3	\$ 57.2
Accounts receivable, net	155.9	161.8	153.5
Inventories, net	150.4	160.5	144.2
Prepaid expenses and other current assets	43.0	15.7	18.4
Total current assets	370.3	350.3	373.3
Property, plant and equipment	726.0	718.8	734.0
Less accumulated depreciation	(440.8)	(451.1)	(447.4)
Net property, plant and equipment	285.2	267.7	286.6
Goodwill and other intangibles, net	74.7	75.5	78.3
Investments in affiliated companies	14.3	14.3	5.5
Other assets (a)	136.1	34.9	33.1
Total assets	\$ 880.6	\$ 742.7	\$ 776.8
Liabilities and Stockholders' Equity (Deficit)			
Current liabilities:			
Notes payable and current maturities of capital lease obligations	\$ 3.0	\$ 3.9	\$ 1.0
Accounts payable	94.5	86.0	94.8
Accrued liabilities	98.3	108.9	120.2
Total current liabilities	195.8	198.8	216.0
Long-term notes payable and capital lease obligations	416.8	422.4	430.4
Other non-current liabilities	57.3	65.2	64.3
Total liabilities	669.9	686.4	710.7
Mandatorily redeemable convertible preferred stock, 0.125 shares of series A and 0.125 shares of series B authorized, 0.071 shares of series A issued and outstanding at September 30, 2005; and 0.101 shares of series A and 0.047 shares of series B issued and outstanding at December 31, 2004	-	64.3	90.5
Stockholders' equity (deficit):			
Preferred stock, no par value, 20.0 shares authorized, no shares issued or outstanding	-	-	-
Common stock, \$0.01 par value, 200.0 shares authorized, 94.0 shares issued at December 31, 2005, 70.0 shares issued at September 30, 2005 and 55.0 shares issued at December 31, 2004	0.9	0.7	0.5
Additional paid-in capital	455.0	374.4	334.5
Accumulated deficit	(222.5)	(358.9)	(363.8)
Accumulated other comprehensive income (loss)	(7.3)	(8.8)	18.4
	226.1	7.4	(10.4)
Less – Treasury stock, at cost, 1.5 shares at December 31, 2005 and September 30, 2005 and 1.4 shares at December 31, 2004	(15.4)	(15.4)	(14.0)
Total stockholders' equity (deficit)	210.7	(8.0)	(24.4)
Total liabilities and stockholders' equity (deficit)	\$ 880.6	\$ 742.7	\$ 776.8

(a) Includes \$107.9 million of non-current deferred tax assets as of December 31, 2005, reflecting an increase of \$1.6 million in the benefit of the reversal of the valuation allowance against the Company's U.S. deferred tax assets from that reported in the Company's year end earnings release dated January 25, 2006.

Hexcel Corporation and Subsidiaries
Revised Condensed Consolidated Statements of Cash Flows

	<i>Unaudited</i>			
	<i>Quarter Ended December 31,</i>		<i>Year Ended December 31,</i>	
<i>(In millions)</i>	2005	2004	2005	2004
Cash flows from operating activities				
Net income (a)	\$ 136.4	\$ 7.6	\$ 141.3	\$ 28.8
Reconciliation to net cash provided by operating activities:				
Depreciation and amortization	11.8	13.1	47.3	52.0
Amortization of debt discount and deferred financing costs	0.3	0.7	2.0	3.3
Deferred income taxes (benefit), including reversal of valuation allowance (a)	(119.4)	(0.6)	(118.4)	(1.1)
Business consolidation and restructuring expenses	1.1	0.9	2.9	2.9
Business consolidation and restructuring payments	(0.8)	(0.9)	(2.7)	(4.7)
Loss on early retirement of debt	-	1.6	40.9	3.2
Equity in earnings of affiliated companies	(1.0)	(0.3)	(3.6)	(1.1)
(Increase) decrease in accounts receivable	4.4	1.5	(16.9)	(19.3)
(Increase) decrease in inventories	8.9	7.4	(16.8)	(17.5)
(Increase) decrease in prepaid/other current assets	2.0	0.4	4.4	(7.4)
Increase (decrease) in accounts payable/accrued liabilities	(1.6)	9.0	(11.6)	45.9
Changes in non-current assets and long-term liabilities and other	1.6	-	3.7	0.9
Net cash provided by operating activities	43.7	40.4	72.5	85.9
Cash flows from investing activities				
Capital expenditures	(30.3)	(17.8)	(62.7)	(38.1)
Deposits for capital purchases	(4.2)	-	(4.2)	-
Proceeds from the sale of assets	-	-	1.4	6.5
Dividends from affiliated companies	1.0	1.5	3.1	3.0
Investment in affiliated companies	-	-	(7.5)	-
Net cash used for investing activities	(33.5)	(16.3)	(69.9)	(28.6)
Cash flows from financing activities				
Proceeds from 6.75% senior subordinated notes	-	-	225.0	-
Proceeds from (repayments of) senior secured credit facilities, net	(5.0)	-	190.0	(4.1)
Repayments of 9.75% senior subordinated notes	-	(24.1)	(285.3)	(47.0)
Redemption of 7.0% convertible subordinated debentures	-	(1.7)	(19.2)	(1.7)
Redemption of 9.875% senior secured notes	-	-	(125.0)	-
Proceeds from (repayments of) capital lease obligations and other debt, net	(1.3)	(1.3)	0.7	(1.6)
Issuance costs related to debt offerings	-	-	(12.1)	-
Debt retirement costs	-	-	(30.0)	-
Activity under stock plans	5.1	9.2	15.2	12.8
Net cash used for financing activities	(1.2)	(17.9)	(40.7)	(41.6)
Effect of exchange rate changes on cash and cash equivalents	(0.3)	(0.5)	1.9	(0.2)
Net increase (decrease) in cash and cash equivalents	8.7	5.7	(36.2)	15.5
Cash and cash equivalents at beginning of period	12.3	51.5	57.2	41.7
Cash and cash equivalents at end of period	\$ 21.0	\$ 57.2	\$ 21.0	\$ 57.2
Supplemental Data:				
Cash interest paid	\$ 2.9	\$ 7.4	\$ 40.0	\$ 47.1
Cash taxes paid	\$ 2.4	\$ 2.6	\$ 12.0	\$ 10.4

(a) The increase of \$1.6 million in the benefit of the reversal of the valuation allowance against the Company's U.S. deferred tax assets increased net income to \$136.4 million and \$141.3 million for the fourth quarter and year ended December 31, 2005, respectively, and increased the benefit of deferred income taxes including the reversal of the valuation allowance to \$119.4 million and \$118.4 million for the fourth quarter and year ended December 31, 2005, respectively.