Cost Effective

Smart Properties

Enabling Technologies

Automated Processes

HEXCEL®

2001 ANNUAL REPORT

Hexcel Mission & Operating Principles

***Mission:* Combining people, materials and science to deliver superior performance.**

Operating Principles:

Customer Satisfaction
Customer Satisfaction is our highest priority. We will provide the highest quality materials and services to make our customers' products stronger, lighter, better.

Continuous Improvement
We will always strive to improve and we will pursue continuous improvements in all of our activities through measured performance in a fact-based culture.

Simplicity and Speed
In all that we do, we seek to simplify the task by identifying what is essential and then to implement with efficiency and speed.

Employee Commitment and Pride
The *Strength within* Hexcel is its employees. Our success depends on hiring, developing and retaining employees who are knowledgeable, committed to teamwork and proud of what they do. We will provide them with an open, creative and safe workplace, communicating to them frequently and honestly.

Honoring Commitments
We will live up to the commitments we make to our customers, employees, suppliers, shareholders and the communities in which we do business.

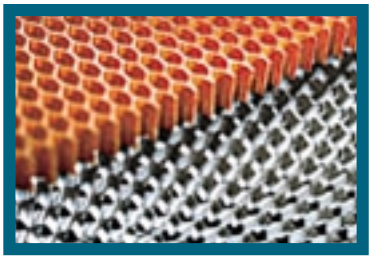
One Hexcel
Hexcel is one united company *working together* in a common mission, creating value through the application of these principles.

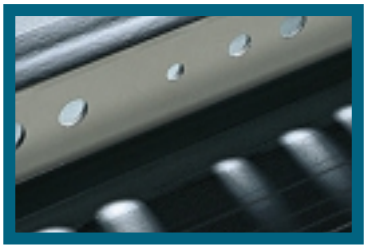
Selected Financial Data

(In millions, except per share data)	2001	2000	1999
Sales	$1,009.4	$1,055.7	$1,151.5
Gross Margin	18.9%	21.9%	21.1%
Adjusted EBITDA (1)	$119.2	$144.9	$ 150.4
Net Income (loss)	$(433.7)	$54.2	$(23.3)
Diluted Income (loss) Per Share	$(11.54)	$1.32	$(0.64)

[1]Excludes business consolidation and restructuring expenses, impairment of goodwill and other purchased intangibles, compensation expense associated with the former CEO's retirement, the gain from the April 2000 sale of the Bellingham business, interest, taxes, depreciation, amortization, equity in earnings (losses) of, and write-downs of an investment in affiliated companies and the extraordinary loss on early retirement of debt.

Leadership in Advanced Structural Materials



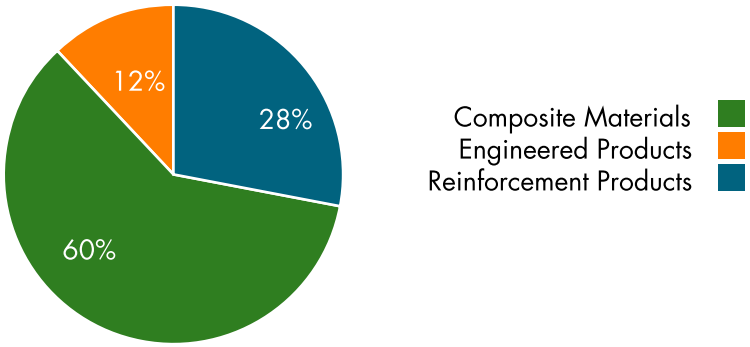


We are the world's leading producer of advanced structural materials. We develop, manufacture and market lightweight, high-performance reinforcement products, composite materials and engineered products for commercial aerospace, space and defense, electronics, soft-body armor (ballistic), automotive, wind energy, recreation and other industrial applications. Hexcel materials are used in thousands of products, making everyday life easier and safer for millions of people around the world. From our roots in commercial and military aerospace, we have expanded into surface transportation markets—providing materials for high-speed trains, ferries, trucks and a fast-growing line of materials for automobiles. We are helping make the world a cleaner place through our involvement in the rapidly growing wind-energy business. We also help you communicate by producing high-quality fiberglass fabrics that are the substrate for printed circuit boards used in cell phones, PDA's, routers and other electronic equipment. And we make your free time more fun by producing materials that improve the performance of skis, snowboards, bicycles, golf clubs, fishing poles and tennis rackets.

Our company is organized around vertically integrated businesses that produce materials that can either be a raw material in the production of products by downstream Hexcel business units or sold to customers for use in their products. Our vertical integration starts with the production of carbon fibers. Next, we produce a wide range of structural fabrics from carbon, glass and aramid fibers. These reinforcement products are used in a variety of applications such as printed circuit boards, soft body armor and aerospace and industrial composites. Moving further downstream we make composite materials, specifically honeycomb and prepregs often using raw materials produced internally. In addition, we manufacture structural adhesives, specialty machined honeycomb details and composite panels. We also engineer and produce finished and semi-finished composite parts and structures for commercial and military aircraft, again incorporating our own materials.

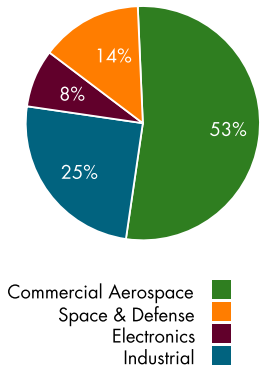
Hexcel develops and produces its products in 18 manufacturing facilities primarily located in North America and Europe. We also participate in 6 joint ventures, 4 of which are in Asia, 1 in North America and 1 in Europe. With sales offices around the globe, Hexcel's people are constantly working with new and existing customers to expand the role of advanced structural materials and to grow our share of applications in markets that offer long-term growth.

2001 Sales by Business Segment

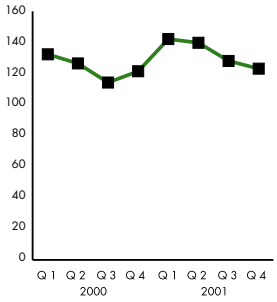


To Our Shareholders:

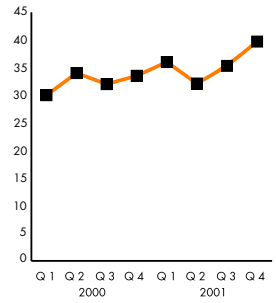
2001 Sales by Market



Commercial Aerospace
Sales 2000-2001
($ in Millions)



Space and Defense
Sales 2000-2001
($ in Millions)



It was my 43rd day as CEO of Hexcel and I was in Duxford, England with several members of our senior leadership team. We had just begun the afternoon session of a business review when I was handed a note that said two planes had crashed into the World Trade Center. My first hope was that it was a cruel hoax, but when calls to the U.S. would not go through, I knew a terrorist attack must be underway. Like so many other meetings around the globe, ours was adjourned so we could check on family, friends and associates. We spent the rest of the day staring at the same horrific video footage, listening to commentators trying to fill a void that could not be filled.

By the morning of September 12th, we knew our people were safe but little more and watching television was not helping. So we did what most probably did—we tried to focus. We focused on what could be controlled—our immediate tasks and how we should reshape our thinking in what would surely be a very different world, especially for a company that depends on commercial aerospace for 50% of its revenues. So we went back to Duxford to finish our review, and then boarded a plane to visit our operations in Lyon, France. Walking through hushed airports in England and France, we occasionally paused to accept condolences from strangers who wanted to express their sorrow in a personal way to an American.

It felt strange getting back to business, almost disrespectful. But day by day, I came to understand that we all felt that way, that we all had to move on, that the whole world order depended on each and every one of us putting one foot in front of the other. For the people of Hexcel, it was the third time in 2001 they had to overcome a major challenge.

The year began with the tragic illness of John J. Lee, the former Chairman and CEO, who died in May after a short, courageous bout with cancer. Mr. Lee was the architect of the "New Hexcel" resurrecting it from a financially distressed company in 1993 through a successful reorganization and then a series of mergers and acquisitions, to create the leading advanced materials company that Hexcel is today. Throughout the trauma of his sickness and death, the senior management team, with support from the Board of Directors led by Martin Solomon and Sanjeev Mehra, kept the company focused and on track, guiding it to a successful transition to new leadership.

In the second quarter, an unprecedented decline in the electronics market cut Hexcel's sales of fiberglass fabric to printed wiring board manufacturers by almost 70%. The magnitude of this decline in a market segment that had provided almost 20% of our 2000 revenues put extreme pressure on earnings and required painful employee reductions and plant shutdowns.

The events of September 11th made an already difficult situation much worse. Early indications suggested a potential 15% reduction in total 2002 revenues due to declining commercial aerospace build rates. With both electronics and commercial aerospace markets in decline, we had to take drastic measures—and we did.

In November, we announced a major restructuring program to right-size the company for the new world realities. We committed to a 20% reduction in cash fixed costs and the majority of necessary actions were completed by the end of December. In fact, 40% of the senior executive group, 30% of the corporate staff, and 20% of the salaried workforce were cut by the end of January. This was not an exercise of trimming around the edges; this was about being a smaller company with less overhead structure, fewer layers and more agility. We also took a thorough look at the value of our assets and recorded the necessary impairments in light of the diminished outlook. We closed an additional plant, cut inventories and capital expansion plans, and negotiated amended terms for our senior credit facility.

Spared from such drastic cuts were the resources necessary to support our customers and our future growth. In 2001, we invested heavily in new technology for weaving lightweight glass fabrics

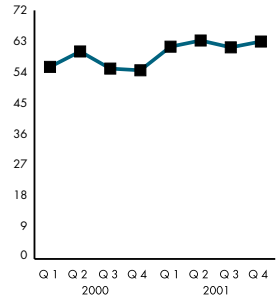
critical to the high-end multi-layer printed circuit boards of the future. We installed a state-of-the-art prepreg line in Linz, Austria to support double-digit wind energy market growth. Development efforts required to support the A-380 and the Sonic Cruiser were staffed to provide the best of Hexcel's thinking to the designers of the next generation commercial aircraft.

The pages that follow focus on some of the technologies that Hexcel offers, and how they can fuel long-term growth. Composites and advanced reinforcement materials have solved critical problems in space and defense markets throughout the history of Hexcel. More and more, our successes in one market are leading to "lateral growth" opportunities in other markets. Our work with aramid reinforcement led to applications in soft body armor and materials that offer stab protection. Our carbon composites have led applications as diverse as recreation products and reinforcement for earthquake protection. Our honeycomb core materials have been found to have unique energy absorbing attributes that solve difficult impact protection challenges for automakers trying to meet new government standards.

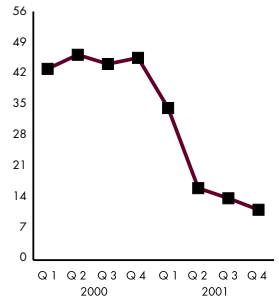
The long-term outlook seems bright as new applications for advanced materials are introduced into markets with solid growth..."Growing share in growing markets." Each new generation of aircraft uses a higher percentage of Hexcel's advanced materials than previous designs. The next generation of Boeing and Airbus aircraft will likely have 10 times the composites of the planes they replace. While commercial aerospace faces short-term challenges, over the history of flight, revenue passenger miles have grown steadily and, in the long-term, this trend should continue. Military aircraft build rates in the U.S. and Europe are rebounding from post-cold war lows, and advanced structural materials continue to play an essential role in meeting rigorous military specifications required for advanced designs. As wind energy blades continue to grow in length, becoming more like wings, our advanced composite technologies provide unique solutions to problems that other materials cannot offer. Installed wind energy capacity has been growing at 24% per year. As electronic devices become more complex, the trend to higher performance multilayer printed wiring boards fuels demand for our lightweight substrate materials. Like aerospace, this market is cyclical but has a solid long-term growth trend that will continue over time. While some of our markets are under short-term pressure, Hexcel's leadership in advanced materials, and the increased acceptance of our materials in new or growing markets, provides the momentum for the long-term success of our company.

The way the people of this company responded to the crises of 2001 demonstrated the spirit and determination necessary to deal aggressively with any short-term challenges we may face. They are to be commended. We are focused on reshaping our company, reducing cost and managing our cash flows. The fundamental products, technologies, and markets provide a solid path to growth for this company over the long term. 2001 was not the year we had hoped for, but I am proud to be part of a team that knows how to take control of both adversity and opportunity.

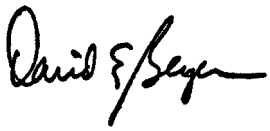
Industrial
Sales 2000-2001
($ in Millions)



Electronics
Sales 2000-2001
($ in Millions)



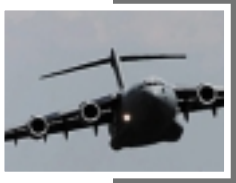
David E. Berges
Chairman, President and CEO



David E. Berges
Chairman, President and CEO

Military

Growing Military Markets

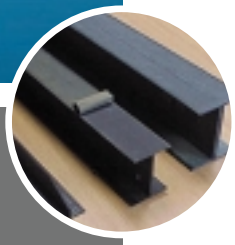


Reaping rewards of past investments

Hexcel is a major participant in today's growing military markets. Military aircraft have been at the forefront of applying composite materials in new and novel applications and Hexcel is the leading supplier of carbon fiber and honeycomb for space and military applications and is a major supplier of prepregs. Over the past decade, the United States and Europe have been developing the next generation of fixed wing and rotary aircraft to replace the models purchased in the 1960's, 70's and 80's. Hexcel and its predecessors have spent many years developing new, stronger and more efficient material solutions for the diverse array of aircraft entering or about to enter production in the early 2000's.

Hexcel's carbon fiber and honeycomb are integral to new aircraft like the F-22, F-18 E/F and V-22. These aircraft utilize significantly greater quantities of composites than the aircraft they replace. For example, the F-22 is over 60% composite excluding engines and weapons. In Europe, we supply all of the composite materials on the Eurofighter (Typhoon), the new European fighter/bomber program. Additionally, Hexcel is a major supplier of composites on most helicopter programs including the NH90, Tiger, Comanche and Apache. Future generations of military aircraft such as the Joint Strike Fighter will benefit from Hexcel's on-going development of new materials and product forms. Hexcel is investing in advanced carbon fiber technologies to produce lower cost, higher performing composite structures.

Increasing defense spending
Growing military aircraft production
Higher composite content than commercial aircraft
Creating enhanced aircraft performance



"Pull through" technology provides breakthrough cost and performance

The PRTM™ (or Pultrusion Resin Transfer Molding) technology, developed with the resources of Hexcel's Reinforcement Products, Composite Materials, and Engineered Products business units represents potentially the most attractive solution in the industry for production of finished profiles for aerospace applications. Wherever designers are in need of longitudinal or transverse stiffening of large composite panels, profiles made via the PRTM™ technology can meet or exceed stringent weight and performance targets. Designers will also appreciate the very low cost of PRTM™ profiles, compared to more conventional profiles produced by hand lay-up or other automated processes.

PRTM™ utilizes low cost/high performance forms of carbon fiber, including conventional multi-axial and Hexcel's proprietary NC2™ non-crimp fabrics. High performance resin systems are combined with these fabric forms directly in the PRTM™ tooling, similar to RTM (or Resin Transfer Molding) molding, with the exception that PRTM™ is a fully automated and continuous process. PRTM™ profiles can be produced in a wide variety of cross sections and virtually any length. The result is a savings multiplier for both Hexcel and its customers by taking advantage of improvements across our company.

60% less costly than hand lay-up
Comparable performance to alternative materials
40% improvement over competing automation methods
Flexible for quick product change-over

NC2™

Multiaxial Technology

Delivering solutions today for tomorrow's challenges

Hexcel is developing a novel multiaxial fabric technology that will improve quality, reduce costs and expand the range of potential applications for multiaxial reinforcements. This innovative process, NC2™, is being developed for primary structures in aerospace and large industrial components like windmill blades, automotive and marine parts. It can be used as the reinforcement in prepregs or in a variety of direct process technologies, including Hexcel's PRTM™ process described on page 5 of this report. NC2™ allows Hexcel to produce higher-quality, lower-cost reinforcements than those made using traditional technologies.

One key element of this approach is the ability to utilize lower-cost, high tow count carbon fibers. In addition, the exceptional quality of NC2™ fabrics leads to better mechanical performance in composite applications. NC2™ is also more flexible than traditional approaches to making multiaxial reinforcements, allowing greater freedom to customize the width and construction of NC2™ fabrics. Advantages like these, allow our NC2™ customers to produce more cost-effective, high-performance composite parts. And this is one of the keys to increasing composites penetration in both aerospace and industrial markets—lower-cost parts with properties that are competitive with today's state-of-the-art. At the end of 2001 NC2™ was in the customer demonstration phase. We are continuing to work with customers on material qualifications and have begun low rate production to support our market development initiatives for aerospace and industrial applications.

Exceptional quality
Superior mechanical properties
Lower cost
More flexible production process

Automotive Composite Solutions

The Smart Solution

Opening up new markets for composites

Hexcel has been a major supplier of life-saving composite technologies to the auto racing industry for decades and is now transferring aspects of this technology into affordable products that make the road safer for everyday drivers and passengers. HexWeb™ honeycomb is helping many automobile manufacturers meet the increasingly stringent passenger impact protection requirements. Honeycomb is a highly efficient energy absorbing material, and adds very little overall weight to a vehicle. The application of a 15mm thick aluminum honeycomb sleeve to an integrated rollbar enables energy absorption to be improved by over 70%. When applied in flat or slightly curved locations, Hexcel honeycomb can often meet the impact absorption requirements, while taking up 50% less space than comparative foam technologies, significantly increasing passenger compartment volume.

The new BMW M3 has composite bumpers that are molded from Hexcel's TowFlex® continuous fiber reinforced thermoplastic materials (CFRTP). The bumpers were developed in CFRTP to increase energy absorption and reduce weight for the sports coupe. The bumper systems had to fit within the space occupied by the previous aluminum bumpers, and have the same attachment points. Hexcel Composites' TowFlex® E-glass/nylon 6 fabrics were selected to meet the demanding performance, manufacturing cost, and recycling requirements. The resulting bumper system has demonstrated improved crash performance with a 60% weight saving. Benefits of TowFlex® products include rapid processing, high impact resistance, low thermal expansion, good vibration damping, and resistance to harsh high temperature or corrosive environments.

HexWeb™: 70% increase in energy absorption
50% thinner than comparable foams
TowFlex®: Improved crash performance
60% weight savings

HexMC™

CarbonFiber/Epoxy Molding Compound

Composite performance for everyday items

Hexcel has created a new, award-winning, high-performance sheet molding compound that can be used in high-volume production of complex 3-D shapes. We have expanded upon our core prepreg technology and applied it to molding compounds that can be used to fabricate complex components where prepreg would not work. The advantages for customers are that it is an easy-to-use product, that produces virtually no scrap during processing and has no time-consuming lay-up associated with it. HexMC™ has superior mechanical properties than any other short- or long-fiber molding compound. These advantages should lead HexMC™ to find use in parts that require high stiffness to weight ratios and is an ideal alternative to traditional metals like aluminum.

Today, HexMC™ is improving the performance in several pieces of sporting equipment which are already on the market. The rear rocker in the Trek Fuel 100 bicycle is now lighter and stronger thanks to HexMC™. Benetton has recognized the product's advantages for in-line skate blade manufacture. In the future, we expect more bicycle components, surfboard fins and yacht equipment to be made with HexMC™. Eventually, you may even find HexMC™ in automobile interior components as more manufacturers become aware of this product and its advantages over traditional materials and compounds.

Reduces manufacturing time
Cures rapidly
Suitable for complex 3D shapes
High-volume process

Board of Directors

David E. Berges
Chairman, President and
Chief Executive Officer
Hexcel Corporation

H. Arthur Bellows, Jr.
Chairman
Braeburn Associates and
The Finance Network

Audit Committee
Finance Committee

Sandra L. Derickson
Chief Executive Officer
Household Retail Services

Compensation Committee

James J. Gaffney
Vice Chairman
Viking Pacific Holdings Ltd.

Audit Committee

Marshall S. Geller
Chairman and Chief Executive Officer
Geller & Friend Capital Partners, Inc.

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Finance Committee
Nominating Committee*

Sanjeev K. Mehra
Managing Director
Merchant Banking Division,
Goldman, Sachs & Co.

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Finance Committee*
Nominating Committee

Lewis Rubin
President and Chief Executive Officer
XTRA Corporation

Audit Committee*

Peter M. Sacerdote
Advisory Director
Goldman, Sachs & Co.

Martin L. Solomon
Private Investor

Compensation Committee*
Finance Committee

**Denotes Committee Chairman*

Executive Officers

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Chairman, President and
Chief Executive Officer

Stephen C. Forsyth
Executive Vice President and
Chief Financial Officer

Ira J. Krakower
Senior Vice President,
General Counsel and Secretary

Robert F. Matthews
Vice President, Human Resources

William J. Fazio
Corporate Controller

William Hunt
President, Composites Business Unit

Joseph H. Shaulson
President, Fabrics Business Unit

David R. Tanonis
President, Structures and Interiors
Business Unit

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

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