



FuelCell Energy

EMPOWERING

Distributed Energy Generation

POWER

FuelCell Energy is a leading developer and manufacturer of high-efficiency Direct FuelCell® (DFC®) power plants for electric power generation. Customer applications include schools and universities, data centers, hospitals, commercial buildings and industrial facilities, with power requirements ranging from 250 kW to 50 MW.

(Dollars in thousands, except per share data)

October 31,	2000	1999	1998	1997	1996
Revenues	\$20,715	19,965	24,318	24,830	29,446
Net Income (loss)	(4,459)	(985)	(382)	425	509
Basic & Diluted Earnings (loss per share)	(.32)	(.08)	(.03)	.04	.04
Total Assets	91,028	19,831	26,843	21,433	23,540
Total Shareholders' Equity	83,251	14,815	15,870	14,769	14,062

SIGNIFICANT ACCOMPLISHMENTS IN 2000

Operated 250 kW demonstration projects in Danbury, CT and Bielefeld, Germany

Received DOE awards for DFC ultra high efficiency & DFC coal mine methane projects

Received awards for U.S. Navy 625 kW DFC project; U.S. Coast Guard 3 kW remote site, lighthouse project

PROGRESS

2000 was a year of great accomplishment. We set aggressive goals to bring our Direct FuelCell products closer to commercialization. Continued technology development, successful field trial demonstrations, new strategic partners and the raising of additional capital position us to begin taking commercial orders by the end of 2001.

Energy Products for a New Century

Our Direct FuelCell products bring efficient, clean and quiet power plants close to commercial and industrial users, offering reliable, cost-effective electricity with a valuable, high quality heat by-product for cogeneration. DFCs operate on natural gas and other readily available hydrocarbon fuels, without the availability or environmental drawbacks of other power generation solutions.

The time has come for distributed generation. Our DFC is a distributed generation solution to increasing demands for high quality and reliable electricity and for overcoming regulatory obstacles to siting and permitting large, central power plants with constrained transmission and distribution networks. Events in California and supply questions in other regions underscore the need for additional generating capacity and improved performance. Products or technologies that provide customers and users high quality and reliable power will be the winners. We believe the DFC meets this criterion.



Leadership – Meeting our Milestones

During 2000, we concluded 11,800 hours of successful operation of a pre-commercial DFC power plant, grid-connected at our Danbury facility. Our European partner, the MTU unit of DaimlerChrysler, has operated a 250 kW unit in excess of 6,000 hours, and continues operation in 2001.

To complement our partnership with MTU in Europe, we established strategic alliances with leading organizations to market our products in North America and Asia. In February we signed a product and market development agreement with the Marubeni Corporation of Japan and have received orders for five fuel cell plants. We expect to deliver one unit to Marubeni in 2001, with four additional units to follow. In the fall, we formed alliances with PPL EnergyPlus and Enron North America to develop and market FuelCell Energy's DFC products in North America. Additional distribution alliances will be based on strategic and geographic needs.

Increased capital by \$73 million dollars

Formed strategic distribution alliances

Received \$60 million increase in government funding

We began manufacturing 250 kW commercial field trial units for siting at the Mercedes-Benz assembly plant in Alabama and the headquarters building of the Los Angeles Department of Water and Power (LADWP). Our backlog for commercial field trials of 250 kW plants includes five in Asia and two in Europe. In North America there are two additional units for LADWP, one for PPL EnergyPlus and one for a coal mine methane project in Ohio. The backlog also includes a 1 MW unit for King County, Washington, using wastewater treatment digester gas, and a 2 MW coal gasification project in Kentucky. A 250 kW unit, to be integrated with a Capstone microturbine, will operate in Danbury as a "proof of concept" for our ultra high efficiency DFC/Turbine product. The coming year will be busy, as we begin to install and operate these field trials throughout the world.

To facilitate commercialization, we expanded our sales organization and hired a senior vice president of marketing and sales with extensive experience in power and distributed generation. His team is focusing on putting commercial, competitively priced products into customers' hands.

Clearing the Path to Commercial Sales

Cost reduction and increased manufacturing capacity are at the forefront of our commercialization push. We have moved into a new, 65,000-square foot facility in Torrington, Connecticut and will grow to 50 MW annual production capacity by year-end 2001, with plans to ramp up to 400 MW in 2004.

In product development, we continue to receive funding support from the U.S. Department of Energy's (DOE) National Energy Technology Lab. We were awarded a \$40 million, three-year contract from the DOE for continued DFC development; a \$34 million shared-cost contract for a 2 MW DFC power plant to operate on coal gas; a \$5.4 million contract for a DFC, using coal mine methane, and a \$3.1 million award to develop an ultra-high efficiency system.

Fuel flexibility and operating characteristics of our DFC continue to open market opportunities. In May, we received a \$16.5 million contract from the U.S. Navy to demonstrate a 625 kW marine fuel cell power plant operating on diesel fuel. Under the three-year contract, FuelCell Energy will build, test, and deliver the Ship Service Fuel Cell (SSFC) power plant for evaluation at a Navy facility. An award from the U.S. Coast Guard for a field test project to demonstrate fuel cell capabilities at remote sites will be conducted this year at a lighthouse in Virginia.

In April, we raised \$58 million dollars in a public offering – the first time we sold equity to the public since our IPO in 1992. Our new strategic partners, Enron and PPL EnergyPlus contributed an additional \$5 and \$10 million, respectively, strengthening our balance sheet.



Power for Mercedes-Benz

FuelCell Energy's DFC 300 fuel cell (shown at right) for the Mercedes-Benz Production Facility in Tuscaloosa, Alabama will provide electricity for the assembly plant's power distribution system. Funding participants for the one-year, commercial field trial include FuelCell Energy, Southern Company and the Alabama Municipal Electric Authority. Direct FuelCell products can be sited near the user because of their clean and quiet operation and virtual absence of pollution.

Increased backlog of field trial orders

Expanded sales and marketing and manufacturing organizations to accelerate commercialization efforts

Received Tibbets Innovation Research Award from the Small Business Administration

King County Wastewater Treatment Plant

Biogas produced in these anaerobic digesters will power a one megawatt FuelCell Energy Direct FuelCell at the King County wastewater treatment plant in Renton, Washington. The electricity and heat produced will be used within the treatment plant to reduce operating costs, while demonstrating the environmentally responsible fuel cell technology.



Additional milestone targets in 2001 include achieving market entry performance goals for the 250 kW, 1.5 MW and 3 MW products and the design verification of the DFC/Turbine ultra high efficiency power plant with the 250 kW DFC/microturbine unit, followed by the systems integration design for a 40 MW DFC/turbine power plant. During 2001, we expect to assess performance of several suppliers of "balance of plant", the electrical and mechanical systems required for operation of the fuel cell, to determine the best alternatives for sourcing this important aspect of our products.



2000 was an exciting year of accomplishment, made possible by our bright and dedicated employees. We grew from 114 employees in 1999 to 152 in 2000. We will continue to grow in 2001 to deliver on the promise our Direct FuelCell products hold for future power generation needs.

As we continue to meet our milestones, I am confident we can provide what our customers need and our shareholders demand: products that meet 21st century power requirements and enhanced shareholder value indicative of a growing, aggressive and innovative company.

Jerry D. Leitman
President, Chief Executive Officer

DEMAND

Empowering Distributed Generation

The emerging trend toward distributed generation, or power produced near the user, is related to a number of factors. A burgeoning digital economy, the aging of the power grid, the difficulty of permitting and siting new large power plants, and grid congestion opens the door for distributed generation to meet new increases in demand for power.

FuelCell Energy is developing products that are clean, reliable and can be sited close to the user. They offer significant benefits to customers, such as data centers, high quality manufacturing operations, and those requiring 24x7 uptime, who have power quality and reliability issues. Since there is no combustion, Direct FuelCells are virtually pollution free and, thus, can be easily sited because of their responsible environmental performance. The DFC's ability to operate on a variety of hydrocarbon fuels broadens the market. Current and planned demonstrations and field trials include power plants operating on natural gas, methanol, coal gas, coal mine methane, digester gas, and diesel. The Direct FuelCell offers many advantages for distributed generation.

Strategic Partners

Adding Strength, Expanding Field Trials

In 2000, we continued to add strategic partners to advance our commercialization and distribution capabilities. PPL EnergyPlus, Enron North America and Marubeni Trading Company joined our partner group and we are working closely with them to expand the market for fuel cells. PPL EnergyPlus and Enron North America have invested capital in FuelCell Energy.



Los Angeles Department of Water and Power

A 250 kW DFC fuel cell power plant will be installed for a commercial field trial to provide electricity at the 17-story headquarters building of the Los Angeles Department of Water and Power. LADWP has ordered two additional 250 kW units.

MILESTONES FOR 2001

Complete manufacturing expansion to 50 MW production capacity, including the move to new Torrington, CT manufacturing facility, build 1.5 MW conditioning plant in Danbury

Continue technology development to achieve market entry performance goals for 250 kW to 3 MW DFC power plants

Conduct field trials in Europe, North America and Asia

**University of Bielefeld**

MTU has been operating a 250 kW power plant, using a Direct FuelCell and employing cogeneration (for an overall efficiency of 77%), at the University of Bielefeld in Bielefeld, Germany.

Rhön Clinic

FuelCell Energy's European partner, MTU, will build and operate a 250 kW unit for the Rhön Clinic in Germany to test the viability of a fuel cell power plant in a hospital environment.



The U.S. Navy and the U.S. Department of Energy continue to support our demonstration projects and were joined in 2000 by the U.S. Environmental Protection Agency in providing government funding for developing and field testing our fuel cells. We expect to add new partners in 2001.

Following the installation of a 250 kW Direct FuelCell at the Mercedes-Benz assembly plant in Tuscaloosa, AL with our partners, Southern Company and the Alabama Municipal Electric Authority, we will install the first of three DFC power plants ordered by the Los Angeles Department of Water and Power. MTU, our valued European distribution partner, and Marubeni will also be conducting commercial field trials of DFCs during 2001.

Select additional distribution partners

Evaluate "balance of plant" supplier options
and develop supplier strategy

Verify 250 kW DFC/Microturbine ultra high
efficiency unit design

MANUFACTURING



Product Performance and Cost Reduction

We believe that upon reaching volume production levels, FuelCell Energy will be positioned to offer DFC power plants that generate cost competitive electricity. A ten-fold increase in production to 50 MW by the end of 2001 will drive the most significant progress in the company's manufacturing and cost reduction learning curve. Replication of these production processes will spur further production increases, and by 2004 an additional eight-fold increase to 400 MW is expected to bring down the cost per kWh for MW plants to between 5¢ and 7¢.

Elimination of first time design and one-of-a-kind costs, volume purchases of materials and process refinements help us advance to our cost reduction goals. Additionally, improved product performance, such as a planned increase of 50% in power output, without a commensurate increase in cost, is expected to reduce the cost per kWh.

During this process, we will continue to add and train employees to fill supervisory and process operator positions at our new 65,000 square foot facility in Torrington, as well as engineers and scientists at our headquarters in Danbury.

Looking back today to the R&D and product development efforts of the last decade, we view the FuelCell Energy path to commercialization as a series of steps to meet the challenges of enhancing product performance and reducing cost. The result is in sight, and we are purposefully taking the final steps in the process of developing our fuel cell product line for industrial and commercial customers worldwide.

Complete 625 kW DFC diesel power plant design for the U.S. Navy

Commence accepting commercial orders



New, 65,000-Square Foot Manufacturing Facility

Fuel cell components are produced in FuelCell Energy's new manufacturing facility in Torrington, Connecticut. A portion of the cathode manufacturing process is shown with equipment used for the manufacture of electrolyte. A rolling mill for precision adjustment of cathode thickness is seen in the foreground.

OFFICERS AND DIRECTORS

Officers

Jerry D. Leitman
President, Chief Executive Officer

Dr. Hansraj C. Maru
*Executive Vice President,
Chief Technology Officer*

Christopher R. Bentley
*Executive Vice President,
Chief Operating Officer*

Joseph G. Mahler
*Senior Vice President, Chief Financial Officer,
Secretary, Treasurer*

Herbert T. Nock
Senior Vice President of Marketing and Sales

Directors

Jerry D. Leitman (1997) *
President, Chief Executive Officer

Dr. Bernard S. Baker (1970) *
Chairman of the Board

Thomas L. Kempner (1988)
*Chairman and Chief Executive Officer,
Loeb Partners Corporation*

Christopher R. Bentley (1993)
*Executive Vice President,
Chief Operating Officer*

Warren D. Bagatelle (1988) * •
Managing Director, Loeb Partners Corporation

William A. Lawson (1988) * • ^
Chairman, Newcor, Inc.

Dr. Hansraj C. Maru (1992)
*Executive Vice President,
Chief Technology Officer*

James D. Gerson (1992) ^
Vice President, Fahnestock & Co., Inc.

Michael Bode (1993)
*Executive Vice President and Director,
New Technology Group of MTU Motoren-und
Turbinen-Union Friedrichshafen GmbH,
an affiliate of DaimlerChrysler*

John A. Rolls (2000) •
*President and Chief Executive Officer,
Thermion Systems International*

Thomas R. Casten (2000) ^
*Chairman and Chief Executive Officer,
Private Power LLC*

* Executive Committee

• Audit Committee

^ Compensation Committee

SHAREHOLDER INFORMATION

Corporate Offices

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3 Great Pasture Road
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203 825.6000

Manufacturing
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Eastern Region
1800 M Street N.W.
Suite 300
Washington, DC 20036-5802

Western Region
PMB-341
2531 Sunset Boulevard
Suite 170
Rocklin, CA 95765

Form 10-K

A copy of the Form 10-K, which is filed with the Securities and Exchange Commission, is included as part of this report and available on request. Write to:

Investor Relations
FuelCell Energy, Inc.
3 Great Pasture Road
Danbury, CT 06813-1305

Registrar and Transfer Agent

Shareholders with questions regarding lost certificates, address changes or changes of ownership should contact:

Continental Stock Transfer & Trust Company
2 Broadway
New York, NY 10004
Shareholder Relations: 212 509.4000

Internet

World Wide Web: www.fuelcellenergy.com
E-Mail: moreinfo@fce.com

Auditors

KPMG LLP

Legal Counsel

Robinson & Cole LLP

Annual Meeting

FuelCell Energy's Annual Meeting of Shareholders will be held Wednesday, March 28, 2001 at 10:00 a.m. at the FuelCell Energy Manufacturing Facility, 539 Technology Park Drive, Torrington, CT

Common Stock Listing

Nasdaq National Market
Symbol: FCEL

Company Contacts

For additional information about FuelCell Energy, Inc. contact:

Joseph G. Mahler
Senior Vice President and Chief Financial Officer

Stock Price Information

The Company's Common Stock now trades on the Nasdaq National Market under the symbol FCEL. Prior to June 7, 2000, the Company's stock traded on the American Stock Exchange under the symbol FCL. The following table sets forth the range of high and low sales prices, as reported by the Nasdaq National Market:

Common Stock	High	Low
Year Ended 10/31/00		
First Quarter	31.500	8.417
Second Quarter	47.750	15.750
Third Quarter	40.563	18.000
Fourth Quarter	108.750	31.625
Year Ended 10/31/99		
First Quarter	5.125	3.875
Second Quarter	4.833	2.688
Third Quarter	6.458	3.500
Fourth Quarter	10.583	5.375

Dividend Policy

No cash dividends have been declared or paid by the Company since its inception. It is the current policy of the Company to retain future earnings for business expansion.

"Direct FuelCell" and "DFC" are registered trademarks of FuelCell Energy, Inc.

Statements in this report relating to matters not historical are forward-looking statements that involve important factors that could cause actual results to differ materially from those anticipated. Cautionary statements identifying such important factors are described in reports, including the Form 10-K for the fiscal year ended October 31, 2000, filed by FuelCell Energy, Inc. with the Securities and Exchange Commission.



FuelCell Energy