

2010

Annual Report



MESSAGE FROM THE VICE PRESIDENT OF CSR

We are excited about sharing with you our first public Corporate Social Responsibility (CSR) Report. While we have been tracking many CSR measures for years, we have not officially displayed them externally. We believe that this information should be shared, both inside and outside of the organization.



This report will highlight two key areas of importance to Hypertherm, specifically Community Engagement and Environmental Stewardship. These two areas are among Hypertherm's top five strategic imperatives.

As an example of our commitment to CSR principles, Hypertherm has implemented a CSR leadership infrastructure with worldwide reach. Our renewed focus on creating shared value has led us to revise our Corporate Mission, Core Values and Critical Success Factors to more clearly reflect our commitment to communities and the environment.

In 2010, we created the HOPE (Hypertherm Owners' Philanthropic Endeavors) Foundation. The Foundation continues the efforts of Hypertherm's Philanthropy Team by working to partner with nonprofit organizations and engage in activities that strengthen and create sustainable, positive change in communities and the environment. The creation of a foundation was a natural evolution of Hypertherm's philanthropic efforts, and it was gratifying to see this come to fruition. We continue to be more thoughtful about our philanthropic spending. The dollars have increased, as has our due diligence. We are more strategic, making certain that our allocation strategy aligns with the greatest needs, the interests of our associates and the focus areas we deem most critical to the communities where our associates live and work. We are especially proud of our model, which places grant decisions in the hands of representative Hypertherm associates.

It was 2003 when we first introduced Community Service Time to our family of associates. We ask our associates to take two days off with pay in order to give back to their communities. We can honestly say that this time has changed the lives of many. In 2010, 66 percent of Hypertherm's associates used that time and more. We have set an aggressive global goal of 72 percent for 2011. On a recent survey, 97 percent of associates claimed that they were proud of Hypertherm's involvement with community.

Our associates and our teams became engaged in our environmental stewardship path through two key practices in 2010. The first was an expanded Green Team of volunteer associates, who focused on both companywide education and specific impact reduction projects, such as the rollout of our zero-sort recycling program. The second was an innovative idea to have each team set a Green Business Indicator, or GBI as they became known. We saw a groundswell of focus from teams on diverse areas of impact such as their paper usage, their waste production, and their commuting practices.

You will also see our new Environmental Scorecard in this report – its first public showing.

An enormous amount of time and thought went into establishing this scorecard, which represents our 2020 sustainability goals. These goals, such as zero waste and a 50% reduction in carbon, are aggressive, yet we believe them to be achievable. We are excited to embark on this journey. We will keep you posted from year to year on our progress.

At Hypertherm, we believe in supporting the needs of our society today while respecting the ability of future generations to meet their needs. This is a core value. We hope this Corporate Social Responsibility Report impresses upon you the importance of Philanthropy and Environmental Stewardship at Hypertherm. We welcome your feedback.

Barbara J. Couch
VP, Corporate Social Responsibility

COMMUNITY ENGAGEMENT

The mission of Hypertherm's Philanthropy Team is to partner with organizations and engage in activities that strengthen and create sustainable, positive change in the community and environment. By giving Hypertherm associates paid time off to do community service work, we build stronger communities and more compassionate associates. We have long-established relationships with organizations providing support in areas such as education, arts, healthcare, affordable housing and the environment. Hypertherm associates have given thousands of hours of community service time to the communities where they live and work.

“Hypertherm's comprehensive support is truly remarkable and an exceptional resource for the Friends. We are very fortunate to have such strong community leaders in our Hypertherm friends, who willingly lend their many helping hands to the Cancer Center.”

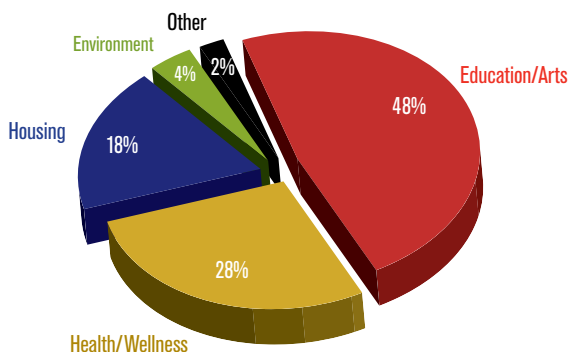
Jean E. Brown, Exec. Dir., Friends of Norris Cotton Cancer Center



Associates often volunteer in groups to support large nonprofit projects.

Hypertherm's Community Service Time Program (CST) was launched in 2003 and reached its highest level of participation in 2010. CST provides all associates with two full days of paid time to engage in community service. More than 7,000 CST hours were donated to nonprofit organizations. In 2010, two-thirds of Hypertherm's worldwide associates took advantage of this opportunity. Of those associates, half of them used all 16 hours given to them. Many associates donated additional time beyond their 16 paid hours per year. In 2011, our goal is for 72% of our associates to use CST.

ASSOCIATE USE OF CST BY FOCUS AREA

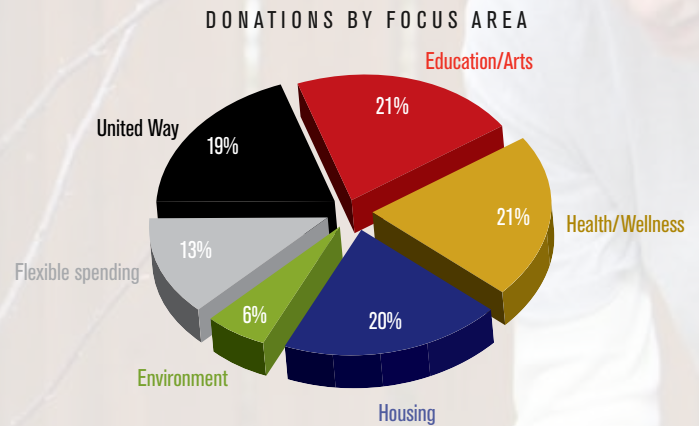


“CHaD, the Children's Hospital at Dartmouth-Hitchcock, is grateful to have Hypertherm as one of our strongest corporate partners. The Hypertherm Hope Foundation has provided funding to the Child Life program at CHaD through their presenting sponsorship of the CHaD Hero Half Marathon. In addition, they have provided significant support to CHaD through volunteerism, both at our events and in our facility. Their efforts on behalf of CHaD are a testament to Hypertherm's commitment to community involvement.”

Kristin P. LaFromboise, CHaD Corporate and Community Relations

THE HOPE FOUNDATION

The Hypertherm Owners' Philanthropic Endeavors (HOPE) Foundation is the cornerstone of Hypertherm's focus on community engagement as an associate owned company. Established in 2010, the Foundation complements the efforts of the Hypertherm Philanthropy Team. Together they partner with nonprofit organizations and engage in activities that strengthen and create sustainable, positive change in the community and environment. The HOPE Foundation is a nonprofit 501(c)3 organization.



In 2010, the HOPE Foundation donated to 60 different nonprofit organizations. Our largest donations were made to the following nonprofits:

- Children's Hospital at Dartmouth-Hitchcock (CHaD)
- COVER Home Repair
- Kilton Public Library
- Lebanon Opera House
- Northern Stage
- Friends of the Norris Cotton Cancer Center
- Thayer School of Engineering
- Twin Pines Housing
- United Way
- Upper Valley Haven
- Visiting Nurse Association & Hospice of VT/NH

“It is a privilege to say that Hypertherm is the Haven's largest business supporter, giving both volunteer hours and dollars, making a most meaningful and effective partnership!”

Sara Kobylenski, Executive Director of The Haven

HOPE FOUNDATION



HYPERTHERM OWNERS' PHILANTHROPIC ENDEAVORS

ENVIRONMENTAL STEWARDSHIP

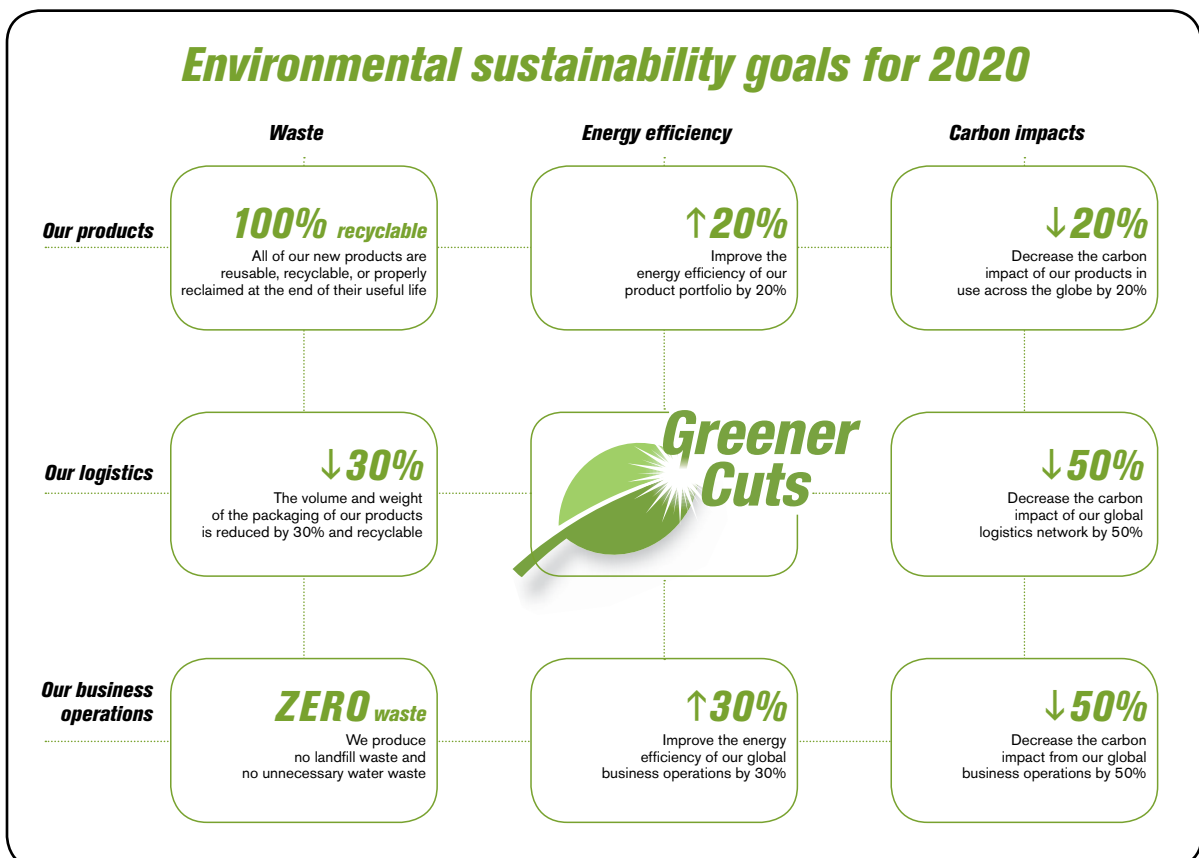
This was a momentous year for our environmental sustainability initiatives, and 2011 will see further progress. We formed the cornerstone to this initiative with our top leadership team by developing a set of environmental sustainability goals for 2020. We then captured baseline assessments of our environmental impacts against which we will measure our future progress. Throughout the year, we engaged our associates in building awareness around our environmental impacts, and starting to envision what our long-term sustained leadership in this area could look like.

Goals for 2020



We knew we needed to make some choices, and set a clearer direction for how we will become better environmental stewards. All of our associates, and teams, were becoming more integral participants on this path, and we had richer information available to us. We determined where our greatest impacts are today, and where we have the greatest opportunity to improve. We engaged stakeholders across our organization, from the CEO through the top leadership team, to associates in all areas of our business. That work resulted in a set of environmental sustainability goals for 2020 that will be measured off of 2010 baseline measurements. We wanted to create a set of aggressive, yet attainable, goals for our organization. When we achieve these goals we will be proud, and know we have made a positive difference on our environment.

Environmental sustainability goals for 2020



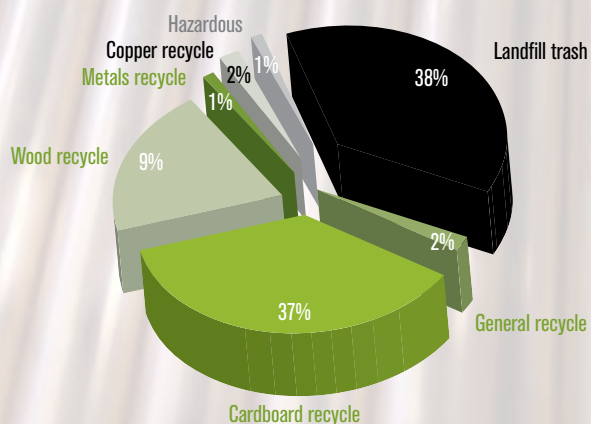
Baseline assessment

Hypertherm is a metrics and goal driven organization. Our associates want to “do the right thing” when it comes to the environment but we need a way to measure that work. We began working on our baseline assessment of our Scope 1, 2, and 3 Greenhouse Gas emissions as well as our other water and waste impacts, and hired a consultant to help us in this process. Some of our data is precise, and some of it is modeled on a thorough understanding and representative sampling of our processes. We will continue to refine and then report these baseline measurements from 2010 for all our environmental goals.



2.5 million pounds of copper was recycled in 2010.

2010 SOLID WASTE BREAKDOWN



While 62% of our waste is currently recycled, we still have major strides to make in reducing our volume of waste overall and redesign our processes so that any remaining waste is compostable or recyclable.

2010 impacts	Metric tons CO ₂
Scope 1:	
Oil and propane	713
HT Fleet	1,387
Scope 2:	
Electricity	4,796
Scope 3:	
Business travel	810
Commuting	4,303
Logistics	80,207
Products in use	303,864
2010 waste	
Process water discharge	gallons 8,430,112
Solid waste	
Landfill trash	3,248
Cardboard recycle	3,186
Wood recycle	1,680
General recycle	214
Copper recycle	169
Other metals recycle	60
Hazardous waste	54
Landfill rate	38%

These numbers are not third party verified and reflect our impacts to the best of our measurement ability at this time. They may be revised in the future.

Engagement

As with everything we do at Hypertherm, the engagement of all of our associates is critical to our success. As associate owners of our ESOP Company, there was particular traction around the compelling connection between becoming better environmental stewards, cutting costs, improving profits, and securing a leadership position among our customers, supply chain, and communities.

- We conducted a company-wide baseline survey of attitudes toward, and behaviors around, the environment. Nine out of ten associates believe Hypertherm has a responsibility to reduce our environmental impacts. Nine out of ten associates believe they have a personal responsibility to reduce their environmental impacts while at work.
- We redesigned our volunteer-based Green Team membership to have better representation from around the company.
- We started to collect the green projects that were already underway or accomplished. Dozens of initiatives were identified in this process – from programs to reduce our weekend HVAC load, to machining with canola oil, to major paper reduction projects that have saved hundreds of trees.
- To further focus and organize our cross-company engagement, we introduced the GBI program in 2010. Each team was asked to set a metric that would measure their progress toward an environmental goal for the year. These GBIs were a way to spur each team's thinking about how they could positively influence their business impacts on the environment in a visible, measurable, and meaningful way. GBIs included targets around waste reduction through reusable packaging and supply chain projects, paper reduction through electronic storage of machining quality data check sheets, reducing a team's single-occupancy vehicle commutes to work, and specifying greener alternatives in our requests for proposals across our supply chain. Teams posted progress reports at year-end with almost all teams meeting their goals.

As we embark on our more formal path to becoming better stewards of the environment we created a mark for these initiatives. "Greener Cuts" is a way of signaling our continuous commitment to enriching our environment. We plan to use it where we see opportunities for change and where we have already made environmental impact reductions. We will always be trying to become greener in everything we do.





Please contact us with questions or comments: Barbara.Couch@hypertherm.com or Jenny.Levy@hypertherm.com
To learn more about Hypertherm's CSR strategies and initiatives please visit our website www.hypertherm.com/csr.