May 6, 2013

# Sun Hydraulics Reports Strong First Quarter Results

SARASOTA, FL -- (Marketwired) -- 05/06/13 -- Sun Hydraulics Corporation (NASDAQ: SNHY) today reported financial results for the first quarter of 2013 as follows:

(Dollars in millions except net income per share)

| | March 30, 2013 | March 31, 2012 | Decrease |
|---|---|---|---|
| Three Months Ended | | | |
| Net Sales | $51.1 | $55.3 | -8% |
| Net Income | $9.6 | $10.6 | -9% |
| Net Income per share: | | | |
| Basic | $0.37 | $0.41 | -10% |
| Diluted | $0.37 | $0.41 | -10% |

"Sales were in line with our forecast with higher-than expected earnings," said Allen Carlson, Sun Hydraulics' President and CEO. "Sales, while down year-over-year, showed sequential improvement, which is our normal seasonal pattern. We expect this trend to continue in the second quarter as we remain optimistic about the global economy."

"In April, we acquired the remaining portion of WhiteOak Controls, the electronics company that developed and supplies our integrated amplifiers," Carlson reported. "We will fold WhiteOak into HCT which we expect to accelerate innovative product development and further strengthen both HCT's offerings and the WhiteOak technology. Our evolving electronic products and capabilities are key differentiators that will help Sun sustain and improve on its competitive advantages."

"There are many positive signals -- housing, industrial production, PMI and GDP -- to name a few, that indicate to us the global macro economy is slowly regaining its health," Carlson concluded. "In the short term, Sun is well positioned to take advantage of any general economic strength. We have the capacity to meet our customers' delivery requirements with superior service levels. In the intermediate and longer term, we are adding new capacity through the construction of a new manufacturing plant, our third in the Sarasota area, that will be ready for use later this year. The layout of the new facility will make us more productive and efficient, as we continue to develop and launch new products and services that anticipate market needs."

*Outlook*

Second quarter 2013 revenues are expected to be approximately $55 million, down

approximately 4% from the second quarter of 2012, but up 8% from the first quarter of 2013. Earnings per share are estimated to be $0.41 to $0.43 compared to $0.43 in the same period a year ago.

*Webcast*

Sun Hydraulics Corporation will broadcast its 2013 first quarter financial results conference call live over the Internet at 9:00 A.M. E.T. tomorrow, May 7, 2013. To listen to the webcast, go to the Investor Relations section of www.sunhydraulics.com.

*Webcast Q&A*

If an individual wishes to ask questions directly during the webcast, the conference call may be accessed by dialing 1-888-438-5519 and using 9385208 as the access code. Questions also may be submitted to the Company via email by going to the Sun Hydraulics website, www.sunhydraulics.com, and clicking on Investor Relations on the top menu. Scroll down to the bottom of the page and click on contact email: investor@sunhydraulics.com, which will open an email window to type in your message. Sun management will then answer these and other questions during the Company's webcast. A copy of this earnings release is posted on the Investor Relations page of our website under "Press Releases."

Sun Hydraulics Corporation is a leading designer and manufacturer of high performance screw-in hydraulic cartridge valves and manifolds for worldwide industrial and mobile markets. For more information about Sun, please visit our website at www.sunhydraulics.com.

FORWARD-LOOKING INFORMATION
Certain oral statements made by management from time to time and certain statements contained herein that are not historical facts are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and, because such statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements, including those in Management's Discussion and Analysis of Financial Condition and Results of Operations are statements regarding the intent, belief or current expectations, estimates or projections of the Company, its Directors or its Officers about the Company and the industry in which it operates, and assumptions made by management, and include among other items, (i) the Company's strategies regarding growth, including its intention to develop new products; (ii) the Company's financing plans; (iii) trends affecting the Company's financial condition or results of operations; (iv) the Company's ability to continue to control costs and to meet its liquidity and other financing needs; (v) the declaration and payment of dividends; and (vi) the Company's ability to respond to changes in customer demand domestically and internationally, including as a result of standardization. Although the Company believes that its expectations are based on reasonable assumptions, it can give no assurance that the anticipated results will occur.

Important factors that could cause the actual results to differ materially from those in the forward-looking statements include, among other items, (i) the economic cyclicality of the capital goods industry in general and the hydraulic valve and manifold industry in particular, which directly affect customer orders, lead times and sales volume; (ii) conditions in the capital markets, including the interest rate environment and the availability of capital; (iii)

changes in the competitive marketplace that could affect the Company's revenue and/or cost bases, such as increased competition, lack of qualified engineering, marketing, management or other personnel, and increased labor and raw materials costs; (iv) changes in technology or customer requirements, such as standardization of the cavity into which screw-in cartridge valves must fit, which could render the Company's products or technologies noncompetitive or obsolete; (v) new product introductions, product sales mix and the geographic mix of sales nationally and internationally; and (vi) changes relating to the Company's international sales, including changes in regulatory requirements or tariffs, trade or currency restrictions, fluctuations in exchange rates, and tax and collection issues. Further information relating to factors that could cause actual results to differ from those anticipated is included but not limited to information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-Q for the quarter ended March 30, 2013, and under the heading "Business" and particularly under the subheading, "Business Risk Factors" in the Company's Form 10-K for the year ended December 29, 2012. The Company disclaims any intention or obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

SUN HYDRAULICS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands except per share data)

| | Three Months Ended | |
|---|---|---|
| | March 30, 2013 | March 31, 2012 |
| Net sales | $ 51,060 | $ 55,274 |
| Cost of sales | 30,556 | 33,056 |
| Gross profit | 20,504 | 22,218 |
| Selling, engineering and administrative expenses | 6,572 | 6,954 |
| Operating income | 13,932 | 15,264 |
| Interest income, net | (196) | (341) |
| Foreign currency transaction gain, net | (120) | (11) |
| Miscellaneous (income) expense, net | 94 | (125) |
| Income before income taxes | 14,154 | 15,741 |
| Income tax provision | 4,579 | 5,118 |
| Net income | $ 9,575 | $ 10,623 |
| Basic net income per common share | $ 0.37 | $ 0.41 |
| Weighted average basic shares outstanding | 26,131 | 25,785 |

| | | |
|---|---|---|
| Diluted net income per common share | $ 0.37 | $ 0.41 |
| Weighted average diluted shares outstanding | 26,132 | 25,834 |
| Dividends declared per share | $ 0.180 | $ 0.210 |

SUN HYDRAULICS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

| | March 30, 2013 | December 31, 2012 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 40,575 | $ 34,478 |
| Restricted cash | $ 315 | 329 |
| Accounts receivable, net of allowance for doubtful accounts of $127 and $124 | 18,926 | 14,394 |
| Inventories | 12,510 | 12,559 |
| Income taxes receivable | - | 728 |
| Deferred income taxes | 412 | 248 |
| Marketable securities | 35,367 | 37,700 |
| Other current assets | 3,084 | 2,009 |
| Total current assets | 111,189 | 102,445 |
| Property, plant and equipment, net | 65,948 | 64,672 |
| Goodwill | 4,402 | 4,472 |
| Other assets | 3,341 | 3,532 |
| Total assets | $ 184,880 | $ 175,121 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | $ 5,163 | $ 4,606 |
| Accrued expenses and other liabilities | 3,944 | 7,641 |
| Income taxes payable | 3,430 | - |
| Dividends payable | 2,360 | - |
| Total current liabilities | 14,897 | 12,247 |
| Deferred income taxes | 7,397 | 7,230 |
| Other liabilities | 373 | 371 |
| Total liabilities | 22,667 | 19,848 |
| Shareholders' equity: | | |
| Common stock | 26 | 26 |
| Capital in excess of par value | 61,901 | 57,402 |
| Retained earnings | 102,106 | 97,242 |
| Accumulated other comprehensive income (loss) | (1,820) | 603 |
| Total shareholders' equity | 162,213 | 155,273 |
| Total liabilities and shareholders' equity | $ 184,880 | $ 175,121 |

SUN HYDRAULICS CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

| | Three Months Ended | |
|---|---|---|
| | March 30, 2013 | March 31, 2012 |
| Cash flows from operating activities: | | |
| Net income | $ 9,575 | $ 10,623 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,796 | 1,793 |
| (Gain) loss on disposal of assets | (2) | (21) |
| Unrealized foreign exchange gain | - | (19) |
| Stock-based compensation expense | 691 | 641 |
| Allowance for doubtful accounts | 3 | 18 |
| Provision for deferred income taxes | 3 | 3 |
| (Increase) decrease in: | | |
| Accounts receivable | (4,535) | (5,493) |
| Inventories | 49 | (1,370) |
| Income taxes receivable | 728 | 120 |
| Other current assets | (1,075) | (646) |
| Other assets, net | 136 | 93 |
| Increase (decrease) in: | | |
| Accounts payable | 557 | 1,233 |
| Accrued expenses and other liabilities | (156) | 701 |
| Income taxes payable | 3,430 | 3,964 |
| Other noncurrent liabilities | 2 | 84 |
| Net cash from operating activities | 11,202 | 11,724 |
| Cash flows used in investing activities: | | |
| Capital expenditures | (3,365) | (1,786) |
| Proceeds from dispositions of equipment | - | 21 |
| Purchases of marketable securities | (6,997) | (4,638) |
| Proceeds from sale of marketable securities | 8,809 | 712 |
| Net cash used in investing activities | (1,553) | (5,691) |
| Cash flows used in financing activities: | | |
| Proceeds from stock issued | 267 | 142 |
| Dividends to shareholders | (2,351) | (5,437) |
| Change in restricted cash | 14 | 2 |
| Net cash used in financing activities | (2,070) | (5,293) |
| Effect of exchange rate changes on cash and cash equivalents | (1,482) | 1,335 |
| Net increase (decrease) in cash and cash equivalents | 6,097 | 2,075 |
| Cash and cash equivalents, beginning of period | 34,478 | 51,262 |
| Cash and cash equivalents, end of period | $ 40,575 | $ 53,337 |

| | | |
|---|---|---|
| Supplemental disclosure of cash flow information: | | |
| Cash paid: | | |
| Income taxes | $ 418 | $ 1,032 |
| Supplemental disclosure of noncash transactions: | | |
| Common stock issued for shared distribution through accrued expenses and other liabilities | $ 3,247 | $ 3,753 |
| Common stock issued for deferred director's compensation through other noncurrent liabilities | $ 294 | $ - |

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Source: Sun Hydraulics Corporation