

November 8, 2010



Sun Hydraulics Reports \$0.34 Earnings on \$38 Million Sales

SARASOTA, FL -- (MARKET WIRE) -- 11/08/10 -- Sun Hydraulics Corporation (NASDAQ: SNHY) reported financial results for the third quarter 2010 as follows:

(Dollars in millions except net income per share)

| | October 2, 2010 | | September 26, 2009 | | Increase |
|-----------------------|-----------------|-------|--------------------|------|----------|
| Three Months Ended | | | | | |
| Net Sales | \$ | 38.1 | \$ | 23.3 | 64% |
| Net Income | \$ | 5.7 | \$ | 0.6 | 850% |
| Net Income per share: | | | | | |
| Basic | \$ | 0.34 | \$ | 0.03 | 1033% |
| Diluted | \$ | 0.34 | \$ | 0.03 | 1033% |
| Nine Months Ended | | | | | |
| Net Sales | \$ | 108.9 | \$ | 70.1 | 55% |
| Net Income | \$ | 15.1 | \$ | 0.6 | 2417% |
| Net Income per share: | | | | | |
| Basic | \$ | 0.89 | \$ | 0.03 | 2867% |
| Fully Diluted | \$ | 0.89 | \$ | 0.03 | 2867% |

"Business continued to rebound in all geographic regions in the third quarter," said Allen Carlson, Sun Hydraulics' president and CEO. "We continue to service new customers in all regions, which is great for our long-range outlook. Traditional segments that have been slow to recover appear to be regaining momentum, which bolsters our short- and mid-term outlook. The moderate softening we experienced in the third quarter was normal seasonal demand."

Commenting on earnings, Carlson said, "We are extremely pleased with how quickly we have regained our operating leverage in 2010. This is the result of actions taken in late 2008 and throughout 2009 to retain and educate our workforce and invest in capabilities, as well as prospect for customers. We are currently operating at a level similar to 2006, but 2010 earnings are expected to be 25% better than 2006. We anticipate that 2011 will look a lot like 2007, also with the potential for stronger operational results. Third quarter 2010 earnings included a year-to-date retirement benefit adjustment which was not planned for in our previous third quarter estimates. Without this adjustment, earnings per share would have been 38 cents."

In conclusion, Carlson said, "The long-term outlook remains bright for Sun Hydraulics. Our core business drivers are unchanged with an emphasis on delivery reliability and superior product and customer service performance. We expect to continue to outgrow our industry by both creating new markets and gaining market share. We believe the result will be better than average returns for our shareholders."

Outlook

Fourth quarter 2010 revenues are expected to be approximately \$38 million, up approximately 39% from the fourth quarter of 2009. Earnings per share are estimated to be \$0.34 to \$0.36 compared to \$0.08 in the same period a year ago.

2010 year-end sales are estimated to be approximately \$147 million, an approximately 51% increase over 2009 sales. Earnings per share for 2010 are estimated to be \$1.23 to \$1.25, compared to \$0.11 in 2009.

Sun's prior year fourth quarter results were based on a 14-week quarter resulting in a 53-week year for 2009.

Webcast

Sun Hydraulics Corporation will broadcast its Q3 financial results conference call live over the Internet at 9:00 A.M. E.T. tomorrow, November 9, 2010. 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 (888) 602-6363 and using 5302024 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 October 2, 2010, and under the heading "Business" and particularly under the subheading, "Business Risk Factors" in the Company's Form 10-K for the year ended January 2, 2010. 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 | |
|---|--------------------------------|-----------------------------------|
| | October 2, 2010 (unaudited) | September 26, 2009 (unaudited) |
| Net sales | \$ 38,073 | \$ 23,316 |
| Cost of sales | 24,523 | 17,965 |
| | ----- | ----- |
| Gross profit | 13,550 | 5,351 |
| Selling, engineering and administrative expenses | 5,368 | 4,928 |
| | ----- | ----- |
| Operating income | 8,182 | 423 |
| Interest income, net | (195) | (146) |
| Foreign currency transaction loss (gain), net | 14 | (88) |
| Miscellaneous (income) expense, net | (46) | 87 |
| | ----- | ----- |

| | | |
|---|----------|----------|
| Income before income taxes | 8,409 | 570 |
| Income tax provision | 2,700 | 16 |
| | ----- | ----- |
| Net income | \$ 5,709 | \$ 554 |
| | ===== | ===== |
| Basic net income per common share | \$ 0.34 | \$ 0.03 |
| Weighted average basic shares outstanding | 16,961 | 16,883 |
| Diluted net income per common share | \$ 0.34 | \$ 0.03 |
| Weighted average diluted shares outstanding | 16,993 | 16,917 |
| Dividends declared per share | \$ 0.090 | \$ 0.090 |

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

| | Nine months ended | |
|--|-------------------|--------------------|
| | October 2, 2010 | September 26, 2009 |
| | (unaudited) | (unaudited) |
| Net sales | \$ 108,923 | \$ 70,131 |
| Cost of sales | 71,270 | 54,968 |
| | ----- | ----- |
| Gross profit | 37,653 | 15,163 |
| Selling, engineering and administrative expenses | 15,369 | 14,570 |
| | ----- | ----- |
| Operating income | 22,284 | 593 |
| Interest income, net | (477) | (427) |
| Foreign currency transaction loss, net | 56 | 243 |
| Miscellaneous (income) loss, net | (175) | 387 |
| | ----- | ----- |
| Income before income taxes | 22,880 | 390 |
| Income tax provision (benefit) | 7,747 | (179) |
| | ----- | ----- |
| Net income | \$ 15,133 | \$ 569 |
| | ===== | ===== |
| Basic net income per common share | \$ 0.89 | \$ 0.03 |
| Weighted average basic shares outstanding | 16,952 | 16,806 |

| | | | |
|---|--------|-------|----------|
| Diluted net income per common share \$ | 0.89 | \$ | 0.03 |
| Weighted average diluted shares outstanding | 16,985 | | 16,837 |
| Dividends declared per share | \$ | 0.270 | \$ 0.360 |

SUN HYDRAULICS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

| | October 2, 2010 (unaudited) | January 2, 2010 |
|--|-----------------------------------|--------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 36,815 | \$ 30,314 |
| Restricted cash | 134 | 132 |
| Accounts receivable, net of allowance for doubtful accounts of \$93 and \$90 | 16,420 | 9,949 |
| Inventories | 9,761 | 7,799 |
| Income taxes receivable | 8 | 1,485 |
| Deferred income taxes | 575 | 575 |
| Marketable securities | 12,042 | 7,844 |
| Other current assets | 2,981 | 1,797 |
| | ----- | ----- |
| Total current assets | 78,736 | 59,895 |
| Property, plant and equipment, net | 53,353 | 56,633 |
| Other assets | 2,763 | 3,405 |
| | ----- | ----- |
| Total assets | \$ 134,852 | \$ 119,933 |
| | ===== | ===== |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 4,436 | \$ 2,442 |
| Accrued expenses and other liabilities | 4,044 | 2,475 |
| Dividends payable | 1,527 | 1,524 |
| | ----- | ----- |
| Total current liabilities | 10,007 | 6,441 |
| Deferred income taxes | 5,185 | 5,191 |
| Other noncurrent liabilities | 851 | 687 |
| | ----- | ----- |
| Total liabilities | 16,043 | 12,319 |
| Shareholders' equity: | | |
| Common stock | 17 | 17 |
| Capital in excess of par value | 43,388 | 42,210 |
| Retained earnings | 74,930 | 64,383 |
| Accumulated other comprehensive income | 474 | 1,004 |
| | ----- | ----- |
| Total shareholders' equity | 118,809 | 107,614 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 134,852 | \$ 119,933 |
| | ===== | ===== |

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

| | Nine months ended | |
|--|--------------------|-----------------------|
| | October 2, 2010 | September 26, 2009 |
| | (unaudited) | (unaudited) |
| Cash flows from operating activities: | | |
| Net income | \$ 15,133 | \$ 569 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 5,116 | 5,269 |
| Loss on disposal of assets | 22 | 17 |
| Provision for deferred income taxes | (6) | 25 |
| Allowance for doubtful accounts | 3 | (17) |
| Stock-based compensation expense | 798 | 686 |
| Stock options income tax benefit | (32) | - |
| (Increase) decrease in: | | |
| Accounts receivable | (6,474) | 1,800 |
| Inventories | (1,962) | 1,863 |
| Income taxes receivable | 1,509 | (320) |
| Other current assets | (1,184) | (31) |
| Other assets | 622 | 457 |
| (Increase) decrease in: | | |
| Accounts payable | 1,994 | 271 |
| Accrued expenses and other liabilities | 1,569 | 558 |
| Other noncurrent liabilities | 164 | 153 |
| Net cash provided by operating activities | 17,272 | 11,300 |
| Cash flows from investing activities: | | |
| Capital expenditures | (2,060) | (4,549) |
| Purchases of marketable securities | (11,626) | (8,928) |
| Proceeds from sale of marketable securities | 7,326 | 1,451 |
| Net cash used in investing activities | (6,360) | (12,026) |
| Cash flows from financing activities: | | |
| Repayment of debt | - | (261) |
| Proceeds from exercise of stock options | 44 | 7 |
| Proceeds from stock issued | 303 | 310 |
| Dividends to shareholders | (4,583) | (6,024) |
| Stock options income tax benefit | 32 | - |
| Net cash used in financing activities | (4,204) | (5,968) |
| Effect of exchange rate changes on cash and cash equivalents | (205) | 1,634 |
| Net decrease in cash and cash equivalents | 6,503 | (5,060) |
| Cash and cash equivalents, beginning of period | 30,446 | 35,303 |
| Cash and cash equivalents, end of period | \$ 36,949 | \$ 30,243 |

Supplemental disclosure of cash flow information:

Cash paid:

| | | | | |
|--------------|----|-------|----|-----|
| Interest | \$ | - | \$ | 9 |
| Income taxes | \$ | 6,276 | \$ | 116 |

Supplemental disclosure of noncash transactions:

| | | | | |
|---|----|---|----|-------|
| Common stock issued to ESOP through accrued expenses and other liabilities | \$ | - | \$ | 2,797 |
|---|----|---|----|-------|

| | United States | Korea | Germany | United Kingdom | Elimin- ation | Consoli- dated |
|---------------------------------------|------------------|----------|----------|-------------------|------------------|-------------------|
| Three Months Ended October 2, 2010 | | | | | | |
| Sales to unaffiliated customers | \$23,668 | \$ 3,315 | \$ 5,402 | \$ 5,688 | \$ - | \$ 38,073 |
| Intercompany sales | 6,873 | - | 37 | 311 | (7,221) | - |
| Operating income | 5,636 | 378 | 1,061 | 1,028 | 79 | 8,182 |
| Depreciation | 1,243 | 21 | 107 | 242 | - | 1,613 |
| Capital expenditures | 631 | 28 | 15 | 62 | - | 736 |

| | | | | | | |
|-------------------------------------|----------|----------|----------|----------|---------|-----------|
| Three Months Ended June 27, 2009 | | | | | | |
| Sales to unaffiliated customers | \$13,890 | \$ 2,621 | \$ 3,429 | \$ 3,376 | \$ - | \$ 23,316 |
| Intercompany sales | 3,881 | - | 43 | 217 | (4,141) | - |
| Operating income (loss) | (340) | 193 | 498 | 24 | 48 | 423 |
| Depreciation | 1,284 | 27 | 125 | 268 | - | 1,704 |
| Capital expenditures | 961 | 4 | 9 | 69 | - | 1,043 |

| | | | | | | |
|--------------------------------------|----------|-----------|-----------|-----------|----------|-----------|
| Nine Months Ended October 2, 2010 | | | | | | |
| Sales to unaffiliated customers | \$67,896 | \$ 12,151 | \$ 14,770 | \$ 14,106 | \$ - | \$108,923 |
| Intercompany sales | 18,755 | - | 118 | 936 | (19,809) | - |
| Operating income | 15,511 | 1,655 | 3,088 | 2,122 | (92) | 22,284 |
| Depreciation | 3,891 | 66 | 320 | 727 | - | 5,004 |
| Capital expenditures | 1,712 | 141 | 20 | 187 | - | 2,060 |

| | | | | | | |
|------------------------------------|----------|----------|-----------|-----------|----------|-----------|
| Nine Months Ended June 27, 2009 | | | | | | |
| Sales to unaffiliated customers | \$42,078 | \$ 6,966 | \$ 11,041 | \$ 10,046 | \$ - | \$ 70,131 |
| Intercompany sales | 11,581 | - | 118 | 915 | (12,614) | - |
| Operating income (loss) | (2,430) | 403 | 1,772 | 600 | 248 | 593 |
| Depreciation | 4,018 | 80 | 379 | 762 | - | 5,239 |
| Capital expenditures | 4,297 | 31 | 37 | 184 | - | 4,549 |

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