March 8, 2010

# Sun Hydraulics Reports Strong Finish to 2009, Profitable for the 38th Consecutive Year; Board Declares First Quarter Dividend

SARASOTA, FL -- (MARKET WIRE) -- 03/08/10 -- Sun Hydraulics Corporation (NASDAQ: SNHY) reported financial results for the year and fourth quarter 2009 as follows:

(Dollars in millions except net income per share)

| | January 2, 2010 | December 27, 2008 | Increase/ Decrease |
|---|---|---|---|
| Twelve Months Ended | | | |
| Net Sales | $ 97.4 | $ 178.3 | -45% |
| Net Income | $ 1.9 | $ 25.7 | -93% |
| Net Income per share: | | | |
| Basic | $ 0.11 | $ 1.55 | -93% |
| Diluted | $ 0.11 | $ 1.55 | -93% |
| Three Months Ended | | | |
| Net Sales | $ 27.3 | $ 32.9 | -17% |
| Net Income | $ 1.3 | $ 2.5 | -48% |
| Net Income per share: | | | |
| Basic | $ 0.08 | $ 0.15 | -47% |
| Diluted | $ 0.08 | $ 0.15 | -47% |

"The fourth quarter finished strong, and we have now seen sequential quarterly growth since Q2," said Allen Carlson, Sun's CEO and President. "We believe the worst of last year's recession is over. Sun's order rates, capital goods inventory conditions, and indicators like PMI and Capacity Utilization are all showing signs of strength. We are optimistic about 2010. As expressed in our forecast, we estimate the first quarter will show continued improvement."

"We are pleased to have remained profitable for 2009, despite a drop in revenues of 45%," Carlson continued. "We did this without sacrificing our capacity or capabilities. We continued to make capital investments, develop and release new products, and, perhaps most critical, maintain workforce readiness."

"We are encouraged by customer inquiries and the prototype activity we have experienced at all Sun locations," commented Carlson. "Some prototypes have already led to production orders. We are confident that our prototype activities will continue to drive new business."

Concluding, Carlson said, "As we have frequently stated, we believe market share gains are taken on the upturn of the cycle by those companies that are able to respond to the market

demand and opportunities created. Sun's depth and breadth of products, our ability to provide complete systems solutions, and deliver reliably will allow us to gain share during this recovery."

Outlook

In 2010, weekly order rates have increased compared to Q4. First quarter 2010 sales are expected to be approximately $30 million, a 19% increase over last year and 10% over the last quarter. First quarter earnings per share are estimated to be between $0.17 and $0.19 per share, compared to $0.03 per share in the first quarter last year and $0.08 last quarter.

Dividend

The Board of Directors of Sun Hydraulics Corporation declared a $0.09 per share cash dividend on Sun's common stock. The dividend is payable on April 15, 2010, to shareholders of record as of March 31, 2010.

Sun Hydraulics advises all shareholders to familiarize themselves with rules regarding dividends, payment dates and ex-dividend dates. See the following website for more information http://www.sec.gov/answers/dividen.htm.

Webcast

Sun Hydraulics Corporation will broadcast its 2009 financial results conference call live over the Internet at 9:00 A.M. E.T. tomorrow, March 9, 2010. To listen to the webcast, go to http://investor.sunhydraulics.com/eventdetail.cfm?eventid=76500.

Webcast Q&A

If an individual wishes to ask questions directly during the webcast, the conference call may be accessed by dialing 1-877-212-8518. 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 September 26, 2009, 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 | |
|---|---|---|
| | January 2, 2010 | December 27, 2008 |
| Net sales | $ 27,262 | $ 32,936 |
| Cost of sales | 20,468 | 24,726 |
| Gross profit | 6,794 | 8,210 |
| Selling, engineering and administrative expenses | 5,245 | 5,536 |
| Operating income | 1,549 | 2,674 |

| | | |
|---|---|---|
| Interest income, net | (135) | (293) |
| Foreign currency transaction (gain) loss, net | 22 | (309) |
| Miscellaneous expense, net | 36 | 122 |
| Income before income taxes | 1,626 | 3,154 |
| Income tax provision | 340 | 674 |
| Net income | $ 1,286 | $ 2,480 |
| Basic net income per common share | $ 0.08 | $ 0.15 |
| Weighted average basic shares outstanding | 16,927 | 16,647 |
| Diluted net income per common share | $ 0.08 | $ 0.15 |
| Weighted average diluted shares outstanding | 16,962 | 16,675 |
| Dividends declared per share | $ 0.090 | $ 0.090 |

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

| | Twelve Months Ended | |
|---|---|---|
| | January 2, 2010 | December 27, 2008 |
| Net sales | $ 97,393 | $ 178,278 |
| Cost of sales | 75,436 | 119,161 |
| Gross profit | 21,957 | 59,117 |
| Selling, engineering and administrative expenses | 19,814 | 22,740 |
| Operating income | 2,143 | 36,377 |
| Interest income, net | (562) | (793) |
| Foreign currency transaction (gain) loss, net | 265 | (467) |
| Miscellaneous income, net | 423 | (92) |
| Income before income taxes | 2,017 | 37,729 |
| Income tax provision | 161 | 11,994 |
| Net income | $ 1,856 | $ 25,735 |

| | | |
|---|---|---|
| Basic net income per common share | $ 0.11 | $ 1.55 |
| Weighted average basic shares outstanding | 16,837 | 16,603 |
| Diluted net income per common share | $ 0.11 | $ 1.55 |
| Weighted average diluted shares outstanding | 16,870 | 16,634 |
| Dividends declared per share | $ 0.450 | $ 0.450 |

SUN HYDRAULICS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

| | January 2, 2010 | December 27, 2008 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 30,314 | $ 35,176 |
| Restricted cash | 132 | 127 |
| Accounts receivable, net of allowance for doubtful accounts of $90 and $92 | 9,949 | 12,502 |
| Inventories | 7,799 | 9,960 |
| Income taxes receivable | 1,485 | 1,353 |
| Deferred income taxes | 575 | 259 |
| Marketable Securities | 7,844 | - |
| Other current assets | 1,797 | 1,290 |
| Total current assets | 59,895 | 60,667 |
| Property, plant and equipment, net | 56,633 | 57,726 |
| Other assets | 3,405 | 3,992 |
| Total assets | $ 119,933 | $ 122,385 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | $ 2,442 | $ 3,258 |
| Accrued expenses and other liabilities | 2,475 | 5,546 |
| Long-term debt due within one year | - | 147 |
| Dividends payable | 1,524 | 1,499 |
| Total current liabilities | 6,441 | 10,450 |
| Long-term debt due after one year | - | 125 |
| Deferred income taxes | 5,191 | 4,871 |
| Other liabilities | 687 | 383 |
| Total liabilities | 12,319 | 15,829 |
| Shareholders' equity: | | |
| Common stock | 17 | 17 |
| Capital in excess of par value | 42,210 | 38,042 |
| Retained earnings | 64,383 | 70,099 |
| Accumulated other comprehensive income | 1,004 | (1,602) |

| | | |
|---|---|---|
| Total shareholders' equity | 107,614 | 106,556 |
| Total liabilities and shareholders' equity | $ 119,933 | $ 122,385 |

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

| | Twelve Months Ended | |
|---|---|---|
| | January 2, 2010 | December 27, 2008 |
| Cash flows from operating activities: | | |
| Net income | $ 1,856 | $ 25,735 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 6,968 | 7,096 |
| Loss on disposal of assets | 30 | 138 |
| Stock-based compensation expense | 960 | 896 |
| Stock options income tax benefit | (9) | (55) |
| Allowance for doubtful accounts | (2) | (123) |
| Provision for slow moving inventory | (41) | 102 |
| Provision for deferred income taxes | 4 | (195) |
| (Increase) decrease in: | | |
| Accounts receivable | 2,555 | 4,650 |
| Inventories | 2,202 | 1,359 |
| Income taxes receivable | (123) | (1,353) |
| Other current assets | (507) | (80) |
| Other assets, net | 560 | 465 |
| Increase (decrease) in: | | |
| Accounts payable | (816) | (2,410) |
| Accrued expenses and other liabilities | (274) | 2,944 |
| Income taxes payable | - | (619) |
| Other liabilities | 304 | (23) |
| Net cash from operating activities | 13,667 | 38,527 |
| Cash flows used in investing activities: | | |
| Capital expenditures | (5,096) | (10,874) |
| Proceeds from dispositions of equipment | - | 99 |
| Purchases of Marketable Securities | (10,600) | - |
| Proceeds from Sale of Marketable Securities | 2,863 | - |
| Net cash used in investing activities | (12,833) | (10,775) |
| Cash flows used in financing activities: | | |
| Repayment of debt | (261) | (416) |
| Proceeds from exercise of stock options | 11 | 87 |
| Stock options income tax benefit | 9 | 55 |
| Proceeds from stock issued | 392 | 359 |
| Dividends to shareholders | (7,547) | (7,465) |
| Net cash used in financing activities | (7,396) | (7,380) |
| Effect of exchange rate changes on cash and cash equivalents | 1,705 | (4,406) |

| | | |
|---|---|---|
| Net (decrease) increase in restricted cash | 5 | (19) |
| Net (decrease) increase in cash and cash equivalents | (4,862) | 15,985 |
| Cash and cash equivalents, beginning of period | 35,303 | 19,337 |
| Cash and cash equivalents, end of period | $ 30,446 | $ 35,303 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid: | | |
| Interest | $ 9 | $ 31 |
| Income taxes | $ 289 | $ 14,216 |
| Supplemental disclosure of noncash transactions: | | |
| Common stock issued to ESOP through accrued expenses and other liabilities | $ 2,797 | $ 2,255 |

| | United States | Korea | Germany | United Kingdom | Elimination | Consolidated |
|---|---|---|---|---|---|---|
| Three Months Ended January 2, 2010 | | | | | | |
| Sales to unaffiliated customers | $ 17,200 | $ 3,012 | $ 3,613 | $ 3,437 | $ - | $ 27,262 |
| Intercompany sales | 3,964 | - | 21 | 186 | (4,171) | - |
| Operating income | 320 | 213 | 703 | 284 | 29 | 1,549 |
| Depreciation and amortization | 1,288 | 24 | 123 | 265 | - | 1,700 |
| Capital expenditures | 461 | 10 | (7) | 84 | - | 548 |
| Three Months Ended December 27, 2008 | | | | | | |
| Sales to unaffiliated customers | $ 22,345 | $ 1,782 | $ 4,789 | $ 4,020 | $ - | $ 32,936 |
| Intercompany sales | 4,552 | - | 53 | 472 | (5,077) | - |
| Operating income | 1,752 | (183) | 834 | 371 | (100) | 2,674 |
| Depreciation and amortization | 1,389 | 27 | 129 | 254 | - | 1,799 |
| Capital expenditures | 1,412 | 3 | 9 | 220 | - | 1,644 |
| Twelve Months Ended January 2, 2010 | | | | | | |
| Sales to unaffiliated customers | $ 59,278 | $ 9,978 | $14,654 | $13,483 | $ - | $ 97,393 |
| Intercompany sales | 15,545 | - | 139 | 1,101 | (16,785) | - |
| Operating income | (2,110) | 616 | 2,475 | 884 | 278 | 2,143 |
| Depreciation and amortization | 5,335 | 104 | 502 | 1,027 | | 6,968 |
| Capital expenditures | 4,758 | 41 | 30 | 267 | | 5,096 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Twelve Months Ended December 27, 2008 | | | | | | |
| Sales to unaffiliated customers | $111,180 | $17,455 | $27,356 | $22,287 | $ - | $ 178,278 |
| Intercompany sales | 28,656 | - | 245 | 2,282 | (31,183) | - |
| Operating income | 24,531 | 1,148 | 7,693 | 3,231 | (226) | 36,377 |
| Depreciation and amortization | 5,139 | 151 | 572 | 1,234 | | 7,096 |
| Capital expenditures | 9,904 | 39 | 298 | 633 | | 10,874 |

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