

March 7, 2011



Sun Hydraulics 2010 Earnings Rise; Board Announces Shared Distribution and First Quarter Dividend

SARASOTA, FL -- (MARKET WIRE) -- 03/07/11 -- Sun Hydraulics Corporation (NASDAQ: SNHY) today reported financial results for the fourth quarter and year-end 2010 as follows:

(Dollars in millions except net income per share)

| | January 1, 2011 | January 2, 2010 | Increase |
|-----------------------|--------------------|--------------------|----------|
| Twelve Months Ended | | | |
| Net Sales | \$ 150.7 | \$ 97.4 | 55% |
| Net Income | \$ 21.4 | \$ 1.9 | 1026% |
| Net Income per share: | | | |
| Basic | \$ 1.26 | \$ 0.11 | 1045% |
| Diluted | \$ 1.26 | \$ 0.11 | 1045% |
| Three Months Ended | | | |
| Net Sales | \$ 41.8 | \$ 27.3 | 53% |
| Net Income | \$ 6.3 | \$ 1.3 | 385% |
| Net Income per share: | | | |
| Basic | \$ 0.37 | \$ 0.08 | 363% |
| Diluted | \$ 0.37 | \$ 0.08 | 363% |

"Business activity in 2010 rebounded more quickly than we had anticipated," said Allen Carlson, Sun Hydraulics' president and CEO. "We have been able to keep up with the steadily increasing demand, while realizing substantial productivity improvements, thanks in large part to maintaining and investing in our workforce readiness throughout the downturn. Operationally, we have done an excellent job in managing the business, which is demonstrated in the strong earnings numbers."

"Our business continued to expand in the fourth quarter, which is a bit unusual," Carlson continued. "That expansion has continued without a hitch into the first quarter, as we begin to see some of our traditional markets gain strength. Sales in 2010 were buoyed by new customers around the world. Traditional markets like mining, construction and AWP's appear to be gaining strength, indicating 2011 could be a very good year."

Concluding, Carlson spoke about the future, saying, "The macroeconomic outlook is robust, the PMI continues to expand and all signals are positive. As capital goods industries remain strong, Sun will continue to grow and earnings will continue to rise. We have a very strong first quarter forecast, and we expect to remain busy."

Shared Distribution and Quarterly Dividend

"Last week the Board elected to once again apportion a shared distribution for employees

and shareholders based on our 2010 results," stated Ferdinand Megerlin, Sun's Chairman. "The shared distribution consists of a 9% contribution for employees, most of which will be paid into retirement plans, and an \$0.11 per share cash dividend to shareholders, totaling approximately \$4.6 million. We initiated the shared distribution concept in 2008 as a way to reward both shareholders and employees when Sun has a successful year."

The shared distribution dividend is payable on March 31, 2011, to shareholders of record on March 15, 2011. In addition to the shared distribution dividend, the Board also declared a quarterly dividend of \$0.09 per share payable on April 15, 2011, to shareholders of record on March 31, 2011.

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>.

Outlook

First quarter 2011 revenues are expected to be approximately \$50 million, up approximately 58% from the first quarter of 2010. Earnings per share are estimated to be \$0.50 to \$0.53 compared to \$0.20 in the same period a year ago.

Webcast

Sun Hydraulics Corporation will broadcast its 2010 financial results conference call live over the Internet at 9:00 A.M. E.T. tomorrow, March 8, 2011. 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 1-888-240-1347 and using 3208319 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 cyclicity 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 1, 2011. 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 1, 2011 | January 2, 2010 |
| Net sales | \$ 41,772 | \$ 27,262 |
| Cost of sales | 27,083 | 20,468 |
| | ----- | ----- |
| Gross profit | 14,689 | 6,794 |
| Selling, engineering and administrative expenses | 5,935 | 5,245 |
| | ----- | ----- |

| | | |
|---|----------|----------|
| Operating income | 8,754 | 1,549 |
| Interest income, net | (170) | (135) |
| Foreign currency transaction loss, net | 59 | 22 |
| Miscellaneous expense, net | 103 | 36 |
| | ----- | ----- |
| Income before income taxes | 8,762 | 1,626 |
| Income tax provision | 2,495 | 340 |
| | ----- | ----- |
| Net income | \$ 6,267 | \$ 1,286 |
| | ===== | ===== |
| Basic net income per common share | \$ 0.37 | \$ 0.08 |
| Weighted average basic shares outstanding | 17,003 | 16,927 |
| Diluted net income per common share | \$ 0.37 | \$ 0.08 |
| Weighted average diluted shares outstanding | 17,037 | 16,962 |
| Dividends declared per share | \$ 0.590 | \$ 0.090 |

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

| | Twelve Months Ended | |
|--|---------------------|--------------------|
| | January 1, 2011 | January 2, 2010 |
| Net sales | \$ 150,695 | \$ 97,393 |
| Cost of sales | 98,352 | 75,436 |
| | ----- | ----- |
| Gross profit | 52,343 | 21,957 |
| Selling, engineering and administrative expenses | 21,304 | 19,814 |
| | ----- | ----- |
| Operating income | 31,039 | 2,143 |
| Interest income, net | (653) | (562) |
| Foreign currency transaction loss, net | 106 | 265 |
| Miscellaneous (income) expense, net | (57) | 423 |
| | ----- | ----- |
| Income before income taxes | 31,643 | 2,017 |
| Income tax provision | 10,243 | 161 |
| | ----- | ----- |
| Net income | \$ 21,400 | \$ 1,856 |
| | ===== | ===== |

| | | | | |
|---|----|--------|----|--------|
| Basic net income per common share | \$ | 1.26 | \$ | 0.11 |
| Weighted average basic shares outstanding | | 16,952 | | 16,837 |
| Diluted net income per common share | \$ | 1.26 | \$ | 0.11 |
| Weighted average diluted shares outstanding | | 16,985 | | 16,870 |
| Dividends declared per share | \$ | 0.860 | \$ | 0.450 |

SUN HYDRAULICS CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands)

| | January 1, 2011 | January 2, 2010 |
|---|--------------------|--------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 33,206 | \$ 30,314 |
| Restricted cash | 131 | 132 |
| Accounts receivable, net of allowance for doubtful accounts of \$82 and \$90 | 16,399 | 9,949 |
| Inventories | 10,773 | 7,799 |
| Income taxes receivable | 1,154 | 1,485 |
| Deferred income taxes | 446 | 575 |
| Marketable securities | 11,614 | 7,844 |
| Other current assets | 2,556 | 1,797 |
| | ----- | ----- |
| Total current assets | 76,279 | 59,895 |
| Property, plant and equipment, net | 53,127 | 56,633 |
| Other assets | 2,628 | 3,405 |
| | ----- | ----- |
| Total assets | \$ 132,034 | \$ 119,933 |
| | ===== | ===== |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,348 | \$ 2,442 |
| Accrued expenses and other liabilities | 5,250 | 2,475 |
| Dividends payable | 1,531 | 1,524 |
| | ----- | ----- |
| Total current liabilities | 10,129 | 6,441 |
| Deferred income taxes | 5,684 | 5,191 |
| Other liabilities | 1,197 | 687 |
| | ----- | ----- |
| Total liabilities | 17,010 | 12,319 |
| Shareholders' equity: | | |
| Common stock | 17 | 17 |
| Capital in excess of par value | 44,001 | 42,210 |
| Retained earnings | 71,141 | 64,383 |
| Accumulated other comprehensive income (loss) | (135) | 1,004 |
| | ----- | ----- |

| | | |
|--|------------|------------|
| Total shareholders' equity | 115,024 | 107,614 |
| | ----- | ----- |
| Total liabilities and shareholders' equity | \$ 132,034 | \$ 119,933 |
| | ===== | ===== |

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

| | Twelve Months Ended | |
|---|---------------------|--------------------|
| | January 1, 2011 | January 2, 2010 |
| Cash flows from operating activities: | | |
| Net income | \$ 21,400 | \$ 1,856 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 6,873 | 6,968 |
| (Gain) loss on disposal of assets | (43) | 30 |
| Stock-based compensation expense | 1,149 | 960 |
| Deferred director and phantom stock unit expense | 557 | 398 |
| Stock options income tax benefit | (175) | (9) |
| Allowance for doubtful accounts | (8) | (2) |
| Provision for slow moving inventory | (159) | (41) |
| Provision for deferred income taxes | 622 | 4 |
| (Increase) decrease in: | | |
| Accounts receivable | (6,442) | 2,555 |
| Inventories | (2,815) | 2,202 |
| Income taxes receivable | 506 | (123) |
| Other current assets | (759) | (507) |
| Other assets, net | 750 | 560 |
| Increase (decrease) in: | | |
| Accounts payable | 861 | (816) |
| Accrued expenses and other liabilities | 2,775 | (672) |
| Other liabilities | (2) | 304 |
| | ----- | ----- |
| Net cash from operating activities | 25,090 | 13,667 |
| Cash flows used in investing activities: | | |
| Capital expenditures | (3,856) | (5,096) |
| Proceeds from dispositions of equipment | 175 | - |
| Purchases of marketable securities | (14,175) | (10,600) |
| Proceeds from sale of marketable securities | 10,230 | 2,863 |
| | ----- | ----- |
| Net cash used in investing activities | (7,626) | (12,833) |
| Cash flows used in financing activities: | | |
| Repayment of debt | - | (261) |
| Proceeds from exercise of stock options | 44 | 11 |
| Stock options income tax benefit | 175 | 9 |
| Proceeds from stock issued | 423 | 392 |
| Dividends to shareholders | (14,635) | (7,547) |
| | ----- | ----- |
| Net cash used in financing activities | (13,993) | (7,396) |
| Effect of exchange rate changes on cash and cash equivalents | (580) | 1,705 |
| | ----- | ----- |

| | | |
|--|-----------|-----------|
| Net increase (decrease) in restricted cash | (1) | 5 |
| Net increase (decrease) in cash and cash equivalents | 2,892 | (4,862) |
| | ----- | ----- |
| Cash and cash equivalents, beginning of period | 30,446 | 35,303 |
| | ----- | ----- |
| Cash and cash equivalents, end of period | \$ 33,337 | \$ 30,446 |
| | ===== | ===== |

Supplemental disclosure of cash flow information:

Cash paid:

| | | |
|--------------|----------|--------|
| Interest | \$ - | \$ 9 |
| Income taxes | \$ 9,290 | \$ 289 |

Supplemental disclosure of noncash transactions:

| | | |
|--|---------|----------|
| Common stock issued to ESOP through accrued expenses and other liabilities | \$ - | \$ 2,796 |
| Unrealized gain (loss) on available for sale securities | \$ (59) | \$ 116 |

| | United States | Korea | Germany | United Kingdom | Elimination | Consolidated |
|---------------------------------|---------------|----------|----------|----------------|-------------|--------------|
| Three Months | | | | | | |
| Ended January 1, 2011 | | | | | | |
| Sales to unaffiliated customers | \$26,170 | \$ 4,134 | \$ 5,000 | \$ 6,468 | \$ - | \$ 41,772 |
| Intercompany sales | 7,267 | - | 42 | 289 | (7,598) | - |
| Operating income | 6,528 | 592 | 935 | 700 | (1) | 8,754 |
| Depreciation and amortization | 1,361 | 23 | 109 | 241 | - | 1,734 |
| Capital expenditures | 1,688 | 76 | 6 | 26 | - | 1,796 |

| | | | | | | |
|---------------------------------|----------|----------|----------|----------|---------|-----------|
| 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 |

| | | | | | | |
|---------------------------------|----------|----------|----------|----------|----------|-----------|
| Twelve Months | | | | | | |
| Ended January 1, 2011 | | | | | | |
| Sales to unaffiliated customers | \$94,067 | \$16,284 | \$19,770 | \$20,574 | \$ - | \$150,695 |
| Intercompany sales | 26,022 | - | 160 | 1,225 | (27,407) | - |
| Operating income | 22,040 | 2,246 | 4,024 | 2,822 | (93) | 31,039 |
| Depreciation and amortization | 5,388 | 89 | 429 | 967 | - | 6,873 |
| Capital expenditures | 3,400 | 217 | 27 | 212 | - | 3,856 |

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 | | | | | | |
| (loss) | (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 |

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Source: Sun Hydraulics Corporation