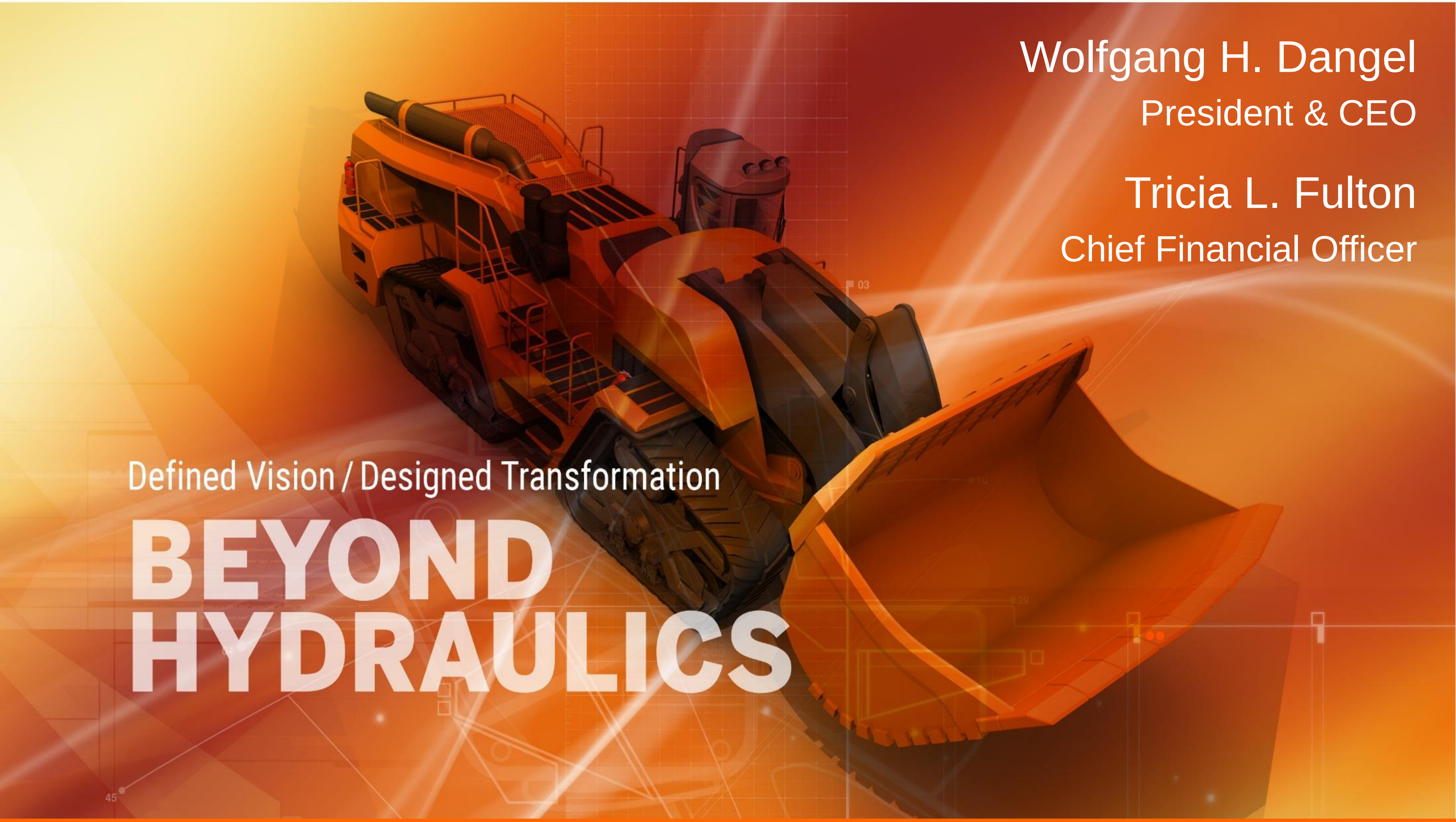
Second Quarter 2017 Earnings

August 8, 2017

Wolfgang H. Dangel
President & CEO

Tricia L. Fulton
Chief Financial Officer



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This presentation and oral statements made by management in connection herewith that are not historical facts are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements involve risks and uncertainties, and actual results may differ materially from those expressed or implied by such statements. They include 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 and make acquisitions; (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) fluctuations in global business conditions, including the impact of economic recessions in the U.S. and other parts of the world, (iii) conditions in the capital markets, including the interest rate environment and the availability of capital; (iv) changes in the competitive marketplace that could affect the Company's revenue and/or costs, such as increased competition, lack of qualified engineering, marketing, management or other personnel, and increased labor and raw materials costs; (v) risks related to the integration of the businesses of the Company and Enovation Controls; (vi) 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; (vii) new product introductions, product sales mix and the geographic mix of sales nationally and internationally; and (viii) 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 headings Item 1. "Business," Item 1A. "Risk Factors," and Item 7. "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in the Company's Form 10-K for the year ended December 31, 2016. 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.

This presentation will discuss some non-GAAP financial measures, which the Company believes are useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results compared in accordance with GAAP. The Company has provided reconciliations of comparable GAAP to non-GAAP measures in tables found in the Supplemental Information portion of this presentation.

Second Quarter 2017 Highlights

- Sales of $89.3 million, up 76%
  - Enovation Controls contributed $27.8 million, up 44% vs Q2 2016 on a pro forma basis
  - Organic business grew 21%
  - Sales in each geographic region increased considerably
- EPS of $0.27 per share; non-GAAP EPS of $0.52
- Adjusted EBITDA nearly doubled to $25 million, 28% of sales
- Increasing 2017 consolidated guidance:
  - Revenue – $315 to $330 million
  - Operating margin before acquisition-related amortization of intangibles to 22% to 24%

Strategy Drives Increasing CapEx

Capital expenditure expectations for 2017 have evolved

- Accelerating planned strategic activities, driven by faster-than-expected growth
- Growing sales in Asia Pacific market
  - Strategy to manufacture products locally
  - Recently identified property in South Korea, ideally suited
  - Intend to purchase land and develop production facility; about half of cost expected in 2017, completion in 2018
  - Complements plans to expand capabilities in China
- Purchasing facility currently leased in Tulsa for Enovation Controls headquarters and operations
  - Provides stability and footprint to grow as North American electronics competence hub

Vision 2025

$1 billion in sales, superior profitability and financial strength

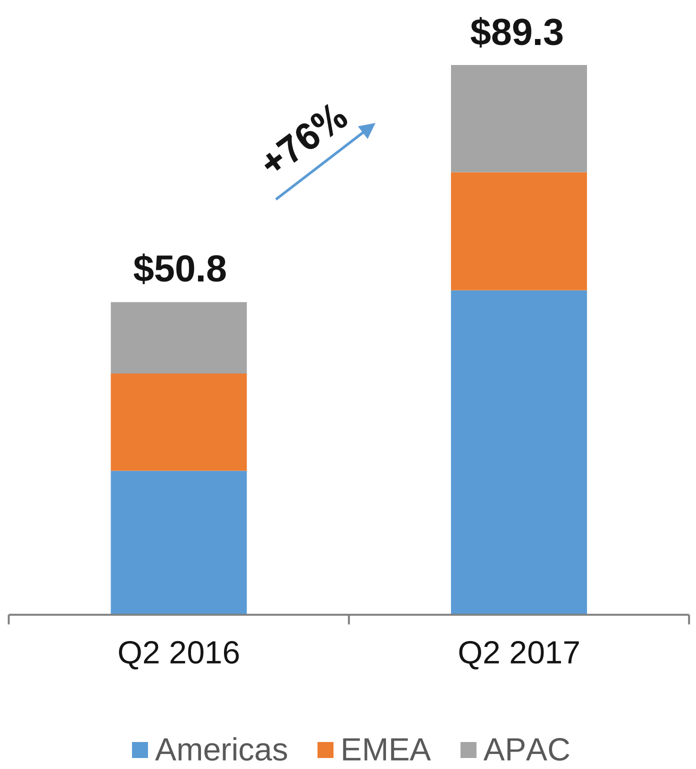
Financial Overview

Tricia L. Fulton

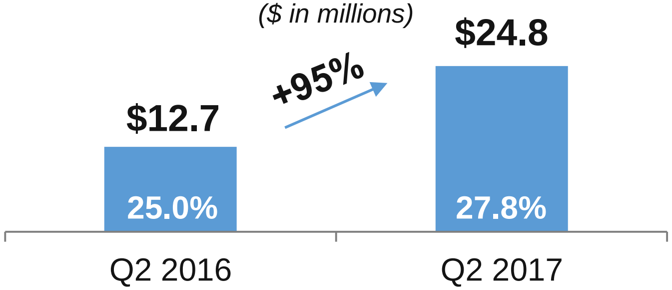
Chief Financial Officer

Q2 – Consolidated Results

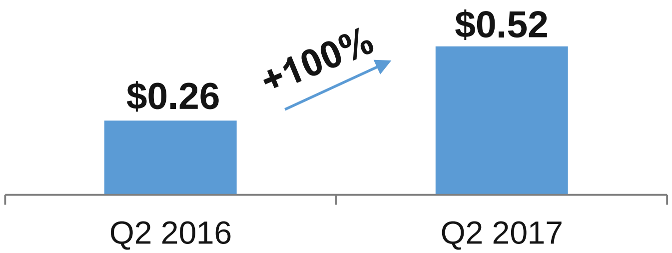
Sales
(in millions)



Adjusted EBITDA & Margin(1)
($ in millions)



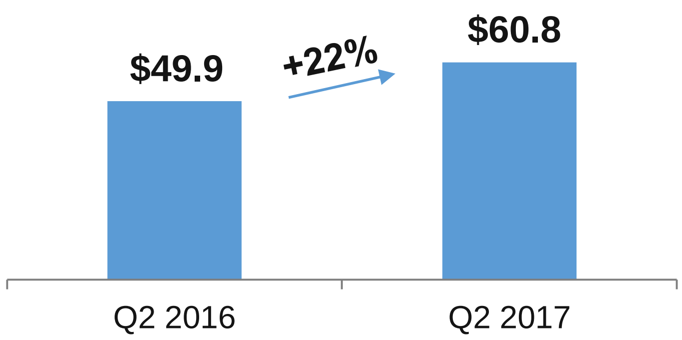
Adjusted EPS(2)



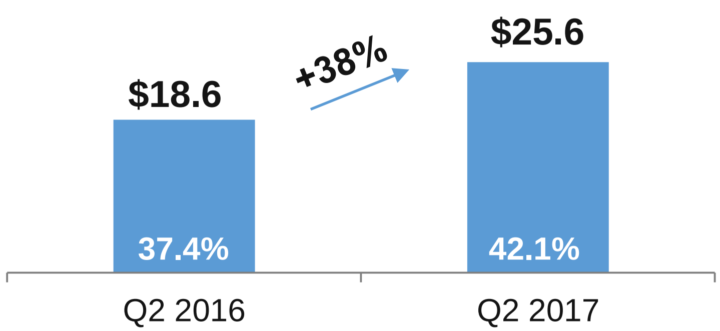
(1) See supplemental slide for Adjusted EBITDA reconciliation and other important disclaimers regarding Sun's use of Adjusted EBITDA
(2) See supplemental slide for Adjusted Net Income reconciliation and other important disclaimers regarding Sun's use of Adjusted Net Income

Q2 – Hydraulics Segment Results

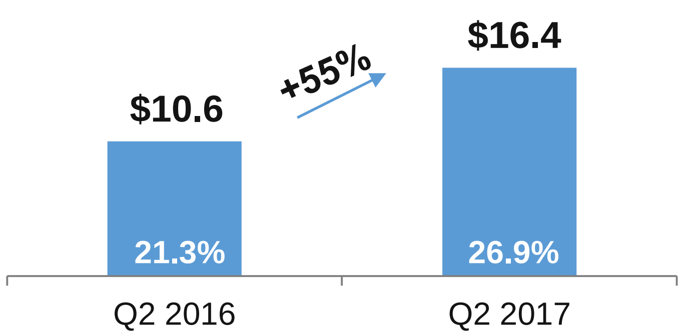
Sales
($ in millions)



Gross Profit and Margin
($ in millions)



Operating Income and Margin
($ in millions)

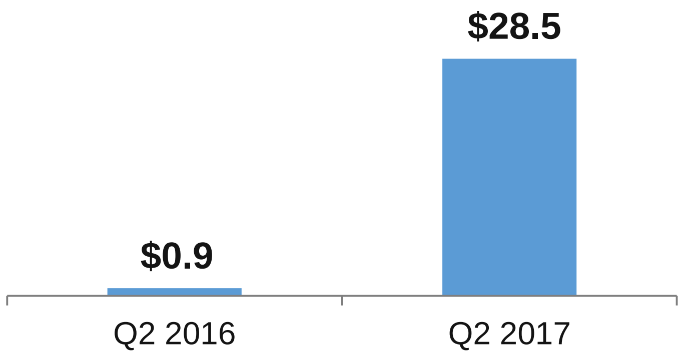


- Sales growth realized in all geographic regions
  - APAC and Americas up 38% and 25%, respectively
- Operating income increase driven by
  - Improved gross margin on higher revenue
  - Cost reduction efforts
  - Leverage on fixed SEA costs

Q2 – Electronics Segment Results

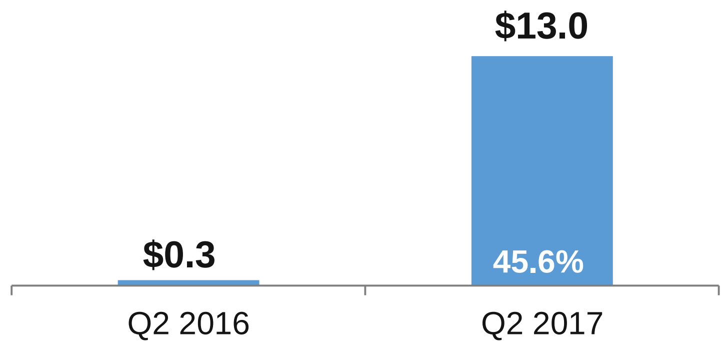
Sales

($ in millions)



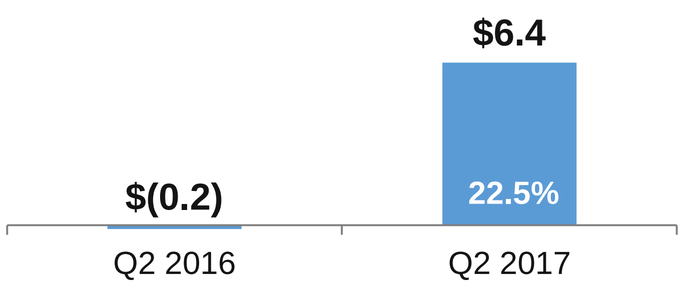
Gross Profit and Margin

($ in millions)



Operating Income and Margin

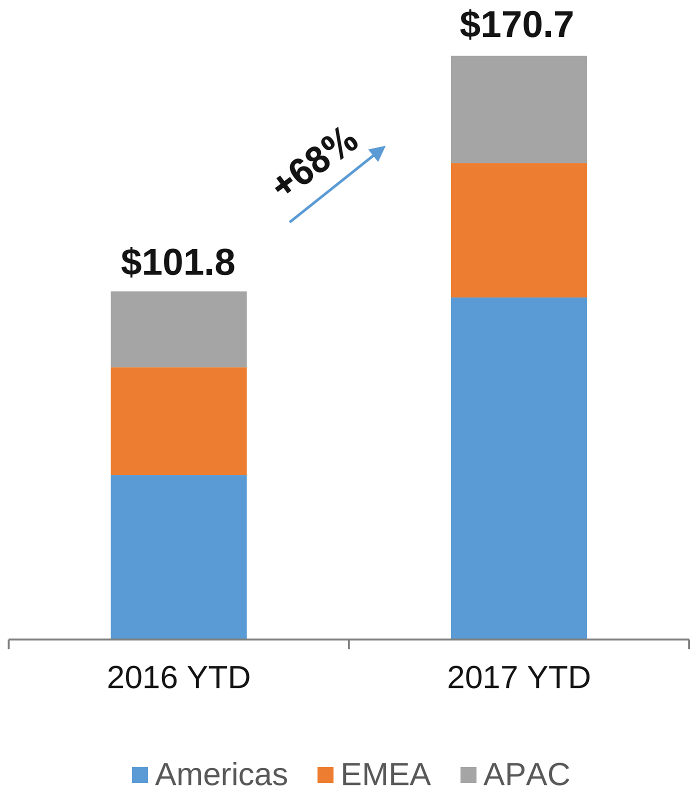
($ in millions)



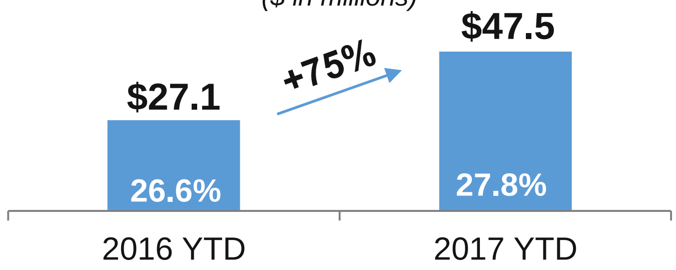
- Includes $27.8 million of Enovation Controls sales
- On a pro forma basis, Enovation Controls realized 44% growth > Q2 2016
  - Increased end market demand
  - Proactive sales initiatives
  - New products
- Profitability consistent with Q1 2017

1H – Consolidated Results

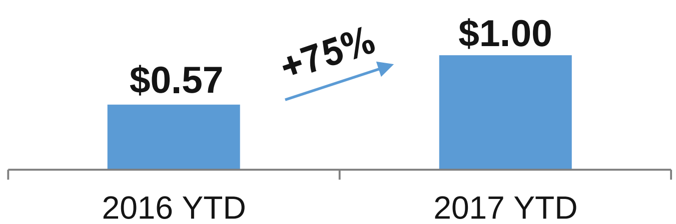
Sales
(in millions)



Adjusted EBITDA & Margin(1)
($ in millions)



Adjusted EPS(2)



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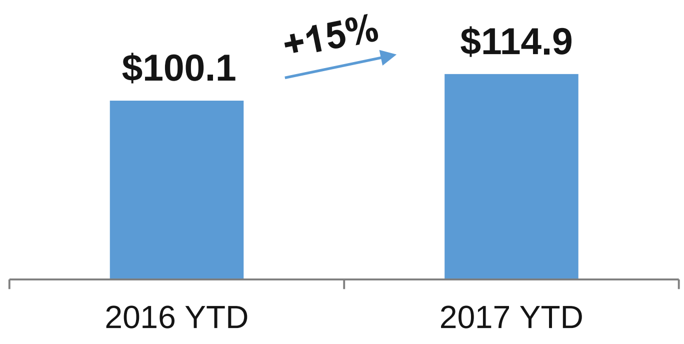
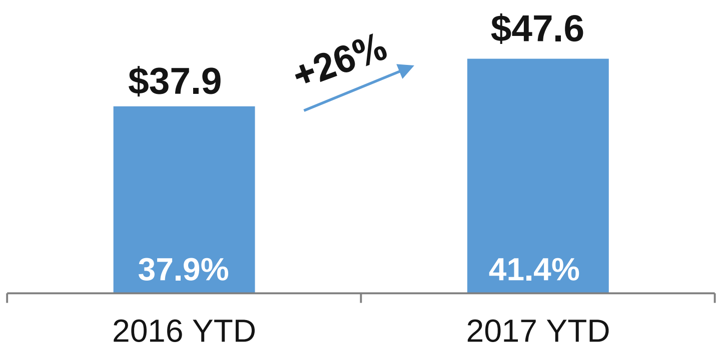
1H – Hydraulics Segment Results

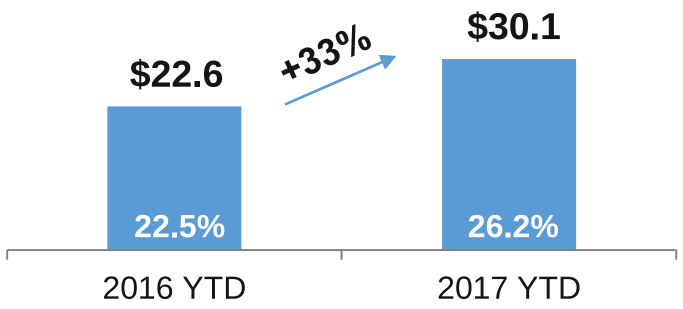
Sales
($ in millions)



Gross Profit and Margin
($ in millions)



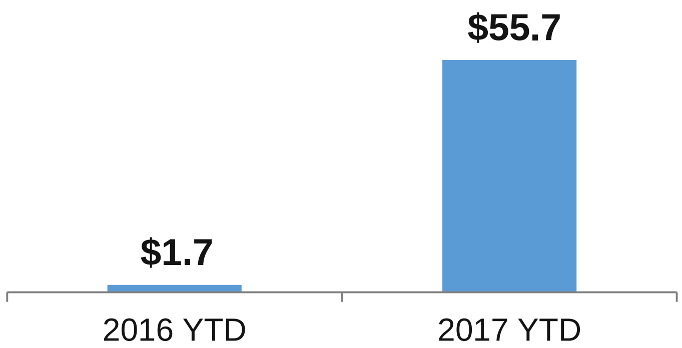
Operating Income and Margin
($ in millions)



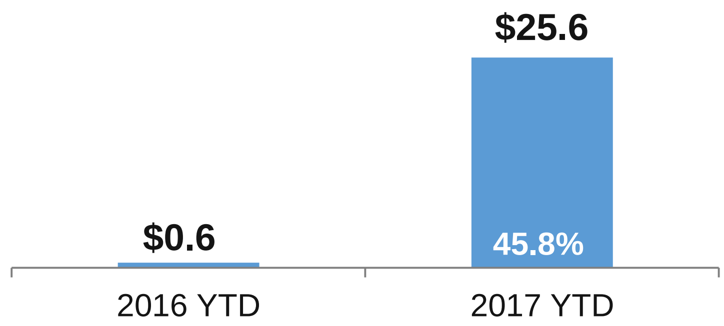
- Sales growth in all geographic regions
  - APAC and Americas up 28% and 14%, respectively
- Growth drivers
  - Increased demand & market expansion
  - Global sales and marketing initiatives
- Profitability benefiting from leverage on higher sales volume and cost reduction activities

1H – Electronics Segment Results

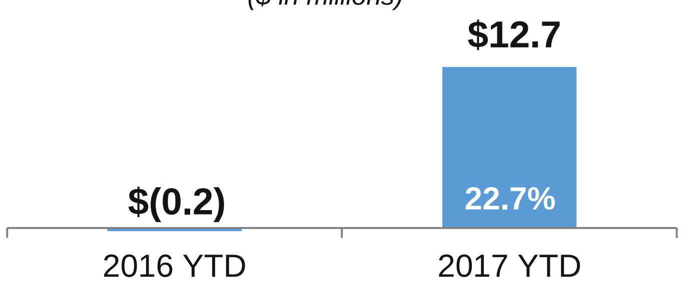
Sales
($ in millions)



Gross Profit and Margin
($ in millions)



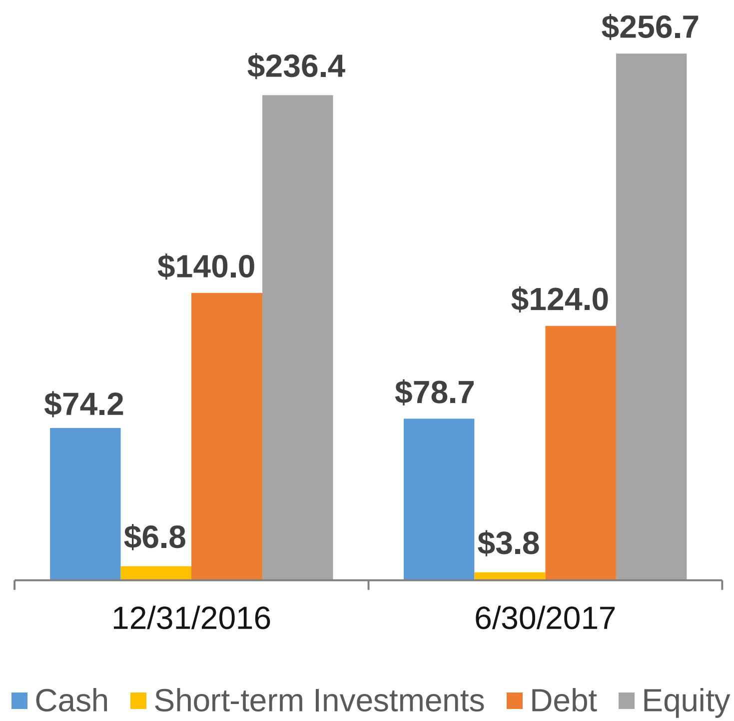
Operating Income and Margin
($ in millions)



- Includes $54.3 million of Enovation Controls sales
- On a pro forma basis, Enovation Controls realized 40% growth > 1H 2016
- Profitability exceeding initial expectations

Capitalization Review

(in millions)



- Generated $21.7 million of cash from operating activities in 1H 2017; $21.9 million for 1H 2016
- $16 million of debt paid down in Q1 2017
  - $176 million available on revolving credit facility at end of Q2, subject to leverage ratios
- Ongoing quarterly dividend anticipated
  - $0.09 per share/quarter

Outlook

Wolfgang H. Dangel

President and Chief Executive Officer

2017 Outlook – Favorable Global Economy

- Leading indicators signal ongoing growth
  - US Industrial Production transitioned to accelerating growth phase
  - US economy – consumer spending accelerates, due to higher wages and high levels of employment
  - Business-to-business spending on the rise
  - Similar trends in global economies, especially Asia
- Construction sector generally expected to expand
- Manufacturing sector growing, driving industrial growth
- Electronics business indicators suggest growth, with some volatility

Source: ITR Economics™ TrendsReport™ July 2017

2017 Outlook, Continued

- Economic policies of the new U.S. Administration continue to be uncertain
- Geo-political risks remain
  - Upcoming 2017 Germany election – September
  - Turkey/Syria
  - Ukraine/Russia
  - North Korea

2017 Guidance

	Current Guidance[1]	Previous Guidance[2]
Consolidated revenue	$315 - $330 million	$295 - $310 million
Hydraulics segment revenue	$215 - $225 million	$205 - $215 million
Electronics segment revenue	$100 - $105 million	$90 - $95 million
Consolidated operating margin	22% - 24%[3]	20% - 22%[3]
Consolidated interest expense, before offsetting interest income	$4.2 - $4.4 million	$4.2 - $4.7 million
Effective tax rate	32% - 34%	32% - 34%
Capital expenditures	$20 - $25 million	$8 - $10 million
Depreciation	$12 - $13 million	$12 - $13 million
Amortization	$8 - $9 million	$8 - $9 million

(1) 2017 current guidance provided as of August 7, 2017
(2) 2017 previous guidance was provided as of May 8, 2017
(3) Operating margin is before acquisition-related amortization of intangibles

sun hydraulics® CORPORATION

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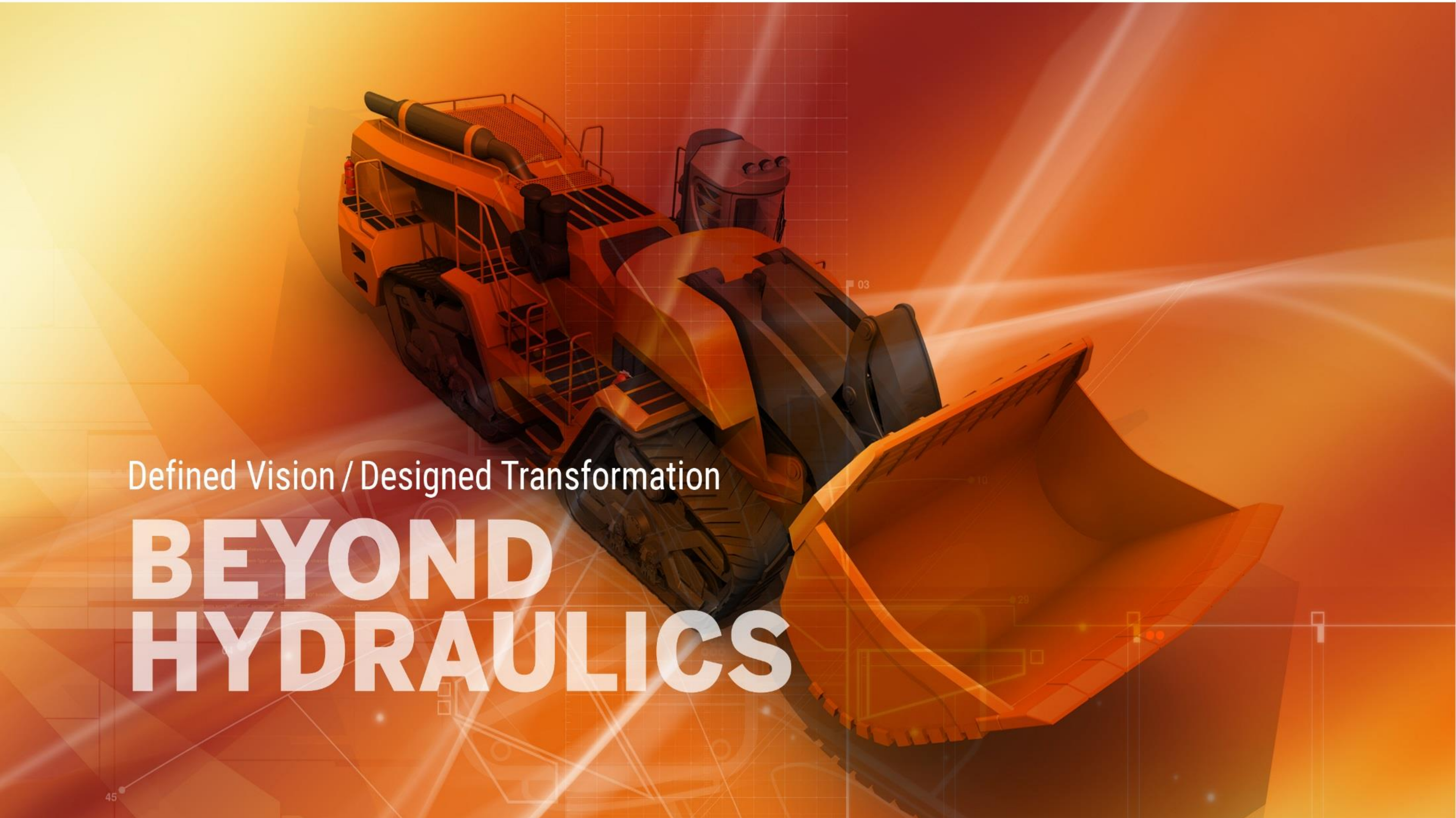

Supplemental Information

Segment Data

(Unaudited)

($ in thousands)

	Three Months Ended		Six Months Ended	
	July 1, 2017	**July 2, 2016**	**July 1, 2017**	**July 2, 2016**
Sales:				
Hydraulics	$ 60,818	$ 49,915	$ 114,940	$ 100,098
Electronics	28,517	894	55,748	1,739
Consolidated	$ 89,335	$ 50,809	$ 170,688	$ 101,837
Gross profit and margin:				
Hydraulics	$ 25,576	$ 18,646	$ 47,599	$ 37,909
	42.1%	*37.4%*	*41.4%*	*37.9%*
Electronics	13,007	307	25,552	585
	45.6%	*34.3%*	*45.8%*	*33.6%*
Corporate and other	-	-	(1,774)	-
Consolidated	$ 38,583	$ 18,953	$ 71,377	$ 38,494
	43.2%	*37.3%*	*41.8%*	*37.8%*
Operating income and margin:				
Hydraulics	$ 16,359	$ 10,642	$ 30,131	$ 22,568
	26.9%	*21.3%*	*26.2%*	*22.5%*
Electronics	6,419	(198)	12,655	(238)
	22.5%	*-22.1%*	*22.7%*	*-13.7%*
Corporate and other	(2,077)	-	(6,301)	-
Consolidated	$ 20,701	$ 10,444	$ 36,485	$ 22,330
	23.2%	*20.6%*	*21.4%*	*21.9%*

Sales by Geographic Region & Segment

(Unaudited)

2017 Sales by Geographic Region and Segment

($ in millions)

	Q1	% of Total	Q2	% of Total	2017	% of Total
Americas:						
Hydraulics	$ 24.7		$ 28.2		$ 52.9	
Electronics	22.6		24.5		47.1	
Consol. Americas	47.3	58%	52.7	59%	100.0	59%
EMEA:						
Hydraulics	17.1		16.6		$ 33.7	
Electronics	3.0		2.6		5.6	
Consol. EMEA	20.1	25%	19.2	22%	39.3	23%
APAC:						
Hydraulics	12.3		16.0		$ 28.3	
Electronics	1.7		1.4		3.1	
Consol. APAC	14.0	17%	17.4	19%	31.4	18%
Total	$ 81.4		$ 89.3		$ 170.7	

2016 Sales by Geographic Region and Segment

($ in millions)

	Q1	% of Total	Q2	% of Total	Q3	% of Total	Q4	% of Total	2016	% of Total
Americas:										
Hydraulics	$ 23.9		$ 22.5		$ 20.6		$ 21.1		$ 88.1	
Electronics	0.8		0.9		0.8		4.2		6.7	
Consol. Americas	24.7	48%	23.4	46%	21.4	47%	25.3	51%	94.8	48%
EMEA:										
Hydraulics	15.7		15.8		14.0		12.8		58.2	
Electronics	-		-		-		0.5		0.5	
Consol. EMEA	15.7	31%	15.8	31%	14.0	31%	13.3	27%	58.7	30%
APAC:										
Hydraulics	10.6		11.6		9.8		11.1		43.2	
Electronics	-		-		-		0.2		0.2	
Consol. APAC	10.6	21%	11.6	23%	9.8	22%	11.3	23%	43.4	22%
Total	$ 51.0		$ 50.8		$ 45.2		$ 49.9		$ 196.9	

Adjusted EBITDA Reconciliation

(Unaudited)

($ in thousands)	Three Months Ended July 1, 2017	Three Months Ended July 2, 2016	Six Months Ended July 1, 2017	Six Months Ended July 2, 2016
Net income	**$ 7,284**	**$ 6,990**	**$ 17,495**	**$ 15,198**
Net interest expense (income)	964	(386)	1,589	(758)
Income taxes	3,620	3,604	8,548	7,591
Depreciation and amortization	4,764	2,507	11,629	5,034
EBITDA	**16,632**	**12,715**	**39,261**	**27,065**
Change in fair value of contingent consideration	8,191	-	8,191	-
Adjusted EBITDA	**$ 24,823**	**$ 12,715**	**$ 47,452**	**$ 27,065**
Adjusted EBITDA margin	*27.8%*	*25.0%*	*27.8%*	*26.6%*

Non-GAAP Financial Measure:

Adjusted EBITDA is defined as consolidated net income before net interest expense/income, income taxes, depreciation and amortization, and acquisition-related contingent consideration. Adjusted EBITDA margin is Adjusted EBITDA divided by sales. Adjusted EBITDA and Adjusted EBITDA margin are not measures determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Sun believes that providing non-GAAP information such as Adjusted EBITDA and Adjusted EBITDA margin are important for investors and other readers of Sun's financial statements, as they are used as analytical indicators by Sun's management to better understand operating performance. Because Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures and are thus susceptible to varying calculations, Adjusted EBITDA and Adjusted EBITDA margin, as presented, may not be directly comparable to other similarly titled measures used by other companies.

Adjusted Net Income Reconciliation

(Unaudited)

($ in thousands)

	Three Months Ended		Six Months Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net income	**$ 7,284**	**$ 6,990**	**$ 17,495**	**$ 15,198**
Acquisiton-related amortization of inventory step-up	-	-	1,774	-
Acquisiton-related amortization of intangibles	2,039	-	4,348	-
Change in fair value of contingent consideration	8,191	-	8,191	-
Tax effect	(3,376)	-	(4,723)	-
Adjusted net income	**$ 14,138**	**$ 6,990**	**$ 27,085**	**$ 15,198**
Adjusted net income per diluted share	**$ 0.52**	**$ 0.26**	**$ 1.00**	**$ 0.57**

Non-GAAP Financial Measure:

Adjusted Net Income is defined as GAAP net income excluding acquisition-related charges. Adjusted Net Income is not a measure determined in accordance with generally accepted accounting principles in the United States, commonly known as GAAP. Nevertheless, Sun believes that providing non-GAAP information such as Adjusted Net Income is important for investors and other readers of Sun's financial statements, as they are used as analytical indicators by Sun's management to better understand operating performance. Because Adjusted Net Income is a non-GAAP measure and is thus susceptible to varying calculations, Adjusted Net Income, as presented, may not be directly comparable to other similarly titled measures used by other companies.