

OMB APPROVAL	
OMB Number: 3235-0060	
Expires:	April 30, 2009
Estimated average burden hours per response	38.0

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 OR 15(d) of  
The Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): March 2, 2009**

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**SUN HYDRAULICS CORPORATION**

(Exact name of registrant as specified in its charter)

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**Florida**  
(State or other jurisdiction  
of incorporation)

**0-21835**  
(Commission File Number)

**59-2754337**  
(IRS Employer  
Identification No.)

**1500 West University Parkway, Sarasota, Florida**  
(Address of principal executive offices)

**34243**  
(Zip Code)

**Registrant's telephone number, including area code 941-362-1200**

(Former name or former address, if changed since last report.)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**Item 2.02. Results of Operations and Financial Condition.**

On March 2, 2009, the Registrant issued the press release attached hereto as Exhibit 99.1 announcing its financial results for the 2008 fiscal year and the fourth fiscal quarter of 2008.

**Item 8.01 Other Events**

On March 2, 2009, the Registrant issued the press release attached hereto as Exhibit 99.1 announcing the declaration of a special shared performance distribution totaling approximately \$4.5 million, consisting of a dividend to shareholders of \$0.09 per share to be paid, in cash, on March 31, 2009, to all shareholders of record on March 15, 2009, and a 9% contribution to Sun's employee retirement accounts.

**Item 9.01. Financial Statements and Exhibits.**

(c) Exhibits.

99.1 Press Release of the Registrant dated March 2, 2009.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

SUN HYDRAULICS CORPORATION

By: /s/ Tricia L. Fulton

Tricia L. Fulton

Chief Financial Officer (Principal Financial and  
Accounting Officer)

Dated: March 2, 2009

**Sun Hydraulics Finishes 2008 with Sales up 7% and Net Income up 16%,  
Announces Shared Distribution Based on 2008 Performance**

SARASOTA, FLA, March 2, 2009 – Sun Hydraulics Corporation (NASDAQ: SNHY) reported financial results for the year and fourth quarter 2008 as follows:

(Dollars in millions except net income per share)

	December 27, 2008	December 29, 2007	Increase/ Decrease
<b>Twelve Months Ended</b>			
Net Sales	\$ 178.3	\$ 167.4	7%
Net Income	\$ 25.7	\$ 22.1	16%
Net Income per share:			
Basic	\$ 1.55	\$ 1.35	15%
Diluted	\$ 1.55	\$ 1.34	16%
<b>Three Months Ended</b>			
Net Sales	\$ 32.9	\$ 41.3	-20%
Net Income	\$ 2.5	\$ 5.1	-51%
Net Income per share:			
Basic	\$ 0.15	\$ 0.31	-52%
Diluted	\$ 0.15	\$ 0.31	-52%

Sun Hydraulics reported significant sales and earnings growth for the first nine months of 2008, leading the way to record sales and earnings. Despite a drastic slowdown in the last three months of the year, 2008 sales were up 7% compared to 2007 and net income was up 16%.

Commenting on the year, Allen Carlson, Sun Hydraulics' president and CEO, said, "Everyone at Sun continues to work hard to exceed our customers' expectations. In 2008, we introduced new products and maintained our industry-leading delivery performance. We are extremely proud of our accomplishments."

Regarding the deteriorating conditions in the fourth quarter, Carlson said, "Business began rapidly slowing in October. Because our book-to-ship cycle is so short, about four weeks, we began to feel the slowdown immediately, and that is reflected in our fourth quarter results."

Carlson, in explaining that this is not the first time the Company has experienced a downturn, said, "We will not stop investing for the future, but will be mindful of the tough economic times. Our focus remains on developing new products and enhancing productivity. We have the resources to do what we believe is necessary to take the next step in our growth."

#### **Shared Distribution**

The Company's Board of Directors voted to again provide a shared distribution to Sun employees and shareholders. Totalling approximately \$4.5 million, the distribution provides a special \$0.09 per share dividend to shareholders and a 9% contribution to Sun's employee retirement accounts. The dividend is payable on March 31, 2009, to shareholder's of record as of March 15, 2009.

"When we announced the concept of a shared distribution last spring, we said we would consider it on an annual basis," commented Ferdinand Megerlin, Sun Hydraulics' Chairman of the Board. "Given our performance in 2008, we felt it was appropriate to reward our employees for their diligent work and our shareholders for their support."

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The employee portion of the shared distribution reduced EPS for the fourth quarter and for the year by \$0.06 per share.

## **Outlook**

The slowdown in business activity that began in October continued in the first two months of 2009. During this slowdown Sun has taken actions to reduce discretionary expenses while continuing to invest in people, processes, equipment, and product development. Sun's 2009 first quarter sales are expected to be approximately \$25 million with net income near breakeven. As in past business cycles, Sun's investments at the bottom of the cycle directly translate into new business and increased market share as the economy recovers and that recovery in the business cycle often happens unannounced and at a rapid pace.

## **Webcast**

Sun Hydraulics Corporation will broadcast its 2008 financial results conference call live over the Internet at 9:00 A.M. E.T. tomorrow, March 3, 2009. To listen to the webcast, go to <http://investor.sunhydraulics.com/eventdetail.cfm?EventID=64991>.

## **Webcast Q&A**

If an individual wishes to ask questions directly during the webcast, the conference call may be accessed by dialing 1-877-397-0250. Questions also may be submitted to the Company via email by going to the Sun Hydraulics website, [www.sunhydraulics.com](http://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](mailto: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](http://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 27, 2008, 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 27, 2008. 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	
	December 27, 2008	December 29, 2007
<b>Net sales</b>	<b>\$ 32,936</b>	<b>\$ 41,289</b>
Cost of sales	24,726	27,943
<b>Gross profit</b>	<b>8,210</b>	<b>13,346</b>
Selling, engineering and administrative expenses	5,536	5,282
<b>Operating income</b>	<b>2,674</b>	<b>8,064</b>
Interest income, net	(293)	(129)
Foreign currency transaction gain, net	(309)	(44)
Miscellaneous expense, net	122	39
<b>Income before income taxes</b>	<b>3,154</b>	<b>8,198</b>
Income tax provision	674	3,071
<b>Net income</b>	<b>\$ 2,480</b>	<b>\$ 5,127</b>
<b>Basic net income per common share</b>	<b>\$ 0.15</b>	<b>\$ 0.31</b>
<b>Weighted average basic shares outstanding</b>	16,647	16,485
<b>Diluted net income per common share</b>	<b>\$ 0.15</b>	<b>\$ 0.31</b>
<b>Weighted average diluted shares outstanding</b>	16,675	16,530
<b>Dividends declared per share</b>	<b>\$ 0.090</b>	<b>\$ 0.090</b>

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

	Twelve Months Ended	
	December 27, 2008	December 29, 2007
<b>Net sales</b>	<b>\$ 178,278</b>	<b>\$ 167,374</b>
Cost of sales	119,161	112,524
<b>Gross profit</b>	<b>59,117</b>	<b>54,850</b>
Selling, engineering and administrative expenses	22,740	21,215
<b>Operating income</b>	<b>36,377</b>	<b>33,635</b>
Interest income, net	(793)	(411)
Foreign currency transaction gain, net	(467)	(42)
Miscellaneous income, net	(92)	(283)
<b>Income before income taxes</b>	<b>37,729</b>	<b>34,371</b>
Income tax provision	11,994	12,240
<b>Net income</b>	<b>\$ 25,735</b>	<b>\$ 22,131</b>
<b>Basic net income per common share</b>	<b>\$ 1.55</b>	<b>\$ 1.35</b>
<b>Weighted average basic shares outstanding</b>	<b>16,603</b>	<b>16,437</b>
<b>Diluted net income per common share</b>	<b>\$ 1.55</b>	<b>\$ 1.34</b>
<b>Weighted average diluted shares outstanding</b>	<b>16,634</b>	<b>16,498</b>
<b>Dividends declared per share</b>	<b>\$ 0.450</b>	<b>\$ 0.337</b>

**SUN HYDRAULICS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	December 27, 2008	December 29, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 35,176	\$ 19,191
Restricted cash	127	146
Accounts receivable, net of allowance for doubtful accounts of \$92 and \$215	12,502	17,029
Inventories	9,960	11,421
Income taxes receivable	1,353	—
Deferred income taxes	259	301
Other current assets	1,290	1,210
Total current assets	60,667	49,298
Property, plant and equipment, net	57,726	56,999
Other assets	3,992	4,483
<b>Total assets</b>	<b>\$ 122,385</b>	<b>\$ 110,780</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,258	\$ 5,668
Accrued expenses and other liabilities	5,546	4,857
Long-term debt due within one year	147	417
Dividends payable	1,499	1,484
Income taxes payable	—	674
Total current liabilities	10,450	13,100
Long-term debt due after one year	125	284
Deferred income taxes	4,871	5,108
Other liabilities	383	406
Total liabilities	15,829	18,898
Shareholders' equity:		
Common stock	17	16
Capital in excess of par value	38,042	34,390
Retained earnings	70,099	51,844
Accumulated other comprehensive income	(1,602)	5,632
Total shareholders' equity	106,556	91,882
<b>Total liabilities and shareholders' equity</b>	<b>\$ 122,385</b>	<b>\$ 110,780</b>



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

	Twelve Months Ended	
	December 27, 2008	December 29, 2007
<b>Cash flows from operating activities:</b>		
Net income	\$ 25,735	\$ 22,131
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,096	6,341
(Gain) loss on disposal of assets	138	(74)
Stock-based compensation expense	896	735
Stock options income tax benefit	(55)	(748)
Allowance for doubtful accounts	(123)	75
Provision for slow moving inventory	102	251
Provision for deferred income taxes	(195)	575
(Increase) decrease in:		
Accounts receivable	4,650	(3,187)
Inventories	1,359	(1,286)
Income taxes receivable	(1,353)	—
Other current assets	(80)	(224)
Other assets, net	465	(310)
Increase (decrease) in:		
Accounts payable	(2,410)	856
Accrued expenses and other liabilities	2,944	2,184
Income taxes payable	(619)	814
Other liabilities	(23)	108
Net cash from operating activities	<u>38,527</u>	<u>28,241</u>
<b>Cash flows used in investing activities:</b>		
Investment in High Country Tek, Inc.	—	(2,375)
Capital expenditures	(10,874)	(12,591)
Proceeds from dispositions of equipment	99	192
Net cash used in investing activities	<u>(10,775)</u>	<u>(14,774)</u>
<b>Cash flows used in financing activities:</b>		
Repayment of debt	(416)	(371)
Proceeds from exercise of stock options	87	287
Stock options income tax benefit	55	748
Proceeds from stock issued	359	272
Dividends to shareholders	(7,465)	(5,167)
Net cash used in financing activities	<u>(7,380)</u>	<u>(4,231)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(4,406)</u>	<u>604</u>
Net (decrease) increase in restricted cash	(19)	28
Net increase in cash and cash equivalents	<u>15,985</u>	<u>9,812</u>
<b>Cash and cash equivalents, beginning of period</b>	<b><u>19,337</u></b>	<b><u>9,497</u></b>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 35,303</u></b>	<b><u>\$ 19,337</u></b>
Supplemental disclosure of cash flow information:		
Cash paid:		
Interest	\$ 31	\$ 51
Income taxes	\$ 14,216	\$ 11,599
Supplemental disclosure of noncash transactions:		
Common stock issued to ESOP through accrued expenses and other liabilities	\$ 2,255	\$ 1,386

	<u>United States</u>	<u>Korea</u>	<u>Germany</u>	<u>United Kingdom</u>	<u>Elimination</u>	<u>Consolidated</u>
<b>Three Months Ended December 27, 2008</b>						
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
<b>Three Months Ended December 29, 2007</b>						
Sales to unaffiliated customers	\$ 25,142	\$ 4,671	\$ 5,434	\$ 6,042	\$ —	\$ 41,289
Intercompany sales	6,629	—	27	478	(7,134)	—
Operating income	5,641	345	1,351	676	51	8,064
Depreciation and amortization	1,167	49	153	316	—	1,685
Capital expenditures	1,664	20	73	1,386	—	3,143
<b>Twelve Months Ended December 27, 2008</b>						
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
<b>Twelve Months Ended December 29, 2007</b>						
Sales to unaffiliated customers	\$ 99,516	\$20,567	\$24,164	\$23,127	\$ —	\$ 167,374
Intercompany sales	30,344	—	142	2,621	(33,107)	—
Operating income	22,408	2,103	5,955	3,205	(36)	33,635
Depreciation and amortization	4,488	178	556	1,119	—	6,341
Capital expenditures	9,339	284	125	2,843	—	12,591