

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

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 4, 2003

SUN HYDRAULICS CORPORATION

(Exact name of registrant as specified in its charter)

Florida

0-21835

59-2754337

(State or other jurisdiction of incorporation)

(Commission File Number)

(IRS Employer Identification No.)

1500 West University Parkway
Sarasota, Florida

34243

(Address of principal executive
offices)

(Zip Code)

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

Item 5. Other Events

On March 4, 2003, the Registrant issued the press release attached hereto as Exhibit 99.1 announcing an increase in net income for 2002 and a \$0.04 per share dividend on its common stock payable on April 15, 2003, to shareholders of record on March 31, 2003.

Item 7. Financial Statements and Exhibits

- (a) Financial Statements of Businesses Acquired.

None.

- (b) Pro Forma Financial Information.

None.

- (c) Exhibits.

Exhibit Number	Exhibit Description
99.1	Press Release of the Registrant dated March 4, 2003.

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/ Richard J. Dobbyn

Richard J. Dobbyn
Chief Financial Officer (Principal
Financial and Accounting Officer)

Dated: March 5, 2003

EXHIBIT 99.1

Contact:

Richard K. Arter
Investor Relations
941-362-1200

Richard J. Dobbyn
Chief Financial Officer
941-362-1200

Sun Hydraulics Corporation Reports Increase in Net Income for 2002

Declares dividend of \$0.04 for First Quarter of 2003

SARASOTA, FLA, March 4, 2003 - Sun Hydraulics Corporation (NASDAQ: SNHY) today announced that net income for 2002 was \$1.8 million, or 2.8% of net sales, compared to \$1.0 million, or 1.5% of net sales, for 2001. Net sales for 2002 were \$64.5 million, compared to \$65.0 million the prior year. Basic and diluted earnings per share for the year ended December 28, 2002, were \$0.28 and \$0.27 respectively, compared to \$0.15 and \$0.14 for the year ended December 29, 2001.

Economic conditions remain depressed in the hydraulics industry and the capital goods markets. Compared to the prior year, sales in 2002 were made up of increases in the German and Korean operations offset by sales decreases in the United States and United Kingdom.

The increase in net income is primarily due to an improvement in gross profit as a percent of net sales related to an increase in productivity and lower manufacturing overhead spending in the United States, and the strength of local currencies relative to the U.S. dollar in the foreign operations.

Commenting on the results, Allen Carlson, Sun Hydraulics' president, said, "We are pleased with the productivity improvement in the U. S. operations, however the impact was muted in 2002 by our decision to retain the investment in our production workforce. I think the results prove that the many manufacturing productivity improvements we have made during the past two years will result in substantially increased margins as our sales volumes grow."

Strong Cash Flow

Cash generated from operations for 2002 was \$7.5 million. \$5.9 million was used for capital expenditures, debt decreased \$1.1 million and \$1.0 million was paid in dividends to shareholders. Cash on hand at the end of the year was \$4.0 million, an increase of \$0.3 million for the year.

Fourth Quarter

For the fourth quarter of 2002, net sales increased 15.7% to \$15.5 million, compared to fourth quarter 2001 net sales of \$13.4 million. Net income for the fourth quarter of 2002 was \$0.4 million, compared to a net loss of \$0.7 million for the fourth quarter of 2001. Basic and diluted earnings per share for the fourth quarter 2002 were \$0.06 compared to a loss per share of \$0.10 for the same period last year.

Expansion in the Midwest

On February 24, 2003, Sun Hydraulics announced its intention to open an operation in the Kansas City area. Sun anticipates that this operation will increase its market share of engineered valve packages, which are composed of Sun cartridges and custom manifolds. It will also give the Company a local source for both larger aluminum and ductile iron manifolds.

Outlook

Management is unable to make a meaningful projection of sales for the year due to the uncertainty in global economic conditions. Results for the first quarter of 2003 are expected to approximate the first quarter of 2002, which were \$15.6 million in net sales and earnings per share of \$0.02.

Dividend

Sun Hydraulics Corporation declared a \$0.04 per share quarterly dividend on its common stock on March 1, 2003. The dividend is payable on April 15, 2003, to shareholders of record as of March 31, 2003.

Webcast

Sun Hydraulics Corporation will broadcast its 4th quarter and 2002 year end financial results conference call with analysts live over the Internet at 2:30 P.M. E.T., tomorrow, March 5, 2003. To listen, go to <http://investor.sunhydraulics.com/medialist.cfm>.

Webcast Q&A

Questions may be submitted to the Company via email after reviewing this earnings release. Sun management will then answer these and other questions during the Company's webcast.

Questions can be submitted by going to the Sun Hydraulics website, www.sunhydraulics.com, and clicking on Investor Relations on the left hand 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 Hydraulics will answer as many legitimate questions pertaining to the 4th Quarter/Year End earnings release as possible during the webcast time.

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

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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, 28, 2002, 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 28, 2002. 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.

* Please see attached document for financial information.

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SUN HYDRAULICS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED		TWELVE MONTHS ENDED			
	DECEMBER 28, 2002	DECEMBER 29, 2001	DECEMBER 28, 2002	DECEMBER 29, 2001		
<S>	<C>	<C>	<C>	<C>		
NET SALES	\$ 15,476	\$ 13,361	\$64,545	\$ 64,983		
COST OF SALES	11,779	11,552	48,581	50,358		
GROSS PROFIT	3,697	1,809	15,964	14,625		
SELLING, ENGINEERING AND ADMINISTRATIVE EXPENSES			3,071	2,758	12,544	12,565
OPERATING INCOME (LOSS)		626	(949)	3,420	2,060	
INTEREST EXPENSE		123	203	578	878	
FOREIGN CURRENCY TRANSACTION LOSS (GAIN)			(8)	(64)	68	(34)
MISCELLANEOUS EXPENSE (INCOME)			88	8	182	(96)
INCOME (LOSS) BEFORE INCOME TAXES		423	(1,096)	2,592	1,312	
INCOME TAX PROVISION (BENEFIT)		55	(434)	814	362	
NET INCOME (LOSS)	\$ 368	\$ (662)	\$ 1,778	\$ 950		
BASIC NET INCOME (LOSS) PER SHARE	0.06	(0.10)	0.28	0.15		
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING			6,433	6,416	6,433	6,392
DILUTED NET INCOME (LOSS) PER SHARE	0.06	(0.10)	0.27	0.14		
DILUTED WEIGHTED AVERAGE SHARE OUTSTANDING			6,602	6,572	6,589	6,554

CONSOLIDATED BALANCE SHEETS (IN THOUSANDS)

<TABLE>
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DECEMBER 28, 2002 DECEMBER 29, 2001
----- -----

<u><S></u>	<u><C></u>	<u><C></u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,958	\$ 3,611
Accounts receivable, net of allowance for doubtful accounts of \$194 and \$195	5,690	4,755
Inventories	6,846	7,238
Taxes Receivable	0	668
Other current assets	810	985
	-----	-----
Total current assets	17,304	17,257
Property, plant and equipment, net	43,987	43,555
Other assets	994	938
	-----	-----
TOTAL ASSETS	\$ 62,285	\$ 61,750
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,706	\$ 1,323
Accrued expenses and other liabilities	1,081	1,494
Long-term debt due after one year	1,421	1,405
Dividends payable	258	257
Income taxes payable	10	0
	-----	-----
Total current liabilities	4,476	4,479
Long-term debt due after one year	8,190	9,258
Deferred income taxes	4,092	3,848
Deferred royalties	378	427
	-----	-----
Total liabilities	17,136	18,012
Redeemable Common Stock	2,250	--
Shareholders' equity:		
Common stock	6	6
Capital in excess of par value	22,690	24,718
Unearned compensation related to outstanding restricted stock	(170)	(216)
Retained earnings	19,750	19,001
Accumulated comprehensive income	623	229
	-----	-----
Total shareholders' equity	42,899	43,738
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 62,285	\$ 61,750
	=====	=====

</TABLE>

CONSOLIDATED STATEMENT OF CASH FLOWS
(in thousands)

<TABLE>
<CAPTION>

FOR THE YEAR ENDED
DECEMBER 28, DECEMBER 29,
2002 2001

<u><S></u>	<u><C></u>	<u><C></u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,778	\$ 950
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,100	5,426
Gain/(Loss) on disposal of assets	190	(2)

Compensation expense of stock options	--	--		
Allowance for doubtful accounts	(1)	32		
Provision for slow moving inventory	(101)	314		
Provision for deferred income taxes	244	(258)		
(Increase) decrease in:				
Accounts receivable	(934)	1,325		
Inventories	493	1,481		
Income tax receivable	668	(668)		
Other current assets	175	(449)		
Other assets, net	(56)	30		
Increase (decrease) in:				
Accounts payable	383	(464)		
Accrued expenses and other liabilities	(413)	(91)		
Dividends payable	1	2		
Income taxes payable	10	(315)		
Other liabilities	(49)	(51)		
	-----	-----		
Net cash from operating activities		7,488	7,262	
CASH FLOWS USED IN INVESTING ACTIVITIES:				
Capital expenditures	(5,870)	(4,022)		
Proceeds from dispositions of equipment		148	70	
	-----	-----		
Net cash used in investing activities		(5,722)	(3,952)	
CASH FLOWS USED IN FINANCING ACTIVITIES:				
Proceeds from debt	--	571		
Repayment of debt	(1,052)	(1,920)		
Proceeds from exercise of stock options		17	--	
Proceeds from stock issued		251	16	
Dividends to shareholders	(1,029)	(1,022)		
	-----	-----		
Net cash used in financing activities		(1,813)	(2,355)	
Effect of exchange rate changes on cash and cash equivalents	394	(42)		
Net increase (decrease) in cash and cash equivalents		347	913	
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD			3,611	2,698
CASH AND CASH EQUIVALENTS, END OF PERIOD			3,958	3,611
Supplemental disclosure of cash flow information:				
Cash paid/(received):				
Interest	\$ 578	\$ 878		
Income taxes	\$ (108)	\$ 1,603		

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