

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):  
May 6, 2003

SUN HYDRAULICS CORPORATION

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(Exact name of registrant as specified in its charter)

Florida

0-21835

59-2754337

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(State or other jurisdiction of incorporation)

(Commission File Number)

(IRS Employer Identification No.)

1500 West University Parkway  
Sarasota, Florida

34243

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(Address of principal executive offices)

(Zip Code)

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

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**Item 12. Results of Operations and Financial Condition.**

On May 6, 2003, the Registrant issued the press release attached hereto as Exhibit 99.1 announcing its first quarter financial results.

**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

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

Dated: May 6, 2003

## EXHIBIT 99.1

### Sun Hydraulics Corporation Reports First Quarter Results Orders Trend Rising

SARASOTA, FLA, May 6, 2003 - Sun Hydraulics Corporation (NASDAQ: SNHY) today announced that net sales for the quarter ended March 29, 2003, were \$16.4 million, an increase of \$0.9 million, or 5.8%, from the previous quarter, and an increase of \$0.8 million, or 5.2%, compared to the same quarter last year. Net income for the quarter ended March 29, 2003 was \$0.3 million, or 1.6% of net sales, compared to \$0.1 million, or 0.8% of net sales for the same quarter last year. Both basic and diluted earnings per share for the quarter ended March 29, 2003, were \$0.04 compared to \$0.02 for the quarter ended March 30, 2002.

The 5.2% increase in net sales this quarter compared to the same quarter last year consisted of a 2.1% increase in domestic sales and a 7.8% increase in foreign sales. Worldwide net sales decreased approximately 2% when adjusted for the effect of exchange rates, reflecting continued softness in the capital goods markets.

Allen Carlson, Sun Hydraulics' president commented, "Sun's global presence continues to bolster the bottom line as our German and Korean operations contributed heavily to net income this quarter."

### Order Trend Improves

Orders for the three months ended March 29, 2003, were \$18.2 million. This was a \$1.5 million, or 8.9%, increase from the three months ended March 30, 2002, and a \$2.9 million, or 19.1%, increase compared to the previous quarter. The 8.8% increase from the first quarter last year included a 1.2% decrease in domestic orders and a 20.6% increase in international orders.

### Outlook

The financial results for the second quarter of 2003 are projected to be similar to the second quarter of 2002 when net income per share was \$0.12 and sales were \$17.4 million. Management is unable to make a meaningful projection of sales for the year due to the uncertainty in global economic conditions.

Carlson concluded, "For the next few years Sun's capital investment levels will be lower than in past years. However, we will increase our marketing investments in both the U.S. and abroad. Our past capital investments have positioned us to meet customer demand as we grow and I believe we are beginning to see the early stages of an economic recovery. We will take advantage of the recovery while at the same time grow new markets."

### Webcast

Sun Hydraulics Corporation will broadcast its 1st quarter financial results conference call with analysts live over the Internet at 2:30 P.M. E.T.,

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tomorrow, May 7, 2003. To listen, go to <http://investor.sunhydraulics.com/medialist.cfm>. A copy of this earnings release is posted on the Investor Relations page of our website under "Press Releases."

### 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](http://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](mailto: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 1st quarter 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](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,

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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 March 29, 2003, 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 the attached file for tables.

Contact:  
Richard K. Arter  
Investor Relations  
941-362-1200

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

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

	THREE MONTHS ENDED	
	MARCH 29, 2003	MARCH 30, 2002
NET SALES	\$ 16,425	\$ 15,613
Cost of sales	12,347	11,921
GROSS PROFIT	4,078	3,692
Selling, engineering and administrative expenses	3,620	3,309
OPERATING INCOME (LOSS)	458	383
Interest expense	140	166
Foreign currency transaction loss (gain)	(61)	(8)
Miscellaneous expense (income)	5	25
INCOME (LOSS) BEFORE INCOME TAXES	374	200
Income tax provision (benefit)	118	72
NET INCOME (LOSS)	\$ 256	\$ 128
BASIC NET INCOME (LOSS) PER SHARE	0.04	0.02
Basic weighted average shares outstanding	6,448	6,425
DILUTED NET INCOME (LOSS) PER SHARE	0.04	0.02
Diluted weighted average share outstanding	6,563	6,578

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CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS)

	MARCH 29, 2003	DECEMBER 28, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,946	\$ 3,958
Accounts receivable, net of allowance for doubtful accounts of \$179 and \$194	6,924	5,690
Inventories	6,271	6,846
Taxes Receivable	0	0
Other current assets	727	810
Total current assets	17,868	17,304

Property, plant and equipment, net	43,208	43,987	
Other assets	1,018	994	
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TOTAL ASSETS	\$ 62,094	\$ 62,285	
	=====	=====	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 2,036	\$ 1,706	
Accrued expenses and other liabilities	1,402	1,081	
Long-term debt due within one year	1,439	1,421	
Dividends payable	258	258	
Income taxes payable	103	10	
	-----	-----	
Total current liabilities	5,238	4,476	
Long-term debt due after one year	7,938	8,190	
Deferred income taxes	4,076	4,092	
Deferred royalties	365	378	
	-----	-----	
Total liabilities	17,617	17,136	
Redeemable Common Stock	2,250	2,250	
Shareholders' equity:			
Common stock	6	6	
Capital in excess of par value	22,553	22,690	
Unearned compensation related to outstanding restricted stock	(138)	(170)	
Retained earnings	19,886	19,750	
Accumulated comprehensive income		(80)	623
	-----	-----	
Total shareholders' equity	42,227	42,899	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 62,094	\$ 62,285	
	=====	=====	

CONSOLIDATED STATEMENT OF CASH FLOWS  
(IN THOUSANDS)

	THREE MONTHS ENDED	
	-----	-----
	MARCH 29,	MARCH 30,
	2003	2002
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 256	\$ 128
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,316	1,320
Gain/(Loss) on disposal of assets	--	41
Compensation expense of stock options	--	--
Allowance for doubtful accounts	(15)	(27)
Provision for slow moving inventory	--	--
Provision for deferred income taxes	(16)	(4)
(Increase) decrease in:		
Accounts receivable	(1,219)	(2,158)
Inventories	575	(99)
Income tax receivable	--	668
Other current assets	83	222
Other assets, net	(24)	(47)
Increase (decrease) in:		
Accounts payable	330	519
Accrued expenses and other liabilities	321	89
Dividends payable	--	--
Income taxes payable	93	6

Other liabilities	(13)	(12)		
	-----	-----		
Net cash from operating activities		1,687	646	
CASH FLOWS USED IN INVESTING ACTIVITIES:				
Capital expenditures	(538)	(1,452)		
Proceeds from dispositions of equipment		1	11	
	-----	-----		
Net cash used in investing activities		(537)	(1,441)	
CASH FLOWS USED IN FINANCING ACTIVITIES:				
Proceeds from debt	--	--		
Repayment of debt	(234)	(427)		
Proceeds from stock issued	33	142		
Dividends to shareholders	(258)	(257)		
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Net cash used in financing activities		(459)	(542)	
Effect of exchange rate changes on cash and cash equivalents	(703)	96		
Net increase (decrease) in cash and cash equivalents		(12)	(1,241)	
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		3,958	3,611	
CASH AND CASH EQUIVALENTS, END OF PERIOD		3,946	2,370	
Supplemental disclosure of cash flow information:				
Cash paid/(received):				
Interest	\$ 140	\$ 166		
Income taxes	\$ 41	\$ (598)		

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SEGMENT INFORMATION IS AS FOLLOWS:

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	United States	Korea	United Germany	United Kingdom	Elimination	Consolidated
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<S>	<C>	<C>	<C>	<C>	<C>	<C>
THREE MONTHS ENDED MARCH 29, 2003						
Sales to unaffiliated customers	\$10,114	\$ 1,532	\$ 2,266	\$ 2,513	\$ --	\$16,425
Intercompany sales	2,955	--	7	342	(3,304)	--
Operating income	133	127	256	(128)	70	458
Depreciation	925	29	91	271	--	1,316
Capital expenditures	325	28	29	156	--	538
THREE MONTHS ENDED MARCH 30, 2002						
Sales to unaffiliated customers	\$ 9,734	\$ 1,563	\$ 1,726	\$ 2,590	\$ --	\$15,613
Intercompany sales	3,050	--	6	489	(3,545)	--
Operating income	15	79	104	245	(60)	383
Depreciation and amortization	1,044	30	71	175	--	1,320
Capital expenditures	477	26	12	938	--	1,453

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