

OMB APPROVAL

OMB Number: 3235-0060
Expires: March 31, 2006
Estimated average burden
hours per response

**UNITED STATES
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): August 9, 2005

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

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

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))
-
-

Item 2.02. Results of Operations and Financial Condition.

On August 9, 2005, the Registrant issued the press release attached hereto as Exhibit 99.1, announcing its earnings and sales results for the second quarter of 2005.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

99.1 Press Release of the Registrant dated August 9, 2005.

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: August 9, 2005

Sun Hydraulics Corporation Reports Increased Second Quarter Earnings and Sales

SARASOTA, FLA, August 9, 2005 — Sun Hydraulics Corporation (NASDAQ: SNHY) reported financial results for the second quarter 2005 as follows:

(Dollars in millions except net income per share)

	July 2, 2005	June 26, 2004	Increase
Three Months Ended			
Net Sales	\$ 31.0	\$ 26.5	17%
Net Income	\$ 3.5	\$ 2.6	35%
Net Income per share (1):			
Basic	\$ 0.33	\$ 0.25	32%
Fully Diluted	\$ 0.32	\$ 0.25	28%
Six Months Ended			
Net Sales	\$ 60.1	\$ 47.9	25%
Net Income	\$ 7.0	\$ 3.9	79%
Net Income per share (1):			
Basic	\$ 0.65	\$ 0.39	66%
Fully Diluted	\$ 0.65	\$ 0.38	71%

(1) The Company announced a 50% stock dividend to shareholders of record on June 30, 2005, payable on July 15, 2005. Prior to the stock dividend, the Company estimated net income for the second quarter to be between \$0.45 and \$0.48 per share. With the effect of the stock dividend, forecasted net income for the second quarter would have been between \$0.30 and \$0.32. All earnings per share and weighted average share information reflect the 50% stock dividend.

“Business conditions in the second quarter helped produce strong sales and record earnings,” said Allen Carlson, Sun Hydraulics’ president and CEO. “Our earnings continue to be bolstered by the high level of productivity throughout the company. Revenues continue to grow, being driven by our delivery performance, the Sun website, our global channel partners, sales of valve packages and our electrically actuated cartridges.”

“Last month we secured an equity position in WhiteOak Controls, which designs and produces complementary electronic control products,” Carlson continued. “We are working together with WhiteOak to develop electronic products that will enhance our next generation of valve package offerings.”

“We are pleased that our performance has resulted in our inclusion in this year’s Russell 2000® Index,” Carlson concluded. “This helps improve the visibility of Sun Hydraulics as an attractive long-term investment to the investment community.”

Outlook

The Company estimates sales for the third quarter to be \$28 million, a 20% increase over the third quarter last year. Net income is forecasted to be between \$0.24 and \$0.27 per share, compared to \$0.18 per share in the third quarter last year.

Webcast

Sun Hydraulics Corporation will broadcast its second quarter financial results conference call live over the Internet at 2:30 P.M. E.T. tomorrow, August 10, 2005. To listen to the webcast, 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, 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 management will then answer these and other questions during the Company's webcast. If an individual wishes to ask questions directly during the webcast, the conference call may be accessed by dialing 1-800-406-5356.

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 cyclicalities 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 April 2, 2005, 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 25, 2004. 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	
	July 2, 2005 (unaudited)	June 26, 2004 (unaudited)
Net sales	\$ 31,014	\$ 26,522
Cost of sales	20,928	18,136
Gross profit	10,086	8,386
Selling, engineering and administrative expenses	4,524	4,196
Operating income	5,562	4,190
Interest expense	147	134
Foreign currency transaction gain	(145)	(31)
Miscellaneous (income)/expense, net	(23)	(30)
Income before income taxes	5,583	4,117
Income tax provision	2,047	1,526
Net income	\$ 3,536	\$ 2,591
Basic net income per common share (1)	\$ 0.33	\$ 0.25
Weighted average basic shares outstanding (1)	10,873	10,170
Diluted net income per common share (1)	\$ 0.32	\$ 0.25
Weighted average diluted shares outstanding (1)	10,975	10,250
Dividends declared per share	\$ 0.050	\$ 0.050

(1) The Company announced a 50% stock dividend to shareholders of record on June 30, 2005, payable on July 15, 2005. Prior to the stock dividend, the Company estimated net income for the second quarter to be between \$0.45 and \$0.48 per share. With the effect of the stock dividend, forecasted net income for the second quarter would have been between \$0.30 and \$0.32. All earnings per share and weighted average share information reflect the 50% stock dividend.

Sun Hydraulics Corporation
Consolidated Statements of Operations
(in thousands, except per share data)

	Six months ended	
	July 2, 2005 (unaudited)	June 26, 2004 (unaudited)
Net sales	\$ 60,093	\$ 47,912
Cost of sales	40,254	33,221
Gross profit	19,839	14,691
Selling, engineering and administrative expenses	8,743	8,260
Operating income	11,096	6,431
Interest expense	283	282
Foreign currency transaction gain	(257)	(33)
Miscellaneous (income)/expense, net	(32)	(17)
Income before income taxes	11,102	6,199
Income tax provision	4,100	2,251
Net income	\$ 7,002	\$ 3,948
Basic net income per common share (1)	\$ 0.65	\$ 0.39
Weighted average basic shares outstanding (1)	10,750	10,154
Diluted net income per common share (1)	\$ 0.65	\$ 0.38
Weighted average diluted shares outstanding (1)	10,847	10,310
Dividends declared per share	\$ 0.125	\$ 0.090

(1) The Company announced a 50% stock dividend to shareholders of record on June 30, 2005, payable on July 15, 2005. Prior to the stock dividend, the Company estimated net income for the second quarter to be between \$0.45 and \$0.48 per share. With the effect of the stock dividend, forecasted net income for the second quarter would have been between \$0.30 and \$0.32. All earnings per share and weighted average share information reflect the 50% stock dividend.

Sun Hydraulics Corporation
Consolidated Balance Sheets
(in thousands, except share data)

	<u>July 2, 2005</u> (unaudited)	<u>December 25, 2004</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,051	\$ 9,300
Restricted cash	425	462
Accounts receivable, net of allowance for doubtful accounts of \$163 and \$170	11,490	8,611
Inventories	7,852	7,105
Deferred income taxes	392	392
Other current assets	1,166	776
Total current assets	35,376	26,646
Property, plant and equipment, net	43,187	43,687
Other assets	1,767	1,475
Total assets	\$ 80,330	\$ 71,808
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 3,842	\$ 2,536
Accrued expenses and other liabilities	4,513	4,609
Long-term debt due within one year	1,003	1,058
Dividends payable	545	522
Taxes payable	695	1,198
Total current liabilities	10,598	9,923
Long-term debt due after one year	10,548	11,196
Deferred income taxes	4,984	4,986
Other noncurrent liabilities	290	300
Total liabilities	26,420	26,405
Commitments and contingencies	—	—
Shareholders' equity:		
Preferred stock, 2,000,000 shares authorized, par value \$0.001, no shares outstanding	—	—
Common stock, 20,000,000 shares authorized, par value \$0.001, 10,889,531 and 10,441,920 shares outstanding	11	10
Capital in excess of par value	32,566	28,579
Unearned compensation related to outstanding restricted stock	(457)	(608)
Retained earnings	19,780	13,867
Accumulated other comprehensive income	2,010	3,566
Treasury stock	—	(11)
Total shareholders' equity	53,910	45,403
Total liabilities and shareholders' equity	\$ 80,330	\$ 71,808

Sun Hydraulics Corporation
Consolidated Statements of Cash Flows
(in thousands)

	Six Months ended	
	July 2, 2005 (unaudited)	June 26, 2004 (unaudited)
Cash flows from operating activities:		
Net income	\$ 7,002	\$ 3,948
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,779	2,687
Loss on disposal of assets	7	43
Provision for deferred income taxes	(2)	(87)
Allowance for doubtful accounts	(7)	11
Stock-based compensation expense	165	130
(Increase) decrease in:		
Accounts receivable	(2,872)	(3,466)
Inventories	(747)	(92)
Other current assets	(390)	(85)
Other assets	108	66
Increase (decrease) in:		
Accounts payable	1,306	213
Accrued expenses and other liabilities	962	1,572
Taxes payable	108	1,065
Other liabilities	(10)	(25)
Net cash provided by operating activities	8,409	5,980
Cash flows from investing activities:		
Equity method investment	(400)	—
Capital expenditures	(3,638)	(2,478)
Proceeds from dispositions of equipment	1	19
Net cash used in investing activities	(4,037)	(2,459)
Cash flows from financing activities:		
Repayment of debt	(703)	(3,422)
Proceeds from exercise of stock options	2,273	1,173
Proceeds from stock issued	69	—
Payments for purchase of treasury stock	(27)	(558)
Proceeds from reissuance of treasury stock	—	48
Dividends to shareholders	(1,065)	(540)
Net cash provided by (used in) financing activities	547	(3,299)
Effect of exchange rate changes on cash and cash equivalents	(205)	269
Net increase in cash and cash equivalents	4,714	491
Cash and cash equivalents, beginning of period	9,762	5,219
Cash and cash equivalents, end of period	\$ 14,476	\$ 5,710
Supplemental disclosure of cash flow information:		
Cash paid:		
Interest	\$ 283	\$ 282
Income taxes	\$ 4,605	\$ 1,273

	<u>United States</u>	<u>Korea</u>	<u>Germany</u>	<u>United Kingdom</u>	<u>Elimination</u>	<u>Consolidated</u>
Three Months						
Ended July 2, 2005						
Sales to unaffiliated customers	\$19,557	\$ 3,251	\$ 4,097	\$ 4,109	\$ —	\$ 31,014
Intercompany sales	5,573	—	20	745	(6,338)	—
Operating income	3,862	467	915	334	(16)	5,562
Depreciation	985	38	110	256	—	1,389
Capital expenditures	1,457	2	33	608	—	2,100

Three Months						
Ended June 26, 2004						
Sales to unaffiliated customers	\$16,972	\$ 2,548	\$ 3,473	\$ 3,529	\$ —	\$ 26,522
Intercompany sales	4,195	—	21	480	(4,696)	—
Operating income	2,949	310	696	238	(3)	4,190
Depreciation	955	33	110	263	—	1,361
Capital expenditures	1,239	3	36	232	—	1,510

Six Months						
Ended July 2, 2005						
Sales to unaffiliated customers	\$37,703	\$ 5,917	\$ 8,179	\$ 8,294	\$ —	\$ 60,093
Intercompany sales	11,435	—	42	1,348	(12,825)	—
Operating income	7,734	798	2,089	652	(177)	11,096
Depreciation	1,962	75	219	523	—	2,779
Capital expenditures	2,832	7	94	705	—	3,638

Six Months						
Ended June 26, 2004						
Sales to unaffiliated customers	\$29,889	\$ 4,844	\$ 6,470	\$ 6,709	\$ —	\$ 47,912
Intercompany sales	7,918	—	33	835	(8,786)	—
Operating income	4,439	574	1,222	204	(8)	6,431
Depreciation	1,874	67	210	536	—	2,687
Capital expenditures	2,038	8	66	366	—	2,478