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</TABLE>

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Part I: Financial Information

Item 1.

<TABLE>

<CAPTION>

Sun Hydraulics Corporation  
CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS)

	MARCH 31, DECEMBER 31, 1997 1996 (UNAUDITED)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,557	\$ 1,038
Accounts receivable, net of allowance for doubtful accounts of \$59 and \$62	4,903	3,535
Inventories	4,735	4,451
Other current assets	788	1,132
	-----	-----
Total current assets	12,983	10,156
Property, plant and equipment, net	38,473	37,212
Other assets	14	1,048
	-----	-----
Total assets	\$ 51,470	\$ 48,416
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,296	\$ 3,273
Accrued expenses and other liabilities	1,856	1,961
Long-term debt due within one year	597	2,340
Notes payable to related parties due within one year	679	655
Accrued distributions/dividends	1,398	508
Income taxes payable, net	1,515	461
	-----	-----
Total current liabilities	8,341	9,198

Long-term debt due after one year	7,107	12,314	
Notes payable to related parties due after one year	1,730	1,909	
Deferred income taxes	2,578	2,578	
Other liabilities	6	20	
	-----	-----	
Total liabilities	19,762	26,019	
	-----	-----	
Shareholders' equity:			
Common stock	6	2,179	
Capital in excess of par value	24,092	2,719	
Retained earnings	7,624	17,450	
Equity adjustment for foreign currency translation		(14)	49
	-----	-----	
Total shareholders' equity	31,708	22,397	
	-----	-----	
Total Liabilities and Shareholders' Equity	\$ 51,470	\$48,416	
	=====	=====	

</TABLE>

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Sun Hydraulics Corporation  
CONSOLIDATED STATEMENTS OF INCOME  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED		
	MARCH 31,		
	(UNAUDITED)		
	1997	1996	
	-----	-----	
<S>	<C>	<C>	
NET SALES	\$14,599	\$13,806	
Cost of sales	10,202	9,491	
	-----	-----	
GROSS PROFIT	4,397	4,315	
Selling, engineering and administrative expenses	2,717	2,665	
	-----	-----	
OPERATING INCOME	1,680	1,650	
Interest expense	152	205	
Miscellaneous (income) expense	(58)	53	
	-----	-----	
INCOME BEFORE INCOME TAXES		1,586	1,392
Income tax provision	568	289	
	-----	-----	
NET INCOME	\$ 1,018	\$ 1,103	
	=====	=====	
PRO FORMA INCOME DATA (NOTE 3):			
INCOME BEFORE INCOME TAXES		\$ 1,586	\$ 1,392
Pro Forma Income tax provision		568	554
	-----	-----	
PRO FORMA NET INCOME		\$ 1,018	\$ 838
	=====	=====	
PRO FORMA NET INCOME PER SHARE		\$ .16	\$ .13
	=====	=====	

</TABLE>

Sun Hydraulics Corporation  
 CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
 (IN THOUSANDS)

<TABLE>  
 <CAPTION>

	EQUITY ADJUSTMENT					TOTAL
	CAPITAL IN COMMON STOCK	EXCESS OF PAR VALUE	RETAINED EARNINGS	FOR FOREIGN CURRENCY TRANSLATION		
<S>	<C>	<C>	<C>	<C>	<C>	
Balance, December 31, 1996		\$ 2,179	\$ 2,719	\$ 17,450	\$ 49	\$ 22,397
Net proceeds from stock offering	6	19,246			19,252	
Distributions to shareholders			(10,623)		(10,623)	
Merger with Sun Holdings (Note 2)	(2,175)	2,123			(52)	
Shares retired in stock offering	(4)	4			-	
Net income			1,018	1,018		
Dividends declared			(221)	(221)		
Adjustment for foreign currency translation				(63)	(63)	
Balance, March 31, 1997	\$ 6	\$ 24,092	\$ 7,624	\$ (14)	\$ 31,708	

</TABLE>

Sun Hydraulics Corporation  
 CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (IN THOUSANDS)

<TABLE>  
 <CAPTION>

	QUARTER ENDED MARCH 31,	
	1997	1996
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 1,018	\$ 838
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	990	806
(Increase) decrease in:		
Accounts receivable	(1,368)	(830)
Inventories	(284)	(144)
Income tax receivable, net	344	
Other current assets	1,034	(1,123)
Other assets	-	(220)
Increase (decrease) in:		
Accounts payable	(977)	(800)
Accrued expenses and other liabilities		(105) 34
Income taxes payable, net	1,054	486
Other liabilities	(14)	(9)

Net cash provided by (used in) operating activities	1,692	(962)
-----		
Cash flows from investing activities:		
Capital expenditures	(2,253)	(2,625)
Proceeds from dispositions of equipment	2	--
-----		
Net cash used in investing activities	(2,251)	(2,625)
-----		
Cash flows from financing activities:		
Proceeds from long-term debt	1,610	3,370
Repayment of long-term debt	(8,560)	(517)
Repayment of notes payable to related parties	(155)	(141)
Proceeds from exercise of stock options	-	3
Net proceeds from stock offering	19,252	-
Capital paid for Sun Holdings merger (Note 2)	(52)	-
Distributions to shareholders	(9,954)	(643)
-----		
Net cash provided by financing activities	2,141	2,072
-----		
Effect of exchange rate changes on cash	(63)	(147)
-----		
Net increase (decrease) in cash and cash equivalents	1,519	(1,662)
-----		
Cash and cash equivalents, beginning of period	1,038	2,434
-----		
Cash and cash equivalents, end of period	\$ 2,557	\$ 772
=====		
Supplemental disclosure of cash flow information:		
Cash paid (received) during the quarter for:		
Interest (including amounts capitalized)	\$ 400	\$ 226
Income taxes	\$ (291)	\$ 67

</TABLE>

## SUN HYDRAULICS CORPORATION

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IN THOUSANDS EXCEPT PER SHARE DATA)

#### 1. INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for reporting on Form 10-Q. Accordingly, certain information and footnotes required by generally accepted accounting principles for complete financial statements are not included herein. The financial statements are prepared on a consistent basis with and should be read in conjunction with the combined financial statements and related notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 filed with the Securities and Exchange Commission on March 31, 1997.

#### 2. INITIAL PUBLIC OFFERING

The financial statements of Sun Hydraulics Corporation (the "Company") consist of the financial position and results of operations of Sun Hydraulics Corporation ("Sun Hydraulics") and Sun Hydraulik Holdings Limited ("Sun Holdings"). In January 1997, Sun Hydraulics effected a 9 for 1 stock split and issued 374,811 shares of common stock and made a nominal cash payment in exchange for all of the issued and outstanding stock of Sun Holdings. Accordingly, financial statements for 1997 are on a consolidated basis, and

financial statements for 1996 are on a combined basis.

The Company has 20,000,000 authorized shares of common stock, par value \$0.001, with 4,000,002 shares outstanding. The Company also has 2,000,000 authorized shares of preferred stock, par value \$0.001, with no shares outstanding.

The Company filed a Registration Statement on Form S-1 with the Securities and Exchange Commission effective January 9, 1997 and issued 2,300,000 shares of Common Stock in an initial public offering ("IPO"), with an initial offering price of \$9.50. The IPO net proceeds of \$19.3 million, the exchange of shares with Sun Holdings, and the distribution of previously taxed S Corporation retained earnings are reflected in the Statement of Changes in Shareholders' Equity.

The \$19.3 million of net proceeds from the offering were used as follows: a payment of \$9.5 million of the S Corporation distribution, representing 90% of the total distribution of \$10.6 million, \$7.7 million paid to extinguish debt, and \$2.1 was retained as working capital.

### 3. PRO FORMA NET INCOME AND EARNINGS PER SHARE

Pro forma net income reflects a provision for income taxes as if Sun Hydraulics had been a C Corporation for all periods presented.

The computation of pro forma earnings per share is based on the pro forma weighted average number of common shares outstanding, during the period plus vested common stock equivalents, if dilutive, consisting of certain shares subject to stock options, after giving effect to the initial public offering (See Note 2). The assumed exercise of dilutive stock options less the number of treasury shares assumed to be purchased from the proceeds were calculated using the average market price during the quarter ended March 31, 1997.

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During the first quarter of 1997, Statement on Financial Accounting Standards NO. 128 ("SFAS 128"), "Earnings per Share", was issued. SFAS 128 will be effective for the year ending December 31, 1997 and will require a restatement of previously reported earnings per share. Under SFAS 128, "basic" earnings per share will replace the reporting of "primary" earnings per share. Basic earnings per share is calculated by dividing the income available to common stockholders by the weighted average number of common shares outstanding for the period, without consideration for common stock equivalents. "Diluted" earnings per share will replace "fully diluted" earnings per share under SFAS 128. The calculation of diluted earnings per share is similar to that of fully diluted earnings per share under existing accounting pronouncements. Basic and diluted earnings per share is not expected to be significantly different from primary and fully diluted earnings per share, respectively, as calculated by the Company.

### 4. INVENTORIES

The components of inventory are summarized as follows:

<TABLE>  
<CAPTION>

	MARCH 31, DECEMBER 31,	
	1997	1996
	(unaudited)	
<S>	<C>	<C>
Raw materials	\$ 156	\$ 147
Work in process	3,187	2,758
Finished goods	1,392	1,546
	-----	-----

\$4,735    \$4,451  
 =====    =====

</TABLE>

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5. LONG-TERM DEBT

The components of long-term debt are summarized as follows:

<TABLE>

<CAPTION>

	MARCH 31, DECEMBER 31,	
	1997	1996
	(UNAUDITED)	
<S>	<C>	<C>
Lines of credit agreements, interest payable at lender's prime rate 8.25% at March 31, 1997 and December 31, 1996)	\$ 266	\$ 1,512
Secured equipment loan, interest only payable monthly at 8.25% in 1996	-	2,874
8.25% mortgage note payable secured by real property due in monthly principal and interest installments of \$20	-	2,355
Notes payable secured by equipment, payable in monthly principal and interest installments with interest rates varying from 4.90% to 5.60% with maturity dates from March 1996 to June 1998	26	46
Construction lines of credit at 8.25% and 6.47% to be converted to mortgage notes payable at 8.25% and 6.47% with maturities of 15 years and 12 years, respectively.	7,412	7,867
	-----	-----
	7,704	14,654
Less amounts due within one year	(597)	(2,340)
	-----	-----
	\$7,107	\$12,314
	=====	=====

</TABLE>

In February 1997, the Company negotiated a one year, unsecured revolving credit facility. The agreement provides for a maximum availability of \$10,000, payable on demand at the lender's prime rate of interest.

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ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
 CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company is a leading designer and manufacturer of high-performance, screw-in hydraulic cartridge valves and manifolds which control force, speed and motion as integral components in fluid power systems. In recent years, the Company's sales have been comprised of approximately 75% screw-in cartridge valves and approximately 25% manifolds, and the Company expects that relationship to remain relatively constant. The Company sells its products globally through independent distributors and approximately one-third of its net sales are outside the United States.

In January 1997, the Company completed an initial public offering of 2,300,000 shares of common stock at \$9.50 per share. The net proceeds of the offering were \$19.3 million. After the offering, total shares of common stock outstanding were 6,300,002.

The Company maintains facilities in the United States, the United Kingdom and Germany. The United States plants, both located in Sarasota, Florida, manufacture screw-in cartridge valves and manifolds, and supply the United Kingdom plant with finished products and some cartridge valve components for final assembly and test. The United Kingdom operation also manufactures manifolds and supplies a portion to the United States plant. Both the United States and United Kingdom operations supply finished product to the German facility. In March 1997, operations commenced in the new production facilities in Florida and Germany. The German facility currently serves as a technical support and distribution center with some research and development activities. Plans are underway for the design and eventual production of large cartridge valves in the German facility. In the United States, manifold production was transferred to the new facility creating additional space for cartridge valve production in the original plant.

First quarter orders remained strong, but the rate of sales did not keep pace due to capacity constraints at the Company's original plant in Sarasota, Florida, which resulted in an extension of production lead times. The increase in net sales in the second quarter is projected to be less than anticipated, as it is taking longer than planned to transition the manifold operation as a separate division and to reconfigure the cartridge valve production lines. The capacity expansion is projected to begin to benefit production output in the second quarter.

#### COMPARISON OF QUARTERS ENDED MARCH 31, 1997 AND 1996

Net sales increased 5.7%, or \$0.8 million, to \$14.6 million in the three month period ended March 31, 1997, compared to \$13.8 million in the three month period ended March 31, 1996. Domestic net sales increased 4.0%, or \$0.4 million to \$9.4 million in the three month period ended March 31, 1997. The increase was due primarily to increased demand in the mobile equipment sector of the United States fluid power industry. International net sales

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increased 9.1%, or \$0.4 million to \$5.2 million for the three month period ended March 31, 1997. European net sales were flat at \$3.4 million. Net sales in Canada, Mexico and South America increased 23.8% to \$0.7 million with sales to Japan and the Pacific Rim increasing 39.0% to \$1.1 million.

Gross profit increased 1.9% or \$0.1 million to \$4.4 million in the three month period ended March 31, 1997, compared to \$4.3 million in the three month period ended March 31, 1996. This increase was related primarily to the increase in net sales. Gross profit as a percentage of net sales decreased to 30.1% in the three month period ended March 31, 1997 from 31.3% for the three month period ended March 31, 1996. The decrease in the percentage of gross profit to net sales was due primarily to increased manufacturing overhead costs related to the opening of the new facilities in the United States and Germany.

Selling, engineering and administrative expenses increased 2.0% or \$0.1 million to \$2.7 million in the three month period ended March 31, 1997, compared to \$2.6 million in the three month period ended March 31, 1996. Selling, engineering and administrative expense as a percentage of sales decreased to 18.6% in the three month period ended March 31, 1997 compared to 19.3% in the three month period ended March 31, 1996, due to normal cost increases on a stable expense base, spread over a higher sales volume.

Interest expense decreased for the three month period ended March 31, 1997 due to the repayment of debt from the proceeds of the Company's initial public offering. Miscellaneous income in the three month period ended March 31, 1997, included interest income earned on the temporary investment of the proceeds of the Company's initial public offering.



The provision for income taxes in the three month period ended March 31, 1997 resulted in an effective tax rate of 35.8% compared to 39.8% in the three month period ended March 31, 1996. The decrease in rate is due primarily to the change in mix of pretax income among the Company's three operating units in the United States, the United Kingdom and Germany.

## LIQUIDITY AND CAPITAL RESOURCES

In January 1997, the Company received \$20.3 million of proceeds from its initial public offering of common stock. Net proceeds after expenses were approximately \$19.3 million. Concurrent with the initial public offering, \$9.5 million of the S Corporation distribution was paid out representing 90% of the total distribution of approximately \$10.6 million. Also in January, the capital equipment loan balance of \$2.9 million and the mortgage balance of \$2.4 million on the original United States facility were paid in full. In March \$1.0 million was paid to reduce the mortgage on the new plant in the United States to a balance of \$5.2 million. In February and March, \$1.4 million was paid to reduce the revolving line of credit in the United States to a zero balance.

Cash generated from operations in the three month period ended March 31, 1997, was \$1.7 million. Working capital increased from \$0.9 million at December 31, 1996 to \$4.6 million at March 31, 1997. Accounts receivable increased \$1.4 million due to the seasonally lower shipments during December 1996 and higher shipments in March 1997. Accounts payable decreased \$0.9

million at March 31, 1997 from December 31, 1996 due to cash management in anticipation of the initial public offering proceeds received in January 1997.

In February 1997, the Company obtained a \$10.0 million unsecured revolving credit facility with a term of one year and an interest rate equal to the bank lender's prime rate. This replaced a \$1.7 million line of credit, which had been secured by all inventory and accounts receivable.

Capital expenditures in the three month period ended March 31, 1997 were \$2.3 million. This was comprised of \$1.1 million related to the construction of the new facilities in the United States and Germany and \$1.2 million for new machinery and equipment.

The Company believes that cash generated from operations and its borrowing availability under the \$10 million revolving line of credit will be sufficient to satisfy the Company's operating expenses and capital expenditures for the foreseeable future.

The Company declared a dividend of \$.035 per share to shareholders of record on March 31, 1997, with payment made on April 15, 1997.

## SEASONALITY AND INFLATION

The Company experiences reduced activity during the fourth quarter of the year, largely as a result of fewer working days due to holiday shutdowns.

The Company does not believe that inflation had a material effect on its operations for the periods ended March 31, 1997 and March 31, 1996. There can be no assurance, however, that the Company's business will not be affected by inflation in the future.

## 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 headings "Risk Factors" in the

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Form S-1 Registration Statement and Prospectus for the Company's initial public offering, and "Business" in the Company's Form 10-K for the year ended December 31, 1996. 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.

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## PART II OTHER INFORMATION

### Item 1. Legal Proceedings.

None.

### Item 2. Changes in Securities.

None.

### Item 3. Defaults upon Senior Securities.

None.

### Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

<TABLE>

<CAPTION>

EXHIBIT

NUMBER

EXHIBIT DESCRIPTION

<S> <C>

- 3.1\* Amended and Restated Articles of Incorporation of the Company (previously filed as Exhibit 3.1 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183)).
- 3.2\* Amended and Restated Bylaws of the Company (previously filed as Exhibit 3.2 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183)).
- 4.1\* Revolving Credit Agreement, dated March 9, 1992, between Sun Hydraulics Corporation and Northern Trust Bank of Florida/Sarasota, N.A. (previously filed as Exhibit 4.1 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.2\* Modification Agreement, dated March 25, 1993, amending Revolving Credit Agreement dated March 9, 1992, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.2 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

</TABLE>

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<TABLE>

<S> <C>

- 4.3\* Second Modification to Revolving Credit Agreement, dated May \_\_, 1995, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.3 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.4\* Revolving Line of Credit Renewal Note, dated May \_\_, 1995, in the amount of \$1,700,000.00 given by Sun Hydraulics Corporation to Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.4 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.5\* Mortgage and Security Agreement, dated January 9, 1992, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.5 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.6\* Loan Agreement, dated March 29, 1996, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.6 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.7\* Security Agreement, dated March 29, 1996, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.7 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.8\* Modification and Additional Advance Agreement, dated March 29, 1996, between Suninco, Inc. and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.8 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.9\* Consolidated Note, dated March 29, 1996, in the amount of \$2,475,000.00, given by Suninco, Inc. to Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.9 in the

Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

4.10\* Loan Agreement, dated May 20, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.10 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

</TABLE>

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<TABLE>

<S> <C>

4.11\* Security Agreement, dated May 20, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.11 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

4.12\* Consolidated Note, dated May 20, 1996, in the amount of \$3,063,157.00, given by Sun Hydraulics Corporation to Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.12 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

4.13\* Loan Agreement, dated June 14, 1996, between Sun Hydraulics Corporation, Suninco Inc., and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.13 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

4.14\* Mortgage, dated June 14, 1996, between Sun Hydraulics Corporation, Suninco Inc., and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.14 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

4.15\* Security Agreement, dated June 14, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.15 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

4.16\* Promissory Note, dated June 14, 1996, in the amount of \$6,187,000.00, given by Sun Hydraulics Corporation and Suninco, Inc. to Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.16 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

4.17\* Revolving Loan Facility letter agreement, dated July 30, 1996, in the amount of L.800,000, between Sun Hydraulics Ltd. and Lloyds Bank Plc. (previously filed as Exhibit 4.17 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

4.18\* Overdraft and Other Facilities letter agreement, dated June 7, 1996, in an amount not to exceed L.250,000, between Sun Hydraulics Ltd. and Lloyds Bank Plc. (previously filed as Exhibit 4.18 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

</TABLE>

16

<TABLE>

<S> <C>

4.19\* Mortgage, dated April 11, 1996, between Sun Hydraulik GmbH and Dresdner Bank (previously filed as Exhibit 4.19 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

4.20\* Amendment to Recommended Offer by Sun Hydraulics Corporation to acquire the whole of the issued share capital of Sun Hydraulik Holdings Limited, dated December 17, 1996 (previously filed as Exhibit 2.1 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183)).

- 4.21\* Master Note, dated February 3, 1997, in the amount of \$10,000,000.00, made by the Company to evidence a line of credit granted to the Company by Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996).
- 10.1\* Form of Distributor Agreement (Domestic) (previously filed as Exhibit 10.1 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 10.2\* Form of Distributor Agreement (International) (previously filed as Exhibit 10.2 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 10.3\*+ 1996 Sun Hydraulics Corporation Stock Option Plan (previously filed as Exhibit 10.3 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183)).
- 10.4\*+ Form of Indemnification Agreement (previously filed as Exhibit 10.4 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183)).
- 11.1 Statement regarding Computation of Earnings Per Share.
- 27.1 Financial Data Schedule for quarter ended March 31, 1997. (For SEC purposes only)

</TABLE>

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 \* Previously filed.  
 + Executive management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Sarasota, State of Florida on May 15, 1997.

SUN HYDRAULICS CORPORATION

By: /s/ Richard J. Dobbyn  
 -----  
 Richard J. Dobbyn  
 Chief Financial Officer (Principal  
 Financial and Accounting Officer)

<TABLE> <CAPTION> EXHIBIT NUMBER	EXHIBIT DESCRIPTION
-----	-----
<S> <C>	

3.1\* Amended and Restated Articles of Incorporation of the Company (previously filed as

Exhibit 3.1 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183)).

- 3.2\* Amended and Restated Bylaws of the Company (previously filed as Exhibit 3.2 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183)).
- 4.1\* Revolving Credit Agreement, dated March 9, 1992, between Sun Hydraulics Corporation and Northern Trust Bank of Florida/Sarasota, N.A. (previously filed as Exhibit 4.1 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.2\* Modification Agreement, dated March 25, 1993, amending Revolving Credit Agreement dated March 9, 1992, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.2 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

</TABLE>

<TABLE>

<S> <C>

- 4.3\* Second Modification to Revolving Credit Agreement, dated May \_\_, 1995, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.3 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.4\* Revolving Line of Credit Renewal Note, dated May \_\_, 1995, in the amount of \$1,700,000.00 given by Sun Hydraulics Corporation to Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.4 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.5\* Mortgage and Security Agreement, dated January 9, 1992, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.5 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.6\* Loan Agreement, dated March 29, 1996, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.6 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.7\* Security Agreement, dated March 29, 1996, between Suninco, Inc., Sun Hydraulics Corporation, and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.7 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.8\* Modification and Additional Advance Agreement, dated March 29, 1996, between Suninco, Inc. and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.8 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.9\* Consolidated Note, dated March 29, 1996, in the amount of \$2,475,000.00, given by Suninco, Inc. to Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.9 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.10\* Loan Agreement, dated May 20, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.10 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

</TABLE>

<TABLE>

<S> <C>

- 4.11\* Security Agreement, dated May 20, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.11 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.12\* Consolidated Note, dated May 20, 1996, in the amount of \$3,063,157.00, given by Sun Hydraulics Corporation to Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.12 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.13\* Loan Agreement, dated June 14, 1996, between Sun Hydraulics Corporation, Suninco Inc., and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.13 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.14\* Mortgage, dated June 14, 1996, between Sun Hydraulics Corporation, Suninco Inc., and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.14 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.15\* Security Agreement, dated June 14, 1996, between Sun Hydraulics Corporation and Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.15 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.16\* Promissory Note, dated June 14, 1996, in the amount of \$6,187,000.00, given by Sun Hydraulics Corporation and Suninco, Inc. to Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.16 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.17\* Revolving Loan Facility letter agreement, dated July 30, 1996, in the amount of L.800,000, between Sun Hydraulics Ltd. and Lloyds Bank Plc. (previously filed as Exhibit 4.17 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.18\* Overdraft and Other Facilities letter agreement, dated June 7, 1996, in an amount not to exceed L.250,000, between Sun Hydraulics Ltd. and Lloyds Bank Plc. (previously filed as Exhibit 4.18 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).

</TABLE>

<TABLE>

<S> <C>

- 4.19\* Mortgage, dated April 11, 1996, between Sun Hydraulik GmbH and Dresdner Bank (previously filed as Exhibit 4.19 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 4.20\* Amendment to Recommended Offer by Sun Hydraulics Corporation to acquire the whole of the issued share capital of Sun Hydraulik Holdings Limited, dated December 17, 1996 (previously filed as Exhibit 2.1 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183)).
- 4.21\* Master Note, dated February 3, 1997, in the amount of \$10,000,000.00, made by the Company to evidence a line of credit granted to the Company by Northern Trust Bank of Florida, N.A. (previously filed as Exhibit 4.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996).
- 10.1\* Form of Distributor Agreement (Domestic) (previously filed as Exhibit 10.1 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 10.2\* Form of Distributor Agreement (International) (previously filed as Exhibit 10.2 in the Company's Registration Statement on Form S-1 filed on October 15, 1996 (File No. 333-14183)).
- 10.3\*+ 1996 Sun Hydraulics Corporation Stock Option Plan (previously filed as Exhibit 10.3 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19, 1996 (File No. 333-14183)).
- 10.4\*+ Form of Indemnification Agreement (previously filed as Exhibit 10.4 in the Pre-Effective Amendment No. 4 to the Company's Registration Statement on Form S-1 filed on December 19,

1996 (File No. 333-14183)).

11.1 Statement regarding Computation of Earnings Per Share.

27.1 Financial Data Schedule for quarter ended March 31, 1997. (For SEC purposes only)  
</TABLE>

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\* Previously filed.

+ Executive management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K.

None.



	Quarter ended March 31	
	1997	1996
	----	----
[S]	[C]	[C]
PRIMARY		
Net income (Note 3)	\$1,018	\$ 838
	=====	=====
Weighted average shares outstanding	6,519	6,509
Primary EPS	\$ .16	\$ .13
	=====	=====
FULLY DILUTED		
Net income (Note 3)	\$1,018	\$ 838
Weighted average shares outstanding	6,514	6,488
Primary EPS	\$ .16	\$ .13
	=====	=====

The treasury stock method was used in the calculation of the average shares outstanding for EPS. The denominator includes the shares outstanding during the year plus the number of shares from assumed exercise of all vested outstanding stock options less the number of treasury shares that would be repurchased from the proceeds of such exercise. For primary EPS, the average stock price for the quarter is used; in the calculation for fully diluted EPS, the quarter end stock price is used. For the periods presented, the number of shares issued in the initial public offering are also included in the denominator as though shares had been outstanding since the beginning of each year, in accordance with Regulation S-X, Article 11.

<TABLE> <S> <C>

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF THE REGISTRANT AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<F1>NET OF ALLOWANCE FOR DOUBTFUL AMOUNTS OF \$59.

<F2>NET OF ACCUMULATED DEPRECIATION OF \$15,007.

</FN>

</TABLE>