

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 5, 1998

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	34232
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(Address of principal executive offices)	(Zip Code)

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

ITEM 5. OTHER EVENTS.

PRESS RELEASE

On March 5, 1998, the Registrant issued the press release attached hereto as Exhibit 99.1 announcing year end and fourth quarter 1997 results, as well as a \$0.04 per share dividend on its common stock payable on April 15, 1998, to shareholders of record on March 31, 1998.

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
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99.1	Press Release of the Registrant dated March 5, 1998

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, 1998

-2-

EXHIBIT INDEX

Exhibit Number -----	Exhibit Description -----
99.1	Press Release of the Registrant dated March 5, 1998.

-3-

FOR RELEASE: Immediately

Contact:

Richard K. Arter Investor Relations 941-362-1200
Richard J. Dobbyn Chief Financial Officer 941-362-1200

SUN HYDRAULICS CORPORATION REPORTS INCREASED SALES AND EARNINGS FOR 1997
COMPANY INCREASES DIVIDEND TO \$0.04 PER SHARE

SARASOTA, FLA, March 5, 1998 - Sun Hydraulics Corporation (NASDAQ: SNHY) today announced that net sales for the year ended December 31, 1997, were \$64.2 million, a 17.6% increase compared to \$54.6 million of net sales in 1996. Net income for the year was \$4.7 million, or 7.3% of net sales. Pro forma net income for the year ended December 31, 1996, was \$3.8 million, or 7.0% of sales, excluding a non-recurring compensation charge of \$1.4 million. Basic and diluted earnings per share for 1997 were \$0.75 and \$0.73, respectively.

Fourth quarter net sales for the period ended December 31, 1997, were \$17.0 million, representing a 27.6% increase compared to net sales of \$13.3 million for the same period in 1996. Net income was \$1.3 million, or 7.4% of net sales for the fourth quarter of 1997, compared to \$0.6 million pro forma net income, or 4.6% of net sales for the fourth quarter of 1996.

The Company's Board of Directors declared a first quarter dividend of \$0.04 per share of its common stock, an increase from \$0.035 per share in prior quarters. The dividend is payable on April 15, 1998, to shareholders of record as of March 31, 1998.

"We are pleased that our production rates continued to increase in the fourth quarter, reflecting the successful completion of our 1997 capacity expansion programs," said Sun Hydraulics President Clyde Nixon. "Both the mobile and industrial markets showed strength throughout the year and our orders were up in all major market areas."

"Our sales volume was up significantly for the year, despite our low shipment rates in the first six months," Nixon said. "Shipments for the last six months of 1997 were up 27.4% compared to the last half of 1996, and we expect to accelerate production rates in 1998. Although we successfully increased our shipments, expediting costs associated with meeting increased market demand, and start-up costs related to our capacity expansion programs impacted gross profit for the year."

Sun Hydraulics is a leading designer and manufacturer of high performance screw-in hydraulic cartridge valves and manifolds for global industrial and mobile markets.

Certain statements in this release that are not historical facts are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. Because such statements regarding the intent, belief or current expectations of the Company, its Directors or its Officers involve risks and uncertainties, actual results may differ materially from those expressed in or implied by such forward-looking statements. Risks and uncertainties include, but are not limited to, changing economic conditions, changes in capital markets, changes in or the failure to comply with governmental regulations, and the impact of competitive products and

pricing. Further information relating to factors that could cause actual results to differ from those anticipated is included in the Company's filings with the Securities and Exchange Commission, including but not limited to information under the headings "Risk Factors" in the Form S-1 Registration Statement and Prospectus for the Company's initial public offering, effective January 9, 1997 (SEC File No. 333-14183), and "Business" in the Company's Form

10-K for the year ended December 31, 1996, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-Q for the quarter ended September 30, 1997.

SUN HYDRAULICS CORPORATION - DECEMBER 31, 1997
CONSOLIDATED STATEMENTS OF INCOME
(in thousands except per share data)

<TABLE>
<CAPTION>

	Year Ended December 31,	
	1997	1996
	----	----
<S>	<C>	<C>
Net sales	\$ 64,198	\$ 54,572
Cost of sales	44,621	37,185
Gross profit	19,577	17,387
Selling, engineering and administrative expenses	11,275	12,097 (1)
Operating income	8,302	5,290
Interest expense	905	823
Miscellaneous expense	133	267
Income before income taxes	7,264	4,200
Income tax provision	2,554	704
Deferred income tax provision	-	2,425
Net Income	\$ 4,710	\$ 1,071
Basic net income per common share	.75	.17 *
Weighted average shares outstanding	6,308	6,300 *
Diluted net income per common share	.73	.16 *
Diluted weighted average shares outstanding	6,499	6,519 *
Pro forma net income	-	\$ 2,617 (2)
Pro forma basic net income per common share	-	.42 *
Pro forma diluted net income per common share	-	.40 *

</TABLE>

* Shares are based on the weighted number of shares outstanding after the Company's initial public offering in January 1997.

- (1) Selling, engineering and administrative expenses for the year ended December 31, 1996, reflect a \$1.4 million non-recurring, non-cash compensation expense related to the termination of phantom stock compensation agreements with certain employees and the issuance of options to certain Directors.
- (2) Pro forma net income for the year ended December 31, 1996, reflects a provision for income tax as if the Company had always been a "C" corporation. Pro forma net income, excluding the \$1.4 million compensation expense included in selling, engineering and administrative expenses, and the

-5-

deferred tax provision of \$2.4 million, would have been \$3.8 million. Excluding these one-time charges, basic and diluted earnings per share would have been \$0.60 and \$0.58, respectively.

CONSOLIDATED BALANCE SHEETS
(in thousands)

<TABLE>
<CAPTION>

December 31, December 31,
1997 1996

<S>	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,249	\$ 1,038
Accounts receivable, net of allowance for doubtful accounts of \$47 and \$62	4,558	3,535
Inventories	6,775	4,451
Other current assets	932	1,132
Total current assets	13,514	10,156
Property, plant and equipment, net	39,789	37,212
Other assets	86	1,048
Total assets	\$ 53,389	\$ 48,416
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,847	\$ 3,273
Accrued expenses and other liabilities	2,174	1,961
Long-term debt due within one year	1,035	2,340
Notes payable to related parties due within one year	757	655
Dividends payable	221	508
Income taxes payable	1,008	461
Total current liabilities	8,042	9,198
Long-term debt due after one year	6,620	12,314
Notes payable to related parties due after one year	1,152	1,909
Deferred income taxes	2,575	2,578
Other liabilities	-	20
Total liabilities	18,389	26,019
Shareholders' equity:		
Common stock	6	2,179
Capital in excess of par value	24,163	2,719
Retained earnings	10,732	17,450
Equity adjustment for foreign currency translation	99	49
Total shareholders' equity	35,000	22,397
Total liabilities and shareholders' equity	\$ 53,389	\$ 48,416

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