UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 1, 2000   Commission file number 0-21835

SUN HYDRAULICS CORPORATION

- --

(Exact Name of Registration as Specified in its Charter)

FLORIDA	59-2754337
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1500 WEST UNIVERSITY PARKWAY SARASOTA, FLORIDA	34243
(Address of Principal Executive Offices)	(Zip Code)

941/362-1200

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

The Registrant had 6,384,948 shares of common stock, par value $.001, outstanding as of May 1, 2000.

Sun Hydraulics Corporation
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For the first quarter ended April 1, 2000

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PART I: FINANCIAL INFORMATION
Item 1.

SUN HYDRAULICS CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)
<TABLE>
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	APRIL 1, 2000 (UNAUDITED)	JANUARY 1, 2000
ASSETS		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 1,068	$ 1,122
Accounts receivable, net of allowance for doubtful accounts of $202 and $196	7,443	6,260
Inventories	8,169	8,131
Taxes receivable	141	455
Other current assets	534	591
	-------	-------
Total current assets	17,355	16,559
Property, plant and equipment, net	46,576	46,529
Other assets	1,090	986
	-------	-------
Total assets	$65,021	$64,074
	=======	=======
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,245	$ 2,712
Accrued expenses and other liabilities	1,617	1,464
Long-term debt due within one year	3,913	3,033
Notes payable to related parties due within one year	300	378
Dividends payable	255	255
	-------	-------
Total current liabilities	8,330	7,842
Long-term debt due after one year	10,562	10,830
Notes payable to related parties due after one year	90	101
Deferred income taxes	4,122	4,125
Other noncurrent liabilities	200	--
	-------	-------
Total liabilities	23,304	22,898
	-------	-------
Commitments and contingencies		

Shareholders' equity:		
Preferred stock	--	--
Common stock	6	6
Capital in excess of par value	24,486	24,486
Retained earnings	16,775	16,173
Accumulated other comprehensive income	450	511
	-------	-------
Total shareholders' equity	41,717	41,176
	-------	-------
Total liabilities and shareholders' equity	$65,021	$64,074
	=======	=======

</TABLE>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

SUN HYDRAULICS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
<TABLE>
<CAPTION>

	THREE MONTHS ENDED	
	APRIL 1, 2000	APRIL 3, 1999
	---------	--------
	(UNAUDITED)	
<S>	<C>	<C>
NET SALES	$20,069	$18,465
Cost of sales	14,964	13,945
	-------	-------
GROSS PROFIT	5,105	4,520
Selling, engineering and administrative expenses	3,666	3,092
	-------	-------
OPERATING INCOME	1,439	1,428
Interest expense	290	253
Miscellaneous expense (income)	(53)	97
	-------	-------
INCOME BEFORE INCOME TAXES	1,202	1,078
Income tax provision	345	355
	-------	-------
NET INCOME	$ 857	$ 723
	=======	=======
BASIC NET INCOME PER COMMON SHARE	$ 0.13	$ 0.11
WEIGHTED AVERAGE SHARES OUTSTANDING	6,385	6,367
DILUTED NET INCOME PER COMMON SHARE	$ 0.13	$ 0.11
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	6,589	6,520

</TABLE>

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SUN HYDRAULICS CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(IN THOUSANDS)
<TABLE>
<CAPTION>

<S>	SHARES <C>	COMMON STOCK <C>	CAPITAL IN EXCESS OF PAR VALUE <C>	RETAINED EARNINGS <C>	ACCUMULATED OTHER COMPREHENSIVE INCOME <C>	TOTAL <C>
Balance, December 31, 1997	6,322	6	24,163	10,732	99	35,000
Dividends declared				(1,016)		(1,016)
Exercise of stock options	39		223			223
Comprehensive income:						
Net income				5,647		5,647
Foreign currency translation adjustments					161	161
Comprehensive income						5,808
Balance, December 31, 1998	6,361	6	24,386	15,363	260	40,015
Dividends declared				(1,021)		(1,021)
Exercise of stock options	22		75			75
Issue of stock	2		13			13
Tax effect of non-qualified stock options			12			12
Comprehensive income:						
Net income				1,831		1,831
Foreign currency translation adjustments					251	251
Comprehensive income						2,082
Balance, January 1, 2000	6,385	6	24,486	16,173	511	41,176
Dividends declared				(255)		(255)
Comprehensive income:						
Net income				857		857
Foreign currency translation adjustments					(61)	(61)
Comprehensive income						796
Balance, April 1, 2000 (unaudited)	6,385	$ 6	$ 24,486	$ 16,775	$ 450	$ 41,717

</TABLE>

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SUN HYDRAULICS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
<TABLE>
<CAPTION>

	THREE MONTHS ENDED APRIL 1, 2000	APRIL 3, 1999
	(UNAUDITED)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 857	$ 723
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,378	1,199
(Gain)/Loss on disposal of assets	(20)	--
Provision for deferred income taxes	(3)	(11)
(Increase) decrease in:		

Accounts receivable	(1,189)	(375)
Allowance for doubtful accounts	6	4
Inventories	(38)	486
Income tax receivable, net	314	--
Other current assets	57	(23)
Other assets	(118)	66
Increase (decrease) in:		
Accounts payable	(467)	(981)
Accrued expenses and other liabilities	153	(288)
Income taxes payable, net	--	284
Other liabilities	200	--
Net cash provided by operating activities	1,130	1,084
Cash flows from investing activities:		
Capital expenditures	(1,428)	(1,354)
Proceeds from dispositions of equipment	37	30
Net cash used in investing activities	(1,391)	(1,324)
Cash flows from financing activities:		
Proceeds from debt	1,369	3,862
Repayment of debt	(757)	(3,131)
Repayment of notes payable to related parties	(89)	(233)
Proceeds from exercise of stock options	--	75
Dividends to shareholders	(255)	(255)
Net cash provided by (used in) financing activities	268	318
Effect of exchange rate changes on cash and cash equivalents	(61)	45
Net (decrease) increase in cash and cash equivalents	(54)	123
Cash and cash equivalents, beginning of period	1,122	1,592
Cash and cash equivalents, end of period	$ 1,068	$ 1,715
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest (including amounts capitalized)	$ 290	$ 301
Income taxes	$ 34	$ 82
Non-cash tax effect of non-qualified stock options	$ --	$ 12

</TABLE>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

SUN HYDRAULICS CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(in thousands except per share data)

1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated 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 (including normal recurring adjustments) and should be read in conjunction with the consolidated financial statements and related notes contained in the Annual Report on Form 10-K for the fiscal year ended January 1, 2000, filed by Sun Hydraulics Corporation (the "Company") with the Securities and Exchange Commission on March 8, 2000.

2. BUSINESS

Sun Hydraulics Corporation and its wholly-owned subsidiaries (the "Company") design, manufacture and sell screw-in cartridge valves and manifolds used in hydraulic systems. The Company has facilities in the United States, the United Kingdom, Germany, and Korea. Sun Hydraulics Corporation ("Sun Hydraulics"), with its main offices located in Sarasota, Florida, designs, manufactures and sells through independent distributors in the United States. Sun Hydraulik Holdings Limited ("Sun Holdings"), a wholly-owned subsidiary of Sun Hydraulics, was formed to provide a holding company vehicle for the European market operations; its wholly-owned subsidiaries are Sun Hydraulics Limited (a British corporation, "Sun Ltd.") and Sun Hydraulik GmbH (a German corporation, "Sun GmbH"). Sun Ltd. operates a manufacturing and distribution facility located in Coventry, England, and Sun GmbH, located in Erkelenz, Germany, designs, manufactures and markets the Company's products in German-speaking European markets. Sun Hydraulics Korea Corporation ("Sun Korea"), a wholly-owned subsidiary of Sun Hydraulics, was acquired September 28, 1998. Sun Korea, located in Inchon, South Korea, operates a manufacturing and distribution facility.

3. JOINT VENTURE

On November 1, 1998, Sun Hydraulics entered into a 50/50 joint venture agreement ("joint venture") with Links Lin, the owner of Sun Hydraulics Corporation's Taiwanese distributor. This agreement provides for an initial capital contribution of $250, which is recorded in Investment in joint venture in the Company's financial statements. An additional investment of $100 was made on March 15, 2000.

4. LONG-TERM DEBT (in thousands)

<TABLE>
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	April 1, 2000	January 1, 2000
	(unaudited)	
<S>	<C>	<C>
Lines of credit agreements-unsecured	$ 2,779	$ 2,215
Lines of credit agreements-secured	4,842	4,616
Mortgage note payable-U.S. Manatee County facility	4,688	4,725
Mortgage note payable-German facility	1,244	1,352
Secured notes payable-German equipment	878	933
Secured notes payable-Korea	44	22
	14,475	13,863
Less amounts due within one year	(3,913)	(3,033)
	$ 10,562	$ 10,830

</TABLE>

The Company has three revolving lines of credit: one in the United States, one in England, and one in Germany. None of these arrangements contain pre-payment penalties.

On July 23, 1999, the Company replaced its $10,000 unsecured revolving credit facility with a five year, secured, revolving credit facility of $7,500, and a one-year unsecured, revolving credit facility of $5,000. The $7,500 credit facility has an interest rate equal to the bank lender's prime rate less 1% for the first year, and the treasury bill rate plus 1.75% for the remaining four years. The $5,000 credit facility has an interest rate equal to the bank lender's prime rate less 1% or LIBOR plus 1.9% for predetermined periods of time, at the Company's option. At April 1, 2000, the interest rate for both the secured and unsecured facilities was 7.75%, and the balances outstanding were $4,842 and $2,750, respectively. Both credit facilities are subject to certain debt covenants.

In February 1999, the Company negotiated three loans in Germany, secured by equipment; a ten year 5.1% fixed interest rate loan for approximately $300, a ten year 5.1% fixed interest rate loan for approximately $100, and a ten year 3.5% fixed interest rate loan for approximately $800. At April 1, 2000, the outstanding balances on these facilities were $219, $0, and $659, respectively.

5. SEGMENT REPORTING

The Company has adopted Statement of Accounting Standards No. 131, "Disclosures about Segments of Enterprise and Related Information" ("SFAS 131"). This approach designates the internal organization that is used by management for making operational decisions and

addressing performance as the source of determining the Company's reportable segments. Management bases its financial decisions by the geographical location of its operations.

The individual subsidiaries comprising the Company operate predominantly in a single industry as manufacturers and distributors of hydraulic components. The subsidiaries are multinational with operations in the United States, the United Kingdom, Germany, and Korea. In computing earnings from operations for the foreign subsidiaries, no allocations of general corporate expenses, interest or income taxes have been made.

Identifiable assets of the foreign subsidiaries are those assets related to the operation of those companies. United States assets consist of all other operating assets of the Company.

Segment information is as follows:

<TABLE>
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	United States	Korea	United Kingdom	Germany	Elimination	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>	<C>
THREE MONTHS ENDED APRIL 1, 2000						
Sales to unaffiliated customers	$13,723	$1,447	$3,366	$1,533	$ --	$20,069
Intercompany sales	2,825	0	528	8	(3,360)	--
Operating profits	940	140	406	55	(103)	1,439
Identifiable assets	50,586	3,113	9,668	6,078	(4,424)	65,021
Depreciation and amortization	1,049	33	233	63	--	1,378
Capital expenditures	1,113	169	62	84	--	1,428
THREE MONTHS ENDED APRIL 3, 1999						
Sales to unaffiliated customers	$13,542	$ 722	$2,784	$1,417	$ --	$18,465
Intercompany sales	1,698	--	598	7	(2,303)	--
Operating profits	718	28	453	143	86	1,428
Identifiable assets	46,214	218	9,740	5,117	(180)	61,109
Depreciation expense	916	--	201	82	--	1,199
Capital expenditures	646	--	468	300	--	1,414

</TABLE>

Total liabilities attributable to foreign operations were $4,077, and $5,376, at April 1, 2000, and April 3, 1999, respectively. Net foreign currency gains (losses) reflected in results of operations were $54 and $(17) for the three months ended April 1, 2000, and April 3, 1999, respectively. Operating profit is total sales and other operating income less operating expenses. In computing segment operating profit, interest expense and net miscellaneous income (expense) have not been deducted (added).

Included in U.S. sales to unaffiliated customers were export sales, principally to Canada and Asia, of $1,586, and $1,617, during the periods ended April 1, 2000, and April 3, 1999, respectively.

Item 2.

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

OVERVIEW

Sun Hydraulics Corporation 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. The Company sells its products globally, primarily though independent distributors. Approximately 66% of product sales are used by the mobile market, characterized by applications where the equipment is not fixed in place, the operating environment is often unpredictable, and duty cycles are generally moderate to low. The remaining 34% of sales are used by industrial markets, which are characterized by equipment that is fixed in place, typically in a controlled environment, with higher pressures and duty cycles. The Company sells to both markets with a single product line. In 1999, the Company generated approximately 37% of its net sales outside of the United States, and its single largest end-user customer represented less than 3% of net sales.

Demand for the Company's products is dependent on demand for the capital goods into which the products are incorporated. The capital goods industries in general, and the fluid power industry specifically, are subject to economic cycles. In the last half of 1998, and throughout 1999, the Company experienced little or negative growth due to a slowdown in many of the capital goods industries that use the Company's products. However, this trend appeared to reverse in the first quarter of 2000 as the United States National Fluid Power Association reported an 11.7% increase in orders for hydraulic products for the first two months of 2000 over the same period a year ago. This increase was made up of a 10.3% increase in mobile hydraulic orders and a 15.9% increase in industrial hydraulic orders. The Company's orders increased 24.7% for the quarter ended April 1, 2000, compared to the quarter ended April 3, 1999. Management believes that the order increase is indicative of an upturn in the business cycle of the Fluid Power industry.

The Company's net sales increased 8.7% for the three months ended April 1, 2000, compared to the three months ended April 3, 1999 due to the broad based increase in demand. Daily production rates in the United States operation increased over the previous quarter. This was due to the capacity expansion program, which was substantially completed at the end of 1999. The final phase of this program is the new heat treat operation which was installed in the first quarter of 2000 and started production in April 2000. At this point the availability of personnel is the primary production capacity limitation in the United States operation. Daily production rates in the United States operation are expected to improve further in the quarter ending July 1, 2000.

Net income increased 18.5% to $0.9 million for the three months ended April 1, 2000, compared to the three months ended April 3, 1999, despite higher selling, engineering, and administrative expenses. The increase in these expenses was due primarily to marketing costs and system software enhancements in the United States and United Kingdom operations. System expenses in the second quarter will include upgrading to a newer version of the fully integrated manufacturing software. Promotional efforts will be focused on marketing new products, which have not been aggressively promoted in the past due to capacity limitations. The selling, engineering, and administrative costs are expected to decline slightly in the quarter

ending July 1, 2000 and management believes that net sales and net income in the quarter ending July 1, 2000 will increase compared to the quarter ended April 1, 2000.

COMPARISON OF THREE MONTHS ENDED APRIL 1, 2000 AND APRIL 3, 1999

Net sales increased $1.6 million, or 8.7%, to $20.1 million for the quarter ended April 1, 2000, compared to the quarter ended April 3, 1999. This increase was due to an increase in demand across all business segments and the Company's increase in capacity to meet that demand.

Gross profit increased $0.6 million or 12.9% to $5.1 million for the quarter ended April 1, 2000, compared to the quarter ended April 3, 1999. Gross profit as a percentage of net sales increased to 25.4% compared to 24.5% for the first quarter of 1999. This increase was primarily due an improvement in material costs offset by higher direct labor and depreciation costs.

Selling, engineering and administrative expenses increased 18.6%, or $0.6 million, to $3.7 million in the quarter ended April 1, 2000, compared to $3.1 million in the quarter ended April 3, 1999. This increase is due to higher promotional costs, system software enhancement expenses and engineering personnel costs.

Interest expense was $0.29 million for the quarter ended April 1, 2000, compared to $0.25 million for the quarter ended April 3, 1999. This increase was due to an increase in total debt of $3.0 million.

The provision for income taxes for the quarter ended April 1, 2000, was 28.7% of pretax income, compared to 31.9% of pretax income for the quarter ended April 3, 1999. Tax savings were realized in the United States from the Sun Hydraulics Foreign Sales Corporation and in Korea from provisions of local law. Excluding income from the Korean operation, the provision for income taxes was 32.5% of pretax income, compared to 31.9% for the quarter ended April 3, 1999.

LIQUIDITY AND CAPITAL RESOURCES

Historically, the Company's primary source of capital has been cash generated from operations, although fluctuations in working capital requirements have been met through borrowings under revolving lines of credit. The Company's principal uses of cash have been to pay operating expenses, make capital expenditures, pay dividends to shareholders and service debt.

At April 1, 2000, the Company had working capital of $9.0 million compared to $6.8 million at April 3, 1999. This increase was generally related to the increase in net sales and a higher level of accounts receivable in the United States operation due to the timing of shipments at quarter end. Cash flow from operations for the quarter ended April 1, 2000, was $1.1 million the same as the quarter ended April 3, 1999. Capital expenditures, consisting primarily of purchases of machinery and equipment, were $1.4 million for the quarter ended April 1, 2000, compared to $1.4 million of capital expenditures for the quarter ended April 3, 1999. On March 15, 2000, the Company invested an additional $0.1 million in its 50/50 joint venture agreement in China. (Also, see Note 3 to the Consolidated Financial Statements.)

On March 3, 2000 the Company finalized a manufacturing license agreement with Mannesman Rexroth AG (Rexroth). Under the terms of the agreement the Company will license certain technology and know-how and assist Rexroth in producing two types of cartridge valves, in return for a license fee and royalties each year for 10 years based on quantities sold. The Company received $0.2 million of the $0.5 million down payment in April 2000 and is scheduled to receive $0.3 million in October 2000. The down payment amounts will be taken into income over the ten-year life of the agreement.

The Company has three revolving lines of credit: one in the United States, one in England, and one in Germany. None of these arrangements contain pre-payment penalties.

On July 23, 1999, the Company replaced the $10.0 million unsecured revolving credit facility with a five year, secured, revolving credit facility of $7.5 million, and a one-year unsecured, revolving credit facility of $5.0 million. The $7.5 million credit facility has an interest rate equal to the bank lender's prime rate less 1% for the first year, and the treasury bill rate plus 1.75% for the remaining four years. The $5.0 million credit facility has an interest rate equal to the bank lender's prime rate less 1% or LIBOR plus 1.9% for predetermined periods of time, at the Company's option. At April 1, 2000, the interest rate for both the secured and unsecured facilities was 7.75%, and the balances outstanding were $4.8 million and $2.8 million, respectively.

A 10-year mortgage loan of $6.2 million was obtained, at a fixed interest rate of 8.25%, for construction of the Manatee County facility. Terms on the construction note were interest-only on the balance drawn down through the completion of construction and then conversion to a 10-year mortgage note with a 15-year amortization schedule. In April 1999, this mortgage note was renegotiated to an interest rate of 7.375%. Terms are monthly principal and interest payments with remaining principal due July 1, 2006. At April 1, 2000, $4.7 million was outstanding under this mortgage loan.

In February 1999, the Company negotiated three loans in Germany secured by equipment, a ten year 5.1% fixed interest rate loan for approximately $0.3 million, a ten year 5.1% fixed interest rate loan for approximately $0.1 million, and a ten year 3.5% fixed interest rate loan for approximately $0.8 million. At April 1, 2000, the outstanding balance on these facilities was $0.2 million, $0.0 million, and $0.7 million, respectively.

The Company has notes payable to five former shareholders that bear interest at a weighted rate of 15% and have terms expiring in one to four years. These notes were issued by the Company in 1989 and 1990, in connection with the repurchase of shares of common stock from former shareholders and do not allow for prepayment by the Company. At April 1, 2000, $0.4 million was outstanding under these notes.

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

The Company declared a quarterly dividend of $0.04 per share to shareholders of record on March 31, 2000, which was paid on April 15, 2000.

YEAR 2000 READINESS DISCLOSURE

The following is a summary of actions taken by the Company during the years preceding January 1, 2000 in anticipation of the year 2000 transition and the potential problems that computer systems and embedded technology could experience handling dates beyond the year 1999.

In order to address potential computer problems arising in connection with the year 2000, the Company devised the following four-phased approach: (1) assessment, (2) testing, (3) renovation and (4) validation. With regard to its internal operations, the assessment phase consisted of the inventory of all systems, including hardware, software and embedded systems (such as the Company's CNC equipment) in all of Company's locations, the identification of all critical applications, and the collection of all internal source codes. The testing phase included the testing of the Company's critical applications for year 2000 readiness. The Company defined "year 2000 ready" to mean that neither the performance nor functionality of any of its critical systems, including both information technology and non-information technology systems, would be materially affected by dates prior to, during and after the year 2000. The renovation phase involved the replacement of all non-compliant systems with year 2000 compliant systems. The validation phase involved the re-testing of all upgraded systems.

As of January 1, 2000, all material aspects of the Company's internal year 2000 plan had been completed. As a result of its assessment and testing phases, the Company identified and modified certain software subsystems and routines that required modification to be fully year 2000 compliant. In addition, the Company replaced the computer operating systems in its United States Sarasota facility and in its United Kingdom facility with "enterprise-wide manufacturing systems" that are year 2000 ready.

The Company also has assessed the year 2000 readiness of its key suppliers by inquiring about their year 2000 readiness and, whenever possible, obtaining year 2000 readiness warranties or statements as to their readiness. No major vendor issues were reported over the year 2000 transition.

The Company estimates that, as of January 1, 2000, the cost of remediating/replacing its internal systems was approximately $1.3 million. The Company funded this effort through operating cash flows. This estimate includes remediation of key information technology and non-information technology systems, but does not include the potential costs related to any customer or other claims and the costs of any disruptions caused by suppliers not being year 2000 ready. This estimate is based on a current assessment of the year 2000 project and is subject to change.

Because the Company experienced no major year 2000-related issues internally or externally over the year 2000 transition, it does not currently believe that it will incur material costs or experience material disruptions in its business associated with the year 2000. However, there can be no assurance that year 2000 issues will not be uncovered in the future or that the costs of any such year 2000 issues will not have a material impact on the Company's business, operations or financial condition in future periods.

SEASONALITY AND INFLATION

The Company generally has experienced 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 April 1,

2000, and April 3, 1999. There can be no assurance, however, that the Company's business will not be affected by inflation in the future.

EURO

On January 1, 1999, eleven member countries of the European Union established fixed conversion rates between their national currencies and the "euro," which will ultimately result in the replacement of the currencies of these participating countries with the euro (the "Euro Conversion"). The Company is currently assessing the potential impact of the Euro Conversion and has initiated an internal analysis to plan for the conversion and implement remediation measures. The Company's analysis will encompass the costs and consequences of incomplete or untimely resolution of any required systems modifications, various technical and operational challenges and other risks including possible effects on the Company's financial position and results of operations. Costs associated with the Euro Conversion are being expensed by the Company during the period in which they are incurred and are not currently anticipated to be material. In January 2000 the German Operation adopted the Euro as its primary currency. The Company presently believes that, with remediation measures, any material risks associated with the Euro Conversion can be mitigated.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates on borrowed funds, which could affect its results of operations and financial condition. At April 1, 2000, the Company had approximately $7.6 million in variable-rate debt outstanding and, as such, the market risk is immaterial based upon a 10% increase or decrease in interest rates. The Company manages this risk by selecting debt financing at its U.S. bank lender's prime rate less 1%, or the LIBOR rate plus 1.9%, whichever is the most advantageous.

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 "Business," particularly under the subheading,"Business Risk Factors" in the Company's Form 10-K for the year ended January 1, 2000, and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" in this Form 10-Q for the quarter ended April 1, 2000. 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.

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:

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27.1 Financial Data Schedule for period ended April 1, 2000 (for SEC purposes only).

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\+ Executive management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K.

Report on Form 8-K (dated December 1, 1999) filed January 12, 2000, announcing the election of Allen J. Carlson as Vice President of the Company.

Report on Form 8-K (dated March 7, 2000) filed March 10, 2000, announcing year-end 1999 and fourth quarter financial results.

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 4, 2000.

SUN HYDRAULICS CORPORATION

By: /s/ Richard J. Dobbyn

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

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF SUN HYDRAULICS CORPORATION FOR THE THREE MONTHS ENDED APRIL 1, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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