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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1996

OR

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

For the transition period from to

Commission file number 0-23486

NN BALL & ROLLER, INC.

(Exact name of registrant as specified in its charter)

Delaware	62-1096725
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
800 Tennessee Road Erwin, Tennessee	37650
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (423) 743-9151

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.01
(Title of class)

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 and 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 / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The number of shares of the registrant's common stock outstanding on March 20, 1997 was 14,543,242.

The aggregate market value of the voting stock held by non-affiliates of the registrant at March 20, 1997, based on the closing price on the NASDAQ National Market System on that date was approximately $112,888,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement with respect to the 1997 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

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PART I

ITEM 1 BUSINESS

OVERVIEW

NN Ball & Roller, Inc. (the "Company") is an independent manufacturer and supplier of high quality, precision steel balls and rollers to both domestic and international anti-friction bearing manufacturers. The Company also supplies high quality, precision steel balls and rollers, both directly and indirectly through its sales to bearing manufacturers, to automotive original equipment manufacturers ("OEMs") and the automotive aftermarket, to the gas and mining industries, and to producers of water, gas and oil well drilling bits and stainless steel valves and pumps. Precision steel balls and rollers are critical moving parts of anti-friction bearings which, in turn, are integral components of machinery with moving parts.

The Company was organized in October 1980 by a group of senior managers of the ball and roller division of Hoover Precision Products, Inc. (formerly Hoover Universal, Inc.), led by Richard Ennen, the Company's Chairman and Chief Executive Officer. The Company was founded in order to meet the bearings industry's need for a dependable source of high quality, precision balls and rollers. During 1996, the Company sold its products to over 400 customers located in 28 different countries, and its primary customers included FAG Bearings Corporation ("FAG"), SKF Bearing Industries ("SKF") and the Torrington Company.

PRODUCTS

At its facilities in Erwin, Tennessee and Walterboro, South Carolina, and at its new facility in Mountain City, Tennessee, the Company produces high quality, precision steel balls in sizes ranging in diameter from 3/16 of an inch to 2 inches and rollers in a limited variety of sizes. The Company produces balls in a variety of grades ranging from grade 5 to grade 1000 and rollers in a variety of grades ranging from grade 50 to grade 1000. The grade number for a ball or a roller indicates the degree of spherical or cylindrical precision of the ball or roller; for example, grade 5 balls are manufactured to within five millionths of an inch of roundness and grade 50 rollers are manufactured to within fifty millionths of an inch of roundness. Sales of steel balls accounted for approximately 89%, 93% and 93% of the Company's net sales in 1994, 1995 and 1996, respectively. Sales of rollers accounted for the balance of the Company's net sales in such years.

In recent years, bearing manufacturers and automotive OEMs, responding to customer demands for higher quality, have begun to focus on the production of high precision, "quiet" bearings which allow equipment to run more smoothly and quietly and require high precision components, including grade 5 and grade 10 balls. From 1992 to 1996, the percentage of high precision balls produced by the Company for use in quiet bearing applications has increased from approximately 54% to approximately 78% of total net ball sales.

PRECISION STEEL BALLS. The Company manufactures high quality, precision balls in four different types of steel: 52100 steel, 440C stainless steel, S2 rock bit steel and 302 stainless steel. Each of the different types of steel has unique characteristics that make it suitable for particular applications.

During 1996, approximately 94% of the balls produced by the Company were made from 52100 steel ("52100 Steel"). See also "Business--Raw Materials." The 52100 Steel balls have a high degree of hardness and provide excellent resistance to wear and deformation. The 52100 Steel balls are used primarily by manufacturers of anti-friction ball bearings where precise spherical and tolerance accuracy are required. The Company produces 52100 Steel balls in ten grades ranging from grade 1000 to grade 5 (highest precision), and in sizes ranging in diameter from 3/16 of an inch to 2 inches. The primary grades of the 52100 Steel balls are grade 16, grade 10 and grade 5.

Balls produced from 440C stainless steel offer substantial corrosion-resistant properties and are used primarily in pumps and valves because they are especially resistant to such corrosives as fresh water, crude oil, gasoline, alcohol and food products. Balls produced from S2 rock bit steel have a ground and polished finish as well as the toughness and strength necessary for severe shock loads. Balls produced from S2 rock bit steel are most frequently used in mining and oil field equipment and offshore drilling operations. Balls produced from 302 stainless steel are long lasting and corrosion resistant special material balls. Typical applications for balls produced from 302 stainless steel include beer tap valves, mechanical pump spraying, medical equipment, dairy machines and food processing equipment.

PRECISION STEEL ROLLERS. The Company manufactures rollers in three types of steel: 52100 Steel, 440C stainless steel and S2 rock bit steel. Rollers are the primary components of anti-friction bearings which are subjected to heavy load conditions. The Company's roller products are used primarily for applications similar to those of its ball product lines, with the addition of hydraulic pumps and motors.

SALES AND MARKETING

The Company markets its products in the United States and abroad primarily through three salaried sales employees. Four additional internal sales employees handle customer orders and provide sales support.

The following table presents a breakdown of the Company's net sales for fiscal years 1992 through 1996:

	NET SALES				
	1996	1995	1994	1993	1992
	(IN THOUSANDS)				
Domestic:					
Bearing Manufacturers	$28,894	$26,764	$24,195	$19,076	$17,848
	34%	34%	40%	44%	41%
Other	13,549	12,533	13,912	10,861	11,890
	16%	16%	23%	25%	27%
Foreign:					
Bearing Manufacturers	38,264	35,279	20,566	12,933	13,117
	45%	46%	34%	30%	30%
Other	3,832	3,210	1,814	655	1,162
	5%	4%	3%	1%	2%
Total	$84,539	$77,786	$60,487	$43,525	$44,017
	100%	100%	100%	100%	100%

The Company's marketing strategy is to increase its share of the domestic and international market for bearing components by offering a wide variety of high quality, precision balls and rollers to existing and prospective customers on a timely basis and in a cost-effective manner. In marketing its products, the Company has focused its efforts on bearing manufacturers with their own ball or roller manufacturing divisions. The Company's sales staff emphasizes the potential quality advantages and cost savings associated with the outsourcing of such bearing manufacturers' needs by purchasing precision components from the Company instead of manufacturing such components internally. For a breakdown of the Company's foreign sales in 1994, 1995 and 1996 by geographic region, see Note 10 of the Notes to Financial Statements.

The Company emphasizes sales to bearing manufacturers because sales in this market historically have been less cyclical than sales to the OEM automotive market. The Company's direct net sales to bearing manufacturers has increased from approximately 71% of net sales in 1992 to approximately 79% in 1996. Although the Company's direct sales to OEMs have significantly decreased in recent years, management believes that a significant but undeterminable percentage of the balls and rollers sold by the Company to bearing manufacturers are incorporated into products supplied to the OEM automotive market.

The Company's arrangements with its domestic customers typically provide that payments are due within 30 days following the date of shipment of goods. With respect to foreign customers (other than foreign customers that participate in the Company's inventory management program), payments generally are due within either 90 to 120 days following the date of shipment in order to allow for additional freight time and customs clearance. For customers that participate in the Company's inventory management program, sales are recorded when the product is used by the customer, and payments typically are due 30 days thereafter. See "Business--Customers" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

CUSTOMERS

During 1996, the Company sold its products to more than 400 domestic customers and to more than 70 foreign customers located in 28 different countries. Approximately 50% of the Company's net sales in 1996 were to international customers. See Note 10 of the Notes to Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations." In both the foreign and domestic markets, the Company principally sells its products directly to manufacturers and not to distributors.

During 1996, the Company's ten largest customers accounted for approximately 78% of its net sales. Sales to various U.S. and foreign divisions of SKF, which is one of the largest bearing manufacturers in the world, accounted for approximately 37% of net sales in 1996 and sales to FAG accounted for approximately 10% of net sales in 1996. None of the Company's other customers accounted for more than 10% of its net sales in 1996; however, sales to the Torrington Company, American NTN Bearing Manufacturing Corporation and Hanwha International each represented more than 5% of the Company's net sales during the period.

The Company currently negotiates and contracts with various purchasing units within SKF and believes that, in certain respects, such units operate independently with respect to purchasing decisions. There can be no assurance, however, that SKF will not centralize purchasing decisions in the future.

The Company ordinarily ships its products within 60 days, and frequently in the same calendar month, of the date on which a sales order is placed. Accordingly, the Company generally has an insignificant amount of open (backlog) orders from customers at month end. Certain of the Company's customers have entered into contracts with the Company pursuant to which they have agreed to purchase all of their requirements of specified balls and rollers from the Company, but under which they are not obligated to purchase any specific amounts. Management believes that while firm orders generally are received only monthly, the Company normally is aware of reasonably anticipated future orders well in advance of the placement of a firm order. The Company also has installed a computerized, bar coded inventory management system with most of its major customers pursuant to which the Company, through a direct computer link, automatically monitors the customers' ball and roller inventories. This system permits the Company to determine on a day-to-day basis the amount of balls and/or rollers remaining in a customer's inventory. When such inventories fall below certain levels, the Company automatically ships additional goods.

EMPLOYEES

As of December 31, 1996, the Company had 393 full-time employees of whom 362 were engaged in production/maintenance. None of the employees is represented by a union. The Company believes that relations with its employees are good.

COMPETITION

The precision ball and roller industry is highly competitive, and many of the Company's competitors have substantially greater financial resources than the Company. The Company's primary domestic competitor is Hoover Precision Products, Inc., a division of Tsubakimoto Precision Products Co. Ltd. The Company's primary foreign competitors are Amatsuji Steel Ball Manufacturing Company, Ltd. and Tsubakimoto Precision Products Co. Ltd. The Company's ability to compete with foreign-based competitors could be adversely affected by an increase in the value of the United States dollar relative to foreign currencies.

The Company believes that competition within the precision ball and roller market is based principally on quality, price and the ability to consistently meet customer delivery requirements. Management believes that the Company's competitive strengths are its precision manufacturing capabilities, its reputation for consistent quality and reliability, and the productivity of its workforce. In addition, management believes that the Company's independence and sole focus on the production of balls and rollers is an advantage when selling to bearing manufacturers that may be reluctant to do business with a potential competitor. In recent years, certain bearing manufacturers with captive ball and roller manufacturing divisions, including American NTN Bearing Manufacturing Corporation and divisions of SKF based in Sweden, Brazil and Mexico, have turned to the Company as a source of supply.

RAW MATERIALS

The primary raw material used by the Company is 52100 Steel. During 1996, approximately 94% of the steel used by the Company was 52100 Steel. The Company's other steel requirements include type 440C stainless steel, type S2 rock bit steel and type 302 stainless steel. The Company purchases substantially all of its 52100 Steel requirements from foreign mills because of the lack of domestic producers of such steel at the quality level the Company requires. The other steel requirements of the Company also are purchased principally from foreign steel manufacturers.

The Company allocates its steel purchases among suppliers on the basis of price and quality. Generally, the Company does not enter into written supply agreements with its suppliers or commit itself to maintain minimum monthly purchases of steel. The Company's pricing arrangements with its suppliers typically are subject to adjustment once every six months.

Because 52100 Steel principally is produced by foreign manufacturers, the Company's operating results would be negatively affected in the event that the U.S. government imposes any significant quotas, tariffs or other duties or restrictions on the import of such steel or if the United States dollar decreases in value relative to foreign currencies.

PATENTS, TRADEMARKS AND LICENSES

The Company does not own any U.S. or foreign patents, trademarks or licenses that are material to its business. The Company does rely on certain data and processes, including trade secrets and know-how, and the success of its business depends, to some extent, on such information remaining confidential. Each executive officer of the Company is subject to a non-competition and confidentiality agreement that seeks to protect this information.

SEASONAL NATURE OF BUSINESS

The Company's business historically has not been of a seasonal nature. However, as foreign sales have increased as a percentage of total sales, seasonality has become a factor for the Company in that some foreign customers typically cease their production activities during the month of August.

ENVIRONMENTAL COMPLIANCE

The Company's operations and products are subject to extensive federal, state and local regulatory requirements relating to pollution control and protection of the environment. The Company maintains a compliance program to assist in preventing and, if necessary, correcting environmental problems. Based on information compiled to date, management believes that the Company's current operations are in substantial compliance with applicable environmental laws and regulations, the violation of which would have a material adverse effect on the Company. There can be no assurance, however, that currently unknown matters, new laws and regulations, or stricter interpretations of existing laws and regulations will not materially affect the Company's business or operations in the future. More specifically, although management believes that the Company disposes of its wastes in material compliance with applicable environmental laws and regulations, there can be no assurance that the Company will not incur significant liabilities in the future in connection with the clean-up of waste disposal sites.

The Company has incurred certain expenses in complying with applicable environmental laws associated with the removal of four underground storage tanks containing kerosene and waste oil, the remediation of soil and groundwater contamination resulting from a leak in one of the tanks, and the closing of a sludge disposal area. The remediation project is largely complete, but the Company has certain ongoing monitoring responsibilities. The amounts expended by the Company in connection with this remediation project have not been material, and based upon information currently available to the Company, management does not believe that the future costs associated with the project will have a material adverse effect on the Company's results of operations or financial condition.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company consist of the following persons:

NAME	AGE	POSITION
Richard D. Ennen	69	Chairman of the Board, Chief Executive Officer and Director
James J. Mitchell	57	President, Chief Operating Officer and Director
Roderick R. Baty	43	Vice President, Chief Financial Officer and Director
William C. Kelly, Jr.	38	Treasurer, Assistant Secretary and Chief Accounting Officer
Frank T. Gentry, III	41	Vice President--Human Resources/Materials
Charles L. Edmisten	50	Vice President--Operations
Corby W. Self	40	Vice President--Manufacturing

BIOGRAPHICAL INFORMATION. Set forth below is certain additional information with respect to each executive officer of the Company.

Richard D. Ennen is the principal founder of the Company and has been the Chairman of the Board, Chief Executive Officer and a director of the Company since its formation in 1980. He served as President of the Company from its inception until 1990. In recent years, Mr. Ennen has focused on the development and implementation of the Company's business strategy, rather than the day-to-day operations of the Company. Prior to forming the Company, Mr. Ennen held various management and executive positions with Hoover Precision Products, Inc. (formerly Hoover Universal, Inc.), a division of Tsubakimoto Precision Products Co. Ltd, including Corporate Vice President and General Manager of the ball and roller division. Mr. Ennen has over 40 years of experience in the anti-friction bearing industry.

James J. Mitchell became President and Chief Operating Officer of the Company in 1990 and a director of the Company in 1994. From 1975 until 1990, Mr. Mitchell held various positions with the Link Belt Bearing Division of Rexnord Corporation, a bearing manufacturer, including Vice President/General Manager from 1983 until 1990. Mr. Mitchell has over 30 years of experience in the anti-friction bearing industry and has held positions with executive responsibilities for over 10 years.

Roderick R. Baty joined the Company in July 1995 as Vice President and Chief Financial Officer and was elected to the Board of Directors to fill a vacant seat in August 1995. Prior to joining the Company, Mr. Baty served as President and Chief Operating Officer of Hoover Precision Products from 1990 until January 1995, and as Vice President and General Manager of Hoover Precision Products from 1985 to 1990.

William C. Kelly, Jr. joined the Company in 1993 as Assistant Treasurer and Manager of Investor Relations. In July 1994, Mr. Kelly was elected to serve as the Company's Chief Accounting Officer, and in February

1995, was elected Treasurer and Assistant Secretary. Prior to joining the Company, Mr. Kelly served from 1988 to 1993 as a Staff Accountant and as a Senior Auditor with the accounting firm of Price Waterhouse LLP.

Frank T. Gentry, III, was appointed Vice President--Human Resources/Materials of the Company in October 1996. Mr. Gentry's responsibilities include purchasing, inventory control, transportation and personnel. Mr. Gentry joined the Company in 1981 and held various production control positions within the Company from 1981 to August 1995. From August 1995 to October 1996, Mr. Gentry held the position of Vice President--Manufacturing.

Charles L. Edmisten has served as the Company's Vice President--Operations since 1980. Mr. Edmisten's responsibilities include engineering and process development. Prior to joining the Company, Mr. Edmisten served in various positions with Hoover Precision Products, Inc., including Chief Engineer.

Corby W. Self was appointed Vice President--Manufacturing of the Company in October 1996. Mr. Self's responsibilities include oversight of the manufacturing process at all of the Company's facilities. Mr. Self joined the Company in 1989 and held various production control positions within the Company from 1989 through July 1995. From July 1995 through April 1996, Mr. Self was the plant manager of the Company's Mountain City facility, and from April 1996 through October 1996, he was the plant manager of the Company's Walterboro facility.

Executive officers are elected annually at the time of the Annual Meeting and serve one-year terms and until their successors are elected and qualified.

ITEM 2 PROPERTIES

The Company has three manufacturing facilities located, respectively, in Erwin, Tennessee, Walterboro, South Carolina and Mountain City, Tennessee. The Company leased the Mountain City facility from the State of Tennessee in September 1995 in order to expand production capacity to meet the increasing worldwide demand for its products. The Company purchased the land and building at the facility in January 1997. Production began in early 1996 at the Mountain City facility.

The Erwin, Walterboro and Mountain City plants currently have approximately 125,000, 100,000 and 48,000 square feet of manufacturing space, respectively. The Walterboro plant is located on a 10 acre tract of land owned by the Company, the Erwin plant is located on a 12 acre tract of land owned by the Company and the Mountain City plant is located and on an 8 acre tract of land owned by the Company. During 1996, the Company added new machinery and equipment at all of its facilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

The Company believes that the Erwin, Walterboro and Mountain City plants are adequately suited for the Company's current production and business needs.

At the time of the Company's initial public offering of the Company's stock, the Erwin and Walterboro facilities were subject to a deed of trust and mortgage, respectively, that secured the Company's 10.88% Senior Secured Notes. The Senior Notes were repaid in full with a portion of the net proceeds of the initial public offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2 of the Notes to Financial Statements.

ITEM 3 LEGAL PROCEEDINGS

All legal proceedings and actions involving the Company are of an ordinary and routine nature and are incidental to the operations of the Company. Management believes that such proceedings should not, individually or in the aggregate, have a material adverse effect on the Company's business or financial condition or on the results of operations.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted for a vote of stockholders during the fourth quarter of 1996.

PART II

ITEM 5 MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Since the Company's initial public offering in 1994, the Common Stock has been traded on the Nasdaq National Market under the trading symbol "NNBR." Prior to such time there was no established market for the Common Stock. As of March 20, 1997, there were 244 holders of record of the Common Stock.

The following table sets forth the high and low sale prices of the Common Stock, as reported by Nasdaq, and the dividends paid per share on the Common Stock during each calendar quarter of 1995 and 1996. The high and low sale prices and the dividends paid per share have been adjusted (and, in the case of the sale prices, rounded to the nearest eighth) to reflect the two three-for-two splits of the Common Stock effective on March 5, 1995 and December 5, 1995, respectively. See Note 3 of the Notes to Financial Statements.

	PRICE		DIVIDEND
	HIGH	LOW	
1995			
First Quarter..............	10 3/8	8 1/4	.035
Second Quarter.............	12 5/8	9 5/8	.053
Third Quarter..............	13 7/8	11 1/8	.107
Fourth Quarter.............	19 1/2	10 1/2	--
1996			
First Quarter..............	22 3/4	17 1/2	0.08
Second Quarter.............	26 3/4	20 3/8	0.08
Third Quarter..............	21 1/4	13 7/8	0.08
Fourth Quarter.........	16	12 3/8	0.08

The declaration and payment of dividends are subject to the sole discretion of the Board of Directors of the Company and depend upon the Company's profitability, financial condition, capital needs, future prospects and other factors deemed relevant by the Board of Directors. The terms of the Company's revolving credit facility restrict the payment of dividends by prohibiting the Company from declaring or paying any dividend if an event of default exists at the time of, or would occur as a result of, such declaration or payment. For further description of the Company's revolving credit facility, see "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" herein.

ITEM 6 SELECTED FINANCIAL DATA

The following selected financial data of the Company are qualified by reference to and should be read in conjunction with the Financial Statements and the Notes thereto included as Item 8 herein. The data set forth below as of December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996 (except for the pro forma statement of income data), have been derived from the Financial Statements of the Company which have been audited by Price Waterhouse LLP, independent accountants, whose report thereon is included as part of Item 8. The financial data as of December 31, 1994, 1993 and 1992, and for the years ended December 31, 1993 and 1992 also were derived from financial statements of the Company which have been audited by Price Waterhouse LLP (except for the pro forma statement of income data). These historical results are not necessarily indicative of the results to be expected in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEAR ENDED DECEMBER 31,				
	1996	1995	1994	1993	1992
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Statement of Income Data:					
Net sales	$ 84,539	$ 77,786	$ 60,487	$ 43,525	$ 44,017
Cost of products sold	56,695	53,912	40,110	29,762	30,623
Gross profit	27,844	23,874	20,377	13,763	13,394
Selling, general and administrative expenses	4,890	4,249	3,439	2,621	2,434
Depreciation	3,358	2,364	1,996	1,868	1,698
Income from operations	19,596	17,261	14,942	9,274	9,262
Interest expense	296	42	354	1,382	1,674
Income before provision for income taxes and extraordinary item	19,300	17,219	14,588	7,892	7,588
Provision for income taxes (1)	6,835	5,708	5,704	236	233
Income before extraordinary item	12,465	11,511	8,884	7,656	7,355
Extraordinary loss from early extinguishment of debt (net of income tax benefit of $710) (2)	--	--	(1,160)	--	--
Net income	$ 12,465	$ 11,511	$ 7,724	$ 7,656	$ 7,355
Net income per share:					
Income before extraordinary item	$ .83	$ .79	$ .65		
Extraordinary item, net (2)	--	--	(.09)		
Net income per share (3)	$ .83	$ .79	$ .56		
Dividends declared	$ .32	$ .20	$ .07		
Weighted average number of shares outstanding (3)	15,042	14,583	13,716		

	1996	1995	1994	1993	1992
Pro Forma Statement of Income Data (4):					
Income before provision for income taxes and extraordinary item			$ 14,588	$ 7,892	$ 7,588
Provision for income taxes			5,543	2,999	2,884
Income before extraordinary item			9,045	4,893	4,704
Extraordinary item, net (2)			(1,160)	--	--
Net income			$ 7,885	$ 4,893	$ 4,704
Net income per share:					
Income before extraordinary item			$ .66	$ .44	
Extraordinary item, net (2)			(.09)	--	
Net income per share (3)			$ .57	$ .44	
Weighted average number of shares outstanding (3)			13,716	11,016	
Balance Sheet Data:					
Current assets	$ 26,727	$ 26,728	$ 21,591	$ 13,971	$ 12,433
Current liabilities	8,374	13,303	4,845	7,859	6,319
Total assets	59,292	54,241	36,936	26,215	24,730
Long-term debt (less current portion)	--	--	--	10,000	12,075
Stockholders' equity	48,710	39,218	30,537	8,184	6,168

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(1) During the period from the inception of the Company through the consummation of its initial public offering in March 1994, the Company was treated for income tax purposes as an S corporation under Subchapter S of the Internal Revenue Code of 1986, as amended, and under comparable tax laws of certain states. As a result, earnings of the Company during that period were taxed for federal and certain state income tax purposes directly to the Company's stockholders, rather than to the Company. Upon the termination of the Company's S corporation status, in addition to becoming subject to corporate tax at the federal level and in a number of states, the Company was required to provide for deferred federal and state income taxes, calculated in accordance with the Financial Accounting Standards Board Statement 109, "Accounting for Income Taxes" ("FAS 109"), for the cumulative temporary differences between the financial reporting and income tax bases of the Company's assets and liabilities, resulting in a charge to the provision for income taxes in the amount of $1,213,000 in 1994. See Note 11 of the Notes to Financial Statements.

(2) The Company used a portion of its net proceeds from the initial public offering to prepay the $12,000,000 in principal of the Company's 10.88% Senior Secured Notes and related accrued interest of $653,000. This prepayment resulted in an extraordinary after tax loss of $1,160,000, net of related income tax benefit of

$710,000. The gross extraordinary loss included a prepayment penalty of $1,728,000 and the write-off of unamortized deferred loan costs of $142,000. See Note 2 of the Notes to Financial Statements.

(3) The actual and pro forma net income per share data is based on the historical weighted average number of shares outstanding, as adjusted to reflect (i) a Common Stock split of 508-for-one in connection with a reincorporation merger transaction completed in January 1994, (ii) the 3-for-2 split of the Common Stock effected on March 5, 1995, and (iii) the 3-for-2 split of the Common Stock effected on December 5, 1995. In addition, the weighted average number of shares outstanding used to compute earnings per share as of December 31, 1993, has been adjusted to include the estimated number of shares (464,000 shares as calculated at the initial public offering price and prior to adjustment for the stock dividends paid in 1995) required to be sold by the Company to pay, as of December 31, 1993, the distribution made to the Company's S corporation stockholders upon the consummation of the initial public offering. See Notes 2 and 3 of the Notes to Financial Statements.

(4) The pro forma statement of income data for 1994 and prior years is based on historical net income, as adjusted to reflect a provision for income taxes (at an assumed effective rate of 38%), as if the Company had been a C corporation since its inception. The pro forma statement of income data was calculated using the criteria established under FAS 109, which requires the use of an asset and liability approach to financial reporting and accounting for income taxes. The 1994 pro forma provision for income taxes does not include the $1,213,000 charge related to the Company's termination of its S corporation status as discussed in note (1) above. See Notes 1, 2 and 11 of the Notes to Financial Statements.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the Notes thereto and Selected Financial Data included elsewhere in this Form 10-K. Historical operating results and percentage relationships among any amounts included in the Financial Statements are not necessarily indicative of trends in operating results for any future period.

OVERVIEW

The Company's core business is the manufacture and sale of high quality, precision steel balls and rollers. In 1996, balls accounted for approximately 93% of the Company's net sales, while rollers accounted for the remaining 7%. Although all of the Company's net sales from 1980 through 1986 were exclusively to domestic customers, the Company's international sales have increased significantly in recent years and represented approximately 50% of net sales in 1996. See Note 10 of the Notes to Financial Statements.

Significant factors in the Company's growth include its displacement of captive ball manufacturing divisions of domestic and international bearing manufacturers as a source of precision balls and increased sales of high precision balls for quiet bearing applications. From 1992 through 1996, the percentage of high precision balls produced by the Company for use in quiet bearing applications has increased from approximately 54% to approximately 78% of total net ball sales. Management believes that the Company's sales growth has resulted from its ability to capitalize on opportunities in overseas markets and provide precision balls at competitive prices, as well as its emphasis on product quality and customer service.

RESULTS OF OPERATIONS

The following table sets forth for the periods indicated selected financial data and the percentage of the Company's net sales represented by each income statement line item presented.

	AS A PERCENTAGE OF NET SALES YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Net sales	100.0%	100.0%	100.0%
Cost of products sold	67.1	69.3	66.3
Gross profit	32.9	30.7	33.7
Selling, general and administrative expenses	5.8	5.5	5.7
Depreciation	4.0	3.0	3.3
Income from operations	23.1	22.2	24.7
Interest expense	.3	.1	.6
Income before provision for income taxes and extraordinary item	22.8	22.1	24.1
Provision for income taxes	8.1	7.3	9.4
Income before extraordinary item	14.7	14.8	14.7
Extraordinary loss (net of income tax benefit)	--	--	(1.9)
Net income	14.7%	14.8%	12.8%

Year Ended December 31, 1996 Compared to the Year Ended December 31, 1995

NET SALES. The Company's net sales increased $6.7 million, or 8.7%, to $84.5 million in 1996 from $77.8 million in 1995. Foreign net sales increased $3.6 million, or 9.4%, to $42.1 million in 1996 from $38.5 million in 1995. The increase in foreign net sales was due primarily to increased sales volumes with existing customers, and to a lesser extent, sales to several new customers. Domestic net sales increased $3.1 million, or 8.0%, to $42.4 million in 1996 from $39.3 million in 1995. This increase was due primarily to increased sales to existing customers. Notwithstanding the Company's record sales in 1996, the Company's foreign sales in the last half of 1996 were negatively affected by weak international economies, certain customers' excess inventories, and a slowing in the overall rate of outsourcing of captive production. The Company anticipates that its foreign sales will continue to be affected by one or more of these negative factors in 1997. In addition, in the fourth quarter of 1996, two of the Company's major customers have informed the Company of their intention to bring in-house in 1997 a portion of their business (in the aggregate, approximately $9.0 million in net sales) that was previously outsourced to the Company. Management anticipates that the loss of these sales in 1997 should be offset, at least partially, by additional sales to other existing customers. For information concerning the Company's quarterly results of operations for the year ended December 31, 1996, See Note 13 of the Notes to Financial Statements.

GROSS PROFIT. Gross profit increased by $3.9 million, or 16.3%, to $27.8 million in 1996 from $23.9 million in 1995. As a percentage of net sales, gross profit increased to 32.9% in 1996 from 30.7% in 1995. During 1995, gross profit was adversely affected as a result of increased raw material costs resulting from a steel shortage and inefficiencies associated with the steel shortage and capacity constraints, including increased labor and transportation costs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources." During the first quarter of 1996, the steel shortage abated and, in addition, the Company brought additional capacity on-line with the addition of the Mountain City, Tennessee facility which allowed for more efficient operations. During the third quarter of 1996, the Company implemented a new financial reporting software package which allowed for more efficient tracking and controlling of costs. Additionally, during 1996, the Company recorded approximately $700,000 of duty drawback associated with 1995 and 1996 imports of raw material which had not been previously recorded. This amount is an offset to export fees paid.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $641,000, or 15.1%, to $4.9 million from $4.2 million in 1995. This increase was due primarily to increased salaries and wages. As a percentage of net sales, selling, general and administrative expenses increased slightly to 5.8% in 1996 from 5.5% in 1995.

DEPRECIATION EXPENSE. Depreciation expense increased $994,000, or 42.0%, to $3.4 million in 1996 from $2.4 million in 1995. This increase was due primarily to capital expenditures associated with the expansion of the Company's facilities and purchases of equipment. As a percentage of net sales, depreciation increased to 4.0% in 1996 from 3.0% in 1995.

INTEREST EXPENSE. Interest expense increased $254,000, or 604.8%, to $296,000 in 1996 from $42,000 in 1995. This increase was due to increased levels outstanding under the Company's line of credit in 1996 as compared to 1995. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

NET INCOME. Net income increased $954,000, or 8.3%, to $12.5 million in 1996 from $11.5 million in 1995. As a percentage of net sales, net income decreased slightly to 14.7% in 1996 from 14.8% in 1995.

Year Ended December 31, 1995 Compared to the Year Ended December 31, 1994

NET SALES. The Company's net sales increased by nearly $17.3 million, or 28.6%, to $77.8 million in 1995 from $60.5 million in 1994. Foreign net sales increased $16.1 million, or 71.9%, to $38.5 million in 1995 from $22.4 million in 1994. The increase in foreign net sales was due primarily to increased sales volumes with existing customers and, to a lesser extent, sales to several new customers. Domestic net sales increased $1.2 million, or 3.1%, to $39.3 million in 1995 from $38.1 million in 1994. This increase was due primarily to increased sales volumes with existing customers.

GROSS PROFIT. Gross profit increased by $3.5 million, or 17.2%, to $23.9 million in 1995 from $20.4 million in 1994. As a percentage of net sales, gross profit decreased to 30.7% in 1995 from 33.7% in 1994. This decrease in gross profit as a percentage of net sales was due primarily to a 52100 Steel supply shortage which existed during 1995. As a result of such shortage and production delays resulting therefrom, the Company incurred increased raw material costs and increased transportation costs for finished products in order to meet customer delivery requirements in 1995. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $810,000, or 23.6%, to $4.2 million in 1995 from $3.4 million in 1994. This increase was due primarily to costs associated with increased foreign travel in the sales department and costs associated with the Company's status as a public company. As a percentage of net sales, selling, general and administrative expenses decreased slightly to 5.5% in 1995 from 5.7% in 1994.

DEPRECIATION EXPENSE. Depreciation expense increased slightly to $2.4 million in 1995 from $2.0 million in 1994. The increase of $368,000, or 18.4%, was due primarily to capital expenditures associated with the expansion of the Company's facilities and purchases of equipment. Depreciation expense as a percentage of net sales decreased to 3.0% in 1995 from 3.3% in 1994.

INTEREST EXPENSE. Interest expense decreased by more than $312,000, or 88.1%, to $42,000 in 1995 from $354,000 in 1994. This decrease was due primarily to the retirement of $12 million of 10.88% Senior Secured Notes (the "Senior Notes") during the first quarter of 1994. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

EXTRAORDINARY ITEM. In the first quarter of 1994, the Company recorded an extraordinary charge of $1.9 million ($1.2 million net of tax benefit of $710,000) related to the early retirement of the Senior Notes. The charge consisted of $1.7 million in prepayment penalties and a non-cash charge of $142,000 related to the write-off of deferred loan costs associated with the borrowings.

NET INCOME. Net income increased by $3.8 million, or 49.0%, to $11.5 million in 1995 from $7.7 million in 1994. As a percentage of net sales, net income increased to 14.8% in 1995 from 12.8% in 1994. This increase in net income as a percentage of net sales was due primarily to the combined effect of (i) a non-recurring, non-cash charge of $1.2 million to earnings in 1994 to record deferred income taxes upon termination of the Company's S corporation status in March 1994 and (ii) an extraordinary charge of $1.9 million ($1.2 million net of tax benefit of $710,000) in the first quarter of 1994 for the early retirement of the Senior Notes.

LIQUIDITY AND CAPITAL RESOURCES

In March 1994, the Company completed an initial public offering of Common Stock pursuant to which 2,000,000 shares were issued and sold by the Company (without adjustment for the two three-for-two stock splits effective on March 5, 1995 and December 5, 1995, respectively). Net proceeds to the Company were $24.9 million (net of $2.0 million underwriters' discount and $1.1 million of related costs). A portion of these proceeds was used to repay $12.0 million in principal of the Senior Notes, as well as accrued interest of $653,000 and a related prepayment penalty of $1.7 million. Approximately $9.2 million was used to pay a distribution of undistributed earnings to the Company's S corporation stockholders. The distribution consisted of all of the Company's previously taxed and undistributed earnings as of March 22, 1994, plus the Company's previously undistributed earnings for financial reporting purposes in excess of the previously taxed earnings at March 22, 1994, less a reserve of $1.2 million for the amount of the deferred income taxes payable on such excess. The remainder of the proceeds have been used for working capital and general corporate purposes.

In February 1995, the Company entered into a modified loan agreement with NationsBank of Tennessee N.A. ("NationsBank") which replaced a loan agreement entered into with NationsBank in the first quarter of 1994. The loan agreement, as modified, provides for a revolving credit facility of up to $10.0 million, which will expire on May 31, 1998.

Amounts outstanding under the revolving facility are unsecured and bear interest at a floating rate equal to, at the Company's option, either the NationsBank prime commercial rate minus 1.0% or LIBOR plus 1.15% (or LIBOR plus 1.0% if the minimum advance is at least $1.0 million). The loan agreement contains customary financial and operating restrictions on the Company, including covenants restricting the Company, without NationsBank's consent, from pledging its inventory, accounts receivable or other assets to other lenders or from acquiring any other businesses if the aggregate expenditures by the Company in connection with such acquisitions would exceed a certain threshold in any fiscal year. In addition, the Company is prohibited from declaring or paying any dividend if an event of default exists under the revolving credit facility at the time of, or would occur as a result of, such declaration or payment. The loan agreement also contains customary covenants requiring the satisfaction of certain financial tests and the maintenance of certain financial ratios, including covenants requiring the Company to maintain a tangible net worth of not less than $25.0 million, working capital of not less than the greater of $10.0 million or 15% of revenues, as computed on a rolling 12 month basis, a ratio of total debt divided by net worth of not more than 1 to 1, and a ratio of current assets to current liabilities of not less than 1.5 to 1. The Company is in compliance with all such covenants. The outstanding principal balance of the Company's borrowings under the revolving facility as of December 31, 1996 was $2.3 million, compared to $3.6 million at December 31, 1995.

The Company's arrangements with its domestic customers typically provide that payments are due within 30 days following the date of the Company's shipment of goods, while arrangements with foreign customers (other than foreign customers that have entered into the Company's inventory management program) generally provide that payments are due within either 90 or 120 days following the date of shipment. Under the Company's inventory management program, sales are recorded when the product is used by the customer, and payments typically are due within 30 days thereafter. Due to the continuing expansion of the Company's foreign sales, management believes that the Company's working capital requirements will increase as a result of longer payment terms provided to foreign customers. Currently, all foreign sales are billed and paid for in United States dollars.

To date, the Company has not been materially adversely affected by currency fluctuations or foreign exchange restrictions. However, approximately 94% of the steel used by the Company is 52100 Steel, and the Company purchases substantially all of its 52100 Steel requirements from foreign mills because of the lack of domestic producers of such steel at the quality level the Company requires. During 1995, due to an increase in worldwide demand for 52100 Steel and the decrease in the value of the United States dollar relative to foreign currencies, the Company experienced an increase in the price of 52100 Steel and some difficulty in obtaining an adequate supply of 52100 Steel from its existing suppliers. Because of the shortage, the Company also incurred increased transportation costs for finished products in order to meet customer delivery requirements. During 1996, the steel shortage abated and the Company was able to obtain an adequate supply of 52100 Steel on a timely basis. The Company has obtained informal commitments for 52100 Steel in 1997 that exceed its projected usage. The Company typically reserves with its customers the right to increase product prices periodically in the event of increases in its raw material costs. As the Company's international operations continue to grow, foreign exchange risk can be expected to increase, and the Company may be required to develop and implement additional strategies, such as entering into foreign currency exchange contracts, to manage this risk.

Working capital, which consists principally of cash and cash equivalents, accounts receivable and inventories, was $18.4 million at December 31, 1996, as compared to $13.4 million at December 31, 1995. The ratio of current assets to current liabilities increased to 3.2:1 at December 31, 1996, from 2.0:1 at December 31, 1995. This increase was due primarily to a decrease in accounts payable and amounts drawn on the revolving credit facility. Cash flow from operations increased to $12.7 million during 1996 from $9.5 million during 1995. This increase is primarily attributable to an increase in net income and depreciation.

Total capital expenditures for 1996 were approximately $8.4 million, all of which was spent in the purchase of new machinery and equipment for the Company's facilities. These capital expenditures were financed with cash generated from operations and funds available under the credit facility described above. In January, 1997, the Company purchased the building and an approximately 8 acre tract of land on which the Mountain City, Tennessee facility is located, for an aggregate purchase price of $321,878 (including $2,353 of closing fees and related expenses).

During 1997, the Company plans to spend an additional $6 million on capital expenditures, including the purchase of additional machinery and equipment for all three of the Company's facilities. The Company intends to finance these activities with cash generated from operations and funds available under the credit facility described above. The Company believes that funds generated from operations and borrowings from the credit facility will be sufficient to finance the Company's working capital needs and capital expenditure requirements through December 1997.

In December 1996, the Company announced that its Board of Directors authorized the repurchase of up to 731,462 shares of the Company's Common Stock, equaling 5% of the Company's issued and outstanding shares as of November 11, 1996. The repurchase program will remain in effect until the earlier of the completion of the purchase of the shares or November 30, 1997. The program may be extended or discontinued at any time, and there is no assurance that the Company will repurchase the full amount authorized. The Company did not repurchase any shares under the program during 1996. In February 1997, the Company repurchased 86,000 shares at an aggregate purchase price of $999,750. The Company believes that funds generated from operations and borrowings from the credit facility will be sufficient to finance any additional stock repurchases under the program.

SEASONALITY AND FLUCTUATION IN QUARTERLY RESULTS

The Company's net sales historically have not been of a seasonal nature. However, as foreign sales have increased as a percentage of total sales, seasonality has become a factor for the Company in that many foreign customers cease production during the month of August. For information concerning the Company's quarterly results of operations for the years ended December 31, 1996 and 1995, see Note 13 of the Notes to Financial Statements.

INFLATION AND CHANGES IN PRICES

While the Company's operations have not been affected by inflation during recent years, prices for 52100 Steel and other raw materials purchased by the Company are subject to change. For example, during 1995, due to an increase in worldwide demand for 52100 Steel and the decrease in the value of the United States dollar relative to foreign currencies, the Company experienced an increase in the price of 52100 Steel and some difficulty in obtaining an adequate supply of 52100 Steel from its existing suppliers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources." Typically, the Company's pricing arrangements with its steel suppliers are subject to adjustment once every six months. In an effort to limit its exposure to fluctuations in steel prices, the Company has generally avoided the use of long-term, fixed price contracts with its customers. Instead, the Company typically reserves the right to increase product prices periodically in the event of increases in its raw material costs. The Company was able to minimize the impact on its operations resulting from the 52100 Steel price increases by taking such measures. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

CAUTIONARY STATEMENTS FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

The Company wishes to caution that this report and the 1996 Annual Report to Stockholders contain, and future filings by the Company, press releases and oral statements made by the Company's authorized representatives may contain, forward looking statements that involve certain risks and uncertainties. The Company's actual results could differ materially from those expressed in such forward looking statements due to important factors bearing on the Company's business, many of which already have been discussed in this filing and in the Company's prior filings. The following paragraphs discuss the risk factors that the Company regards as the most significant, although the Company wishes to caution that other factors that currently are not considered significant or that currently cannot be foreseen may in the future prove to be important in affecting the Company's results of operations. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

INDUSTRY RISKS. The precision ball and roller industry is cyclical and tends to decline in response to overall declines in industrial production. The Company's sales could be negatively affected by adverse conditions in the industrial production sector of the economy or by adverse global or national economic conditions generally.

COMPETITION. The precision ball and roller market is highly competitive, and many of the ball and roller manufacturers in the market are larger and have substantially greater resources than the Company. The Company's competitors are continuously exploring and implementing improvements in technology and manufacturing processes in order to improve product quality, and the Company's ability to remain competitive will depend, among other things, on whether it is able, in a cost effective manner, to keep apace with such quality improvements. In addition, the Company competes with many of its customers that, in addition to producing bearings, also internally produce balls and rollers for sale to third parties. The Company also faces a risk that its customers will decide to produce balls and rollers internally rather than outsourcing their needs to the Company.

RAPID GROWTH. The Company has undergone rapid growth over the last several years. Accordingly, the Company risks underutilization or inefficient utilization of its production facilities in future years. The Company also faces risks associated with start-up expenses, inefficiencies, delays and increased depreciation costs associated with its new facility in Mountain City, Tennessee, and with its plant expansions.

RAW MATERIAL SHORTAGES. Because the balls and rollers manufactured by the Company have highly-specialized applications, their production requires the use of very particular types of steel. Due to quality constraints, the Company obtains the vast majority of its steel from overseas suppliers. Steel shortages or transportation problems, particularly with respect to 52100 Steel, could have a detrimental effect on the Company's business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources."

RISKS ASSOCIATED WITH INTERNATIONAL TRADE. Because the Company obtains a majority of its raw materials from overseas suppliers and sells to a large number of international customers, the Company faces risks associated with (i) adverse foreign currency fluctuations, (ii) changes in trade, monetary and fiscal policies, laws and regulations, and other activities of governments, agencies and similar organizations, (iii) the imposition of trade restrictions or prohibitions, (iv) the imposition of import or other charges or taxes, and (v) unstable governments or legal systems in countries in which the Company's suppliers and customers are located. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources" and "Management's Discussion and Analysis of Financial Condition and Results of Operations--Inflation and Changes in Prices." Currently, all foreign sales are billed and paid for in United States dollars. An increase in the value of the United States dollar relative to foreign currencies may adversely affect the ability of the Company to compete with its foreign-based competitors for international as well as domestic sales.

DEPENDENCE ON MAJOR CUSTOMERS. During 1996, the Company's ten largest customers accounted for approximately 78% of its net sales. Sales to various U.S. and foreign divisions of SKF, which is one of the largest bearing manufacturers in the world, accounted for approximately 37% of net sales in 1996, and sales to FAG accounted for approximately 10% of net sales in 1996. The Company currently negotiates and contracts with various purchasing units within SKF and believes that, in certain respects, such units operate independently with respect to purchasing decisions. There can be no assurance, however, that SKF will not centralize purchasing decisions in the future. None of the Company's other customers accounted for more than 10% of its net sales in 1996, but sales to three of its customers each represented more than 5% of the Company's 1996 net sales. The loss of all or a substantial portion of sales to these customers would have a material adverse effect on the Company's business.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
NN Ball and Roller, Inc.

In our opinion, the financial statements listed in the accompanying index present fairly, in all material respects, the financial position of NN Ball and Roller, Inc. at December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse LLP

PRICE WATERHOUSE LLP

Winston-Salem, North Carolina
January 17, 1997

NN BALL AND ROLLER, INC.

BALANCE SHEETS (IN THOUSANDS, EXCEPT PER SHARE DATA)

	DECEMBER 31, 1996	DECEMBER 31, 1995
Assets		
Current assets:		
Accounts receivable, net	$ 15,754	$ 16,915
Inventories, net	10,408	9,813
Other current assets	565	--
Total current assets	26,727	26,728
Property, plant and equipment, net	32,419	27,367
Other	146	146
Total assets	$ 59,292	$ 54,241
Liabilities and Stockholders' Equity[el]		
Current liabilities:		
Revolving credit facility	$ 2,308	$ 3,590
Accounts payable--trade	4,054	8,201
Accrued vacation expense	370	369
Income taxes payable	96	208
Accrued sales rebate	755	243
Other liabilities	791	692
Total current liabilities	8,374	13,303
Deferred income taxes	2,208	1,720
Total liabilities	10,582	15,023
Stockholders' equity:		
Common stock--$0.01 par value, authorized--45,000 (1996) and 20,000 (1995) shares, issued and outstanding--14,629 (1996) and 14,473 (1995) shares	146	144
Additional paid-in capital	26,983	25,289
Retained earnings	21,581	13,785
Total stockholders' equity	48,710	39,218
Total liabilities and stockholders' equity	$ 59,292	$ 54,241

The accompanying notes are an integral part of these financial statements.

NN BALL AND ROLLER, INC.

BALANCE SHEETS (IN THOUSANDS, EXCEPT PER SHARE DATA)

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Net sales	$ 84,539	$ 77,786	$ 60,487
Cost of products sold	56,695	53,912	40,110
Gross profit	27,844	23,874	20,377
Selling, general and administrative expenses	4,890	4,249	3,439
Depreciation	3,358	2,364	1,996
Income from operations	19,596	17,261	14,942
Interest expense	296	42	354
Income before provision for income taxes and extraordinary item	19,300	17,219	14,588
Provision for income taxes	6,835	5,708	5,704
Income before extraordinary item	12,465	11,511	8,884
Extraordinary loss from early extinguishment of debt (net of income tax benefit of $710)	--	--	(1,160)
Net income	$ 12,465	$ 11,511	$ 7,724
Net income per share (primary):	$ .83	$ .79	
Weighted average number of shares outstanding	15,042	14,583	
Unaudited pro forma data: (Notes 2 and 3)			
Income before provision for income taxes and extraordinary item			$ 14,588
Provision for income taxes			5,543
Income before extraordinary item			9,045
Extraordinary item, net			(1,160)
Net income			$ 7,885
Net income per share (primary):			
Income before extraordinary item			$ .66
Extraordinary item, net			(.09)
Net income per share			$ .57
Weighted average number of shares outstanding			13,716

The accompanying notes are an integral part of these financial statements.

NN BALL AND ROLLER, INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (IN THOUSANDS)

	COMMON STOCK				
	NUMBER OF SHARES	PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
Balance, December 31, 1993	4,432	$ 44	$ 417	$ 7,723	$ 8,184
Net income	--	--	--	7,724	7,724
Dividends paid	--	--	--	(1,030)	(1,030)
Proceeds from IPO (net)	2,000	20	24,872	--	24,892
Sub S-corporation distribution	--	--	--	(9,233)	(9,233)
Balance, December 31, 1994	6,432	64	25,289	5,184	30,537
Net income	--	--	--	11,511	11,511
Dividends paid	--	--	--	(2,830)	(2,830)
Three-for-two stock split	3,216	32	--	(32)	--
Three-for-two stock split	4,825	48	--	(48)	--
Balance, December 31, 1995	14,473	144	25,289	13,785	39,218
Net income				12,465	12,465
Dividends paid	--	--	--	(4,669)	(4,669)
Stock options exercised	156	2	1,694	--	1,696
Balance, December 31, 1996	14,629	$ 146	$ 26,983	$ 21,581	$ 48,710

The accompanying notes are an integral part of these financial statements.

NN BALL AND ROLLER, INC.

STATEMENTS OF CASH FLOWS (IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Cash flows from operating activities:			
Net income	$ 12,465	$ 11,511	$ 7,724
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	3,358	2,364	1,996
Amortization of bond issue costs	--	--	150
Deferred income taxes	488	166	1,382
Changes in operating assets and liabilities:			
Accounts receivable	1,161	(5,898)	(2,910)
Inventories	(595)	(3,563)	(917)
Other current assets	(565)	30	490
Accounts payable--trade	(4,147)	4,748	(1,346)
Income taxes payable	(112)	(287)	471
Accrued sales rebate	512	79	--
Other liabilities	100	328	(139)
Net cash provided by operations	12,665	9,478	6,901
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(8,410)	(14,509)	(5,231)
Other assets	--	(23)	(16)
Net cash used for investing activities	(8,410)	(14,532)	(5,247)
Cash flows from financing activities:			
Net receipts (payments) under revolving line of credit	(1,282)	3,590	--
Principal payment on long-term debt	--	--	(12,000)
Proceeds from Initial Public Offering--net	--	--	24,892
Sub S-corporation distribution	--	--	(9,233)
Cash dividends	(4,669)	(2,830)	(1,030)
Stock options exercised	1,696	--	--
Net cash provided (used) by financing activities	(4,255)	760	2,629
Net increase (decrease) in cash and cash equivalents	--	(4,294)	4,283
Cash and cash equivalents at beginning of period	--	4,294	11
Cash and cash equivalents at end of period	$ --	$ --	$ 4,294

The accompanying notes are an integral part of these financial statements.

NOTE 1--THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

NN Ball and Roller, Inc. (the "Company") is a manufacturer of balls and rollers used primarily in the bearing industry. The Company has two manufacturing facilities in Tennessee and one manufacturing facility in South Carolina. The Company sells to both foreign and domestic customers (See Note 10).

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with an original maturity of three months or less as cash equivalents.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Expenditures for maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized. When a major property item is retired, its cost and related accumulated depreciation or amortization are removed from the property accounts and any gain or loss is recorded in income or expense.

Depreciation is provided principally on the straight-line method over the estimated useful lives of the depreciable assets for financial reporting purposes. Accelerated depreciation methods are used for income tax purposes.

REVENUE RECOGNITION

The Company recognizes a sale when goods are shipped and ownership is assumed by the customer. The Company has implemented an inventory management program for three major customers. Under this program, sales are recognized when products are used by the customer, instead of at the time of shipment. Inventory on consignment at December 31, 1996 and 1995 was approximately $2,610,000 and $1,840,000, respectively.

INCOME TAXES

Income taxes are provided based upon income reported for financial statement purposes. Deferred income taxes reflect the tax effect of temporary differences between the financial reporting and income tax bases of the Company's assets and liabilities (See Note 11).

HISTORICAL NET INCOME PER COMMON SHARE

Primary earnings per share is computed by dividing net income by the weighted average number of common and dilutive common equivalent shares outstanding during the year (See Note 3). The dilutive effect of stock options is computed using the treasury stock method. The fully dilutive effect of the Company's stock options results in no impact on earnings per share for any period presented and thus has been omitted from these financial statements.

PRO FORMA NET INCOME PER COMMON SHARE (UNAUDITED)

Pro forma net income per common share (unaudited) is computed using the weighted average number of common shares (weighted average shares) outstanding during the period (See Notes 2 and 3).

FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 1995, the Company adopted Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" (SFAS 107). SFAS 107 requires the disclosure of the fair value of financial instruments (See Note 14).

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2--INITIAL PUBLIC OFFERING AND CAPITAL CHANGES

On March 22, 1994, the Company completed an initial public offering of common stock in which 2,000,000 shares of common stock (prior to adjustment for stock splits discussed in Note 3) were issued and sold by the Company at $14 per share for gross proceeds of $28,000,000. In connection with the offering, the Company incurred issuance costs of $3,108,000 which have been recorded as a reduction in additional paid-in capital. Net proceeds to the Company were $24,892,000. A portion of the proceeds was used to prepay $12,000,000 in principal of the Company's 10.88% Senior Secured Notes (the "Senior Notes") due September 29, 1999, to pay $653,000 of accrued interest on the Senior Notes and to pay a prepayment penalty of $1,728,000 on the Senior Notes.

This prepayment resulted in an extraordinary loss calculated as follows:

Prepayment penalty	$1,728,000
Write-off unamortized deferred loan costs	142,000
Gross extraordinary loss	1,870,000
Tax benefit	(710,000)
Net extraordinary loss	$1,160,000

The extraordinary loss has been included in the Company's results of operations for the year ended December 31, 1994. A portion of the proceeds also was used to pay a distribution of previously undistributed earnings of $9,233,000 to S corporation stockholders (the "Final Distribution"). The Final Distribution consisted of the Company's previously taxed undistributed earnings as of March 22, 1994, as well as the Company's earnings for financial reporting purposes in excess of such previously taxed earnings at March 22, 1994, less an additional reserve of $1,213,000 for the amount of the deferred income taxes payable on such excess (See Note 11).

Effective January 27, 1994, the Company was recapitalized. The recapitalization included a Common Stock split with a ratio of 508 to one. This resulted in Common Stock, $0.01 par value, 20,000,000 shares authorized, 4,432,300 shares issued and outstanding (prior to adjustment for stock splits discussed in Note 3) prior to the initial public offering. Pursuant to the recapitalization, the Company was also authorized to issue 5,000,000 shares of Preferred Stock, $0.01 par value. This recapitalization of the Company has been given retroactive effect in the accompanying financial statements.

On May 2, 1996, the stockholders approved an increase in the number of authorized common shares from 20,000,000 to 45,000,000. No change was made to the number of authorized shares of Preferred Stock.

NOTE 3--STOCK SPLITS

On February 9, 1995, the Company's Board of Directors authorized a three-for-two stock split effected in the form of a 50% stock dividend payable on March 5, 1995 to stockholders of record on February 27, 1995. This resulted in the issuance of approximately 3,216,000 additional shares of common stock.

On November 13, 1995, the Company's Board of Directors authorized a three-for-two stock split effected in the form of a 50% stock dividend payable on December 5, 1995 to stockholders of record on November 27, 1995. This resulted in the issuance of approximately 4,825,000 additional shares of common stock. Unless otherwise stated, all references in the financial statements to stock option data, per share and weighted average share amounts have been restated to reflect these stock splits.

NOTE 4--ACCOUNTS RECEIVABLE

	DECEMBER 31, 1996	DECEMBER 31, 1995
	(IN THOUSANDS)	
Trade	$ 15,516	$ 17,021
Employees	84	9
Other	394	--
	15,994	17,030
Less--Allowance for doubtful accounts	240	115
	$ 15,754	$ 16,915

NOTE 5--INVENTORIES

	DECEMBER 31, 1996	DECEMBER 31, 1995
	(IN THOUSANDS)	
Raw materials	$ 1,452	$ 2,707
Work in process	2,586	3,172
Finished goods	6,430	3,994
	10,468	9,873
Less--Reserve for excess and obsolete inventory	60	60
	$ 10,408	$ 9,813

NOTE 6--PROPERTY, PLANT AND EQUIPMENT

	ESTIMATED USEFUL LIFE	DECEMBER 31, 1996	DECEMBER 31, 1995
		(IN THOUSANDS)	
Land		$ 282	$ 282
Buildings and improvements	10-25 years	6,742	6,117
Machinery and equipment	3-10 years	44,174	30,485
Construction in progress		1,598	7,514
		52,796	44,398
Less--Accumulated depreciation		20,377	17,031
		$32,419	$ 27,367

NOTE 7--SHORT-TERM CREDIT FACILITIES

Under the terms of a revolving line of credit agreement with NationsBank of Tennessee, N.A. ("NationsBank"), the Company may borrow up to $10,000,000 through May 31, 1998. Amounts outstanding under the facility are unsecured, and the Company selects a floating annual interest rate equal to either the NationsBank prime commercial rate less 1% or LIBOR plus 1.15%. There was $2,308,000 and $3,590,000 outstanding under the agreement at December 31, 1996 and 1995, respectively. The interest rate on this borrowing was 7.25% and 7.5% at December 31, 1996 and 1995, respectively. The agreement contains restrictive covenants which specify, among other things, restrictions on the incurrence of indebtedness and the maintenance of certain working capital requirements. The Company was in compliance with all such covenants as of December 31, 1996.

Interest paid during 1996, 1995 and 1994 was $321,000, $15,000 and $664,000, respectively.

NOTE 8--EMPLOYEE BENEFIT PLANS

The Company has a defined contribution 401(k) profit sharing plan (the "Plan") covering substantially all employees who have one year of service, have attained age twenty-one and have elected to participate in the Plan. A participant may elect to contribute from 1% to 20% of his or her compensation to the Plan, subject to a maximum deferral set forth in the Internal Revenue Code. The Company provides a dollar for dollar matching contribution up to $500 per participant. The employer matching contribution is fully vested at all times. The contributions by the Company were $140,000, $148,000 and $120,000 in 1996, 1995 and 1994, respectively.

NOTE 9--STOCK INCENTIVE PLAN

Effective March 2, 1994, the Company adopted the NN Ball & Roller, Inc. Stock Incentive Plan under which 1,125,000 shares of the Common Stock were reserved for issuance to officers and key employees of the Company. Awards or grants under the plan may be made in the form of incentive and nonqualified stock options, stock appreciation rights and restricted stock. The stock options and stock appreciation rights must be issued with an exercise price not less than the fair market value of the Common Stock on the date of grant. The awards or grants under the plan may have various vesting and expiration periods as determined at the discretion of the Committee administering the plan.

The following table summarizes the changes in the number of shares under option pursuant to the plan described above: (See Note 3)

	NUMBER OF SHARES	PER SHARE OPTION PRICE
Outstanding at December 31, 1993	--	
Granted	508,635	$ 6.22
Exercised	--	
Outstanding at December 31, 1994	508,635	
Granted	518,250	9.39--11.92
Exercised	--	
Outstanding at December 31, 1995	1,026,885	
Granted	39,000	15.50
Exercised	(156,611)	
Forfeited	(55,645)	
Outstanding at December 31, 1996	853,629	
Exercisable at December 31, 1996	348,852	
Shares reserved for future grant: December 31, 1996	114,760	

On May 6, 1996, one of the Company's officers exercised approximately 150,000 stock options. The exercise price and the market price of the options at the date of exercise were $6.22 and $25.50, respectively. Certain of these options were considered non qualified options and, accordingly, the Company recorded compensation expense, for income tax purposes only, of approximately $1,967,000. The reduction in taxes payable of approximately $686,000 was recorded as additional paid-in capital in the accompanying financial statements.

All options granted in the period January 1, 1995 through December 31, 1996 vest 20% annually, beginning one year from date of grant. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. During 1996, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). SFAS 123 encourages but does not require a fair value based method of accounting for stock compensation plans. The Company has elected to continue accounting for its stock compensation plan using the intrinsic value based method and, accordingly, has not recorded compensation expense for each of the three years ended December 31, 1996. Had compensation cost for the Company's stock compensation plan been determined based on the fair value at the option grant dates, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		YEAR ENDED DECEMBER 31,	
		1996	1995
Net income	As reported (000's)	$12,465	$11,511
	Pro forma (000's)	12,146	11,304
Earnings per share	As reported	$ .83	$ .79
	Pro forma	.81	.78

The fair value of each option grant was estimated on actual information available through December 31, 1996 using the Black-Scholes option-pricing model with the following assumptions:

Term	One year after each 20% vesting date
Risk free interest rate	4.89%, 5.04%, 5.60%, 5.96% and 6.16% for options exercised in years 2-6, respectively
Dividend yield	1.5% annually
Volatility	31%
Expected forfeitures	0-30%

NOTE 10--SALES TO MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

Sales to customers were concentrated in the following areas:

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Domestic:			
Bearing manufacturers	34%	34%	40%
Other	16%	16%	23%
	50%	50%	63%
Foreign:			
Bearing manufacturers	45%	46%	34%
Other	5%	4%	3%
	50%	50%	37%
	100%	100%	100%

Foreign sales were concentrated in the following geographical regions:

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
Europe	27%	30%	20%
Canada	5%	4%	4%
South America	6%	3%	5%
Other export	12%	13%	8%
Total Foreign	50%	50%	37%

Two customers accounted for 47% of consolidated sales in 1996. SKF Bearings Industries and FAG Bearings Corporation represented 37% and 10%, respectively, of 1996 net sales. The only customer accounting for 10% or more of net sales in any prior year was SKF Bearing Industries which accounted for 37% and 35% of net sales during 1995 and 1994, respectively.

NOTE 11--PROVISION FOR INCOME TAXES

Prior to the Company's initial public offering (Note 2), the Company maintained the status of an S corporation for federal income tax purposes. As an S corporation, the federal income tax effects of the Company's activities accrued directly to its stockholders.

The Company records taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("FAS 109"), which requires use of the asset and liability method to account for deferred income taxes. Under the asset and liability method, deferred income taxes are provided for the temporary differences between the financial reporting and income tax bases of the Company's assets and liabilities using enacted income tax rates expected to be in effect when the temporary differences reverse.

As described in Note 2, on March 22, 1994, the Company completed an initial public offering. Upon completion of the initial public offering, the Company's S corporation election was terminated and, accordingly, the Company has been subject to federal and state income taxes from that date forward. In addition, upon the termination of the Company's S corporation status, the Company was required to provide for deferred federal and state income taxes, calculated in accordance with FAS 109 for the cumulative temporary differences between the financial reporting and income tax bases of the Company's assets and liabilities. As a result, a charge to the provision for income taxes in the amount of $1,213,000 and a corresponding increase in the deferred income tax liability was recorded upon termination of the Company's S corporation status.

The components of the provision for income taxes are as follows:

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Current			
Federal	$ 5,696	$ 4,978	$ 3,790
State	651	564	532
	6,347	5,542	4,322
Deferred			
Federal	436	149	1,387
State	52	17	(5)
	488	166	1,382
	$ 6,835	$ 5,708	$ 5,704

A reconciliation of taxes based on the federal statutory rate of 35% for the years ended December 31, 1996, 1995 and 1994 is summarized as follows:

	YEAR ENDED DECEMBER 31,		
	1996	1995	1994
	(IN THOUSANDS)		
Income taxes at the federal statutory rate	$ 6,755	$ 6,027	$ 5,106
State income taxes, net of federal benefit	457	378	343
Foreign sales corporation benefit	(458)	(425)	(186)
Benefit of S corporation short year	--	--	(870)
Beginning C corporation deferred tax liability adjustment	--	--	1,213
Other, net	81	(272)	98
Provision for income taxes	$ 6,835	$ 5,708	$ 5,704

The tax effects of the temporary differences are as follows:

	YEAR ENDED DECEMBER 31,	
	1996	1995
	(IN THOUSANDS)	
Deferred income tax liability		
Tax in excess of book depreciation	$ 2,754	$ 2,092
Gross deferred income tax liability	2,754	$ 2,092
Deferred income tax assets		
Inventories	211	134
Vacation reserve	135	135
Other working capital accruals	200	103
Gross deferred income tax assets	546	372
Net deferred income tax liability	$ 2,208	$ 1,720

Income tax payments were approximately $5,767,000, $5,782,000 and $3,075,000 in 1996, 1995 and 1994, respectively.

Pro Forma Provision for Income Taxes (unaudited)

The unaudited pro forma provisions for income taxes represent the estimated income taxes that would have been reported had the Company been a C corporation for the entire year ended December 31, 1994. As the unaudited pro forma provision for income taxes assumes the Company has always been a C corporation, the 1994 pro forma provision for income taxes does not include the $1,213,000 charge related to the Company's termination of its S corporation status as discussed above. Such amounts are summarized as follows:

	YEAR ENDED DECEMBER 31, 1994
	(IN THOUSANDS)
Current	
Federal	$ 4,613
State	811
	5,424
Deferred	
Federal	101
State	18
	119
Unaudited pro forma provisions for income taxes	$ 5,543

A reconciliation of taxes based on the federal statutory rate of 35% and the unaudited pro forma provisions for income taxes is summarized as follows:

	Year ended December 31, 1994 (in thousands)
Income taxes at the federal statutory rate	$ 5,106
State income taxes, net of federal benefit	539
Foreign sales corporation benefit	(186)
Other, net	84
Unaudited pro forma provision for income taxes	$ 5,543

NOTE 12--COMMITMENTS

The Company has operating lease commitments for machinery and office equipment which expire on varying dates. Rent expense for 1996, 1995, and 1994 was $378,000, $242,000, and $167,000, respectively. The following is a schedule by year of future minimum lease payments as of December 31, 1996 under operating leases that have initial or remaining noncancelable lease terms in excess of one year (in thousands).

YEAR ENDED DECEMBER 31,	
1997	$ 67
1998	51
1999	51
2000	30
2001	0
Total minimum lease payments	$199

NOTE 13--QUARTERLY RESULTS OF OPERATIONS (UNAUDITED):

The following summarizes the unaudited quarterly results of operations for the years ended December 31, 1996 and 1995 (in thousands, except per share data). The sum of the quarterly earnings per share amounts for 1995 do not equal earnings per share for the year due to the offering of common shares and changes in the market price of the Company's common stock during the year.

	YEAR ENDED DECEMBER 31, 1996			
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
Net sales	$ 26,085	$ 22,834	$ 16,558	$ 19,062
Gross profit	8,517	7,471	5,730	6,126
Net income	4,272	3,480	2,195	2,518
Per share: (Note 3)	.28	.23	.15	.17
Weighted average number of shares outstanding (Notes 2 and 3)	15,071	15,131	14,961	14,903

	YEAR ENDED DECEMBER 31, 1995			
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
Net sales	$ 18,256	$ 18,986	$ 18,940	$ 21,604
Gross profit	5,873	5,699	5,594	6,708
Net income	2,832	2,816	2,677	3,186
Per share: (Note 3)	.20	.20	.19	.21
Weighted average number of shares outstanding (Notes 2 and 3)	14,473	14,473	14,473	14,914

NOTE 14--FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial position of the Company at December 31, 1996 includes certain financial instruments. Management believes the fair value of the these instruments approximates their carrying value. The carrying amounts and estimated fair value of the Company's financial instruments at December 31, 1996 and 1995 are as follows (in thousands):

	DECEMBER 31,			
	1996		1995	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Assets:				
Cash and cash equivalents	$--	$ --	$ --	$ --
Trade accounts receivable	15,516	15,516	17,021	17,021
Less: allowance for doubtful accounts	(240)	--	(115)	--
Liabilities:				
Revolving credit facility	2,308	2,308	3,590	3,590

SCHEDULE II

NN Ball and Roller, Inc.
Valuation and Qualifying Accounts and Reserves

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS	DEDUCTIONS(1)	BALANCE AT END OF YEAR
	(IN THOUSANDS)			
Year ended December 31, 1994				
Allowance for doubtful accounts..................................	$ 50	$ 25	$ --	$ 75
Reserve for excess and obsolete inventory.........................	$ 60	$ --	$ --	$ 60
Year ended December 31, 1995 Allowance for doubtful accounts......	$ 75	$ 40	$ --	$ 115
Reserve for excess and obsolete inventory.........................	$ 60	$ --	$ --	$ 60
Year ended December 31, 1996 Allowance for doubtful accounts......	$ 115	$ 125	$ --	$ 240
Reserve for excess and obsolete inventory.........................	$ 60	$ --	$ --	$ 60

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(1) Deductions represent amounts written off.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS. The information required by Item 401 of Regulation S-K concerning the Company's directors is contained in the section entitled "Election of Directors--Information about the Directors" of the Company's definitive Proxy Statement (to be filed with the Securities and Exchange Commission within 120 days after December 31, 1996) and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

EXECUTIVE OFFICERS. Information required by Item 401 of Regulation S-K concerning the Company's executive officers is set forth in Item I hereof under the caption "Executive Officers of the Registrant."

Compliance with Section 16(a) of the Securities Exchange Act. The information required by Item 405 of Regulation S-K concerning compliance with Section 16(a) of the Securities Exchange Act by the Company's directors and executive officers and any 10% beneficial owners is contained in the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

ITEM 11 EXECUTIVE COMPENSATION

The information required by Item 402 of Regulation S-K is contained in the sections entitled "Election of Directors--Compensation of Directors" and "Executive Compensation" of the Company's definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 403 of Regulation S-K is contained in the section entitled "Beneficial Ownership of Common Stock" of the Company's definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

PART IV

ITEM 14 EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

The financial statements of the Company filed as part of this Annual Report on Form 10-K begin on the following pages hereof:

(a) 2. Financial Statement Schedules

(a) 3. Exhibits Required by Item 601 of Regulation S-K

3.1	Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1--File No. 33-74694).
3.2	Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1--File No. 33-74694).
4.1	Form of Common Stock certificate (incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-1-- File No. 33-74694).
10.1*	NN Ball & Roller, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1--File No. 33-74694).
10.2*	Stock Option Agreement between the Company and James J. Mitchell (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1--File No. 33-74694).
10.3*	$1.2 million Life Insurance Policy purchased by Mr. Ennen, the premiums of which are paid for by the Company (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1--File No. 33-74694).
10.4*	$300,000 Life Insurance Policy purchased by the Company in favor of Mr. Bowman (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1--File No. 33-74694).

10.5 Form of Confidentiality and Non-Compete Agreements for Executive Officers of the Company (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1 --File No. 33-74694).

10.6 Stockholder Agreement, dated February 22, 1994, among certain stockholders of the Company (incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-1 --File No. 33-74694).

10.7 Form of Indemnification Agreement for officers and directors of the Company (incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1--File No. 33-74694).

10.8 Loan Agreement, dated as of February 10, 1995, between the Company and NationsBank of Tennessee, N.A. (incorporated by reference to Exhibit 10.8 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994).

10.9 Lease, dated as of September 5, 1995, between the Company and the State of Tennessee Department of Economic and Community Development and the County of Johnson County, Tennessee (incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).

10.10 Lease, dated as of March 22, 1996, between the Company and the State of Tennessee Department of Economic and Community Development and the County of Johnson County, Tennessee (incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).

10.11* Stock Option Agreement, dated as of July 3, 1995, between the Company and Roderick R. Baty (incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).

10.12 Quitclaim Deed, dated January 20, 1997, executed by Johnson County, Tennessee in favor of the Company (filed herewith).

23.1 Consent of Price Waterhouse LLP (filed herewith).

* Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the fourth quarter of 1996.

(c) Exhibits

See Index to Exhibits (attached hereto).

The Company will provide without charge to any person, upon the written request of such person, a copy of any of the Exhibits to this Form 10-K.

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.

By: /s/ Richard D. Ennen

Richard D. Ennen
Chairman, Chief Executive Officer
and Director

Dated: March 24, 1997

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

NAME AND SIGNATURE	TITLE	DATE
/s/ Richard D. Ennen Richard D. Ennen	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	March 24, 1997
/s/ James J. Mitchell James J. Mitchell	President, Chief Operating Officer and Director	March 24, 1997
/s/ Roderick R. Baty Roderick R. Baty	Vice President, Chief Financial Officer and Director (Principal Financial Officer)	March 24, 1997
/s/ William C. Kelly, Jr. William C. Kelly, Jr.	Treasurer, Assistant Secretary and Chief Accounting Officer (Principal Accounting Officer)	March 24, 1997
/s/ Deborah Ennen Bagierek Deborah Ennen Bagierek	Director	March 24, 1997
/s/ Michael D. Huff Michael D. Huff	Director	March 24, 1997
/s/ G. Ronald Morris G. Ronald Morris	Director	March 24, 1997
/s/ Michael E. Werner Michael E. Werner	Director	March 24, 1997

INDEX TO EXHIBITS

EXHIBIT SEQUENTIAL

Number	Name of Exhibit
10.12	Quitclaim Deed, dated January 20, 1997, executed by Johnson County, Tennessee in favor of the Company
23.1	Consent of Price Waterhouse LLP

Note: The Company will provide without charge to any person, upon the written request of such person, a copy of any of the Exhibits to this Form 10-K.

Exhibit 10.12

THIS INSTRUMENT PREPARED BY:
Linda M. Crouch, Esq.
207 Mockingbird
Lane Johnson City, Tennessee 37601

QUITCLAIM DEED

KNOW ALL MEN BY THESE PRESENTS, that JOHNSON COUNTY, TENNESSEE, one of the political subdivisions of the State of Tennessee ("Grantor"), for and in consideration of Three Hundred Nineteen Thousand Five Hundred Twenty-Five and 50/100 Dollars ($319,525.50) in hand paid, does hereby bargain, sell, remise, release, quitclaim and convey unto NN BALL & ROLLER, INC., a Tennessee corporation ("Grantee"), all of the Grantor's interest in the following described real estate located in Johnson County, Tennessee, more particularly described on Exhibit "A" attached hereto; provided, however, that there is also hereby expressly

EXCEPTED AND RESERVED unto Grantor, its successors and assigns a permanent forty foot right of way easement along the northerly and westerly boundaries of Tract One of the property hereinabove conveyed, which easement is more particularly described in Deed Book 114, Page 233 in the Register's Office for Johnson County, Tennessee and as set forth on that plat of survey entitled "As Built and Boundary Survey of the Economic and Community Development, State of Tennessee Tract and a Portion of the Johnson County, Tennessee Tract in the Johnson County Industrial Park", dated February 15, 1996, prepared by Nelson Elam, Tennessee Registered Land Surveyor No. 1642, Suite 100, Tri-City Airport Terminal Building, Blountville, Tennessee, 37617 and recorded at Plat Cabinet #3, Slide 131 in the Register's Office for Johnson County, Tennessee, for the purposes of: (i) a road right of way and the construction, repair and maintenance of same; (ii) laying, maintaining, inspecting and repairing any and all utilities as may be necessary for the development of the Johnson County Industrial Park, including, without limitation, all installations of electric power, gas, water, drainage, installations for the transmission of intelligence and other necessary utilities; and (iii) existing pipelines, as are now installed, and the inspection, maintenance, repair and service of same.

Grantor also EXCEPTS AND RESERVES unto itself, an extension of the forty foot right of way easement hereinabove reserved across the westerly boundary of Tract Two of the property hereinabove conveyed, which easement is more particularly described on Exhibit "B" attached hereto and incorporated herein by reference, for the same aforementioned purposes. Said easements shall be appurtenant to the rest, residue and remainder of those properties owned by Johnson County, Tennessee in the Johnson County Industrial Park.

IN TESTIMONY WHEREOF, the undersigned has have executed this instrument on this the 20th day of January, 1997.

JOHNSON COUNTY, TENNESSEE

By: /s/ George Lowe

George Lowe, County Executive

STATE OF TENNESSEE
COUNTY OF JOHNSON

Personally appeared before me, Danny C. Cullop, County Clerk in and for said State and County duly commissioned and qualified, George Lowe, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who acknowledged that he executed the foregoing instrument for the purposes therein contained, and who further acknowledged that he is the County Executive of Johnson County, Tennessee (the "Grantor") and is authorized by the Maker to execute this instrument on behalf of the Grantor.

WITNESS my hand and seal at office, on this 20th day of January, 1997.

COUNTY CLERK

/s/ Danny C. Cullop

My Commission Expires:

N/A

****

PROPERTY ADDRESS:

378 Industrial Park
Mountain City, TN 37683

MAIL TAX BILLS TO: (Person or Agency responsible for payment of taxes)
NN Ball & Roller, Inc.
800 Tennessee Road
Erwin, Tennessee 37650

Map #53
Tract One:
Tax Parcel I.D.: 71.02

Tract Two:
Tax Parcel I.D.: Part of 71

State Tax:	$1,183.15
Register's Fee:	1.00
Recording Fee:	24.00
Total:	$1,207.15

I, or we, hereby swear or affirm that, to the best of affiant's knowledge, information and belief, the actual consideration for this transfer is $319,525.50 ($300,000 for Tract One and $19,525.50 for Tract Two.)

AFFIANT

/s/ Roderick R. Baty

Subscribed and sworn before me this 20th day of January 1997

COUNTY CLERK

/s/ Danny C. Cullop

My Commission Expires:

N/A

EXHIBIT "A"

SITUATE, lying and being in the 7th Civil District of Johnson County, Tennessee, and being more particularly described as follows, to-wit:

TRACT ONE:

A tract of land being generally located south of State Route 67, west of Pedro Shoun Road (right of way width unknown), and east of a tract conveyed to the State of Tennessee's Department of Corrections for the Northeast Correctional Facility and being more particularly described as follows:

BEGINNING at a point in the common line of the Northeast Correctional Facility and said tract, said common line being the Easterly most line of said Northeast Correctional Facility, said point being 1873.37 feet Southerly from the Southerly margin of State Route 67; thence with said common line, N. 15 40' 28" W., 455.42 feet to an iron rod, corner to Johnson County (Book 100, page 817); thence with Johnson County's line, the following two courses and distances: N. 74 19' 32" E., 192.00 feet to a point and S. 83 50' 49" E., 91.52 feet to a point in the margin of Industrial Boulevard (80 foot right of way); thence continuing with said margin, with a curve to the left having a radius of 75.00 feet (central angle = 125 , 19' 21"), 164.04 feet to a point, corner to Johnson County; thence leaving said margin of Industrial Boulevard and with the line of Johnson County the following three courses and distances: N. 74 06' 32" E., 218.93 feet to a point; S. 15 37' 58" E., 302.39 feet to a point and S. 74 06' 32" W., 558.08 feet to the point of BEGINNING, and containing 4.807 acres, more or less and being identified as Tract No. 1 of a map entitled "As Built and Boundary Survey of the Economic and Community Development, State of Tennessee Tract and a Portion of the Johnson County, Tennessee Tract in the Johnson County Industrial Park", dated February 15, 1996, prepared by Nelson Elam, Tennessee Registered Land Surveyor No. 1642, Suite 100, Tri-City Airport Terminal Building, Blountville, Tennessee, 37617, which map is recorded at Plat Cabinet #3, Slide 131 in the Register's Office for Johnson County, Tennessee.

AND BEING the same property conveyed to Johnson County, Tennessee and Department of Economic and Community Development, State of Tennessee, by the following deeds: 1) Deed from Thomas R. Grayson, Trustee, dated March 12, 1987, recorded in Deed Book 112, page 395, 2) Deed from Johnson County, Tennessee, dated December 4, 1987, recorded in Deed Book 114, page 233, all in the Register's Office for Johnson County, Tennessee. The Department of Economic and Community Development, State of Tennessee conveyed its interest in said property to Johnson County, Tennessee by deed dated November 21, 1996, recorded in Deed Book 140, Page 206 in the Register's Office for Johnson County, Tennessee.

TRACT TWO:

A tract of land being generally located south of State Route 67, west of Pedro Shoun Road (right of way width unknown), and east of a tract conveyed to the State of Tennessee's Department of Corrections for the Northeast Correctional Facility and being more particularly described as follows:

BEGINNING at a monument in the common line of the Department of Corrections, said point being corner to property of Johnson County, Tennessee and the Department of Economic and Community Development, State of Tennessee, (Deed Book 112, page 395 and Deed Book 114, page 233); thence with the line of Johnson County and the State of Tennessee the following three courses and distances: N. 74 06' 32" E., 558.08 feet to an iron rod new; thence N. 15 37' 58" W., 302.39 feet to an iron rod new and S. 74 06' 32" W., 218.93 feet to an iron rod new in the margin of Industrial Boulevard (80' right of way); thence with said boulevard the following calls: with a curve to the left having a radius of 75.00 feet, a delta of 118 04' 13" and an arc length of 154.55 feet to an iron rod new; thence with a curve to the right having a radius of 100.00 feet, a delta of 45 13' 53" and an arc length of 78.94 feet to an iron rod new; thence with a curve to the left having a radius of 414.00 feet, a delta of 16 26' 09" and an arc length of 118.76 feet to an iron rod new; thence N. 15 45' 00" W., 117.44 feet to an iron rod new; thence with the new proposed Industrial access road, the following calls: with a curve having a radius of 25.00 feet, a delta of 135 00' 00", and an arch length of 58.91 feet; thence S. 60 45' 00" E., 95.19 feet to an iron rod; thence with a curve having a radius of 271.56 feet, a delta of 46 15' 22" and an arc length of 219.23 feet to an iron rod new; thence S. 14 29' 38" E., 174.67 feet to an iron rod new; thence with a curve having a radius of 602.95 feet, a delta of 12 36' 51" and an arc length of 132.74 feet to an iron rod new; thence S. 27 06' 29" E., 326.49 feet to an iron rod new; thence leaving said proposed road, S. 74 21' 02" W., 652.75 feet to an iron rod new set in the Department of Corrections line; thence with said common line, N. 24 46' 00" W., 149.76 feet to the point of BEGINNING and containing 4.339 acres, more or less, and being designated as Tract No. 2 of a map entitled "As Built and Boundary Survey of the Economic and Community Development, State of Tennessee Tract and a Portion of the Johnson County, Tennessee Tract in the Johnson County Industrial Park", dated February 15, 1996, prepared by Nelson Elam, Tennessee Registered Land Surveyor No. 1642, Suite 100, Tri-City Airport Terminal Building, Blountville, Tennessee, 37617, which map is recorded at Plat Cabinet #3, Slide 131 in the Register's Office for Johnson County, Tennessee.

AND BEING part of the same property conveyed to Johnson County, Tennessee, by Buccaneer Stores, Inc., by deed dated September 11, 1981, of record in Deed Book 100, page 817, in the Register's Office for Johnson County, Tennessee.

EXHIBIT "B"

DESCRIPTION OF EASEMENT AREA

BEGINNING at a monument in the common line of Tract Two hereinabove conveyed and the Department of Corrections, said point being corner to said Tract Two and Tract One hereinabove conveyed; thence with the line of said Tract Two south 24 46' 00" east 149.76 feet to an iron rod new at the common corner of Johnson County, Tennessee, the Department of Corrections and said Tract Two; thence north 74 21' 02" east 40.00 feet to a point in the line of Johnson County, Tennessee (Deed Book 100, Page 817); thence north 24 46' 00" west to a point in the common line of Tract Two and Tract One; thence south 74 06' 32" west 40.00 feet to the Point of BEGINNING.

STATE OF TENNESSEE, JOHNSON COUNTY
The foregoing instrument and certificate were noted in
Note Book 8 Page 65 at 2:50 O'Clock PM 1/20/97 and recorded
in Deed Book 140 Section ___ Page 253 State Tax Pd.
$1,182.15 Fee 1.00 Recording Fee $24.00 Total $1,207.15

Witness My Hand.

Receipt No. 55835 /s/ Patricia W. Hartley, Deputy Register

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Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-87522) of NN Ball and Roller, Inc. of our report dated January 17, 1997, appearing on page 20 in the 1996 Form 10-K.

PRICE WATERHOUSE LLP

Winston-Salem, North Carolina
March 27, 1997

5
US DOLLARS

YEAR
DEC-31-1996
JAN-01-1996
DEC-31-1996
1
0
0
15,994
(240)
10,408
26,727
52,796
(20,377)
59,292
8,374
0
0
0
146
48,564
59,292
84,539
84,539
56,695
56,695
8,248
(240)
296
19,300
6,835
12,465
0
0
0
12,465
0.83
0.83