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

FORM 10-Q

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

For the quarterly period ended MARCH 31, 1997

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 Number)

800 TENNESSEE ROAD
ERWIN, TENNESSEE 37650
(Address of principal executive offices, including zip code)

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

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

As of May 14, 1997 there were 14,543,242 shares of the registrant's common stock, par value $0.01 per share, outstanding.

NN BALL & ROLLER, INC.

INDEX

PART I. FINANCIAL INFORMATION

NN BALL & ROLLER, INC.
CONDENSED STATEMENTS OF INCOME
(UNAUDITED)

THOUSANDS OF DOLLARS, EXCEPT SHARE AND PER SHARE DATA	THREE MONTHS ENDED MARCH 31, 1997	1996
Net sales	$ 20,319	$ 26,085
Cost of goods sold	13,838	17,568
Gross profit	6,481	8,517
Selling, general and administrative	1,305	1,110
Depreciation	1,052	852
Income from operations	4,124	6,555
Interest expense	19	80
Income before provision for income taxes	4,105	6,475
Provision for income taxes	1,466	2,203
Net income	$ 2,639	$ 4,272
Net income per common share	$ 0.18	$ 0.28
Weighted average number of shares outstanding	14,712,638	15,071,278

SEE ACCOMPANYING NOTES.

NN BALL & ROLLER, INC.
CONDENSED BALANCE SHEETS

THOUSANDS OF DOLLARS	MARCH 31, 1997 (UNAUDITED)	DECEMBER 31, 1996
Assets		
Current assets:		
Accounts receivable, net	$ 16,115	$ 15,754
Inventories, net (Note 2)	10,447	10,408
Other current assets	767	565
Total current assets	27,329	26,727
Property, plant and equipment, net	32,189	32,419
Other	111	146
Total assets	$ 59,629	$ 59,292
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Revolving credit facility	$ 120	$ 2,308
Accounts payable	4,510	4,054
Accrued vacation payable	455	370
Accrued sales rebates	204	755
Income taxes payable	1,479	96
Other current liabilities	1,414	791
Total current liabilities	8,182	8,374
Deferred income taxes	2,208	2,208
Total liabilities	10,390	10,582
Total stockholders' equity	49,239	48,710
Total liabilities and stockholders' equity	$ 59,629	$ 59,292

SEE ACCOMPANYING NOTES.

NN BALL & ROLLER, INC.
CONDENSED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

THOUSANDS OF DOLLARS, EXCEPT SHARE DATA	COMMON STOCK NUMBER OF SHARES	PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	TOTAL
Balance, January 1, 1996	14,473	$ 144	$ 25,289	$ 13,785	$ 39,218
Net income				4,272	4,272
Dividends				(1,158)	(1,158)
Stock options exercised	3	--	53	--	53
Balance, March 31, 1996	14,476	$ 144	$ 25,342	$ 16,899	$ 42,385
Balance, January 1, 1997	14,629	$ 146	$ 26,983	$ 21,581	$ 48,710
Net income				2,639	2,639
Dividends				(1,111)	(1,111)
Stock repurchased	(86)	--	(999)	--	(999)
Balance, March 31, 1997	14,543	$ 146	$ 25,984	$ 23,109	$ 49,239

SEE ACCOMPANYING NOTES.

NN BALL & ROLLER, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

THOUSANDS OF DOLLARS	THREE MONTHS ENDED MARCH 31, 1997	1996
Operating Activities:		
Net income	$ 2,639	$ 4,272
Adjustments to reconcile net income:		
Depreciation	1,052	852
Changes in operating assets and liabilities:		
Accounts receivable	(361)	(4,338)
Inventories	(39)	(640)
Other current assets	(202)	(196)
Accounts payable	456	(819)
Other liabilities	1,540	2,930
Net cash provided by operations	5,085	2,061
INVESTING ACTIVITIES:		
Acquisition of plant, property, and equipment	(822)	(3,811)
Other assets	35	(20)
Net cash used by investing activities	(787)	(3,831)
FINANCING ACTIVITIES:		
Net receipts (payments) under revolving line of credit	(2,188)	2,875
Stock options exercised	--	53
Repurchase of Company's Common Stock	(999)	--
Dividends	(1,111)	(1,158)
Net cash provided (used) by financing activities	$ (4,298)	$ 1,770
NET CHANGE IN CASH AND CASH EQUIVALENTS	--	--
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	--	--
CASH AND CASH EQUIVALENTS AT PERIOD-END	--	--

SEE ACCOMPANYING NOTES.

NN BALL & ROLLER, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1. INTERIM FINANCIAL STATEMENTS

The accompanying condensed financial statements of NN Ball & Roller, Inc. have not been audited by independent accountants, except for the balance sheet at December 31, 1996. In the opinion of the Company's management, the financial statements reflect all adjustments necessary to present fairly the results of operations for the three-month periods ended March 31, 1997 and 1996, the Company's financial position at March 31, 1997 and December 31, 1996, and the cash flows for the three-month periods ended March 31, 1997 and 1996. These adjustments are of a normal recurring nature and are, in the opinion of management, necessary for fair presentation of the financial position and operating results for the interim periods.

In February 1997, the FASB issued Statement No. 128, "Earnings Per Share" (FAS 128), which requires the computation and presentation of earnings per share (EPS) for entities with publicly held common stock or potential common stock. FAS 128 requires (a) presentation of basic and diluted EPS, if applicable, on the face of the income statement and (b) reconciliation of the numerator and denominator for each basic EPS computation and the numerator and denominator of each diluted EPS computation. FAS 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997. The Company will adopt FAS 128 in the fourth quarter of 1997. Had FAS 128 been effective for the first quarter of 1997, basic and diluted EPS would have been $0.18 for the three months ended March 31, 1997, and $0.30 and $0.28, respectively, for the three months ended March 31, 1996.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q.

The results for the first quarter of 1997 are not necessarily indicative of future results.

NOTE 2. INVENTORIES

Inventories are stated at the lower of cost or market, with cost being determined by the first-in, first-out method.

Inventories are comprised of the following (in thousands):

	MARCH 31, 1997 (UNAUDITED)	DECEMBER 31, 1996
Raw materials	$ 1,236	$ 1,452
Work in process	2,848	2,586
Finished goods	6,423	6,430
	10,507	10,468
Less - Reserve for excess and obsolete inventory	60	60
	$ 10,447	$ 10,408

DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net Sales. Net sales decreased by approximately $5.8 million, or 22.1%, from $26.1 million for the first quarter of 1996 to $20.3 million for the first quarter of 1997. Foreign sales decreased $5.2 million, or 34.6%, from $15.0 million in the first quarter of 1996 to $9.8 million during the first quarter of 1997. Domestic sales decreased $543,000, or 4.9%, from $11.1 million in the first quarter of 1996 to $10.5 million in the first quarter of 1997. The decrease in foreign sales was due primarily to the weak European economies and a slowing in the rate of outsourcing by customers with captive ball production. In addition, net sales in the first quarter of 1996 reflect approximately $2.5 million of carry over demand from the fourth quarter of 1995 associated with the tight raw material supply the Company experienced in 1995.

Gross Profit. Gross profit decreased $2.0 million, or 23.9%, from $8.5 million for the first quarter of 1996 to $6.5 million for the first quarter of 1997. As a percentage of net sales, gross profit decreased from 32.7% in the first quarter of 1996 to 31.9% for the same period in 1997. The decrease in gross profit and gross profit as a percentage of sales was due primarily to decreased sales of 22.1% for the first quarter of 1997 as compared to the first quarter of 1996.

Selling, General and Administrative. Selling, general and administrative expenses increased by $195,000, or 17.6%, from $1.1 million in the first quarter of 1996 to $1.3 million in the first quarter of 1997. This increase was due primarily to travel, legal and accounting costs associated with the Company's acquisition and plant start-up efforts. As a percentage of net sales, selling, general and administrative expenses increased from 4.3% for the first quarter of 1996 to 6.4% for the same period in 1997.

Depreciation. Depreciation expense increased from $852,000 for the first quarter of 1996 to $1.1 million for the same period in 1997. This increase was due primarily to purchases of capital equipment associated with capacity additions at the Mountain City, Tennessee facility and, to a lessor extent, the Erwin, Tennessee and Walterboro, South Carolina facilities. As a percentage of net sales, depreciation expense increased from 3.3% for the first quarter of 1996 to 5.2% for the same period in 1997.

Interest Expense. Interest expense decreased by $61,000, from $80,000 in the first quarter of 1996 to $19,000 during the same period in 1997. This decrease was due to a reduction in amounts outstanding under the Company's revolving credit facility with NationsBank during the first quarter of 1997. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Net Income. Net income decreased by $1.6 million, or 38.2%, from $4.3 million for the first quarter of 1996 to $2.6 million for the same period in 1997. As a percentage of net sales, net income decreased from 16.4% in the first quarter of 1996 to 13.0% for the first quarter of 1997. This decrease in net income as a percentage of net sales was due primarily to decreased gross profit as a percentage of net sales, as well as increased selling, general and administrative expenses and depreciation as a percentage of net sales as explained above.

LIQUIDITY AND CAPITAL RESOURCES

In February 1995, the Company entered into a loan agreement with NationsBank of Tennessee N.A. ("NationsBank"). The loan agreement 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 to 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, as of March 31, 1997, was in compliance with all such covenants. The outstanding principal balance of the Company's borrowings under the revolving facility as of March 31, 1997 was $120,000.

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 an inventory management program with the Company) generally provide that payments are due within either 90 or 120 days following the date of shipment. Under the Company's inventory management program, payments typically are due within 30 days after the product is used by the customer. 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. 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.

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, although a continued strengthening of the U.S. dollar against foreign currencies may impair the ability of the Company to compete with foreign based competitors for international as well as domestic sales. As the Company's international operations continue to grow, foreign exchange risk may increase, and the Company may be required to develop and implement additional strategies to manage this risk.

Working capital, which consists principally of accounts receivable and inventories was $19.1 million at March 31, 1997 as compared to $18.4 million at December 31, 1996. The ratio of current assets to current liabilities increased to 3.3:1 at March 31, 1997 from 3.2:1 at December 31, 1996. This increase was due primarily to slightly higher inventory and accounts receivable amounts and the decrease in amounts drawn under the revolving credit facility. Cash flow from operations increased from $2.1 million during the first quarter 1996 to $5.1 million during the first quarter 1997. This increase was primarily attributed to an increase of $4.3 million in accounts receivable for the first quarter of 1996 as compared to an increase of $361,000 for the first quarter of 1997 and a decrease of $819,000 in accounts payable for the first quarter of 1996 as compared to an increase of $456,000 for the first quarter of 1997.

During 1997, the Company plans to spend approximately $10.8 million on capital expenditures (of which $822,000 has been spent through March 31, 1997) including the purchase and renovation of a manufacturing facility and related equipment in Ireland and the purchase of additional machinery and equipment for all three of the Company's U.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 projected capital expenditure requirements through December 1997.

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

The Company wishes to caution readers that this report contains, 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 filling and in the Company's prior fillings.

The following paragraphs discuss the risk factors the Company regard as the most significant, although the Company wishes to caution that other factors that are currently 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 in the past have been negatively affected, and in the future very likely would 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 significantly expanded its production facilities and capacity over the last several years. The Company currently is not operating at full capacity and faces risks of further 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 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 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.

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 changes or taxes, and (v) unstable governments or legal systems in countries in which the Company's suppliers and customers are located. 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. 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.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

Reports on Form 8-K

None.

Exhibitss

Financial Data Schedule (for SEC use only)

SIGNATURES

Pursuant to the requirements 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.

NN Ball & Roller, Inc.

(Registrant)

Date: May 14, 1997

/s/ James J. Mitchell

James J. Mitchell, President
and Chief Operating
Officer
(Duly Authorized Officer)

Date: May 14, 1997

/s/ Roderick R. Baty

Roderick R. Baty
Chief Financial Officer and
Vice President
(Principal Financial Officer)
(Duly Authorized Officer)

Date: May 14, 1997

/s/ William C. Kelly, Jr.

William C. Kelly, Jr.,
Treasurer, Assistant Secretary and
Chief Accounting Officer
(Principal Accounting Officer)
(Duly Authorized Officer)

5
1
U.S. DOLLARS

3-MOS
DEC-31-1997
JAN-01-1997
MAR-31-1997
1
0
0
16,355
(240)
10,447
27,329
53,618
(21,429)
59,629
8,182
0
0
0
146
49,093
59,629
20,319
20,319
13,838
13,838
2,357
0
19
4,105
1,466
2,639
0
0
0
2,639
0.18
0.18