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, 1998

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 19, 1999 was 14,804,271.

The aggregate market value of the voting stock held by non-affiliates of the registrant at March 19, 1999, based on the closing price on the NASDAQ National Market System on that date was approximately $57,636,759.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement with respect to the 1999 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

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 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 machines 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. 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 1998, the Company sold its products to over 500 customers located in 26 different countries, and its primary customers included FAG Bearings Corporation ("FAG"), SKF Bearing Industries ("SKF"), SNR Roulements, and the Torrington Company.

PRODUCTS

At its facilities in Erwin, Tennessee, Walterboro, South Carolina, Mountain City, Tennessee, and Kilkenny, Ireland, the Company produces high quality, precision steel balls in sizes ranging in diameter from 3/16 of an inch to 2 1/2 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 93%, 92% and 92% of the Company's net sales in 1996, 1997 and 1998, 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 demand 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 1994 to 1998, the percentage of high precision balls produced by the Company for use in quiet bearing applications has increased from approximately 69% to approximately 81% 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 1998, approximately 98% 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 1/2 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 1994 through 1998:

	NET SALES				
	1998	1997	1996	1995	1994
			(IN THOUSANDS)		
Domestic:					
Bearing Manufacturers	$27,779	$30,160	$28,894	$26,764	$24,195
	38%	40%	34%	34%	40%
Other	11,553	10,158	13,549	12,533	13,912
	16%	13%	16%	16%	23%
Foreign:					
Bearing Manufacturers	31,484	32,820	38,264	35,279	20,566
	43%	44%	45%	46%	34%
Other	2,190	2,114	3,832	3,210	1,814
	3%	3%	5%	4%	3%
Total	$ 73,006	$ 75,252	$ 84,539	$ 77,786	$60,487
	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 1996, 1997 and 1998 by geographic region, see Note 8 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 automotive OEM market. The Company's direct net sales to bearing manufacturers has increased from approximately 74% of net sales in 1994 to approximately 81% in 1998. Although the Company's direct sales to automotive 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 automotive OEM 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 1998, the Company sold its products to more than 500 customers located in 26 different countries. Approximately 46% of the Company's net sales in 1998 were to customers outside the United States. See Note 8 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 1998, the Company's ten largest customers accounted for approximately 76% 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 1998 and sales to FAG accounted for approximately 11% of net sales in 1998. None of the Company's other customers accounted for more than 10% of its net sales in 1998; however, sales to the Torrington Company, and SNR Roulements each represented more than 5% of the Company's net sales during the period.

The Company ordinarily ships its products directly to customers within 60 days, but in some cases, 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. 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 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 customer's 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. The Company follows industry practice in handling its inventory, which is a first in, first out policy.

EMPLOYEES

As of December 31, 1998, the Company had 403 full-time employees of whom 358 were engaged in production/maintenance. No employee of the Company is represented by a union. The Company believes that relations with its employees are good.

COMPETITION

The precision ball and roller industry is intensely 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 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 1998, approximately 98% 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 become a significant 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 now 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	71	Chairman of the Board and Director
Roderick R. Baty	45	President, Chief Executive Officer and Director
Frank I Gentry, III	43	Vice President-Manufacturing
Charles L. Edmisten	52	Vice President
David L. Dyckman	34	Vice President - Business Development and Chief Financial Officer
William C. Kelly, Jr.	40	Treasurer, Secretary and Chief Accounting Officer

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 and a director of the Company since its formation in 1980. He served as Chief Executive Officer of the Company from its inception until 1997 and 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.

Roderick R. Baty became President and Chief Executive Officer in July 1997. He joined the Company in July 1995 as Vice President and Chief Financial Officer and was elected to the Board of Directors in 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.

Frank T Gentry, III, was originally appointed Vice President - Manufacturing in August 1995. Mr. Gentry's responsibilities include purchasing, inventory control and transportation. Mr. Gentry joined the Company in 1981 and held various production control positions within the Company from 1981 to August 1995.

Charles L. Edmisten has served as a Vice President of the Company 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.

David L. Dyckman was appointed Vice President of Business Development and Chief Financial Officer in April 1998. Prior to joining the Company, Mr. Dyckman served from January 1997 until April 1998 as Vice President--Marketing and International Sales for the Veeder-Root Division of the Danaher Corporation. From 1987 until 1997, Mr. Dyckman held various positions with Emerson Electric Company including General Manager and Vice President of the Gearing Division of Emerson's Power Transmission subsidiary.

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. In March 1999 he was elected Secretary of the Company. 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.

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

ITEM 2   PROPERTIES

The Company has four manufacturing facilities located, respectively, in Erwin, Tennessee, Walterboro, South Carolina, Mountain City, Tennessee and Kilkenny, Ireland. Production began in early 1996 at the Mountain City facility. The Company established the Kilkenny, Ireland facility in August 1997 to better meet the needs of its customers in Europe. Production began in the fourth quarter of 1997.

The Erwin, Walterboro, Mountain City and Kilkenny plants currently have approximately 125,000, 100,000, 48,000 and 66,000 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, the Mountain City plant is located and on an 8 acre tract of land owned by the Company and the Kilkenny facility is located on a 2 acre tract of land owned by the Company. During 1998, 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, Mountain City and Kilkenny plants are adequately suited for the Company's current production and business needs.

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 1998.

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 19, 1999, there were 211 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 1997 and 1998:

	PRICE		
	HIGH	LOW	DIVIDEND
1997			
First Quarter	15 3/8	10 3/8	0.08
Second Quarter	12 3/4	9 7/8	0.08
Third Quarter	13 1/4	9 1/2	0.08
Fourth Quarter	11 1/2	8	0.08
1998			
First Quarter	11	8 5/8	0.08
Second Quarter	12 5/8	9 5/16	0.08
Third Quarter	11 3/4	6 7/8	0.08
Fourth Quarter	8	5 7/8	0.08

The declaration and payment of dividends are subject to the 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."

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. The data set forth below as of December 31, 1998 and for each of the three years in the period ended December 31, 1998, have been derived from the Financial Statements of the Company which have been audited by PricewaterhouseCoopers LLP, independent accountants, whose report thereon is included as part of Item 8. The financial data as of December 31, 1995 and 1994, 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,				
	1998	1997	1996	1995	1994
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENT OF INCOME DATA:					
Net Sales	$73,006	$75,252	$84,539	$77,786	$60,487
Cost of products sold	50,353	51,707	56,695	53,912	40,110
Gross profit	22,653	23,545	27,844	23,874	20,377
Selling, general and administrative expenses	5,896	5,518	4,890	4,249	3,439
Depreciation	4,557	4,106	3,358	2,364	1,996
Income from operations	12,200	13,921	19,596	17,261	14,942
Interest expense	64	29	296	42	354
Income before provision for income taxes and extraordinary item	12,136	13,892	19,300	17,219	14,588
Provision for income taxes (1)	4,480	5,382	6,835	5,708	5,704
Income before extraordinary item	7,656	8,510	12,465	11,511	8,884
Extraordinary loss from early extinguishment of debt (net of income tax benefit of $710) (2)	---	---	---	---	(1,160)
Net Income	$7,656	$8,510	$12,465	$11,511	$7,724
Net income per share:	$ 0.52	$ 0.57	$ 0.83	$ 0.79	$ 0.65
Income before extraordinary item					
Extraordinary item, net (2)	---	---	---	---	(.09)
Net income per share (assuming dilution) (3)	$ 0.52	$ 0.57	$ 0.83	$ 0.79	$ 0.56
Dividends declared	$ 0.32	$ 0.32	$ 0.32	$ 0.20	$ 0.07
Number of shares outstanding (3)	14,804	14,804	15,042	14,583	13,716

	1998	1997	1996	1995	1994
PRO FORMA STATEMENT OF INCOME DATA (4):					
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 (2)					(1,160)
Net income					$ 7,885
Net income per share:					
Income before extraordinary item					$ 0.66
Extraordinary item, net (2)					(.09)
Net income per share					$ 0.57
Weighted average number of shares outstanding (3)					13,716
BALANCE SHEET:					
Current assets	$28,571	$26,185	$26,727	$26,728	$21,591
Current liabilities	7,638	7,471	8,374	13,303	4,845
Total assets	66,860	63,273	59,292	54,241	36,936
Stockholders' equity	56,242	52,971	48,710	39,218	30,537

(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 basis 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.

(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.

(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.

(4) The pro forma statement of income data for 1994 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.

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 1998, balls accounted for approximately 92% of the Company's net sales, while rollers accounted for the remaining 8%. 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 since then and represented approximately 46% of net sales in 1998. See Note 8 of the Notes to Financial Statements. In 1998, both domestic and international sales declined due to reduced demand in the United States and abroad.

Significant factors in the Company's growth since its founding 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 1994 through 1998, the percentage of high precision balls produced by the Company for use in quiet bearing applications has increased from approximately 69% to approximately 81% of total net ball sales. Management believes that the Company's sales growth since 1994 is due to 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. The sales decline in 1998 was due in large part to economic conditions in Asia and South America and a decline in outsourcing by certain captive producers. The Company's sales in Asia declined by approximately $3.5 million dollars in 1998. Further, the Company was adversely affected by increased competition from Asian-based competitors who sought to reduce overcapacity.

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,		
	1998	1997	1996
Net sales	100.0%	100.0%	100.0%
Cost of product sold	69.0	68.7	67.1
Gross profit	31.0	31.3	32.9
Selling, general and administrative expenses	8.1	7.3	5.8
Depreciation	6.2	5.5	4.0
Income from operations	16.7	18.5	23.1
Interest expense	0.1	0.0	0.3
Income before provision for income taxes and extraordinary item	16.6	18.5	22.8
Provision for income taxes	6.1	7.2	8.1
Net income	10.5%	11.3%	14.7%

YEAR ENDED DECEMBER 31, 1998 COMPARED TO THE YEAR ENDED DECEMBER 31, 1997

NET SALES. The Company's net sales decreased $2.2 million, or 3.0%, from $75.2 million in 1997 to $73.0 million in 1998. Foreign net sales decreased $1.2 million, or 3.4%, from $34.9 million in 1997 to $33.7 million in 1998. The decrease in foreign net sales was due primarily to decreased sales volumes to existing customers, largely due to general economic conditions in Asia and South America. Domestic net sales decreased $1.0 million, or 2.5%, from $40.3 million in 1997 to $39.3 million in 1998. This decrease was due primarily to decreased sales volumes to domestically-based Asian companies.

GROSS PROFIT. Gross profit decreased by $892,000, or 3.8% from $23.5 million in 1997 to $22.7 million in 1998. As a percentage of net sales, gross profit decreased slightly from 31.3% in 1997 to 31.0% in 1998. The decrease in gross profit is largely due to decreased levels of volume during 1998 as compared to 1997 and related capacity under-utilization issues at the Company's manufacturing facilities.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased by $378,000, or 6.8% in 1998 to $5.9 million from $5.5 million in 1997. This increase was due primarily to increased expenses related to the Ireland facility, which began production in the fourth quarter of 1997, as well as increases in 1998 to implement the Company's strategic plan. As a percentage of net sales, selling, general and administrative expenses increased to 8.1% in 1998 from 7.3% in 1997.

DEPRECIATION EXPENSE. Depreciation expense increased $451,000, or 11.0%, to $4.6 million in 1998 from $4.1 million in 1997. This increase was due primarily to purchases of capital equipment related to the new Ireland facility which began production in the fourth quarter of 1997. As a percentage of sales, depreciation expense increased to 6.2% in 1998 from 5.5% in 1997.

NET INCOME. Net income decreased $854,000, or 10% from $8.5 million in 1997 to $7.7 million in 1998. As a percentage of net sales, net income decreased from 11.3% in 1997 to 10.5% in 1998. The decrease in net income as a percentage of net sales was due primarily to excess capacity at the Company's manufacturing facilities, increased selling, general and administrative expenses and the increase in depreciation expense discussed above. Slightly offsetting these factors was a lower federal tax rate due to the shifting of sales to the Irish facility which benefits from a 10% corporate tax rate. The lower federal tax rate was in turn offset slightly by a decrease in the level of tax benefit from the Company's participation in a shared foreign sales corporation.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO THE YEAR ENDED DECEMBER 31, 1996

NET SALES. The Company's net sales decreased $9.3 million, or 11.0%, from $84.5 million in 1996 to $75.3 million in 1997. Foreign net sales decreased $7.2 million, or 17.1%, from $42.1 million in 1996 to $34.9 million in 1997. The decrease in foreign net sales was due primarily to decreased sales volumes with existing customers, largely because of a decline in outsourcing of captive production by certain of the Company's customers (including, one of the Company's major customers bringing in house a portion of its business that was previously outsourced to the Company) and general economic conditions in Europe and Asia. Domestic net sales decreased $2.1 million, or 5.0%, from $42.4 million in 1996 to $40.3 million in 1997. This decrease was primarily due to decreased sales to existing customers.

GROSS PROFIT. Gross profit decreased by $4.3 million, or 15.4% from $27.8 million in 1996 to $23.5 million in 1997. As a percentage of net sales, gross profit decreased from 32.9% in 1996 to 31.3% in 1997. The decrease in gross profit is due largely to costs related to the new facility start-up in Ireland and costs associated with excess capacity resulting from decreased sales to some existing customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased by $628,000, or 12.8% to $5.5 million from $4.9 million in 1996. This increase was due primarily to increased legal, accounting and employee relocation expenses related to the Ireland facility start-up, as well as increased consulting expenses related to the Company's strategic development process. As a percentage of net sales, selling, general and administrative expenses increased to 7.3% in 1997 from 5.8% in 1996.

DEPRECIATION EXPENSE. Depreciation expense increased $748,000, or 22.3%, to $4.1 million in 1997 from $3.4 million in 1996. This increase was due primarily to capital expenditures associated with expansion of the Company's existing facilities and the start-up of the Ireland facility. Also, new assets added in 1996 related to the Mountain City facility were depreciated utilizing the half-year convention in the prior year versus a full year of depreciation taken in 1997. As a percentage of net sales, depreciation increased to 5.5% in 1997 from 4.0% in 1996.

INTEREST EXPENSE. Interest expense decreased $267,000, or 90.2%, from $296,000 in 1996 to $29,000 in 1997. The decrease was due to decreased levels outstanding under the Company's line of credit in 1997 as compared to 1996. See "Management's Discussion and Analysis of Financial Condition --Liquidity and Capital Resources."

NET INCOME. Net income decreased $4.0 million, or 31.7% from $12.5 million in 1996 to $8.5 million in 1997. As a percentage of net sales, net income decreased to 11.3% in 1997 from 14.7% in 1996. The decrease in net income as a percentage of net sales was due primarily to costs associated with the new Ireland facility start-up, excess capacity at the Company's plants, increased selling, general and administrative expenses and the increased depreciation expense discussed above. In addition, the Company increased the provision for income taxes due to the decrease in foreign sales as a percentage of total sales and the anticipated decrease in the level of tax benefit from the Company's participation in a shared foreign sales corporation.

LIQUIDITY AND CAPITAL RESOURCES

In July 1997, the Company entered into a loan agreement with First American National Bank ("First American") that provides for a revolving credit facility of up to $25 million, which will expire June 30, 2000.

Amounts outstanding under the revolving facility are unsecured and bear interest at a floating rate equal to, at the Company's option, either LIBOR plus 0.65% or the Fed Funds effective rate plus 1.5%. The loan agreement contains customary financial and operating restrictions on the Company, including covenants restricting the Company, without First American's consent, from incurring additional indebtedness from, or pledging any of its assets to, other lenders and from disposing of a substantial portion of its assets. In addition, the Company is prohibited from declaring any dividend if a default exists under the revolving credit facility at the time of, or would occur as a result of, such a declaration. The loan agreement also prohibits sales of property outside of the ordinary course of business. The loan agreement contains financial covenants with respect to the Company, including a covenant that the Company's earnings will not decrease in any year by more than fifty percent of earnings in the Company's immediately preceding fiscal year. The Company, as of March 19, 1999, was in compliance with all such covenants.

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. The Company has developed a presence in foreign markets, and to the extent foreign sales increase, 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.

In the fourth quarter of 1997, upon the commencement of production in its Kilkenny, Ireland facility, the Company began to bill and receive payment from some of its foreign customers in their own currency. To date, the Company has not been materially adversely affected by currency fluctuations or foreign exchange restrictions. Nonetheless, as a result of these sales, the Company's foreign exchange risk has increased. Various strategies to manage this risk are under development and implementation. The Company has considered and continues to consider implementing a hedging program, but has not done so. In addition, a strengthening of the US dollar against foreign currencies could impair the ability of the Company to compete with internationally based competitors for foreign as well as domestic sales.

Working capital, which consists principally of cash and cash equivalents, accounts receivable and inventories, was $20.9 million at December 31, 1998, as compared to $18.7 million at December 31, 1997. The ratio of current assets to current liabilities increased slightly to 3.7:1 at December 31, 1998 from 3.5:1 at December 31, 1997. Cash flow from operations decreased to $12.7 during 1998 from $14.1 million during 1997.

During 1999, the Company plans to spend approximately $2.9 million on capital expenditures, primarily on maintenance of its machinery and equipment at all four of the Company's facilities. The Company does not intend to increase capacity in 1999. 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 in 1999.

On August 4, 1998 the Board of Directors authorized the repurchase of up to 740,213 shares of the Company's Common Stock, equaling 5% of the Company's issued and outstanding shares as of August 4, 1998. The Company did not purchase any shares under this program during 1998.

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, 1998 and 1997, see Note 12 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. 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.

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 1998 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 are discussed elsewhere in this filing and in the Company's prior filings with the Securities and Exchange Commission. 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 update publicly 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 pace 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.

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 in the United States, 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.

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. In the fourth quarter of 1997, the Company began accepting payment in foreign currency from foreign customers. In addition, 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 to the extent payments are made in United States dollars.

DEPENDENCE ON MAJOR CUSTOMERS. During 1998, the Company's ten largest customers accounted for approximately 76% 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 1998, and sales to FAG accounted for approximately 11% of net sales in 1998. 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 1998, but sales to two of its customers each represented more than 5% of the Company's 1998 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.

YEAR 2000

The Year 2000 issue is the result of computer programs written using two digits rather than four digits to identify a particular year. Without corrective action, programs with time-sensitive software could potentially act as if a date ending in "00" is the year 1900 rather than the year 2000. This could cause computer applications to create erroneous results or cause a system failure.

The Company has conducted a comprehensive evaluation of both its information technology systems and non-information technology systems to determine if there would be a Year 2000 problem with these systems. Prior to that evaluation, however, the Company had decided to upgrade its information technology systems. The systems the Company intends to install have been certified by the vendor to be Year 2000 compliant. The Company also evaluated its non-information technology systems and has received certification by the manufacturers of that equipment that they are Year 2000 compliant.

The Company expects that it will have implemented these system upgrades by mid-1999. The Company has also developed contingency plans that it believes would permit it to continue operating without causing any material harm to the results of operations.

The Company expects to spend approximately $800,000 to replace its information technology systems and train personnel. As of December 31, 1998, the Company had spent approximately $600,000 on this project. The Company has not made any significant additional expenditures in 1999 through March 20, 1999 on Year 2000 matters, and overall its expenditures on this issue have not been material. The Company has assigned one employee to coordinate its Year 2000 efforts, and has relied on existing personnel to evaluate its Year 2000 readiness.

The Company relies on third party suppliers for raw materials and a variety of goods and services. Among its most important suppliers are those that provide the steel necessary to make quality balls and rollers. The Company has obtained written representation from approximately 99 percent of its suppliers that their systems are Year 2000 compliant. The Company believes that these representations and its own review of its systems will ensure that it will not be materially affected by the Year 2000 issue. So far, no supplier or vendor has indicated that the Year 2000 issue will affect its ability to provide goods and services to the Company. Despite these assurances, if the Company's suppliers are unable to meet its needs, there could be a material adverse effect on the results of operations, liquidity and financial condition of the Company.

The Company believes it is taking the necessary steps to resolve the Year 2000 issue in a comprehensive and timely manner. Nonetheless, should any unforeseen circumstance arise that would delay the replacement of its system, the Company's ability to manufacture and ship its products, take orders, invoice customers, and collect payment could be adversely affected. This could have a material adverse effect on the Company's results of operations, liquidity and financial condition to a degree the Company has not determined.

THE EURO

The Treaty on European Union provided that an economic and monetary union be established in Europe whereby a single European currency, the euro, was introduced to replace the currencies of participating member states. The euro was introduced on January 1, 1999, at which time the value of participating member state currencies were irrevocably fixed against the euro and the European Currency Unit. For the three year transitional period ending December 31, 2001, the national currencies of member states will continue to circulate but be subunits of the euro. At the end of the transitional period, euro banknotes and coins will be issued, and the national currencies of the member states will cease to be legal tender no later than June 30, 2002.

The Company currently has operations in Ireland, which is one of the euro participating countries, and sells product to customers in many of the participating countries. The functional currency of the Company's Ireland operations will remain unchanged until December 31, 2001, when it will switch to the euro. The Company is in the process of reviewing and making changes required for euro readiness and does not anticipate the costs associated with the implementation of the euro to be significant.

RECENTLY ISSUED ACCOUNTING STANDARDS

In February 1998, the FASB issued SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits" which revises the disclosure requirements for pensions and other postretirement benefits and is effective for the Company's December 31, 1998 financial reporting. The adoption of this standard by the Company did not result in significant adjustments to existing financial reporting practices as the Company does not currently provide pension or postretirement benefits which are subject to the disclosure provisions of FAS 132.

In June 1998, the FASB issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" which establishes accounting and reporting standards for derivative instruments and hedging activities and is effective for the Company's 2000 reporting cycle. The adoption of this standard by the Company is not expected to result in significant adjustments to existing accounting practices as the Company does not currently hold any derivative financial instruments or participate in hedging activities.

Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," was issued by the American Institute of Certified Public Accountants in March 1998 and requires capitalization of certain internal-use computer software costs. The Company will comply with the requirements of this SOP Effective for its 1999 financial reporting. The standard is not expected to have a material effect on the Company's results of operations.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to changes in financial market conditions in the normal course of its business due to its use of certain financial instruments as well as transacting in various foreign currencies. To mitigate its exposure to these market risks, the Company has established policies, procedures and internal processes governing its management of financial market risks.

The Company is exposed to changes in interest rates primarily as a result of its borrowing activities, which include a $25 million floating rate revolving credit facility which is used to maintain liquidity and fund its business operations. At December 31, 1998, the Company did not have any borrowings outstanding under the revolving credit facility. The nature and amount of the Company's borrowings may vary as a result of future business requirements, market conditions and other factors.

The Company's operating cash flows denominated in foreign currencies are exposed to changes in foreign exchange rates. Beginning in the 1997 fourth quarter, upon the commencement of production in its Kilkenny, Ireland facility, the Company began to bill and receive payment from some of its foreign customers in their own currency. To date, the Company has not been materially adversely affected by currency fluctuations of foreign exchange restrictions. However, as foreign sales approximate 46% of total revenues, management is currently evaluating various strategies to manage this financial market risk, including the implementation of a foreign currency hedging program. The Company did not hold a position in any foreign currency instruments of December 31, 1998.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements

Financial Statements	PAGE
Report of Independent Accountants	19
Balance Sheets at December 31, 1998 and 1997	20
Statements of Income and Comprehensive Income for the three years ended December 31, 1998	21
Statements of Changes in Stockholders' Equity for the three years ended December 31, 1998	22
Statements of Cash Flows for the three years ended December 31, 1998	23
Notes to Financial Statements	24
Financial Statement Schedules: For the three years ended December 31, 1998	
II - Valuation and Qualifying Accounts and Reserves	36

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of NN Ball & 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 & Roller, Inc. and its subsidiary at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, 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.

PRICEWATERHOUSECOOPERS LLP

Greensboro, North Carolina
January 22, 1999

NN BALL & ROLLER, INC.
BALANCE SHEET (in thousands, except per share data)

	DECEMBER 31, 1998	DECEMBER 31, 1997
ASSETS		
Current assets:		
Cash	1,430	$ 366
Accounts receivable, net	11,643	12,449
Inventories, net	14,425	11,865
Other current assets	1,073	1,505
Total current assets	28,571	26,185
Property, plant and equipment, net	38,289	37,088
Total assets	$ 66,860	$ 63,273
LIABILITIES AND STOCKHOLDERS' EQUITY Current liabilities:		
Revolving credit facility	$ -	$ 1,480
Accounts payable - trade	4,451	3,662
Accrued vacation expense	431	519
Deferred income	828	458
Income taxes payable	786	-
Accrued sales rebate	156	176
Other liabilities	986	1,176
Total current liabilities	7,638	7,471
Deferred income taxes	2,980	2,831
Total liabilities	10,618	10,302
Stockholders' equity:		
Common stock - $0.01 par value, authorized - 45,000 (1998) and 45,000 (1997) shares, issued and outstanding - 14,804 (1998) and 14,804 (1997) shares	149	149
Additional paid-in capital	27,902	27,902
Retained earnings	28,306	25,387
Other comprehensive income	(115)	(467)
Total stockholders' equity	56,242	52,971
Total liabilities and stockholders' equity	$ 66,860	$ 63,273

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

NN BALL & ROLLER, INC.
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(in thousands, except per share data)

	YEAR ENDED DECEMBER 31, 1998	1997	1996
Net sales	$ 73,006	$ 75,252	$ 84,539
Cost of products sold	50,353	51,707	56,695
Gross profit	22,653	23,545	27,844
Selling, general and administrative expenses	5,896	5,518	4,890
Depreciation	4,557	4,106	3,358
Income from operations	12,200	13,921	19,596
Interest expense	64	29	296
Income before provision for income taxes	12,136	13,892	19,300
Provision for income taxes	4,480	5,382	6,835
Net income	7,656	8,510	12,465
Other comprehensive income:			
Foreign currency translation	352	(467)	-
Other comprehensive income	352	(467)	-
Comprehensive income	$ 8,008	$ 8,043	$ 12,465
Net income per share	$ .52	$ .57	$ .85
Shares outstanding	14,804	14,804	14,629
Net income per share - assuming dilution	$ .52	$ .57	$ .83
Shares outstanding	14,804	14,809	15,042

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

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

	COMMON STOCK NUMBER OF SHARES	COMMON STOCK PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME	TOTAL
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
Net income	-	-	-	8,510	-	8,510
Dividends paid	-	-	-	(4,704)	-	(4,704)
Stock options exercised	361	4	3,042	-	-	3,046
Stock repurchased	(186)	(1)	(2,123)	-	-	(2,124)
Cumulative translation	-	-	-	-	(467)	(467)
Balance, December 31, 1997	14,804	149	27,902	25,387	(467)	52,971
Net income	-	-	-	7,656	-	7,656
Dividends paid	-	-	-	(4,737)	-	(4,737)
Stock options exercised	-	-	-	-	-	-
Stock repurchased	-	-	-	-	-	-
Cumulative translation	-	-	-	-	352	352
Balance, December 31, 1998	14,804	$ 149	$ 27,902	$ 28,306	$ (115)	$ 56,242

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

NN BALL & ROLLER, INC.
STATEMENTS OF CASH FLOWS (in thousands)

	YEAR ENDED DECEMBER 31, 1998	1997	1996
Cash flows from operating activities:			
Net income	$ 7,656	$ 8,510	$ 12,465
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,557	4,106	3,358
Deferred income taxes	149	623	488
Changes in operating assets and liabilities:			
Accounts receivable	806	3,305	1,161
Inventories	(2,560)	(1,457)	(595)
Other current assets	432	(940)	(565)
Accounts payable - trade	789	(392)	(4,147)
Accrued vacation expense	(88)	149	-
Deferred income	370	458	-
Income taxes payable	786	(96)	(112)
Accrued sales rebate	(20)	(579)	512
Other liabilities	(190)	385	100
Net cash provided by operations	12,687	14,072	12,665
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(5,758)	(8,775)	(8,410)
Other assets	-	146	-
Net cash used for investing activities	(5,758)	(8,629)	(8,410)
Cash flows from financing activities:			
Payments under revolving line of credit	(1,480)	(828)	(1,282)
Cash dividends	(4,737)	(4,704)	(4,669)
Stock options exercised	-	3,046	1,696
Stock repurchased	-	(2,124)	-
Cumulative translation adjustment	352	(467)	-
Net cash used for financing activities	(5,865)	(5,077)	(4,255)
Net increase in cash and cash equivalents	1,064	366	-
Cash and cash equivalents at beginning of period	366	-	-
Cash and cash equivalents at end of period	$ 1,430	$ 366	$ -

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

NN BALL & ROLLER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996

NOTE 1 - THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

NN Ball & Roller, Inc. (the "Company") is a manufacturer of balls and rollers used primarily in the bearing industry. The Company has manufacturing facilities in Tennessee and South Carolina. During 1997, the Company opened NN Ball & Roller, Ltd., an operating facility in Kilkenny, Ireland. The Company sells to both foreign and domestic customers (See Note 8).

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 less accumulated depreciation. 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. The Company reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. In management's opinion, no material impairment exists at December 31, 1998 or 1997.

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 generally recognizes a sale when goods are shipped and ownership is assumed by the customer. The Company has an inventory management program for certain major customers whereby sales are recognized when products are used by the customer from consigned stock, rather than at the time of shipment. Inventory on consignment at December 31, 1998 and 1997 was approximately $3,635,000 and $2,431,000, 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 9).

NET INCOME PER COMMON SHARE
Basic earnings per share reflect reported earnings divided by the weighted average number of common shares outstanding. Diluted earnings per share include the effect of dilutive stock options outstanding during the year.

STOCK INCENTIVE PLAN

The Company uses the intrinsic value method to account for employee stock options. Accordingly, under this method, the Company has not recorded compensation expense related to the options (Note 7). The exercise price of each option equals the market price of the Company's stock on the date of grant.

PRINCIPLES OF CONSOLIDATION

The Company's financial statements include the accounts of NN Ball & Roller, Inc. and its subsidiary NN Ball & Roller, Ltd. All intercompany accounts and investments in subsidiaries are eliminated upon consolidation.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities of the Company's foreign subsidiary are translated at current exchange rates, while revenue and expenses are translated at average rates prevailing during the year. Cumulative translation adjustments are reported as a component of other comprehensive income.

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.

RECENTLY ISSUED ACCOUNTING STANDARDS

In February 1998, the FASB issued SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits" which revises the disclosure requirements for pensions and other postretirement benefits and is effective for the Company's December 31, 1998 financial reporting. The adoption of this standard by the Company did not result in significant adjustments to existing financial reporting practices as the Company does not currently provide pension or postretirement benefits which are subject to the disclosure provisions of FAS 132.

In June 1998, the FASB issued SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" which establishes accounting and reporting standards for derivative instruments and hedging activities and is effective for the Company's 2000 reporting cycle. The adoption of this standard by the Company is not expected to result in significant adjustments to existing accounting practices as the Company does not currently hold any derivative financial instruments or participate in hedging activities.

Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," was issued by the American Institute of Certified Public Accountants in March 1998 and requires capitalization of certain internal-use computer software costs. The Company will comply with the requirements of this SOP effective for its 1999 financial reporting. The standard is not expected to have a material effect on the Company's results of operations.

NN BALL & ROLLER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996

NOTE 2 - ACCOUNTS RECEIVABLE

	DECEMBER 31, 1998	DECEMBER 31, 1997
	(in thousands)	
Trade	$ 11,910	$ 12,524
Employees	97	11
Other	222	229
	12,229	12,764
Less - Allowance for doubtful accounts	586	315
	$ 11,643	$ 12,449

NOTE 3 - INVENTORIES

	DECEMBER 31, 1998	DECEMBER 31, 1997
	(in thousands)	
Raw materials	$ 3,611	$ 2,911
Work in process	2,850	2,793
Finished goods	8,024	6,221
	14,485	11,925
Less - Reserve for excess and obsolete inventory	60	60
	$ 14,425	$ 11,865

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

	ESTIMATED USEFUL LIFE	DECEMBER 31, 1998	DECEMBER 31, 1997
		(in thousands)	
Land		$ 323	$ 323
Buildings and improvements	10-25 years	10,333	9,718
Machinery and equipment	3-10 years	49,674	46,346
Construction in progress		3,400	3,286
		63,730	59,673
Less - Accumulated depreciation		25,441	22,585
		$ 38,289	$ 37,088

NOTE 5 - SHORT-TERM CREDIT FACILITIES

Effective July 1997, the Company terminated a revolving line of credit with NationsBank of Tennessee, N.A., which consisted of a $10,000,000 line of credit of which $2,308,000 was outstanding at December 31, 1996, at an interest rate of 7.25%, and entered a similar agreement with First American National Bank. Under the new agreement, the Company may borrow up to $25,000,000 through June 30, 2000. Amounts outstanding under the agreement are unsecured and are subject to interest charges at the LIBOR rate plus 0.65% or the Federal Funds effective rate plus 1.5%, according to the Company's option. There was $0 and $1,480,000 outstanding at December 31, 1998 and 1997, respectively, with interest of 6.615% at December 31, 1997. 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 such covenants at December 31, 1998 and 1997.

Interest paid during 1998, 1997 and 1996 was $64,000, $28,000 and $321,000, respectively.

NOTE 6 - 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 $141,000, $154,000 and $140,000 in 1998, 1997 and 1996, respectively.

NOTE 7 - 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.

NN BALL & ROLLER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996

A summary of the status of the Company's stock option plan as described above as of December 31, 1998, 1997, and 1996, and changes during the years ending on those dates is presented below:

	1998		1997		1996	
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at beginning of year	461,375	$ 11.86	853,629	$ 9.44	1,026,885	$ 8.81
Granted	97,250	9.83	42,750	12.02	39,000	15.50
Exercised	-	-	(361,002)	6.25	(156,611)	6.35
Forfeited	(10,000)	10.44	(74,002)	11.40	(55,645)	10.76
Outstanding at end of year	548,625	11.53	461,375	11.86	853,629	9.44
Options exercisable at year-end	246,735		81,750		348,852	

At December 31, 1998, the weighted-average remaining contractual life of all options outstanding was 7.72 years and the weighted-average exercise price of options available for exercise was $11.75.

On December 7, 1998 the Company granted a total of 20,000 options to the members of its Board of Directors. These options carry an exercise price equal to the market price on the date of issuance and vest equally over a period of three years, beginning one year from date of grant. The maximum term of these options is 10 years.

On August 4, 1998 the Company's Board of Directors authorized the repurchase of up to 740,213 shares of its Common Stock, equaling 5% of the Company's issued and outstanding shares as of August 4, 1998. The program may be extended or discontinued at any time, and there is no assurance that the Company will purchase any or all of the full amount authorized. The Company had not repurchased any shares under this program through December 31, 1998.

On May 6, 1996 and July 31, 1997, one of the Company's officers exercised approximately 150,000 and 358,000 stock options, respectively. The exercise price and the market price of the options at the date of exercise were $6.22 and $25.50 for 1996 and $6.22 and $12.50 for 1997, 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 in 1996 and $2,150,000 in 1997. The reduction in taxes payable of approximately $686,000 in 1996 and $789,000 in 1997 was recorded as additional paid-in capital in the accompanying financial statements.

All options granted in the period January 1, 1995 through December 31, 1998, except those granted to the Company's Board of Directors as described above, 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, 1998. 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, 1998	YEAR ENDED DECEMBER 31, 1997
Net income	As reported (000's)	$ 7,656	$ 8,510
	Pro forma (000's)	7,360	8,254
Earnings per share	As reported	$ .52	$ .57
	Pro forma	.50	.56
Earnings per share-assuming dilution	As reported	$ .52	$ .57
	Pro forma	.50	.56

The fair value of each option grant was estimated on actual information available through December 31, 1998 and 1997 using the Black-Scholes option-pricing model with the following assumptions:

Term	One year after each 20% vesting date
Risk free interest rate	4.7% and 5.8% for 1998 and 1997, respectively
Dividend yield	5.4% and 3.6% annually for 1998 and 1997, respectively
Volatility	32% and 30% for 1998 and 1997, respectively
Expected forfeitures	0 - 35%

NOTE 8 - SEGMENT INFORMATION

The Company has adopted the provisions of SFAS No. 133, "Disclosures about Segments of an Enterprise and Related Information," effective for its December 31, 1998 reporting. The Company's reportable segments represent geographic business units that offer similar products. They are managed separately due to logistics and differences in business cultures. The Company's United States operations are distributed among two manufacturing facilities in Tennessee and one manufacturing facility in South Carolina. All of these facilities are engaged in the production of precision balls and rollers used primarily in the bearing industry. The Company's European operations are centralized in one manufacturing facility located in Kilkenny, Ireland. This facility is also engaged in the production of precision balls and rollers used primarily in the bearing industry.

NN BALL & ROLLER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates segment performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses and foreign exchange gains and losses. The Company accounts for intersegment sales and transfers at current market prices; however, the Company did not have any material intersegment transactions during 1998 or 1997.

	DECEMBER 31, 1998		DECEMBER 31, 1997		DECEMBER 31, 1996	
	U.S.	EUROPE	U.S.	EUROPE	U.S.	EUROPE
Revenues from external customers	$ 66,457	$ 6,549	$ 75,103	$ 149	$ 84,539	$ -
Interest expense	64	-	29	-	296	-
Depreciation and amortization	3,913	644	3,857	249	3,358	-
Segment profit/(loss)	12,263	(127)	15,169	(1,277)	19,300	-
Segment assets	53,506	13,354	56,306	6,967	63,273	-
Expenditures for long-lived assets	3,033	2,725	3,569	5,206	8,410	-

Sales to external customers and long-lived assets utilized by the Company were concentrated in the following geographical regions (in thousands):

	DECEMBER 31, 1998		DECEMBER 31, 1997		DECEMBER 31, 1996	
	SALES	LONG-LIVED ASSETS	SALES	LONG-LIVED ASSETS	SALES	LONG-LIVED ASSETS
United States	$ 39,331	$ 30,723	$ 39,884	$ 31,588	$ 42,270	$ 32,419
Europe	23,843	7,566	18,060	5,500	22,826	-
Canada	4,163	-	3,763	-	4,227	-
Latin America	2,762	-	5,268	-	5,072	-
Other export	2,907	-	8,277	-	10,144	-
Total foreign	$ 73,006	$ 38,289	$ 75,252	$ 37,088	$ 84,539	$ 32,419

Two customers accounted for 48% of consolidated sales in 1998. The only customers accounting for 10% or more of net sales in any prior year were SKF Bearings Industries, which represented 37% for years 1997 and 1996, and FAG Bearings Corporation, which represented 10% in 1997 and 1996.

NN BALL & ROLLER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996

NOTE 9 - INCOME TAXES

The Company uses 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.

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

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(in thousands)		
Current			
Federal	$ 3,899	$ 4,338	$ 5,696
State	432	421	651
	4,331	4,759	6,347
Deferred			
Federal	115	554	436
State	34	69	52
	149	623	488
	$ 4,480	$ 5,382	$ 6,835

A reconciliation of taxes based on the federal statutory rate of 35% for the years ended December 31, 1998, 1997 and 1996 is summarized as follows:

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(in thousands)		
Income taxes at the federal statutory rate	$ 4,247	$ 4,862	$ 6,755
State income taxes, net of federal benefit	309	318	457
Foreign sales corporation benefit	(312)	(249)	(458)
Impact of foreign taxes	44	283	-
Other, net	192	168	81
Provision for income taxes	$ 4,480	$ 5,382	$ 6,835

NN BALL & ROLLER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996

The tax effects of the temporary differences are as follows:

	DECEMBER 31, 1998 (in thousands)	DECEMBER 31, 1997 (in thousands)
Deferred income tax liability		
Tax in excess of book depreciation	$ 3,647	$ 3,553
Duty drawback receivable	110	55
Gross deferred income tax liability	3,757	3,608
Deferred income tax assets		
Inventories	282	281
Vacation reserve	141	191
Health insurance reserve	114	131
Other working capital accruals	232	174
Gross deferred income tax assets	769	777
Net deferred income tax liability	$ 2,988	$ 2,831

Income tax payments were approximately $3,052,000, $4,826,000 and $5,767,000 in 1998, 1997 and 1996, respectively.

NOTE 10 - RECONCILIATION OF NET INCOME PER SHARE

	YEAR ENDED DECEMBER 31, 1998	1997 (in thousands)	1996
Net income	$ 7,656	$ 8,510	$12,465
Adjustments to net income	-	-	-
Net income	$ 7,656	$ 8,510	$12,465
Basic shares outstanding	14,804	14,804	14,629
Effect of dilutive stock options	-	5	413
Dilutive shares outstanding	14,804	14,809	15,042
Basic net income per share	$ .52	$ .57	$ .85
Diluted net income per share	$ .52	$ .57	$ .83

Excluded from the shares outstanding for the years ended December 31, 1998 and 1997 were 466,500 and 416,500 antidilutive options, respectively, which had exercise prices ranging from $10.44 to $15.50 and $11.50 to $15.50, respectively. No antidilutive options were outstanding at December 31, 1996.

NOTE 11 - COMMITMENTS

The Company has operating lease commitments for machinery and office equipment which expire on varying dates. Rent expense for 1998, 1997, and 1996 was $370,000, $352,000 and $378,000, respectively. The following is a schedule by year of future minimum lease payments as of December 31, 1998 under operating leases that have initial or remaining noncancelable lease terms in excess of one year (in thousands).

YEAR ENDED DECEMBER 31,	
1999	$ 51
2000	30
2001	-
2002	-
2003	-
Total minimum lease payments	$ 81

NN BALL & ROLLER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996

NOTE 12 - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED):

The following summarizes the unaudited quarterly results of operations for the years ended December 31, 1998 and 1997 (in thousands, except per share data).

	YEAR ENDED DECEMBER 31, 1998			
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
Net sales	$ 20,886	$ 19,674	$ 16,789	$ 15,657
Gross profit	6,709	6,111	4,627	5,206
Net income	2,667	2,324	1,125	1,540
Basic net income per share	.18	.16	.08	.10
Dilutive net income per share	.18	.16	.08	.10
Shares outstanding:				
Basic number of shares	14,804	14,804	14,804	14,804
Effect of dilutive stock options	-	24	-	
Diluted number of shares	14,804	14,828	14,804	14,804

	YEAR ENDED DECEMBER 31, 1997			
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
Net sales	$ 20,319	$ 20,964	$ 17,231	$ 16,689
Gross profit	6,481	6,657	4,845	6,639
Net income	2,639	2,732	1,299	1,814
Basic net income per share	.18	.19	.09	.12
Dilutive net income per share	.18	.19	.09	.12
Shares outstanding:				
Basic number of shares	14,543	14,543	14,804	14,804
Effect of dilutive stock options	170	170	4	-
Diluted number of shares	14,713	14,713	14,808	14,804

NN BALL & ROLLER, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997, AND 1996

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The financial position of the Company at December 31, 1998 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, 1998 and 1997 are as follows (in thousands):

	DECEMBER 31,			
	1998		1997	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Assets:				
Cash and cash equivalents	$ 1,430	$ 1,430	$ 366	$ 366
Trade accounts receivable	11,910	11,910	12,524	12,524
Less: allowance for doubtful accounts	(586)	-	(315)	-
Liabilities:				
Revolving credit facility	-	-	1,480	1,480

NN BALL & ROLLER, INC.
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES SCHEDULE II

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS	DEDUCTIONS(1)	BALANCE AT END OF YEAR
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
Year ended December 31, 1997				
Allowance for doubtful accounts	$ 240	$ 75	$ -	$ 315
Reserve for excess and obsolete inventory	$ 60	$ -	$ -	$ 60
Year end December 31, 1998				
Allowance for doubtful accounts	$ 315	$ 271	$ -	$ 586
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, 1998) 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 1 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:

	PAGE
Report of Independent Accountants	19
Balance Sheets at December 31, 1998 and 1997	20
Statements of Income and Comprehensive Income for the Three Years ended December 31, 1998.	21
Statements of Changes in Stockholders' Equity for the Three Years Ended December 31, 1998	22
Statements of Cash Flows for the Three Years Ended December 31, 1998	23
Notes to Financial Statements	24

(a)2. Financial Statement Schedules

Schedule II--Valuation and Qualifying Accounts and Reserves	36

(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).

10.3* $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).

10.5 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 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).

10.9 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).

10.10* 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).

10.11 Quitclaim Deed, dated January 20, 1997, executed by Johnson County, Tennessee in favor of the Company (incorporated by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996).

10.12 Loan Agreement, dated as of July 25, 1997, between the Company and First American National Bank (incorporated by reference to Exhibit 10.13 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997).

10.13* Employment Agreement, dated August 1, 1997, between the Company and Roderick R. Baty (incorporated by reference to Exhibit 10.14 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997).

10.14* Employment Agreement, dated May 7, 1998, between the Company and Frank T. Gentry (filed herewith).

10.15* Form of Stock Option Agreement, dated December 7, 1998, between the Company and the non-employee directors of the Company (filed herewith).

10.16* Elective Deferred Compensation Plan, dated February 26, 1999 (filed herewith)

23.1 Consent of PricewaterhouseCoopers LLP (filed herewith).

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* 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 1998.

(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 AND DIRECTOR

Dated: March 29, 1999

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 and Director	March 29, 1999
/S/ RODERICK R. BATY - ------------------------ Roderick R. Baty	President, Chief Executive Officer and Director (Principal Executive Officer)	March 29, 1999
/S/ WILLIAM C. KELLY, JR. - ------------------------ William C. Kelly, Jr.	Treasurer, Secretary and Chief Accounting Officer (Principal Financial and Accounting Officer)	March 29, 1999
/S/ DAVID L. DYCKMAN - ------------------------ David L. Dyckman	Vice President - Business Development and Chief Financial Officer	March 29, 1999
/S/ MICHAEL D. HUFF - ------------------------ Michael D. Huff	Director	March 29, 1999
/S/ G. RONALD MORRIS - ------------------------ G. Ronald Morris	Director	March 29, 1999
/S/ MICHAEL E. WERNER - ------------------------ Michael E. Werner	Director	March 29, 1999
/S/ STEVEN T. WARSHAW - ------------------------ Steven T. Warshaw	Director	March 29, 1999

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Exhibit 10.14

EMPLOYMENT AGREEMENT

This AGREEMENT is made as of May 7, 1998, by and between NN Ball & Roller, Inc., a Delaware corporation, having its principal place of business located at 800 Tennessee Road, Erwin, Tennessee 37650 (the "Company") and Frank T.Gentry III (the "Executive").

WITNESSETH:

WHEREAS, the Company's Board of Directors (the "Board") has determined that it is in the best interest of the Company and its shareholders to employ the Executive as Vice President - Manufacturing of the Company and the Executive desires to serve in that capacity;

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein contained, the parties hereto, intending to be legally bound, agree as follows:

1. EMPLOYMENT. The Company agrees to employ the Executive and the Executive hereby agrees to be employed for the period of time set forth in Paragraph 2, subject to the terms and conditions set forth herein.

2. TERM. Subject to the terms hereof, Company agrees to employ the Executive for a period of two years commencing upon May 7, 1998 and expiring on March 31, 2000 (the "Employment Term") (unless sooner terminated as provided herein). The Employment Term shall be extended automatically from time to time, on a rolling basis, for additional one year periods, unless either party gives written notice of termination to the other at least six (6) months prior to the date that the Employment Term is scheduled to expire.

3. POSITION AND RESPONSIBILITIES. The Executive shall serve as the Vice President Manufacturing of the Company, reporting only to the Company's President and Chief Executive Officer, and shall supervise the Company's domestic and international manufacturing operations. The Executive shall also have such other powers and duties as may from time to time be prescribed by the Company's President and Chief Executive Officer.

4. DILIGENCE. Executive agrees to serve in the position referred to in Paragraph 3 and to perform diligently the duties and services appertaining to such office, as well as such additional duties and services appropriate to such office which the parties mutually may agree upon from time to time.

5. TIME. . Executive agrees to devote his entire working time and efforts to the business and affairs of the Company and its affiliates and not to engage, directly or indirectly, in any other business or businesses, whether or not similar to that of the Company, except with the consent of the Board. The foregoing notwithstanding, the parties recognize and agree that Executive (i) may engage in personal investments, subject to any restrictions set forth in the Non-Competition and Confidentiality Agreement referenced in Paragraph 8 and (ii) subject to the prior consent of the Board, may serve on the board of directors of other companies, provided such service does not conflict with the business and affairs of the Company or interfere with Executive's performance of his duties hereunder

7. COMPENSATION.

(a) SALARY. During the Employment Term, the Executive shall receive an annual salary of $120,000.00 per year, which annual salary shall be subject to such increases as the Board in its sole discretion may from time to time determine (the "Annual Salary"). The Annual Salary shall be payable by the Company in accordance with its regular compensation policies and practices for paying executives.

(b) EXPENSES. During the term of his employment hereunder, the Executive shall be entitled to be reimbursed for all reasonable business expenses incurred by him in connection with his services hereunder, including but not limited to expenses for entertainment and travel, in accordance with the policies and procedures from time to time in effect for the Company's senior executive officers. The Company retains the right to establish limits on the types or amounts of business expenses that the Executive may incur.

(c) EMPLOYEE BENEFIT PROGRAMS. The Executive shall be entitled to participate in all of the Company's employee benefit plans and programs (including life, disability, and health insurance plans and programs and savings plans and programs) to the extent his position, tenure, salary, age, health and other qualifications make him eligible to participate, subject to the rules and regulations applicable thereto. The Company retains the right to abolish or alter the terms of any employee benefit programs, plans or policies that it may establish, provided such abolition or amendment shall be applicable to the senior officers of the Company generally.

(d) VACATION AND OTHER ABSENCES. The Executive shall be entitled to the number of paid vacation days in each calendar year determined by the Company from time to time for its senior executive officers generally. The Executive shall also be entitled to all paid absences for holidays or illnesses in accordance with the Company's plans, policies or provisions applicable to senior executive employees.

8. CONFIDENTIALITY AND NON-COMPETITION. As a material inducement to the Company entering into this Agreement, Executive hereby reconfirms and agrees to

continue to be bound in all respects by the terms of that certain Non-Competition and Confidentiality Agreement, dated ___________, between Executive and the Company, a copy of which is attached hereto as Exhibit A.

9. TERMINATION OF EMPLOYMENT.

(a) DEATH OR DISABILITY. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Term. The Company shall be entitled to terminate the Executive's employment because of the Executive's disability during the Employment Term if, as a result of the Executive's incapacity due to physical or mental illness (hereinafter "Disability"), the Executive shall have been absent from his duties hereunder for one hundred and twenty (120) days during any three hundred and sixty (360) day period.

(b) TERMINATION BY COMPANY FOR CAUSE. (i) The Company may terminate the Executive's employment during the Employment Term for Cause. "Cause" means:

A. the failure of the Executive to perform the Executive's duties under this Agreement (other than as a result of physical or mental illness or injury), which failure, if correctable, and provided it does not constitute willful misconduct or gross negligence described in Subsection B below, remains uncorrected for 10 days following written notice to Executive by the Board of such breach;

B. willful misconduct or gross negligence by the Executive, in either case that results in material damage to the business or reputation of the Company;

C. a material breach by Executive of either this Agreement or that certain Non-Competition and Confidentiality Agreement referenced in Paragraph 8 which, if correctable, remains uncorrected for 10 days following written notice to Executive by the Board of such breach; or

D. the Executive is convicted of a felony or any other crime involving moral turpitude (whether or not in connection with the performance by Executive of his duties under this Agreement).

(c) TERMINATION BY COMPANY WITHOUT CAUSE. The Company may terminate the employment of Executive under this Agreement for any reason at any time.

(d) TERMINATION BY EXECUTIVE FOR GOOD REASON. (i) The Executive may terminate employment for Good Reason. "Good Reason" means:

A. assignment to the Executive of any duties inconsistent with Executive's position, duties, responsibilities, title or office, or any other action by the Company that results in a material diminution in the Executive's position, authority, duties or responsibilities, excluding in each case any assignment or action that is remedied by the Company within 10 days after receipt of notice thereof from the Executive; or

B. any material failure by the Company to comply with this Agreement, other than a failure that is remedied by the Company within 10 days after receipt of notice thereof from the Executive.

(e) VOLUNTARY TERMINATION BY EXECUTIVE WITHOUT GOOD REASON. Executive may at any time terminate his employment under this Agreement without Good Reason.

(f) NOTICE OF TERMINATION. If Company or Executive desires to terminate Executive's employment hereunder at any time, it or he shall do so by giving written notice to the other party (following the expiration of any applicable cure periods) that it or he has elected to terminate Executive's employment hereunder and stating the effective date and reason for such termination. Any termination by Executive of his employment without Good Reason shall be made on not less than 14 days' notice.

10. EFFECT OF TERMINATION.

(a) VOLUNTARY TERMINATION BY EXECUTIVE; TERMINATION FOR CAUSE; DEATH OR DISABILITY. In the event that Executive's employment is terminated pursuant to Paragraphs 9(a), 9(b) or 9(e), on the date of termination, the Company shall be liable to Executive as follows:

(i) Executive shall be entitled to receive the Annual Salary due to him through the date of termination of his employment.

(ii) Any vested rights of Executive shall be paid to Executive in accordance with the Company's plans, programs or policies. Without limiting the foregoing, in the event of the termination of Executive's employment due to death or disability (Paragraph 9(a)), the rights and benefits of Executive (or his designated beneficiary or representatives, as applicable) under any Company life, health and long-term disability plans and policies shall be determined in accordance with the terms and provisions of such plans and policies.

(iii) The Company shall promptly reimburse Executive for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.

(b) TERMINATION WITHOUT CAUSE, TERMINATION BY EXECUTIVE FOR GOOD REASON. In the event that the Company terminates Executive's employment without Cause pursuant to Paragraph 9(c) or Executive terminates his employment with the Company pursuant to Paragraph 9(d), the Company shall be liable as follows:

(i) Executive shall be entitled to receive the Annual Salary due to him through the date of termination of his Employment. In addition, Executive shall be entitled to receive continued monthly payments of his Annual Salary, based on the Annual Salary in effect, on the date of termination, until the first anniversary of the date of termination.

(ii) Any vested rights of Executive shall be paid to Executive in accordance with the Company's plans, programs or policies.

(iii) The Company shall promptly reimburse Executive for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.

(iv) Executive and/or the Executive's family shall be entitled to receive health benefits (as contemplated by Paragraph 7(c) hereof) until the first anniversary of the date of termination at least equal to those which would have been provided to them in accordance with this Agreement if Executive's employment had not been terminated PROVIDED that the Company's obligation to provide such benefits shall be reduced by any comparable benefits (or amounts received by Executive in respect thereof) received by Executive under the terms of new employment undertaken by Executive after termination and prior to the first anniversary of the date of termination; and provided further, that the terms of the Company's health insurance plans shall be subject to amendment during such period, to the extent that such amendments are applicable to the executive officers of the Company generally.

(c) LIMIT ON COMPANY LIABILITY. Except as expressly set forth in this Paragraph 10, the Company shall have no obligation to Executive under this Agreement following a termination of Executive's employment with the Company. Without limiting the generality of the provision of the foregoing sentence, the Company shall not, following a termination of Executive's employment with the Company, have any obligation to provide any further benefit to Executive or make any further contribution for Executive's benefit except as provided in this Paragraph 10.

11. COMPANY PROPRIETARY RIGHTS.

(a) COMPANY TO RETAIN RIGHTS. Executive agrees that all right, title and interest of every kind and nature whatsoever in and to copyrights, patents, ideas, business or strategic plans and concepts, studies, presentations, creations, inventions, writings, properties, discoveries and all other intellectual property conceived by Executive during the Employment Term and pertaining to or useful in or to (directly or indirectly) the activities of the Company (collectively, "Company Intellectual Property") shall become and remain the exclusive property of the Company, and Executive shall have no interest therein.

(b) FURTHER ASSURANCES. At the request of the Company, Executive shall, at the Company's expense but without additional consideration, execute such documents and perform such other acts as the Company may deem necessary or appropriate to vest in the Company or its designee such title as Executive may have to all Company Intellectual Property in which Executive may be able to claim any rights by virtue of his employment under this Agreement.

(c) RETURN OF MATERIAL. Upon the termination of the Employment Term, including any termination of employment described in Paragraph 9, the Executive will promptly return to the Company all copies of information protected by Paragraph 11(a) hereof or by Paragraph 3(a) of the Non-Competition and Confidentiality Agreement referenced in Paragraph 8, which are in his possession, custody or control, whether prepared by him or others, and the Executive agrees that he shall not retain any of same.

12. REPRESENTATION AND WARRANTY OF EXECUTIVE. Executive represents and warrants to the Company that he is not now under any obligation, of a contractual nature or otherwise, to any person, partnership, company or corporation that is inconsistent or in conflict with this Agreement or which would prevent, limit or impair in any way the performance by him of his obligations hereunder.

13. ASSIGNMENT. This Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party; provided, however, that Company may assign this Agreement in connection with a merger or consolidation involving Company or a sale of substantially all its assets to the surviving corporation or purchaser, as the case may be, so long as such assignee assumes Company's obligations hereunder.

14. WITHHOLDING. Payment of Executive's Annual Salary and payment or provision of other compensation to Executive pursuant hereto shall be subject to such reporting and withholding for applicable taxes as is required by law.

15. CERTAIN EXPENSES. Company, on or before the date hereof, shall pay directly or reimburse Executive (at Executive's discretion) for the actual legal fees and other costs and expenses, if any, incurred by Executive in connection with the preparation, finalizing and execution of this Agreement.

16. SEVERABILITY. In the event that any provision or portion of this Agreement is determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement will be unaffected thereby and will remain in full force and effect to the fullest extent permitted by law.

17. NOTICES. For all purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given, in the case of a notice to the Company, when delivered to the Company at the following address, and in the case of a notice to Executive, when received by Executive, and in both cases addressed as follows:

If to Company, to:	NN Ball & Roller 800 Tennessee Road Erwin, Tennessee 37650 Attention: Chairman of the Board
If to Executive, to:	Frank Gentry 430 Ohio Ave Erwin, TN 37650

18. MODIFICATIONS AND WAIVERS. No provision of this Agreement may be modified or discharged unless such modification or discharge is authorized by the Board and is agreed to in writing, signed by the Executive and by an officer of the Company duly authorized by the Board. No waiver by either party hereto of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any prior or subsequent time.

19. ENTIRE AGREEMENT. This Agreement and the Non-Competition and Confidentially Agreement constitute the entire understanding of the parties hereto with respect to their subject matter. This Agreement and the Non-Competition and Confidentiality Agreement supersede all prior agreements between the parties hereto with respect to their subject matter.

20. GOVERNING LAW. This Agreement will be governed by the laws of the State of Tennessee without regard for its conflict of laws rules.

21. COUNTERPARTS. This Agreement may be executed simultaneously in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

22. HEADINGS, ETC. The section headings contained in this Agreement are for convenience of reference only and will not be deemed to control or affect the meaning or construction of any provision of this Agreement. Reference to Paragraphs are to Paragraphs in this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written

NN BALL & ROLLER, INC.

By: /s/ Roderick R. Baty

Title: President/CEO

Frank T. Gentry III

By: /s/ Frank Gentry

Exhibit 10.15

NN BALL & ROLLER, INC.

STOCK OPTION AGREEMENT

THIS AGREEMENT, dated as of December 7, 1998, is entered into by and between NN Ball & Roller, Inc., a Delaware corporation (the "Company") and [Director's Name] of [address] (the "Grantee").

WITNESSETH THAT:

SECTION 1: STOCK OPTION

1.1 Pursuant to this Stock Option Agreement (the "Agreement"), the Company has granted to the Grantee, effective as of the date of this Agreement, an option to purchase from the Company (the "Option") an aggregate of 5,000 shares of common stock of the Company (the "Option Shares") at an option price of $6.375 per share, which is the closing price of the Company's common stock on the Date of the Grant (as defined below) as reported by the Nasdaq National Market (the "Option Price"). Upon exercise of the Option, in whole or in part, the Option Price shall be payable to the Company in accordance with Section 2.1 hereof.

1.2 The date of grant of the Option is December 7, 1999 (the "Date of Grant").

1.3 Subject to the provisions of Sections 1.4 and 3 hereof; the Option shall become exercisable for 33 and 1/3% of the Option Shares on the first anniversary of the Date of Grant, and shall become exercisable for an additional 33 and 1/3% of the Option Shares on each succeeding anniversary of the Date of Grant until fully exercisable.

1.4 Notwithstanding any limitation on the exercise of the Option, the Option shall be exercisable in full immediately following the date on which a Change in Control (as defined in the Company's Stock Incentive Plan) has occurred if the Grantee's service as director of the Company has not ended prior to the date on which the Change in Control occurred; provided, however, that nothing in this Section 1.4 shall extend the term of the Option or have any effect other than to accelerate the date on which the Option becomes exercisable in full.

1.5 The term of the Option shall continue until the tenth anniversary of the Date of Grant. The Option shall terminate (if not sooner terminated in accordance with the other provisions hereof) and shall no longer be exercisable after such tenth anniversary.

SECTION 2: EXERCISE

2.1 The Grantee may exercise the Option to the extent that it is then exercisable (and before a date or event of termination or cancellation) in whole at any time, or in part from time to time. The Grantee shall give the Company written notice to exercise the Option in whole or in part. Such notice shall specify the number of shares to be purchased and shall be accompanied by full payment for the shares then being purchased, which payment may be made in any of the following ways: (a) in cash; (b) if the Company shall consent in its sole discretion, delivering shares to the Company which have been held by the Grantee for a minimum of six (6) months; (c) subject to such limitations as may be imposed by the Company, a cash payment by the Grantee's broker pursuant to the Grantee's instruction; or (d) a combination thereof. The notice also shall be accompanied by such agreement, statement, or other evidence as the Company may require in order to satisfy itself that the issuance of the shares being purchased pursuant to such exercise and any subsequent resale thereof will be in compliance with applicable laws and regulations relating to the issuance and sale of securities, including the provisions of the Securities Act of 1933 and regulations promulgated thereunder. Any shares surrendered as payment in exercise of the Option shall be valued at their fair market value (which shall be the closing price of the Company's common stock as reported by the Nasdaq National Market) on the date of exercise. The exercise shall be deemed to occur on the date that the notice of exercise and, if applicable, the cash and/or shares are received at the office of the Chief Financial Officer of the Company, or at such other location as may be established in accordance with Section 5.5 hereof.

2.2 As soon as practicable after each exercise of the Option and compliance by the Grantee with all applicable conditions, the Company shall mail or deliver or cause to be mailed or delivered to the Grantee a stock certificate or certificates registered in the name of the Grantee for the number of shares that the Grantee shall be entitled to receive upon such exercise under the provisions of this Agreement.

SECTION 3: TERMINATION OF SERVICE

3.1 If the Grantee's service with the Company terminates for any reason other than Retirement (as defined in Section 3.2), Disability (as defined in the Company's Stock Incentive Plan) or death, the Option shall continue to be exercisable at any time within the three-month period following such termination of service, but not after such period, but shall not become exercisable with respect to any shares for which it was not exercisable on the date of such termination of service.

3.2 If the Grantee's service with the Company terminates because of Retirement, the Option shall (a) become immediately exercisable in full as of the date of such Retirement, and (b) be exercisable at any time within the 12-month period following such Retirement, but not after such period (unless otherwise provided in Section 3.4 below). "Retirement" means termination of service after the Grantee has completed three years of service as a Director of the Company.

3.3 If the Grantee's service with the Company terminates because of the Grantee's Disability, the Option shall (a) become immediately exercisable in full as of the date of such termination, and (b) be exercisable at any time within the 12-month period following such termination of service, but not after such period (unless otherwise provided in Section 3.4 below).

3.4 If Grantee's service with the Company terminates because of the Grantee's death, the Option shall become immediately exercisable in full as of the date of termination of service. If the Grantee's service with the Company terminates because of the Grantee's death, or if the Grantee dies within 12 months after termination of service while the Option is exercisable pursuant to Sections 3.1 or 3.2 above, the Option shall be exercisable at any time within the 24-month period following the Grantee's death, but not after such period.

3.5 After the Grantee's death, the Option may be exercised only by the Grantee's Beneficiary (as defined in the Company's Stock Incentive Plan); provided, however, that if the Grantee's Beneficiary dies within 24 months after the Grantee's death, the executor or administrator of the Beneficiary's estate may exercise the Option within such 24-month period. If the Grantee and Grantee's Beneficiary die in circumstances in which there is not sufficient evidence that the two have died otherwise than simultaneously, the Beneficiary shall be deemed to have predeceased the Grantee.

3.6 Any exercise by a Beneficiary of the Option shall be subject to all of the terms and conditions contained in this Agreement.

3.7 Notwithstanding any other provision of this Section 3, in no event shall the Option be exercisable after the expiration date specified in Section 1.5 of this Agreement.

SECTION 4: TAX OBLIGATIONS

4.1 In each case where the Grantee shall exercise the Option, in whole or in part, the Company shall notify the Grantee of the amount of income tax, if any, that must be withheld under federal and, where applicable, state and local law by reason of such exercise. It shall be a condition to any delivery of shares hereunder that provision satisfactory to the Company shall have been made for payment of any taxes required to be paid or withheld pursuant to any applicable law or regulations. The Grantee may irrevocably elect to have any withholding tax obligation satisfied (a) by a cash payment to the Company; (b) by having the Company withhold shares otherwise deliverable to the Grantee with respect to the exercise of the Option; (c) by delivering shares to the Company; (d) by a cash payment by the Grantee's broker pursuant to the Grantee's instruction; or (e) by a combination thereof; provided, however, that the Company may disapprove, or impose conditions upon, any such election.

SECTION 5: MISCELLANEOUS

5.1 The Option granted hereunder shall not be transferable (other than to a Beneficiary upon the death of the Grantee) and is exercisable during the Grantee's lifetime only by the Grantee.

5.2 The Option does not confer upon the Grantee any rights of stock ownership.

5.3 In the event of a stock dividend, stock split, combination of shares, recapitalization or other similar capital change, the number and kind of shares subject to the Option, the Option Price and other provisions of this Agreement shall be appropriately adjusted as provided in Section 22 of the Company's Stock Incentive Plan.

5.4 Nothing contained in this Agreement shall be deemed by implication or otherwise to impose any limitation on any right of the Company or its stockholders to remove any director.

5.5 Any notice to be given hereunder by the Grantee shall be either hand-delivered to the office of the Chief Financial Officer of the Company or sent by mail addressed to the Company to the attention of the Chief Financial Officer, 800 Tennessee Road, Erwin, Tennessee 37650. Any notice by the Company to the Grantee shall be either sent by mail addressed to the Grantee at the address shown on page 1 hereof or hand-delivered personally to the Grantee. Either party may, by written notice given to the other in accordance with the provisions of this Section, change the address to which subsequent notices shall be sent.

5.6 The Option shall not be exercisable in whole or in part and no certificates representing shares of common stock subject to the Option shall be delivered if, at any time, the Company determines, in its discretion, that it is necessary as a condition of, or in connection with, such exercise (or the delivery of shares thereunder):

(a) to satisfy withholding tax or other liabilities;

(b) to effect the listing, registration or qualification on any securities exchange, or any quotation system, or under any federal, state or local law, of any shares otherwise deliverable in connection with such exercise; or

(c) to obtain the consent or approval of any regulatory body; unless such withholding, listing, registration, qualification, compliance, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Company in its reasonable and good faith judgment.

The Company shall act with all reasonable diligence to obtain any such approval or consent and to effect compliance with any such applicable law, regulation, order, withholding, or listing, registration or qualification requirement, and the Grantee or other person entitled to exercise the Option shall take any action reasonably requested by the Company in such connection.

5.7 This Agreement shall be governed by, and its provisions construed in accordance with, the laws of Delaware (irrespective of the conflict of laws provisions thereof), except to the extent that such laws may be superseded by any federal law.

5.8 Any amendment of this Agreement must be in writing and duly signed by the Company and the Grantee. This Agreement may not be modified orally.

IN WITNESS WHEREOF, NN Ball & Roller, Inc. has caused this Agreement to be executed in its corporate name, and the Grantee has executed the same in evidence of the Grantee's acceptance hereof, under the terms and conditions herein set forth, as of the day and year first above written.

NN BALL & ROLLER, INC.

By

Title

GRANTEE

[Director's name]

Exhibit 10.16

NN BALL & ROLLER, INC.

ELECTIVE DEFERRED COMPENSATION PLAN

This unfunded Elective Deferred Compensation Plan (hereafter "Plan"), effective as of February 26, 1999, is hereby adopted and established by NN Ball & Roller, Inc. (hereafter "Company") and will be maintained by the Company for the purpose of providing benefits for certain individuals as provided herein.

ARTICLE I

ELIGIBILITY AND PARTICIPATION

SECTION 1.1 All outside members of the Board of Directors of the Company are eligible to become and remain participants in the Plan.

SECTION 1.2 The individuals described in Section 1.1 shall be eligible to participate in the Plan and may do so by filing a written election with the Company in the form attached or other form approved by the Company. In the first year in which a participant becomes eligible to participate in the Plan, the newly eligible participant may make an election to defer directors fees for services to be performed subsequent to the election within 30 days after the date the person becomes eligible. Except as otherwise provided herein, elections to defer payment of directors fees must be made before the beginning of the calendar quarter for which the directors fees are payable.

SECTION 1.3 For each individual electing to participate in the Plan, the Company shall establish and maintain a deferred compensation account. The amount of each participant's deferred compensation shall be credited to this account as of the date such directors fees otherwise would be payable. No amount shall actually be set aside for payment under the Plan. Any participant to whom an amount is credited under the Plan shall deemed a general, unsecured creditor of the Company.

SECTION 1.4 Any participant may defer all or any portion of his or her directors fees otherwise payable to him or her by the Company for the calendar quarter beginning after the date of said election as he or she may specify in said written election to the Company, and the amounts so deferred shall be paid only as provided in this Plan. Any participant may change the amount or suspend, future deferrals with respect to directors fees otherwise payable to him or her for quarters beginning after date of change or suspension as he or she may specify by written notice to the Company. If a participant elects to suspend deferrals, the participant may make a new election to again become a participant in the Plan. Any new election to defer payment of directors fees must be made before the beginning of the period of service for which the directors fees are payable, which period is the calendar quarter. The election to defer shall be irrevocable as to the deferred compensation for the period for which the election is made.

ARTICLE II

DEFERRED COMPENSATION

All amounts credited under the terms of the Plan to a deferred compensation account maintained in the name of a participant by the Company shall be invested in the same investment options provided under the Company's 401(k) Plan. Such investment election shall be made on a form approved by the Company.

ARTICLE III

DISTRIBUTION

SECTION 3.1 On the first day of the month next following the date on which a participant ceases to be a member of the Company's Board of Directors for any reason including death, distribution of the amount credited to the participant's account in accordance with this Plan shall commence to or with respect to the participant in a lump sum.

SECTION 3.2 If a participant should die before distribution has been made to the participant, the account shall be distributed to the participant's beneficiary designated by the participant in writing and delivered to the Company at the time the participant first elected to become a participant in the Plan. If a participant has not designated a beneficiary, or if no designated beneficiary is living on the date of distribution, then, notwithstanding any provision herein to the contrary, such amounts shall be distributed to such participant's estate in a lump sum distribution as soon as administratively feasible following such participant's death.

Section 3.3 In the event a participant incurs an unforeseeable emergency, the participant may make a written request to the Company for a hardship withdrawal from his or her account established under the Plan. An unforeseeable emergency is a severe financial hardship to the participant resulting from a sudden and unexpected illness or accident of the participant or of a dependent (as defined in Section 152(a) of the Internal Revenue Code of 1986, as amended) of the participant, loss of participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant. Withdrawals of amounts because of an unforeseeable emergency are only permitted to the extent reasonably needed to satisfy the emergency need. This section shall be interpreted in a manner consistent with Sections 1.457-2(h)(4) and 1.457-2(h)(5) of the Treasury Regulations.

SECTION 3.4 Anything herein to the contrary notwithstanding, if, at any time, a court or the Internal Revenue Service determines that an amount in a participant's account is includable in the gross income of the participant and subject to tax, the Board of Directors of the Company may, in its sole discretion, permit a lump sum distribution of an amount equal to the amount determined to be includable in the participant's gross income.

ARTICLE IV

AMENDMENT AND TERMINATION OF PLAN

The Company reserves the right to amend or terminate the Plan at any time. Any such termination shall be effective as of the end of the calendar year during which notification is given to each participant. Notification will be by first class mail, addressed to each participant at the participant's last known address, or by other notice acknowledged in writing by the participant. Any amounts credited to an account of any participant shall remain subject to the provisions of the Plan and distribution will not be accelerated because of the termination of the Plan. No amendment or termination shall directly or indirectly reduce the balance of any account described in this Plan as of the effective date of such amendment or termination. No additional credits or contributions will be made to the accounts of the participants under the Plan after termination of the Plan, but interest may continue to be credited to the accounts of the participants under the Plan until all benefits are distributed to the participants or to their beneficiaries. Upon termination of the Plan, distribution of amounts credited to the accounts of the participants shall be made to the participants or their beneficiaries in accordance with Article III of this Plan.

ARTICLE V

CLAIMS PROCEDURE

Section 5.1 For purposes of handling claims with respect to this Plan, the "Claims Reviewer" shall be the Company, unless another person or organizational unit is designated by the

Company as Claims Reviewer.

SECTION 5.2 An initial claim for benefits under the Plan must be made by the participant or his or her beneficiary in accordance with the terms of the Plan through which the benefits are provided. Not later than 90 days after receipt of such a claim, the Claims Reviewer will render a written decision on the claim to the claimant, unless special circumstances require the extension of such 90-day period. If such extension is necessary, the Claims Reviewer shall provide the participant or the participant's beneficiary with written notification of such extension before the expiration of the initial 90-day period. Such notice shall specify the reason or reasons for such extension and the date by which a final decision can be expected. In no event shall such extension exceed a period of 90 days from the end of the initial 90-day period. In the event the Claims Reviewer denies the claim of a participant or the beneficiary in whole or in part, the Claims Reviewer's written notification shall specify, in a manner calculated to be understood by the claimant, (a) the reason for the denial; (b) a reference to the Plan or other document or form that is the basis for the denial; (c) a description of any additional material or information necessary for the claimant to perfect the claim; (d) an explanation as to why such information or material is necessary; and (e) an explanation of the applicable claims procedure. Should the claim be denied in whole or in part and should the claimant be dissatisfied with the Claims Reviewer's disposition of the claimant's claim, the claimant may have a full and fair review of the claim by the Company upon written request therefor submitted by the claimant or the claimant's duly authorized representative and received by the Company within 60 days after the claimant receives written notification that the claimant's claim has been denied. In connection with such review, the claimant or the claimant's duly authorized representative shall be entitled to review pertinent documents and submit the claimant's views as to the issues, in writing. The Company shall act to deny or accept the claim within 60 days after receipt of the claimant's written request for review unless special circumstances require the extension of such 60-day period. If such extension is necessary, the Company shall provide the claimant with written notification of such extension before the expiration of such initial 60-day period. In all events, the Company shall act to deny or accept the claim within 120 days of the receipt of the claimant's written request for review. The action of the Company shall be in the form of a written notice to the claimant and its contents shall include all of the requirements for action on the original claim. In no event may a claimant commence legal action for benefits the claimant believes are due the claimant until the claimant has exhausted all of the remedies and procedures afforded the claimant by this Article V.

ARTICLE VI

ADMINISTRATION

Section 6.1 The right of a participant or the participant's beneficiary to receive a distribution hereunder shall be an unsecured claim against the general assets of the Company, and neither a participant nor his or her designated beneficiary shall have any rights in or against any amount credited to any accounts under this Plan or any other assets of the Company. The Plan at all times shall be considered entirely unfunded both for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended. Any funds invested hereunder shall continue for all purposes to be part of the general assets of the Company and available to its general creditors in the event of bankruptcy or insolvency. Accounts under this Plan and any benefits which may be payable pursuant to this Plan are not subject in any manner to anticipation, sale, alienation, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors of a participant or a participant's beneficiary. The Plan constitutes a mere promise by the Company to make benefit payments in the future. No interest or right to receive a benefit may be taken, either voluntarily or involuntarily, for the satisfaction of the debts of, or other obligations or claims against, such person or entity, including claims for alimony, support, separate maintenance and claims in bankruptcy proceedings.

Section 6.2 The Plan shall be administered by the Board of Directors of the Company, which shall have the authority, duty and power to interpret and construe the provisions of the Plan as the Board deems appropriate including the authority to determine eligibility for benefits under the Plan. The Board shall have the duty and responsibility of maintaining records, making the requisite calculations and disbursing the payments hereunder. The interpretations, determinations, regulations and calculations of the Board shall be final and binding on all persons and parties concerned.

Section 6.3 Expenses of administration shall be paid by the Company. The Board of Directors of the Company shall be entitled to rely on all tables, valuations, certificates, opinions, data and reports furnished by any actuary, accountant, controller, counsel or other person employed or retained by the Company with respect to the Plan.

Section 6.4 The Company shall furnish individual annual statements of accrued benefits to each participant, or current beneficiary, in such form as determined by the Company or as required by law.

SECTION 6.5 The sole rights of a participant or beneficiary under this Plan shall be to have this Plan administered according to its provisions, to receive whatever benefits he or she may be entitled to hereunder, and nothing in the Plan shall be interpreted as a guaranty that any funds in any trust which may be established in connection with the Plan or assets of the Company will be sufficient to pay any benefit hereunder. Further, the adoption and maintenance of this Plan shall not be construed as creating any contract of employment between the Company and any participant.

SECTION 6.6 The Company may from time to time establish rules and procedures which it determines to be necessary for the proper administration of the Plan and the benefits payable to an individual in the event that individual is declared incompetent and a conservator or other person legally charged with that individual's care is appointed. Except as otherwise provided herein, when the Company determines that such individual is unable to manage his or her financial affairs, the Company may pay such individual's benefits to such conservator, person legally charged with such individual's care, or institution then contributing toward or providing for the care and maintenance of such individual. Any such payment shall constitute a complete discharge of any liability of the Company and the Plan for such individual.

SECTION 6.7 The Plan may be continued after a sale of assets of the Company, or a merger or consolidation of the Company into or with another corporation or entity only if and to the extent that the transferee, purchaser or successor entity agrees to continue the Plan. In the event that the Plan is not continued by the transferee, purchaser or successor entity, then the Plan shall be terminated subject to the provisions of Article IV.

Section 6.8 Each participant shall keep the Company informed of his or her current address and the current address off his or her designated beneficiary. The Company shall not be obligated to search for any person. If such person is not located within three years after the date on which payment of the participant's benefits payable under this Plan may first be made, payment may be made as though the participant or his or her beneficiary had died at the end of such three-year period.

Section 6.9 Notwithstanding any provision herein to the contrary, neither the Company nor any individual acting as an employee or agent of the Company shall be liable to any participant, former participant, designated beneficiary, or any other person for any claim, loss, liability or expense incurred in connection with the Plan, unless attributable to fraud or willful misconduct on the part of the Company or any such employee or agent of the Company.

SECTION 6.10 All questions pertaining to the construction, validity and effect of the Plan shall be determined in accordance with the laws of the United States and to the extent not preempted by such laws, by the laws of the State of Tennessee.

IN WITNESS WHEREOF, NN BALL & ROLLER, INC., by its duly authorized officer, has executed this Plan on this 26th day of February 1999.

NN BALL & ROLLER, INC.

By: /s/ William C. Kelly, Jr.

Its: Secretary/Treasurer

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference to the Registration Statement on Form S-8 (no. 33-74694) of NN Ball & Roller, Inc. of our report dated January 22, 1999 appearing on page 19 in this Annual Report on Form 10-K.

PRICEWATERHOUSECOOPERS LLP

Greensboro, North Carolina
March 29, 1999