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

FORM 10-Q

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

For the quarterly period ended JUNE 30, 1999  
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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  
(State or other jurisdiction of  
incorporation or organization)

62-1096725  
(I.R.S. Employer  
Identification Number)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required  
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during  
the preceding 12 months (or for such shorter period that the registrant was  
required to file such reports), and (2) has been subject to such filing  
requirements for the past 90 days. Yes X No  
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As of August 12, 1999 there were 15,244,308 shares of the registrant's common  
stock, par value \$0.01 per share, outstanding.

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NN BALL & ROLLER, INC.

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## PART I. FINANCIAL INFORMATION

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

THOUSANDS OF DOLLARS, EXCEPT PER SHARE DATA	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
Net sales	\$ 17,475	\$ 19,674	\$ 35,387	\$ 40,560
Cost of goods sold	12,591	13,563	25,114	27,740
Gross profit	4,884	6,111	10,273	12,820
Selling, general and administrative	1,027	1,530	2,245	2,834
Depreciation	1,231	1,179	2,475	2,338
Income from operations	2,626	3,402	5,553	7,648
Interest expense	8	18	9	33
Income before provision for income taxes	2,618	3,384	5,544	7,615
Provision for income taxes	903	1,060	1,867	2,624
Net income	\$ 1,715	\$ 2,324	\$ 3,677	\$ 4,991
Other comprehensive income:				
Foreign currency translation	(426)	72	(1,287)	(189)
Other comprehensive income	(426)	72	(1,287)	(189)
Comprehensive income	\$ 1,289	\$ 2,396	\$ 2,390	\$ 4,802
Net income per common share	\$ 0.12	\$ 0.16	\$ 0.25	\$ 0.34
Weighted average number of shares outstanding	14,807,850	14,827,626	14,805,688	14,810,770

SEE ACCOMPANYING NOTES.

NN BALL & ROLLER, INC.  
CONDENSED BALANCE SHEETS

THOUSANDS OF DOLLARS	JUNE 30, 1999 (UNAUDITED)	DECEMBER 31, 1998
<hr style="border-top: 1px dashed black;"/>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,449	\$ 1,430
Accounts receivable, net	13,946	11,643
Inventories, net	10,371	14,425
Other current assets	1,248	1,073
	-----	-----
Total current assets	31,014	28,571
Property, plant and equipment, net	36,010	38,289
	-----	-----
Total assets	\$67,024	\$66,860
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,050	\$ 4,451
Accrued vacation expense	662	431
Deferred Income	705	828
Income taxes payable	334	786
Other current liabilities	2,029	1,142
	-----	-----
Total current liabilities	7,780	7,638
Deferred income taxes	2,980	2,980
	-----	-----
Total liabilities	10,760	10,618
Total stockholders' equity	56,264	56,242
	-----	-----
Total liabilities and stockholders' equity	\$67,024	\$66,860
	-----	-----

SEE ACCOMPANYING NOTES.

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

THOUSANDS OF DOLLARS	COMMON STOCK NUMBER OF SHARES	PAR VALUE	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS (DEFICIT)	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
Balance, January 1, 1998	14,804	\$149	\$27,902	\$25,387	\$ (467)	\$52,971
Net income				4,991		4,991
Dividends				(2,369)		(2,369)
Other comprehensive income					(189)	(189)
Balance, June 30, 1998	14,804	\$149	\$27,902	\$28,009	\$ (656)	\$55,404
Balance, January 1, 1999	14,804	\$149	\$27,902	\$28,306	\$ (115)	\$56,242
Net income				3,677		3,677
Dividends				(2,368)		(2,368)
Other comprehensive income					(1,287)	(1,287)
Balance, June 30, 1999	14,804	\$149	\$27,902	\$29,615	\$ (1,402)	\$56,264

SEE ACCOMPANYING NOTES.

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

THOUSANDS OF DOLLARS	SIX MONTHS ENDED JUNE 30,	
	1999	1998
<b>OPERATING ACTIVITIES:</b>		
Net income	\$3,677	\$4,991
Adjustments to reconcile net income:		
Depreciation	2,475	2,338
Changes in operating assets and liabilities:		
Accounts receivable	(2,303)	(4,373)
Inventories	4,054	(380)
Taxes refundable/payable	(452)	(221)
Other current assets	(175)	394
Accounts payable	(401)	1,551
Other liabilities	995	564
Net cash provided by operating activities	7,870	4,864
<b>INVESTING ACTIVITIES:</b>		
Acquisition of plant, property, and equipment	(261)	(2,626)
Proceeds from disposals of property, plant and equipment	65	--
Net cash used by investing activities	(196)	(2,626)
<b>FINANCING ACTIVITIES:</b>		
Proceeds under revolving credit facility	--	1,170
Dividends	(2,368)	(2,369)
Effect of currency translation	(1,287)	(189)
Net cash (used) by financing activities	(3,655)	(1,388)
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,019	850
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,430	366
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 5,449	\$1,216

SEE ACCOMPANYING NOTES.

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

NOTE 1. INTERIM FINANCIAL STATEMENTS

The accompanying condensed financial statements of NN Ball & Roller, Inc. have not been audited by independent accountants, except for the balance sheet at December 31, 1998. In the opinion of the Company's management, the financial statements reflect all adjustments necessary to present fairly the results of operations for the three and six month periods ended June 30, 1999 and 1998, the Company's financial position at June 30, 1999 and December 31, 1998, and the cash flows for the six month periods ended June 30, 1999 and 1998. These adjustments are of a normal recurring nature and are, in the opinion of management, necessary for fair presentation of the financial position and operating results for the interim periods.

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

The results for the first and second quarters of 1999 are not necessarily indicative of future results.

NOTE 2. INVENTORIES

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

Inventories are comprised of the following (in thousands):

	JUNE 30, 1999 (UNAUDITED)	DECEMBER 31, 1998
	-----	-----
Raw materials	\$ 2,581	\$ 3,611
Work in process	1,755	2,850
Finished goods	6,095	8,024
	-----	-----
	10,431	14,485
Less - Reserve for excess and obsolete inventory	60	60
	-----	-----
	\$ 10,371	\$ 14,425
	-----	-----
	-----	-----

## NOTE 3. NET INCOME PER SHARE

THOUSANDS OF DOLLARS, EXCEPT SHARE AND PER SHARE DATA	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
Net income	\$ 1,715	\$ 2,324	\$ 3,677	\$ 4,991
Adjustments to net income	--	--	--	--
Net income	\$ 1,715	\$ 2,324	\$ 3,677	\$ 4,991
Basic shares outstanding	14,804,244	14,804,244	14,804,244	14,804,244
Effect of dilutive stock options	3,606	23,382	1,444	6,526
Dilutive shares outstanding	14,807,850	14,827,626	14,805,688	14,810,770
Basic net income per share	\$ 0.12	\$ 0.16	\$ 0.25	\$ 0.34
Diluted net income per share	\$ 0.12	\$ 0.16	\$ 0.25	\$ 0.34

Excluded from the shares outstanding for the second quarter ended June 30, 1999 and 1998 were 438,125 and 70,750 antidilutive options, respectively, which had exercise prices ranging from \$6.38 to \$15.50 and \$12.50 to \$15.50. Excluded from the shares outstanding for the six months ended June 30, 1999 and 1998 were 510,125 and 426,500 antidilutive options, respectively, which had exercise prices ranging from \$6.00 to \$15.50 and \$11.13 to \$15.50.

## NOTE 4. SEGMENT INFORMATION

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. The facility is also engaged in the production of precision balls used primarily in the bearing industry.

The accounting policies of the segments do not differ from those of the consolidated entity. The Company evaluates segment performance based on profit or loss from operations before income taxes not including non-recurring gains or losses. The Company accounts for intersegment sales and transfers at current market prices; however, the Company did not have any material intersegment transactions during the three or six-month period ended June 30, 1999.

THOUSANDS OF DOLLARS	THREE MONTHS ENDED JUNE 30,					
	U.S.	1999	EUROPE	U.S.	1998	EUROPE
Revenues from external customers	\$15,491		\$ 1,984	\$18,028		\$ 1,646
Segment profit/(loss)	2,438		180	3,407		(23)
Segment assets	54,670		12,354	57,948		11,043

THOUSANDS OF DOLLARS	SIX MONTHS ENDED JUNE 30,			
	U.S.	1999 EUROPE	U.S.	1998 EUROPE
Revenues from external customers	\$31,104	\$ 4,283	\$37,880	\$2,680
Segment profit/(loss)	5,022	522	7,758	(143)
Segment assets	54,670	12,354	57,948	11,043

Segment assets for U.S. and Europe at December 31, 1998 were \$53.5 million and \$13.4 million, respectively.

NOTE 5. SUBSEQUENT EVENT

Effective July 4, 1999 the Company acquired substantially all of the assets and assumed certain liabilities of Earsley Capital Corporation, a Nevada corporation and successor to and formerly known as Industrial Molding Corporation ("IMC"). IMC, located in Lubbock, Texas, operates as a premier full-service designer and manufacturer of precision plastic injection molded components. The Company plans to continue the operation of the IMC business as a subsidiary entity. The Company paid consideration of approximately \$26 million, consisting of cash in the amount of \$23.5 million and 440,038 shares of its common stock, for the net assets acquired from IMC. Cash used in the acquisition was obtained from the Company's existing line of credit with First American Bank.

IMC reported earnings of \$1.9 million and \$1.2 million on net sales of \$28.1 million and \$13.7 million for the year ended January 2, 1998 and the six-month period ended July 4, 1999, respectively. Net assets of IMC which were acquired by the Company approximated \$13.7 million and \$16 million at January 2, 1999 and July 4, 1999, respectively.

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 1999 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 1998

NET SALES. Net sales decreased by approximately \$2.2 million, or 11.2%, from \$19.7 million for the second quarter of 1998 to \$17.5 million for the second quarter of 1999. Foreign sales decreased \$1.4 million, or 15.0%, from \$9.3 million in the second quarter of 1998 to \$7.9 million during the second quarter of 1999. The decrease in foreign sales was due primarily to decreased global demand for the Company's products due to weak sales volumes and to a lesser degree decreased selling prices to existing customers. Domestic sales decreased \$800,000, or 7.7%, from \$10.4 million in the second quarter of 1998 to \$9.6 million in the second quarter of 1999. This decrease was due primarily to decreased sales to existing customers.

GROSS PROFIT. Gross profit decreased \$1.2 million or 20.0%, from \$6.1 million for the second quarter of 1998 to \$4.9 million for the second quarter of 1999. As a percentage of net sales, gross profit decreased from 31.1% in the second quarter of 1998 to 27.9% for the same period in 1999. This decrease in gross profit as a percentage of net sales was due primarily to decreased levels of volume during the second quarter of 1999 as compared to the second quarter of 1998 and related capacity under-utilization. Also, planned inventory reductions of approximately \$2.6 million during the 1999 second quarter contributed to the decrease.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses decreased by \$503,000 or 32.9%, from \$1.5 million in the second quarter of 1998 to \$1.0 million in the second quarter of 1999. This decrease was due primarily to lower salary, travel and advertising expenses. As a percentage of net sales, selling, general and administrative expenses decreased from 7.8% for the second quarter of 1998 to 5.9% for the same period in 1999.

DEPRECIATION. Depreciation expense increased from \$1.18 million for the second quarter of 1998 to \$1.23 million for the same period in 1999. As a percentage of net sales, depreciation expense increased from 6.0% in the second quarter of 1998 to 7.0% in the second quarter of 1999.

INTEREST EXPENSE. Interest expense decreased from \$18,000 in the second quarter of 1998 to \$8,000 during the same period in 1999.

NET INCOME. Net income decreased by \$609,000 or 26.2%, from \$2.3 million for the second quarter of 1998 to \$1.7 million for the same period in 1999. As a percentage of net sales, net income decreased from 11.8% in the second quarter of 1998 to 9.8% for the second quarter of 1999.

SIX MONTHS ENDED JUNE 30, 1999 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 1998

NET SALES. Net sales decreased by approximately \$5.2 million, or 12.7%, from \$40.6 million for the first six months of 1998 to \$35.4 million for the same period in 1999. Foreign sales decreased \$3.8 million, or 19.6%, from \$19.4 million in the first six months of 1998 to \$15.6 million during the same period of 1999. The decrease in foreign sales was due primarily to decreased global demand for the Company's products due to weak sales volumes and to a lesser degree decreased selling prices to existing customers. Domestic sales decreased \$1.4 million, or 6.6%, from \$21.2 million in the first six months of 1998 to \$19.8 million in the same period of 1999. This decrease was due primarily to decreased sales to existing customers.

GROSS PROFIT. Gross profit decreased \$2.5 million, or 19.9%, from \$12.8 million for the first six months of 1998 to \$10.3 million for the same period of 1999. As a percentage of net sales, gross profit decreased from 31.7% in the first six months of 1998 to 29.0% in the same period of 1999. This decrease in gross profit as a percentage of net sales was due primarily to decreased levels of volume during the first half of 1999 as compared to the first half of 1998 and related capacity under-utilization. Also, planned inventory reductions of approximately \$4.0 million since the beginning of the year contributed to the decline.

SELLING, GENERAL AND ADMINISTRATIVE. Selling, general and administrative expenses decreased by \$589,000, or 20.8%, from \$2.8 million in the first six months of 1998 to \$2.2 million in the same period of 1999. This decrease was due primarily to lower salary, travel and advertising expenses. As a percentage of net sales, selling, general and administrative expenses decreased from 7.0% in the first six months of 1998 to 6.3% for the same period in 1999.

DEPRECIATION. Depreciation expense increased from \$2.3 million for the first six months of 1998 to \$2.5 million for the same period in 1999. This increase was due primarily to purchases of capital equipment. As a percentage of net sales, depreciation expense increased from 5.8% for the first six months of 1998 to 7.0% for the same period in 1999.

INTEREST EXPENSE. Interest expense decreased from \$33,000 in the first six months of 1998 to \$9,000 during the same period in 1999.

NET INCOME. Net income decreased by \$1.3 million, or 26.3%, from \$5.0 million for the first six months of 1998 to \$3.7 million for the same period for 1999. As a percentage of net sales, net income decreased from 12.3% for the first six months of 1998 to 10.4% for the same period for 1999.

#### LIQUIDITY AND CAPITAL RESOURCES

In July 1997, the Company entered into a loan agreement with First American National Bank ("First American") which provides for a revolving credit facility of up to \$25 million, expiring on 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 declaration. The loan agreement also prohibits sales of property outside of the ordinary course of business. The loan agreement also contains customary 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 August 9, 1999 was in compliance with all such covenants.

In July 1999, the Company borrowed \$18.5 million under the revolving credit facility in order to execute its purchase of selected assets of Earsley Capital Corporation. As a result of this transaction, management is in the process of renegotiating the terms of the revolving credit facility with First American.

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'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.

The Company bills and receives payment from some of its foreign customers in their local 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, including a hedging program. In addition, a strengthening of the U.S. dollar against foreign currencies could impair the ability of the Company to compete with international competitors for foreign as well as domestic sales.

Working capital, which consists principally of accounts receivable and inventories, was \$23.2 million at June 30, 1999 as compared to \$20.9 million at December 31, 1998. The ratio of current assets to current liabilities increased from 3.7:1 at December 31, 1998 to 4.0:1 at June 30, 1999. Cash flow from operations increased from \$4.9 million during the six months of 1998 to \$7.9 million during the first six months of 1999. This increase was primarily attributed to a decrease of \$4.0 million in inventories for the first half of 1999 as compared to an increase of \$380,000 for the first half of 1998.

During 1999, the Company plans to spend approximately \$3.0 million on capital expenditures (of which approximately \$1.2 million has been spent through June 30, 1999) including the purchase of additional machinery and equipment for all three of the Company's U.S. facilities as well as the Ireland facility. The Company intends to finance these activities with cash generated from operations and funds available under the credit facility described above. The Company believes that funds generated from operations and borrowings from the credit facility will be sufficient to finance the Company's working capital needs and projected capital expenditure requirements through December 1999.

#### 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 has installed have been certified by the vendor to be Year 2000 compliant. The Company also evaluated its non-information technology systems and received certification by the manufacturers of that equipment that they are Year 2000 compliant.

As of June 30, 1999, the Company has substantially completed these system upgrades. 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 has spent approximately \$800,000 to replace its information technology systems and train personnel. 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 70 percent of its suppliers and vendors and expects to receive responses from its remaining suppliers and vendors by the end of the year. 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 systems, 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 in 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 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.

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

The Company wishes to caution readers that this report and future filings by the Company, press releases and oral statements made by the Company's authorized representatives may contain, forward looking statements that involve certain risks and uncertainties. The Company's actual results could differ materially from those expressed in such forward looking statements due to important factors bearing on the Company's business, many of which already have been discussed in this filing and in the Company's prior filings.

The following paragraphs discuss the risk factors the Company regards as the most significant, although the Company wishes to caution that other factors that are currently not considered significant or that currently cannot be foreseen may in the future prove to be important in affecting the Company's results of operations. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

**INDUSTRY RISKS.** The precision ball and roller industry is cyclical and tends to decline in response to overall declines in industrial production. The Company's sales in the past have been negatively affected, and in the future very likely would be negatively affected, by adverse conditions in the industrial production sector of the economy or by adverse global or national economic conditions generally.

**COMPETITION.** The precision ball and roller market is highly competitive, and many of the ball and roller manufacturers in the market are larger and have substantially greater resources than the Company. The Company's competitors are continuously exploring and implementing improvements in technology and manufacturing processes in order to improve product quality, and the Company's ability to remain competitive will depend, among other things, on whether it is able, in a cost effective manner, to keep

apace with such quality improvements. In addition, the Company competes with many of its customers that, in addition to producing bearings, also internally produce balls and rollers for sale to third parties. The Company also faces a risk that its customers will decide to produce balls and rollers internally rather than outsourcing their needs to the Company.

**RAPID GROWTH.** The Company has significantly expanded its production facilities and capacity over the last several years. The Company currently is not operating at full capacity and faces risks of further under-utilization or inefficient utilization of its production facilities in future years. The Company also faces risks associated with inefficiencies, delays and increased depreciation costs associated with its plant expansions.

**RAW MATERIAL SHORTAGES.** Because the balls and rollers manufactured by the Company have highly-specialized applications, their production requires the use of very particular types of steel. Due to quality constraints, the Company obtains the majority of its steel from overseas suppliers. Steel shortages or transportation problems, particularly with respect to 52100 Steel, could have a detrimental effect on the Company's business.

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

**DEPENDENCE ON MAJOR CUSTOMERS.** During 1998, the Company's ten largest customers accounted for approximately 76% of its net sales. Sales to various US 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. None of the Company's other customers accounted for more than 10% of its net sales in 1998, but sales to three 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.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company's Annual Meeting of Stockholders was held on May 13, 1999. As of March 19, 1999, the record date for the meeting, there were 14,804,271 shares of common stock outstanding and entitled to vote at the meeting. There were present at said meeting, in person or by proxy, stockholders holding 12,733,060 shares of common stock, constituting approximately 86% of the shares of common stock outstanding and entitled to vote, which constituted a quorum.

The first matter voted upon at the meeting was the election of G. Ronald Morris and Steven T. Warshaw as Class II Directors to serve for three-year terms. The results of the voting in connection with such elections were as follows:

	FOR	WITHHELD
G. Ronald Morris	12,168,045	565,015
Steven T. Warshaw	12,173,134	559,926

Accordingly, all nominees were elected to serve until the 2002 Annual Meeting of Stockholders and until their successors are duly elected and qualified. In addition to the foregoing directors, Richard D. Ennen and Roderick R. Baty are serving terms to expire at the 2000 Annual Meeting of Stockholders, and Michael D. Huff and Michael E. Werner are serving terms which are to expire at the 2001 Annual Meeting of Stockholders. Mr. Ennen, the Company's founder, continues in his position as Chairman of the Company's Board of Directors.

The second matter voted upon at the 1999 Annual Meeting of Stockholders was the approval of an amendment to the Company's Stock Incentive Plan (the "Plan") to increase the number of shares available for issuance pursuant to awards made under the Plan from 1,125,000 to 1,625,000. The vote was 12,630,082 For and 2,095,810 Against, and there were 850,588 Abstentions.

The Third matter voted upon at the 1999 Annual Meeting of Stockholders was the ratification of PricewaterhouseCoopers, LLP as independent public accountants to audit the Company's accounts for the fiscal year ending December 31, 1999. The vote was 12,706,844 For and 22,972 Against, and there were 3,244 Abstentions.

ITEM 5. OTHER INFORMATION

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

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

27 Financial Data Schedules (for information of SEC only)

(b) No reports on Form 8-K were filed during the quarter ending June 30, 1999.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NN Ball & Roller, Inc.

-----  
(Registrant)

Date: August 12, 1999  
-----

/s/ Roderick R. Baty  
-----

Roderick R. Baty,  
President and Chief Executive  
Officer  
(Duly Authorized Officer)

Date: August 12, 1999  
-----

/s/ David Dyckman  
-----

David Dyckman  
Chief Financial Officer  
(Principal Financial Officer)  
(Duly Authorized Officer)

Date: August 12, 1999  
-----

/s/ William C. Kelly, Jr.  
-----

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

INDEX TO EXHIBITS

Exhibit Number - - - - -	Description -----
27	Financial Data Schedules (for information of SEC only)



5  
0000918541  
NN BALL & ROLLER, INC.  
1,000

3-MOS

	DEC-31-1999	
	APR-01-1999	
	JUN-30-1999	5,449
		0
	14,464	
	518	
	10,371	
	31,014	36,010
	27,554	
	67,024	
7,780		0
0		0
		149
	56,115	
56,264		17,475
	17,475	12,591
	12,591	
	2,250	
	0	
	8	
	2,618	
	903	
1,715		0
	0	
		0
	1,715	
	0.12	
	0.12	