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

FORM 10-Q

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

For the quarterly period ended September 30, 2001

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, Inc.
(Exact name of registrant as specified in its charter)

Delaware	62-1096725
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2000 Waters Edge Drive
Building C, Suite 12
Johnson City, Tennessee 37604
(Address of principal executive offices, including zip code)

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

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

As of November 14, 2001 there were 15,296,672 shares of the registrant's common stock, par value $0.01 per share, outstanding.

NN, Inc.
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PART I. FINANCIAL INFORMATION

NN, Inc.
Consolidated Statements of Income and Comprehensive Income
(Unaudited)

Thousands of Dollars, Except Per Share Data	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Net sales	$ 42,576	$ 37,075	$ 140,153	$ 90,720
Cost of goods sold	32,889	26,103	106,393	64,415
Gross profit	9,687	10,972	33,760	26,305
Selling, general and administrative	4,147	3,236	12,047	8,017
Depreciation and amortization	3,474	2,535	10,170	6,103
Restructuring costs	750	--	750	--
Income from operations	1,316	5,201	10,793	12,185
Interest expense, net	920	651	3,214	1,209
Equity in (earnings) loss of unconsolidated affiliates	13	(39)	(13)	(105)
Net (gain) loss on involuntary conversion	(1,359)	--	(3,901)	25
Other (income) expense	15	--	(461)	--
Income before provision for income taxes	1,727	4,589	11,954	11,056
Provision for income taxes	806	1,722	4,879	3,837
Minority interest of consolidated subsidiaries	177	424	1,279	424
Income before cumulative effect of change in accounting principle	744	2,443	5,796	6,795
Cumulative effect of change in accounting principle, net of income tax benefit of $112 and related minority interest impact of $84	--	--	98	--
Net income	744	2,443	5,698	6,795
Other comprehensive income (loss):				
Foreign currency translation	306	(2,058)	(2,875)	(2,480)
Comprehensive income	$ 1,050	$ 385	$ 2,823	$ 4,315
Basic income per common share:				
Income before cumulative effect of change in accounting principle	$ 0.05	$ 0.16	$ 0.38	$ 0.45
Cumulative effect of change in accounting principle	--	--	(0.01)	--
Net income	$ 0.05	$ 0.16	$ 0.37	$ 0.45
Weighted average shares outstanding	15,286	15,245	15,253	15,245
Diluted income per common share:				
Income before cumulative effect of change in accounting principle	$ 0.05	$ 0.16	$ 0.37	$ 0.44
Cumulative effect of change in accounting principle	--	--	(0.01)	--
Net income	$ 0.05	$ 0.16	$ 0.37	$ 0.44
Weighted average shares outstanding	15,584	15,424	15,505	15,433

See accompanying notes.

NN, Inc.
Consolidated Balance Sheets

Thousands of Dollars	September 30, 2001 (Unaudited)	December 31, 2000
Assets		
Current assets:		
Cash and cash equivalents	$ 7,705	$ 8,273
Accounts receivable, net	30,837	29,549
Inventories, net	24,001	23,742
Other current assets	2,568	1,512
Net current deferred tax asset	746	962
Total current assets	65,857	64,038
Property, plant and equipment, net	88,039	91,693
Goodwill, net	42,241	27,865
Other assets	5,468	4,212
Total assets	$ 201,605	$ 187,808
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 14,563	$ 17,337
Accrued salaries & wages	4,326	6,929
Income taxes payable	4,229	1,341
Payable to affiliates	1,382	1,762
Short-term notes payable	--	2,000
Short-term portion of long-term notes	7,000	--
Other current liabilities	12,016	6,490
Total current liabilities	43,516	35,859
Minority interest in consolidated subsidiaries	30,763	30,257
Long-term notes	57,215	50,515
Deferred income taxes	4,932	5,353
Other non-current liabilities	529	578
Total liabilities	136,955	122,562
Total stockholders' equity	64,650	65,246
Total liabilities and stockholders' equity	$201,605	$187,808

See accompanying notes.

NN, Inc.
Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

Thousands of Dollars	Common stock Number Of shares	Common stock Par value	Additional paid in capital	Retained earnings	Accumulated other comprehensive (loss)	Total
Balance, January 1, 2000	15,244	$153	$30,398	$31,255	$(1,678)	$60,128
Shares issued	3	--	16	--	--	16
Net income	--	--	--	6,795	--	6,795
Dividends paid	--	--	--	(3,659)	--	(3,659)
Other comprehensive loss	--	--	--	--	(2,480)	(2,480)
Balance, September 30, 2000	15,247	$153	$30,414	$34,391	$(4,158)	$60,800
Balance, January 1, 2001	15,247	$153	$30,414	$36,364	$ (1,685)	$65,246

Shares issued	50	1	242	--	--	243
Net income	--	--	--	5,698	--	5,698
Dividends paid	--	--	--	(3,662)	--	(3,662)
Other comprehensive loss	--	--	--	--	(2,875)	(2,875)
Balance, September 30, 2001	15,297	$154	$30,656	$38,400	$(4,560)	$64,650

See accompanying notes.

NN, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

Thousands of Dollars	**Nine Months Ended September 30, 2001**	**2000**
Operating Activities:		
Net income	$5,698	$6,795
Adjustments to reconcile net income:		
Depreciation and amortization	10,170	6,103
Cumulative effect of change in accounting principle	98	-
Equity earnings of unconsolidated affiliate	(13)	(105)
Interest income on receivable from unconsolidated affiliate	(104)	(95)
Minority interest in consolidated subsidiary	1,279	424
Restructuring costs	750	-
Changes in operating assets and liabilities:		
Accounts receivable	1,317	(3,392)
Inventories	1,005	54
Other current assets	(1,611)	(2,119)
Other assets	(1,330)	(1,413)
Accounts payable	(3,824)	8,074
Other liabilities	5,744	420
Net cash provided by operating activities	19,179	14,746
Investing Activities:		
Acquisition of Delta Rubber Company, net of cash acquired	(23,674)	-
Acquisition of property, plant, and equipment	(4,961)	(4,971)
Long-term note receivable	-	(3,120)
Investment in unconsolidated affiliates	-	(100)
Acquisition of Euroball, net of cash acquired	-	(56,521)
Net cash used by investing activities	(28,635)	(64,712)
Financing Activities:		
Net proceeds under revolving credit facility	-	5,480
Proceeds from long-term debt	71,429	27,796
Repayment of long-term debt	(56,762)	-
Repayment of short-term debt	(2,000)	-
Proceeds from issuance of stock	243	15
Minority shareholders capital contribution	-	29,600
Dividends paid	(3,662)	(3,659)
Net cash provided by financing activities	9,248	59,232
Effect of exchange rate changes	(360)	(2,480)
Net Change in Cash and Cash Equivalents	(568)	6,786
Cash and Cash Equivalents at Beginning of Period	8,273	1,408
Cash and Cash Equivalents at End of Period	$ 7,705	$ 8,194

See accompanying notes.

NN, Inc.
Notes To Consolidated Financial Statements

Note 1. Interim Financial Statements

The accompanying consolidated financial statements of NN, Inc. (the Company) have not been audited by independent accountants, except for the balance sheet at December 31, 2000. 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 nine month periods ended September 30, 2001 and 2000, the Company's financial position at September 30, 2001 and December 31, 2000, and the cash flows for the nine month periods ended September 30, 2001 and 2000. 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 three quarters of 2001 are not necessarily indicative of future results.

Note 2. Derivate Financial Instruments

The Company has an interest rate swap accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", effective January 1, 2001. The Company adopted SFAS No. 133 on January 1, 2001, which establishes accounting and reporting standards for derivative instruments and for hedging activities. The Standard requires the recognition of all derivative instruments on the balance sheet at fair value. The Standard allows for hedge accounting if certain requirements are met including documentation of the hedging relationship at inception and upon adoption of the Standard.

In connection with a variable Euribor rate debt financing in July 2000 the Company's 54% owned subsidiary, NN Euroball ApS entered into an interest rate swap with a notional amount of Euro 12.5 million for the purpose of fixing the interest rate on a portion of their debt financing. The interest rate swap provides for the Company to receive variable Euribor interest payments and pay 5.51% fixed interest. The interest rate swap agreement expires in July 2006 and the notional amount amortizes in relation to principal payments on the underlying debt over the life of the swap.

The cumulative effect of a change in accounting principles for the adoption of SFAS No. 133 effective January 1, 2001 resulted in a transition adjustment net loss of $98,000 which is net of an income tax benefit of $112,000 and the related minority interest impact of $84,000. The interest rate swap does not qualify for hedge accounting under the provisions of SFAS No. 133; therefore, the transition adjustment for adoption of SFAS No. 133 and any subsequent periodic changes in fair value of the interest rate swap are recorded in earnings.

As of September 30, 2001, the fair value of the swap is a loss of approximately $455,000, which is recorded in other non-current liabilities. The change in fair value during the three and nine-month periods ended September 30, 2001 was a loss of approximately $182,000 and $113,000, respectively, which has been included as a component of other (income) expense.

Note 3. 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):

	September 30, 2001 (Unaudited)	**December 31, 2000**
Raw materials	$ 5,686	$ 4,431
Work in process	5,490	5,265

Finished goods	12,952	14,106
Less inventory reserves	127	60
	$24,001	$23,742

Note 4. Net Income Per Share

Thousands of Dollars, Except Share and Per Share Data	Three Months Ended September 30, 2001	2000	Nine Months Ended September 30, 2001	2000
Net income	$ 744	$ 2,443	$ 5,698	$ 6,795
Adjustments to net income	--	--	--	--
Net income	$ 744	$ 2,443	$ 5,698	$ 6,795
Weighted average basic shares	15,285,606	15,245,147	15,252,869	15,244,565
Effect of dilutive stock options	298,870	178,980	252,545	188,905
Weighted average dilutive shares outstanding	15,584,476	15,424,127	15,505,414	15,433,470
Basic net income per share	$ 0.05	$ 0.16	$ 0.37	$ 0.45
Diluted net income per share	$ 0.05	$ 0.16	$ 0.37	$ 0.44

Excluded from the shares outstanding for each of the three and nine month periods ended September 30, 2001 and 2000 were 10,750 antidilutive options, which had exercise prices ranging from $9.75 to $11.50.

Note 5. Segment Information

During 2001, the Company's reportable segments are based on differences in product lines and geographic locations and are divided between balls and rollers, European operations ("Euroball") and plastics. The ball and roller segment comprises three manufacturing facilities in the eastern United States. The Euroball segment acquired in July 2000 comprises manufacturing facilities located in Kilkenny, Ireland, Eltmann, Germany and Pinerolo, Italy. All of the facilities in the ball and roller and Euroball segments are engaged in the production of precision balls and rollers used primarily in the bearing industry. The plastics segment is comprised of the Industrial Molding Corporation ("IMC") business, located in Lubbock, Texas, which was acquired in July 1999, NN Arte ("Arte") formed on August of 2000, located in Guadalajara, Mexico and the Delta Rubber Company ("Delta") business, located in Danielson, Connecticut, which was acquired in February 2001. IMC and Arte are engaged in the production of plastic injection molded products for the bearing, automotive, instrumentation, fiber optic and consumer hardware markets. Delta is engaged in the production of engineered bearing seals and other precision-molded rubber products to original equipment manufacturers.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in the December 31, 2000 Form 10-K. The Company evaluates segment performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses. The Company accounts for inter-segment sales and transfers at current market prices; however, the Company did not have any material inter-segment transactions during the three month or nine month periods ended September 30, 2001 and 2000.

	Three Months Ended September 30, 2001			2000		
Thousands of Dollars	Ball & Roller	Euroball	Plastics	Ball & Roller	Euroball	Plastics
Revenues from external customers	$ 11,884	$ 19,541	$ 11,151	$ 16,203	$ 13,040	$ 7,832

Segment pretax profit (loss)	1,714	1,056	(1,043)	2,272	1,618	699
Segment assets	61,162	82,200	58,243	60,819	87,368	30,855

	Nine Months Ended September 30, 2001			2000		
Thousands of Dollars	**Ball & Roller**	**Euroball**	**Plastics**	**Ball & Roller**	**Euroball**	**Plastics**
Revenues from external customers	$ 41,897	$ 67,398	$ 30,858	$ 53,624	$ 13,040	$ 24,056
Segment pretax profit (loss)	7,699	5,975	(1,720)	7,808	1,618	1,630
Segment assets	61,162	82,200	58,243	60,819	87,368	30,855

Note 6. Acquisitions and Joint Ventures

On February 16, 2001, the Company completed the acquisition of all of the outstanding stock of The Delta Rubber Company, a Connecticut corporation ("Delta") for $22.5 million in cash, of which $500,000 is to be held in escrow for one year from the date of closing. Delta provides high quality engineered bearing seals and other precision-molded rubber products to original equipment manufacturers. The Company plans to continue the operation of the Delta business, which operates a manufacturing facility in Danielson, Connecticut. AmSouth Bank provided financing for the transaction.

On March 16, 2000, the Company entered into a 50/50 joint venture with General Bearing Corporation called NN General LLC ("NN General"), which owns a 60% position in Jiangsu General Ball & Roller Company, Ltd. ("JGBR"), a Chinese precision ball and roller manufacturer located in Rugao City, Jiangsu Providence, China. The Company's investment includes a cash loan of $3.4 million and $0.1 million of equity. Jiangsu Steel Ball Factory owns the remaining 40% of the Chinese company.

On July 31, 2000, the Company formed a majority owned stand-alone company in Europe, NN Euroball ApS ("Euroball"), for the manufacture and sale of chrome steel balls used for ball bearings and other products. The Company owns 54% of Euroball. AB SKF ("SKF") and FAG Kugelfisher Georg Shafer AG ("FAG") each own 23%. As part of the transaction, Euroball acquired the ball factories located in Pinerolo, Italy (previously owned by SKF), Eltmann, Germany (previously owned by FAG), and Kilkenny, Ireland (previously owned by the Company). Acquisition financing of approximately 31.5 million Euro (approximately $29.7 million) was drawn at closing, and the credit facility provides for additional working capital expenditure financing. The Company is required to consolidate Euroball due to its ability to exercise control over its operations and has accounted for the acquisitions of the Pinerolo, Italy and Eltmann, Germany ball factories using the purchase method of accounting. Goodwill arising from this acquisition is being amortized on a straight-line basis over 20 years.

On August 31, 2000 the Company acquired a 51% ownership interest in NN Mexico, LLC ("NN Mexico"), a Delaware limited liability company. NN Mexico holds as its sole investment a 100% ownership interest in NN Arte, a manufacturer of plastic components located in Guadalajara, Mexico. To acquire its 51%

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ownership of NN Mexico, the Company made an initial contribution of $879,000, an additional contribution of $671,000, and is obligated to provide additional funding of $600,000 payable upon certain performance conditions at NN Arte. The Company is required to consolidate NN Mexico due to its ability to exercise control over NN Arte's operations and has accounted for this acquisition using the purchase method of accounting.

Note 7. Fire

On March 12, 2000, the Company experienced a fire at its Erwin, Tennessee facility. The fire was contained to approximately 30% of the production area and did not result in serious injury to any employee. Effected production was shifted to the Company's other facilities as possible as well as the use of other suppliers to protect product supply to customers. Insurance coverage provides for the reimbursement of replacement value of property and equipment damaged in the fire. During September 2001, after receiving reimbursement for all property damaged in the fire, the Company reached a final settlement with the insurance company and anticipates no further proceeds from them. A gain of $1.4 million was recorded during the quarter ended September 30, 2001 and a gain of $3.9 million was recorded during the nine months ended September 30, 2001.

Note 8. Plant Closing

In September of 2001, the Company announced that it would close its Walterboro, South Carolina ball manufacturing facility as part of its ongoing strategy to locate manufacturing capacity in closer proximity to customers. The Euroball joint venture concluded in August of 2000 was a part of this strategy of redistributing global manufacturing capacity beyond North America. In addition to its three European ball manufacturing facilities operating under Euroball, the Company will continue to operate two domestic facilities in Erwin, Tennessee and Mountain City, Tennessee. Transfer of production from the Walterboro facility will continue through the fourth quarter and conclude prior to year-end. Management plans to relocate the machinery and equipment located at the Walterboro facility to its other global manufacturing facilities. Current plans are to sell the land and building. The plant closing will result in the termination of approximately 80 full time hourly and salaried employees prior to the end of the year. The Company recorded a restructuring charge of $750,000 in the third quarter of 2001 pertaining to severance pay to the terminated employees. Accrued restructuring charges of $750,000 are included in other current liabilities at September 30, 2001. Expenses for moving machinery and equipment and other costs associated with closing the facility will be charged in the period they are incurred.

Note 9. New Accounting Pronouncements

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations"(Statement No. 141), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (Statement No. 142). Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Statement No. 141 also specifies criteria intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement No. 142 will require that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment. The effective date of Statement No. 142 is January 1, 2002. As of the date of adoption, the Company expects to have unamortized goodwill of approximately $42.0 million, which will be subject to the provisions of Statement No. 142. Amortization expense related to goodwill was $0.9 million and $1.8 million for the year ended December 31, 2000 and the nine months ending September 30, 2001, respectively. The Company is currently evaluating the impact of adoption of Statement No. 142.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting For Asset Retirement Obligations." This Statement requires capitalizing any retirement costs as part of the total cost of the related long-lived asset and subsequently allocating the total expense to future periods using a systematic and rational method. Adoption of this Statement is required for fiscal years beginning after June 15, 2002. The Company is currently evaluating the impact of adoption of Statement No. 143.

In October 2001, The FASB issued Statement of Financial Accounting Standards No. 144, "Accounting

For The Impairment or Disposal of Long-lived Assets." This Statement supercedes Statement No. 121 but retains many of its fundamental provisions. Additionally, this Statement expands the scope of discontinued operations to include more disposal transactions. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company is currently evaluating the impact of adoption of Statement No. 144.

Note 10. Long-Term Debt

On July 20, 2001, the Company entered into a syndicated loan agreement with AmSouth Bank ("AmSouth") as the administrative agent for the lenders, for a senior non-secured revolving credit facility of up to $25 million, expiring on July 25, 2003 and a senior non-secured term loan for $35 million expiring on July 1, 2006. This credit facility replaces the $25 million revolving credit facility that was temporarily extended and restated in February of 2001 to $50 million and the additional $2 million of availability extended in March of 2001. Amounts outstanding under the revolving facility and the term loan facility bear interest at a floating rate equal to LIBOR plus an applicable margin of 0.75% to 2.00% based upon calculated financial ratios. The loan agreement contains customary financial and non-financial covenants. The Company, as of September 30, 2001 was in compliance with all such covenants.

Note 11. Subsequent Event

On November 6, 2001, a customer of IMC filed for voluntary Chapter 7 bankruptcy. As of September 30, 2001 the Company had a trade accounts receivable balance of approximately $1.0 million with this customer, which has subsequently been reduced to approximately $0.8 million. For the nine-month period ended September 30, 2001, the Company recorded sales of approximately $1.8 million to this customer. As of September 30, 2001, the Company has increased its allowance for doubtful accounts by approximately $0.4 million as a result of this bankruptcy filing.

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

Results of Operations

Three Months Ended September 30, 2001 Compared to the Three Months Ended September 30, 2000

Net Sales. Net sales increased by approximately $5.5 million, or 14.8%, from $37.1 million for the third quarter of 2000 to $42.6 million for the third quarter of 2001. The formation of Euroball in July of 2000 contributed $5.8 million of the increase, including the third quarter net sales of the Ireland facility, which was consolidated into the results of the Company prior to the formation of Euroball. The Company's acquisition of Delta on February 16, 2001 contributed an additional $3.6 million to the increase. Offsetting these increases were decreased sales of $3.4 million and $0.5 million for the Company's domestic ball and roller and plastics divisions, respectively. These decreases were due mainly to decreased demand for the Company's products in the U. S. related to the soft domestic economy.

Gross Profit. Gross profit decreased approximately $1.3 million or 11.7%, from $11.0 million for the third quarter of 2000 to $9.7 million for the third quarter of 2000. This decrease was due to decreased gross profits at the domestic ball and roller and plastics divisions of $1.7 million and $0.9 million respectively primarily due to decreased revenues. Offsetting these decreases were contributions from Euroball of $0.5 million. The acquisition of Delta accounted for $0.8 million of increase. As a percentage of net sales, gross profit decreased from 29.6% in the third quarter of 2000 to 22.8% for the same period in 2001. This decrease in gross profit as a percentage of net sales was due primarily to decreased levels of revenue volumes at the domestic divisions and the resulting de-leverage of margins as compared to the same period in the prior year.

Selling, General and Administrative. Selling, general and administrative expenses increased by approximately $0.9 million or 28.2% from $3.2 million in the third quarter of 2001 to $4.1 million in the third quarter of 2001. The formation of Euroball contributed $0.6 million of the increase. The acquisition of Delta contributed $0.4 million of the increase. Additionally, the recording of a reserve for doubtful accounts related to a plastics customer declaring bankruptcy contributed $0.4 million of the increase. Primarily offsetting these increases were decreases for the plastic and the ball and roller division due primarily to planned administrative reductions. As a percentage of net sales, selling, general and administrative expenses increased from 8.7% for the third quarter of 2000 to 9.7% for the same period in 2001.

Depreciation and Amortization. Depreciation and amortization expense increased by approximately $1.0 million or 37.0% from $2.5 million for the third quarter of 2000 to $3.5 million for the same period in 2001. Euroball contributed $0.4 million to the increase. The acquisition of Delta accounted for $0.4 million of the increase. The remainder of the increase is due to an increase in the amortization of loan costs of the Company's new credit facility and the amortization of goodwill related to Euroball joint venture and the Delta acquisition. As a percentage of net sales, depreciation and amortization expense increased from 6.8% in the third quarter of 2000 to 8.2% in the third quarter of 2001.

Restructuring costs. The Company recorded a restructuring charge of $0.7 million in the third quarter of 2001. The restructuring costs pertain to the Company's decision and announcement to close the Walterboro, South Carolina ball facility in December of the current year. The $0.7 million charge represents the accrual of severance costs for the approximately 80 people that will be terminated as a result of the closing. As a percentage, restructuring costs represent 1.8% of net sales in the third quarter of 2001.

Interest Expense. Interest expense, net increased by approximately $0.2 million from $0.7 million in the third quarter of 2000 to $0.9 million during the same period in 2001. The increase was due to interest expense incurred by the Company to finance the Delta acquisition. In February 2001, the Company borrowed $22.5 million under its credit facility for the purchase of Delta. This increase was partially offset by decreased interest rates on the Company's credit facility as well as decreased amounts outstanding on the Euroball debt. As a percentage of net sales, interest expense, net increased from 1.8% in the third quarter of 2000 to 2.2% for the same period in 2001.

Equity in (Earnings) Loss of Unconsolidated Affiliates. Equity in (earnings) loss of unconsolidated affiliates changed from a gain of $39,000 in the third quarter of 2000 to a loss of $13,000 during the same period of 2001. The decrease is due to the Company's share of earnings from the NN General joint venture with General Bearing Corporation. Earnings from this venture were offset by losses incurred from the start-up of NN Asia, a joint venture formed to market products produced by NN General.

Net Gain on Involuntary Conversion. The Company recognized a net gain on involuntary conversion of $1.4 million in the third quarter of 2001. The gain is due to insurance proceeds received from the insurance company related to the excess of insurance proceeds over the net book value of assets destroyed in the March 12, 2000 fire at the Erwin, Tennessee facility.

Minority Interest of Consolidated Subsidiaries. Minority interest of consolidated subsidiaries decreased $0.2 million from $0.4 million for the third quarter of 2000 to $0.2 million for the third quarter of 2001. This decrease is due to decreased earnings at the Company's Euroball and Arte joint ventures, which began operations in the third quarter and fourth quarter of 2000, respectively. The Company is required to consolidate these joint ventures due to its ability to exercise control over its operations. The Company owns 54% of the shares of Euroball and 51% of the shares of Arte. Minority interest of consolidated subsidiary represents the combined interest of the minority partners of Euroball at 46% and Arte at 49%, respectively.

Net Income. Net income decreased by $1.7 million or 69.5%, from $2.4 million for the third quarter of 2000 to $0.7 million for the same period in 2001. As a percentage of net sales, net income decreased from 6.6% in the third quarter of 2000 to 1.7% for the third quarter of 2001.

Nine Months Ended September 30, 2001 Compared to the Nine Months Ended September 30, 2000

Net Sales. Net sales increased by approximately $49.4 million, or 54.5%, from $90.7 million for the first nine months of 2000 to $140.2 million for the same period in 2001. The formation of Euroball in July of 2000 contributed $48.7 million of the increase and the Company's acquisition of Delta on February 16, 2001 contributed an additional $10.3 million of the increase. Offsetting these increases were decreased sales of $6.1 million and $3.5 million from the Company's ball and roller division and IMC, respectively. These decreases were due mainly to domestic economic conditions and resulting reduced demand for the Company's products for the first half of 2001.

Gross Profit. Gross profit increased by approximately $7.5 million, or 28.3%, from $26.3 million for the first nine months of 2000 to $33.8 million for the same period in 2001. The formation of Euroball in July 2000 contributed $11.0 million of the increase. The acquisition of Delta, in February of 2001, contributed an additional $2.6 million of the increase. Offsetting these increases were decreased gross profits of $3.1 million and $3.0 million at the domestic ball and roller division and plastics divisions respectively primarily due to decreased revenues at the domestic ball and roller and plastics division. As a percentage of net sales, gross profit decreased from 29.0% in the first nine months of 2000 to 24.1% in the same period of 2001. This decrease in gross profit as a percentage of net sales was due primarily to decreased levels of revenue volumes at the domestic divisions and the resulting de-leverage of margins as compared to the same period in the prior year.

*Selling, General and Administrative.*Selling, general and administrative expenses increased by approximately $4.0 million, or 50.3%, from $8.0 million in the first nine months of 2000 to $12.0 million in the same period in 2001. The formation of Euroball in July 2000 contributed $3.6 million of the increase. The Company's acquisition of Delta in February 2001 contributed $0.8 million of the increase. Additionally, the recording of a reserve for doubtful accounts related to a plastics customer declaring bankruptcy contributed $0.4 million of the increase. Offsetting this increase were decreases related to planned administrative reductions mainly at the Company's plastic division.. As a percentage of net sales, selling, general and administrative expenses decreased from 8.8% in the first nine months of 2000 to 8.6% for the same period in 2001.

Depreciation and Amortization. Depreciation and amortization expense increased approximately $4.1

million, from $6.1 million for the first nine months of 2000 to $10.2 million for the same period in 2001. The formation of Euroball in July 2000 contributed $2.8 million. The Company's acquisition of Delta in February 2001 contributed $0.9 million of the increase. The remainder of the increase was due to purchases of capital equipment at the Company's domestic ball and roller and IMC facilities as well as the amortization of loan costs related to the Company's new credit facility. As a percentage of net sales, depreciation and amortization expense increased from 6.7% for the first nine months of 2000 to 7.2% for the same period in 2001.

Restructuring costs. The Company recorded a restructuring charge of $0.7 million in the third quarter of 2001. The restructuring costs pertain to the Company's decision and announcement to close the Walterboro, South Carolina ball facility in December of the current year. The $0.7 million charge represents the accrual of severance costs for the approximately 80 people that will be terminated as a result of the closing. As a percentage, restructuring costs represent 0.5% of net sales for the first nine months of 2001.

Interest Expense. Interest expense, net increased by approximately $2.0 million from $1.2 in the first nine months of 2000 to $3.2 million during the same period in 2001. Interest expense incurred by Euroball to finance the joint venture transaction accounted for $1.0 million of the increase. The remainder of the increase was due to amounts outstanding under the Company's credit facility in the first nine months of 2001. In February 2001, the Company borrowed $22.5 million under the credit facility for the purchase of the Delta Rubber Company. As a percentage of net sales, interest expense, net increased from 1.3% in the first nine months of 2000 to 2.3% for the same period in 2001.

Equity in Earnings of Unconsolidated Affiliates. Equity in earnings of unconsolidated affiliates changed from a gain of $105,000 in the first nine months of 2000 to a gain of $13,000 during the same period of 2001. The decrease is due to the Company's share of earnings from the NN General joint venture with General Bearing Corporation. Earnings from this venture were offset by losses incurred from the start-up of NN Asia, a joint venture formed to market products produced by NN General.

Net Gain on Involuntary Conversion. The Company recognized a net gain on involuntary conversion of $3.9 million in the first nine months of 2001. The gain is due to insurance proceeds received from the insurance company related to the excess of insurance proceeds over the net book value of assets destroyed in the March 12, 2000 fire at the Erwin, Tennessee facility.

Minority Interest of Consolidated Subsidiary. Minority interest of consolidated subsidiary increased $0.9 million from $0.4 million for the first nine months of 2000 to $1.3 million for the first nine months of 2001. This change is due to the Company's Euroball and Arte joint ventures, which began operations in the third and fourth quarters in 2000, respectively. The Company is required to consolidate these joint ventures due to its ability to exercise control over its operations. The Company owns 54% of the shares of Euroball and 51% of the shares of Arte. Minority interest of consolidated subsidiary represents the combined interest of the minority partners of Euroball at 46% and Arte at 49% respectively.

Net Income. Net income decreased by approximately $1.1 million, or 16.1%, from $6.8 million for the first nine months of 2000 to $5.7 million for the same period for 2001. As a percentage of net sales, net income decreased from 7.5% for the first nine months of 2000 to 4.1% for the same period for 2001.

Liquidity and Capital Resources

On July 20, 2001, the Company entered into a syndicated loan agreement with AmSouth Bank ("AmSouth") as the administrative agent for the lenders, for a senior non-secured revolving credit facility of up to $25 million, expiring on July 25, 2003 and a senior non-secured term loan for $35 million expiring on July 1, 2006. This credit facility replaces the $25 million revolving credit facility that was temporarily extended and restated in February of 2001 to $50 million and the additional $2 million of availability extended in March of 2001. Amounts outstanding under the revolving facility and the term loan facility bear interest at a floating rate equal to LIBOR plus an applicable margin of 0.75% to

2.00% based upon calculated financial ratios. The loan agreement contains customary financial and non-financial covenants. The Company, as of September 30, 2001 was in compliance with all such covenants.

In July 2000, NN Euroball ApS, and its subsidiaries entered into a loan agreement with HypoVereinsbank Luxembourg S.A. as agent for Bayerische Hypo-und Vereinsbank AG of Munich, Germany for a senior secured revolving credit facility of Euro 5,000,000, expiring on July 15, 2006 and a senior secured term loan of Euro 36,000,000, expiring on July 15, 2006. On July 31, 2000, upon closing of the joint venture, NN Euroball ApS borrowed a total of Euro 31,500,000 against these facilities for acquisition financing. Additional working capital and capital expenditure financing are provided for under the facility. Amounts outstanding under the facilities accrue interest at a floating rate equal to EURIBOR plus an applicable margin of 1.50% to 2.25% based upon calculated financial ratios. The loan agreement contains various restrictive financial and non-financial covenants. The Company, as of September 30, 2001 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 customer uses the product. The Company's net sales historically have not been of a seasonal nature. However, seasonality has become a factor for the foreign ball and roller sales in that many foreign customers cease production during the month of August. The Company also experiences seasonal fluctuations through its plastics division, which provides several lines of Christmas seasonal hardware.

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 $22.3 million at September 30, 2001 as compared to $28.2 million at December 31, 2000. The ratio of current assets to current liabilities decreased from 1.79:1 at December 31, 2000 to 1.51:1 at September 30, 2001. Cash flow from operations increased from $14.7 million during the nine months of 2000 to $19.2 million during the first nine months of 2001.

During 2001, the Company plans to spend approximately $7.2 million on capital expenditures (of which approximately $5.0 million has been spent through September 30, 2001) including the purchase of additional machinery and equipment for all of the Company's domestic facilities as well as the three European facilities. The Company intends to finance these activities with cash generated from operations and funds available under the credit facilities described above. The Company believes that funds generated from operations and borrowings from the credit facilities will be sufficient to finance the Company's working capital needs and projected capital expenditure requirements through December 2001.

The Euro

The treaty on European Union provides 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 sub-units of the Euro. At the end of the transitional period, Euro bank notes 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 Italy, Germany and Ireland, all of which are Euro participating countries, and sells product to customers in many of the participating countries. The Euro has been adopted as the functional currency at these locations.

Seasonality and Fluctuation in Quarterly Results

The Company's net sales historically have 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.

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.

Other Information

On September 5, 2001 the Company's board of directors named Roderick R. Baty as Chairman and Chief Executive Officer effectively immediately. Mr. Baty has served as the Company's President and Chief Executive Officer since 1997. Mr. Baty replaces Richard D. Ennen who has served as Chairman for the past 21 years. Mr. Ennen will continue to serve on the Company's board.

Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

The Company wishes to caution readers that this report contains, and future filings by the Company, press releases and oral statements made by the Company's authorized representatives may contain, forward looking statements that involve certain risks and uncertainties. The Company's actual results could differ materially from those expressed in such forward looking statements due to important factors bearing on the Company's business, many of which already have been discussed in this 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 as 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. Both the precision ball & roller and precision plastics industries are cyclical and tend 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 & roller market and the precision plastics markets are highly competitive, and many of manufacturers in each of the markets 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 ball and roller customers that, in addition to producing bearings, also internally produce balls and rollers for sale to

third parties. The Company 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 ball and roller production facilities and capacity over the last several years, and during the third quarter of 2000 started a jointly owned stand-alone company in Europe for the manufacture and sale of precision chrome steel balls. Although the Company's Ball & Roller division is currently operating at near full capacity, downturns in the economy and other factors could result in under-utilization or inefficient utilization of its production facilities in future years. The Company also faces risks associated with start-up expenses, inefficiencies, delays and increased depreciation costs associated with its plant expansions.

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

Risks Associated with International Trade. Because the Company obtains a majority of its raw materials for the manufacture of balls and rollers 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 duties 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 adversely affects the ability of the Company to compete with its foreign-based competitors for international as well as domestic sales.

Dependence on Major Customers. During 2000, the Company's ten largest customers accounted for approximately 69% 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 32% of net sales in 2000, and sales to FAG accounted for approximately 17% of net sales. None of the Company's other customers accounted for more than 5% of its net sales in 2000. The loss of all or a substantial portion of sales to these customers would have a material adverse effect on the Company's business.

Acquisitions. The Company's growth strategy includes growth through acquisitions. In 1999, the Company acquired the IMC businesses as part of that strategy. In 2000, the Company formed the NN Euroball joint venture with SKF and FAG and began operating two new ball manufacturing facilities. In February of 2001, the Company continued to implement this strategy through the acquisition of Delta. Although the Company believes that it will be able to continue to integrate the operations of IMC, NN Euroball, Delta and other companies acquired in the future into its operations without substantial cost, delays or other problems, its ability to do so will depend on, among other things, the adequacy of its implementation plans, the ability of its management to effectively oversee and operate the combined operations of the Company and the acquired businesses and its ability to achieve desired operating efficiencies and sales goals. If the Company is not able to successfully integrate the operations of acquired companies into its business, its future earnings and profitability could be materially and adversely affected.

Item 3. 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 $25.0 million floating rate revolving credit facility which is used to maintain liquidity and fund its business operations as well as a $35.0 million floating rate term loan. Additionally, Euroball has a 5.0 million Euro floating rate revolving credit facility and a 36.0 million Euro floating rate secured term loan. Additionally, the Company has an interest rate swap that fixes the interest rate for 12.5 million Euros

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outstanding under the facilities. The interest rate swap expires in July 2006. At September 30, 2001, the Company had $46.7 million outstanding under the domestic revolving credit facility and term loan and Euroball had $17.5 million outstanding under the Euroball revolving credit facility and term loan. A one-percent increase in the interest rate charged on the Company's outstanding borrowings under the revolving credit facility and term loans would result in interest expense increasing by approximately $517,000. 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 related to foreign exchange rates. The Company did not hold a position in any foreign currency instruments as of September 30, 2001.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

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

(b) Reports on Form 8-K

On September 5, 2001, the Company filed a Report on Form 8-K to announce the naming of Roderick R. Baty to Chairman of the Board.

On September 11, 2001, the Company filed a Report on Form 8-K to announce the closing of its Walterboro, South Carolina ball facility.

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, Inc.
(Registrant)

Date: November 14, 2001 /s/ Roderick R. Baty

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

Date: November 14, 2001 /s/ David Dyckman

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

Date: November 14, 2001 /s/ William C. Kelly, Jr.

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