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, 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 August 14, 2001 there were 15,267,875 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 June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Net sales	$47,350	$25,643	$97,577	$53,645
Cost of goods sold	35,320	17,965	73,504	38,311
Gross profit	12,030	7,678	24,073	15,334
Selling, general and administrative	3,886	2,463	7,900	4,781
Depreciation and amortization	3,386	1,726	6,696	3,568
Income from operations	4,758	3,545	9,477	7,026
Interest expense, net	1,112	268	2,294	559
Equity in earnings (loss) of unconsolidated affiliates	23	--	(26)	--
Net gain on involuntary conversion	(2,542)	--	(2,542)	--
Other income	(344)	--	(476)	--
Income before provision for income taxes	6,509	3,277	10,227	6,467
Provision for income taxes	2,437	1,035	4,073	2,115
Minority interest in consolidated subsidiary	566	--	1,102	--
Income before cumulative effect of change in accounting principle	3,506	2,242	5,052	4,352
Cumulative effect of change in accounting principle, net of income tax benefit of $112 and related minority interest impact of $84	--	--	98	--
Net income	$3,506	$2,242	$4,954	$4,352
Other comprehensive income (loss):				
Foreign currency translation adjustments	205	(27)	(3,181)	(422)
Comprehensive income	$3,711	$2,215	$1,773	$3,930
Basic income per share:				
Income before cumulative effect of change in accounting principle	$ 0.23	$ 0.15	$ 0.33	$ 0.28
Cumulative effect of change in accounting principle	--	--	(0.01)	--
Net income	$ 0.23	$ 0.15	$ 0.32	$ 0.28
Weighted average shares outstanding	15,253	15,244	15,251	15,244
Diluted income per share:				
Income before cumulative effect of change in accounting principle	$ 0.23	$ 0.15	$ 0.33	$ 0.28
Cumulative effect of change in accounting principle	--	--	(0.01)	--
Net Income	$ 0.23	$ 0.15	$ 0.32	$ 0.28
Weighted average shares outstanding	15,532	15,436	15,522	15,437

See accompanying notes.

NN, Inc.
Consolidated Balance Sheets

Thousands of Dollars	June 30, 2001 (Unaudited)	December 31, 2000
Assets		
Current assets:		
Cash and cash equivalents	$ 6,629	$ 8,273
Accounts receivable, net	34,334	29,549
Inventories, net	23,523	23,742
Other current assets	3,475	1,512
Net current deferred tax asset	104	962
Total current assets	68,065	64,038
Property, plant and equipment, net	87,057	91,693
Goodwill, net	41,315	27,865
Other non-current assets	5,127	4,212
Total assets	$201,564	$187,808
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 16,790	$ 17,337
Accrued salaries and wages	5,504	6,929
Income taxes payable	3,057	1,341
Payable to affiliates	2,739	1,762
Short-term notes	--	2,000
Short-term portion of long-term debt	5,250	--
Other liabilities	10,694	6,490
Total current liabilities	44,034	35,859
Minority interest in consolidated subsidiaries	28,095	30,257
Deferred income taxes	4,388	5,353
Long-term debt	59,592	50,515
Other	775	578
Total liabilities	136,884	122,562
Total stockholders' equity	64,680	65,246
Total liabilities and stockholders' equity	$201,564	$187,808

See accompanying notes.

Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

Thousands of Dollars	Common stock Number of shares	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
Net income	--	--	--	4,352	--	4,352
Dividends	--	--	--	(2,439)	--	(2,439)
Other comprehensive loss	--	--	--		(422)	(422)
Balance, June 30, 2000	15,244	$153	$30,398	$33,168	$ (2,100)	$61,619
Balance, January 1, 2001	15,247	$153	$30,414	$36,364	$ (1,685)	$65,246
Net income	--	--	--	4,954	--	4,954
Dividends	--	--	--	(2,440)	--	(2,440)
Stock options exercised	18	--	101	--	--	101
Other comprehensive loss	--	--	--	--	(3,181)	(3,181)
Balance, June 30, 2001	15,265	$153	$30,515	$38,878	$ (4,866)	$64,680

See accompanying notes.

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

Thousands of Dollars	Six Months Ended June 30, 2001	2000
Operating Activities:		
Net income	$4,954	$4,352
Adjustments to reconcile net income:		
Depreciation and amortization	6,696	3,568
Cumulative effect of change in accounting principle	98	--
Equity earnings of unconsolidated affiliate	26	(66)
Interest income on receivable from unconsolidated affiliate	(104)	(45)
Minority interest in consolidated subsidiary	1,102	--
Changes in operating assets and liabilities:		
Accounts receivable	(5,150)	(2,497)
Inventories	337	1,110
Other current assets	(264)	(1,962)
Other assets	(93)	356
Accounts payable	4,019	3,609
Other liabilities	1,789	453
Net cash provided by operating activities	13,410	8,878
Investing Activities:		
Acquisition of Delta Rubber Company, net of cash acquired	(23,674)	--
Acquisition of plant, property, and equipment	(2,939)	(3,663)
Long-term note receivable	--	(3,120)
Investment in unconsolidated earnings	--	(100)
Net cash used by investing activities	(26,613)	(6,883)
Financing Activities:		
Net proceeds under revolving credit facility	--	1,889
Proceeds from long-term debt	21,066	--
Repayment of long-term debt	(4,456)	--
Repayment of short-term debt	(2,000)	--
Proceeds from issuance of stock	101	--
Dividends paid	(2,440)	(2,439)
Net cash provided (used) by financing activities	12,271	(550)
Effect of exchange rate changes	(712)	(422)
Net Change in Cash and Cash Equivalents	(1,644)	1,445
Cash and Cash Equivalents at Beginning of Period	8,273	1,409
Cash and Cash Equivalents at End of Period	$ 6,629	$2,432

See accompanying notes.

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 six month periods ended June 30, 2001 and 2000, the Company's financial position at June 30, 2001 and December 31, 2000, and the cash flows for the six month periods ended June 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 and second 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 June 30, 2001, the fair value of the swap is a loss of approximately $273,000 which is recorded in other noncurrent liabilities. The change in fair value during the six-month period ended June 30, 2001 was a gain of approximately $69,000 which has been included as a component of other income.

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):

	June 30, 2001 (Unaudited)	December 31, 2000
Raw materials	$ 5,422	$ 4,431
Work in process	6,174	5,265
Finished goods	12,032	14,106
Less inventory reserve	105	60
	$ 23,523	$ 23,742

Note 4. Net Income Per Share

Thousands of Dollars, Except Share and Per Share Data	Three Months Ended June 30, 2001	2000	Six Months Ended June 30, 2001	2000
Net income	$ 3,506	$ 2,242	$ 4,954	$ 4,352
Adjustments to net income	--	--	--	--
Net income	$ 3,506	$ 2,242	$ 4,954	$ 4,352
Weighted average basic shares	15,253,276	15,244,308	15,250,547	15,244,308
Effect of dilutive stock options	279,147	191,204	271,420	192,509
Weighted average dilutive shares outstanding	15,532,423	15,435,512	15,521,967	15,436,817
Basic net income per share	$ 0.23	$ 0.15	$ 0.32	$ 0.28
Diluted net income per share	$ 0.23	$ 0.15	$ 0.32	$ 0.28

Excluded from the shares outstanding for each of the second quarters ended June 30, 2001 and 2000 were 10,750 antidilutive options which had exercise prices ranging from $9.75 to $11.50. Excluded from the shares outstanding for each of the six months ended June 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 Lubbuck, Texas, which was acquired in July 1999 and the Delta Rubber Company ("Delta") business, located in Danielson, Connecticut, which was acquired in February 2001. IMC is 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 intersegment sales and transfers at current market prices; however, the Company did not have any material intersegment transactions during the three month or six month periods ended June 30, 2001 and 2000.

	Three Months Ended June 30,					
	2001			2000		
Thousands of Dollars	Ball & Roller	Euroball	Plastics	Ball & Roller	Euroball	Plastics
Revenues from external customers	$ 14,214	$ 22,520	$ 10,616	$ 18,296	$ --	$ 7,347
Segment pretax profit (loss)	4,390	2,310	(191)	3,142	--	135
Segment assets	58,959	84,719	57,886	66,866	--	30,944

	Six Months Ended June 30,					
	2001			2000		
Thousands of Dollars	Ball & Roller	Euroball	Plastics	Ball & Roller	Euroball	Plastics
Revenues from external customers	$ 30,013	47,857	$ 19,707	$ 37,421	--	$ 16,224
Segment pretax profit (loss)	5,936	4,968	(677)	5,957	--	510
Segment assets	58,959	84,719	57,886	66,866	--	30,944

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. The remaining 40% of the Chinese company is owned by Jiangsu Steel Ball Factory.

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% 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 for the loss provides for the reimbursement of replacement value of property and equipment damaged in the fire. A net gain of $2.5 million was recorded during the quarter ended June 30, 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.

Note 8. Subsequent Event

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 availiablity 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 between 0.75% to 2.00% based upon calculated financial ratios. The loan agreement contains customary financial and non-financial covenants.

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 $38.0 million, which will be subject to the provisions of Statement No. 142. Amortization expense related to goodwill was $0.9 million and $0.8 million for the year ended December 31, 2000 and the six months ending June 30, 2001, respectively. The Company is currently evaluating the impact of adoption of Statement No. 142.

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

Results of Operations

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

Net Sales. Net sales increased by approximately $21.7 million, or 84.7%, from $25.6 million for the second quarter of 2000 to $47.4 million for the second quarter of 2001. The formation of Euroball in July of 2000 contributed $20.0 million of the increase, excluding the second quarter sales of the Ireland facility, which was consolidated into the results of the Company prior to the formation of Euroball. The Company's acquistion of Delta on February 16, 2001 contributed an additional $4.5 million to the increase. Offsetting these increases were decreased sales of $1.5 million and $1.3 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 increased approximately $4.3 million or 56.7%, from $7.7 million for the second quarter of 2000 to $12.0 million for the second quarter of 2001. Excluding the Ireland facility's gross profit for the second quarter of 2001, Euroball contributed $4.8 million to the increase. The acquisiton of Delta accounted for $1.2 million of the increase. Offsetting these increases were decreased gross profits of $1.7 million at the domestic ball and roller and plastics divisions, primarily due to decreased revenues. As a percentage of net sales, gross profit decreased from 29.9% in the second quarter of 2000 to 25.4% 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 deleverage of margins as compared to the same period in the prior year.

Selling, General and Administrative. Selling, general and administrative expenses increased by approximately $1.4 million or 57.8% from $2.5 million in the second quarter of 2000 to $3.9 million in the second quarter of 2001. The formation of Euroball contributed $1.6 million of the increase. The acqusition of Delta contributed $0.3 million of the increase. Primarily offsetting these increases were decreases of $0.6 million for the plastic divisions due primarily to planned administrative reductions. As a percentage of net sales, selling, general and administrative expenses decreased from 9.6% for the second quarter of 2000 to 8.2% for the same period in 2001.

Depreciation and Amortization. Depreciation expense increased by approximately $1.7 million from $1.7 million for the second quarter of 2000 to $3.4 million for the same period in 2001. Excluding the Ireland facility's depreciation for the second quarter of 2001, Euroball contributed $1.3 million to the increase. The acquisition of Delta accounted for $0.4 million of the increase. As a percentage of net sales, depreciation expense increased from 6.7% in the second quarter of 2000 to 7.2% in the second quarter of 2001.

Interest Expense. Interest expense, net increased by approximately $0.8 million from $0.3 million in the second quarter of 2000 to $1.1 million during the same period in 2001. Interest expense incurred by Euroball to finance the joint venture transaction accounted for $0.3 million of the increase. The remainder of the increase was due to amounts outstanding under the Company's line of credit in the second quarter of 2001. In February 2001, the Company borrowed $22.5 million under the line of credit for the purchase of Delta. As a percentage of net sales, interest expense, net increased from 1.0% in the second 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 $53,000 in the second quarter of 2000 to a loss of $23,000 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 $2.5 million in the second 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 Subsidiary. Minority interest of consolidated subsidiary increased $0.6 million from $0 for the second quarter of 2000 to $0.6 million for the second quarter of 2001. This increase is due to 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 majority voting ownership. 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 increased by $1.3 million or 56.4%, from $2.2 million for the second quarter of 2000 to $3.5 million for the same period in 2001. As a percentage of net sales, net income decreased from 8.7% in the second quarter of 2000 to 7.4% for the second quarter of 2001.

Six Months Ended June 30, 2001 Compared to the Six Months Ended June 30, 2000

Net Sales. Net sales increased by approximately $44.0 million, or 81.9%, from $53.6 million for the first six months of 2000 to $97.6 million for the same period in 2001 The formation of Euroball in July of 2000 contributed $42.9 million of the increase, excluding the first six months 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 $6.7 million of the increase. Offsetting these increases were decreased sales of $2.4 million and $3.2 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 $8.8 million, or 57.0%, from $15.3 million for the first six months of 2000 to $24.1 million for the same period in 2001. The formation of Euroball in July 2000, excluding the Ireland facility, contributed $10.5 million of the increase. The Delta acquisition in February of 2001contributed an additional $1.8 million of the increase. Offsetting these increases were decreased gross profits of $1.8 million and $1.7 million at the domestic ball and roller division and IMC respectively. As a percentage of net sales, gross profit decreased from 28.6% in the first six months of 2000 to 24.7% in the same period of 2001.

Selling, General and Administrative. Selling, general and administrative expenses increased by approximately $3.1 million, or 65.2%, from $4.8 million in the first six months of 2000 to $7.9 million in the same period in 2001. The formation of Euroball in July 2000, excluding the Ireland facility, contributed $3.1 million of the increase. The Company's acqusition of Delta in February 2001 contributed $0.5 million of the increase. Offsetting this increase were decreases related to planned administrative reductions at the Company's plastic division of $0.8 million. As a percentage of net sales, selling, general and administrative expenses decreased from 8.9% in the first six months of 2000 to 8.1% for the same period in 2001.

Depreciation and Amortization. Depreciation expense increased by approximately $3.1 million from $3.6 million for the first six months of 2000 to $6.7 million for the same period in 2001. The formation of Euroball in July 2000, excluding the Ireland facility, contributed $2.3 million. The Company's acquisition of Delta in February 2001 contributed $0.5 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 a percentage of net sales, depreciation expense increased from 6.7% for the first six months of 2000 to 6.9% for the same period in 2001.

Interest Expense. Interest expense, net increased by approximately $1.7 million from $0.6 in the first six months of 2000 to $2.3 million during the same period in 2001. Interest expense incurred by Euroball to finance the joint venture transaction accounted for $0.9 million of the increase. The remainder of the increase was due to amounts outstanding under the Company's line of credit in the first half of 2001. In February 2001, the Companys borrowed $22.5 million under the line of credit for the purchase of the Delta Rubber Company. As a percentage of net sales, interest expense, net increased from 1.0% in the first half 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 $0 in the first half of 2000 to a gain of $26,000 during the same period of 2001. The increase 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 $2.5 million in the first half 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 $1.1 million from $0 for the first half of 2000 to $1.1 million for the first half of 2001. This increase is due to 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 the 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 increased by approximately $0.6 million, or 13.8%, from $4.4 million for the first six months of 2000 to $5.0 million for the same period for 2001. As a percentage of net sales, net income decreased from 8.1% for the first six months of 2000 to 5.1% 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 revolving credit facility of up to $25 million, expiring on July 25, 2003 and a senior term loan for $35 million expiring on July 1, 2006. These facilities are unsecured except for certain inter-company loans. 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 availablity 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 between 0.75% to 2.00% based upon calculated finacial ratios. The loan agreement contains customary financial and non-financial 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 million, expiring on July 15, 2006 and a senior secured term loan of Euro 36 million, expiring on July 15, 2006. On July 31, 2000, upon the consummation 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 between 1.125% to 2.25% based upon calculated financial ratios. Additionally, the Company has an interest rate swap that fixes the interest rate for 12.5 million Euros outstanding under the facilities. The interest rate swap agreement expires in July 2006. The loan agreement contains various restrictive financial and non financial covenants. The Company, as of June 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 product is used by the customer. 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 fluctuation through its plastics division which provides several lines of 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 $24.0 million at June 30, 2001 as compared to $28.2 million at December 31, 2000. The decrease is primarily attributable to the Company's refinancing activity as discussed above in this section. The ratio of current assets to current liabilities decreased from 1.79:1 at December 31, 2000 to 1.55:1 at June 30, 2001. Cash flow from operations increased from $8.9 million during the first six months of 2000 to $13.4 million during the same period in 2001. The increase is primarily attributable to the Company's acquisition and joint venture activity.

During 2001, the Company plans to spend approximately $5.3 million on capital expenditures of which approximately $2.9 million has been spent through June 30, 2001. 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 2001.

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 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 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.

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 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. Readers can identify these forward-looking statements by the use of such verbs as expects, anticipates, believes or similar verbs or conjugations of such verbs. 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 differences could be caused by a number of factors or combination of factors including, but not limited to, the risk factors described below. Readers are strongly encouraged to consider these factors when evaluating any such forward-looking statement.

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 financial position and results of operations. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Industry Risks. Both the precision ball and 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 and roller market and the precision plastics market are highly competitive, and many of the 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. During 1997, the Company purchased an additional manufacturing plant in Kilkenny, Ireland. The Company continued this expansion in 2000 through its 54% ownership of the NN Euroball joint venture with SKF and FAG. In addition, the Company invested in Jiangsu General Ball & Roller Company, a Chinese joint venture specializing in various types of ball production. The Company's Ball & Roller Division 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 start-up expenses, inefficiencies, delays and increased depreciation costs associated with these joint ventures and 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 (a) obtains a majority of its raw materials for the manufacture of balls and rollers from overseas suppliers, (b) now actively participates in overseas manufacturing operations and (c) 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, manufacturing operations, 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 outstanding under the facilities. The interest rate swap expires in July 2006. At June 30, 2001, the Company had $45.8 million outstanding under the domestic revolving credit facility and term loan and Euroball had $19.1 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 $524,000. 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 of foreign exchange restrictions The Company did not hold a position in any foreign currency instruments as of June 30, 2001.

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 17, 2001. As of March 17, 2001, the record date for the meeting, there were 15,246,909 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 14,447,781 shares of common stock, constituting approximately 95% 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 Michael D. Huff and Michael E. Werner as Class I Directors to serve for three-year terms. The results of the voting in connection with such elections were as follows:

	FOR	WITHHELD
Michael D. Huff	13,747,666	700,115
Michael E. Werner	13,747,204	700,577

Accordingly, all nominees were elected to serve until the 2004 Annual Meeting of Stockholders and until their successors are duly elected and qualified. In addition to the foregoing directors, G. Ronald Morris, Steven T. Warshaw and James L. Earsley are serving terms to expire at the 2002 Annual Meeting of Stockholders, and Richard D. Ennen and Roderick R. Baty are serving terms which are to expire at the 2003 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 2001 Annual Meeting of Stockholders was the approval of an amendment to the Company's Stock Incentive Plan to change the name of the number of shares from 1,625,000 to 2,450,000. The vote was 9,197,320 For and 2,830,908 Against, and there were 5,605 Abstentions.

The Third matter voted upon at the 2001 Annual Meeting of Stockholders was the ratification of KPMG LLP as independent public accountants to audit the Company's accounts for the fiscal year ending December 31, 2001. The vote was 14,438,365 For and 3,811 Against, and there were 5,605 Abstentions.

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

None

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: August 14, 2000

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

Date: August 14, 2000

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

Date: August 14, 2000

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