SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

/ X / ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1997

OR

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

For the transition period from   to

Commission file number 0-23486

NN BALL & ROLLER, INC.
(Exact name of registrant as specified in its charter)

Delaware	62-1096725
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
800 Tennessee Road Erwin, Tennessee	37650
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.01
(Title of class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /X/

The number of shares of the registrant's common stock outstanding on March 25, 1998 was 14,804,271.

The aggregate market value of the voting stock held by non-affiliates of the registrant at March 25, 1998, based on the closing price on the NASDAQ National Market System on that date was approximately $111,650,143.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement with respect to the 1998 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

PART I

Item 1 Business

Overview

NN Ball & Roller, Inc. (the "Company") is an independent manufacturer and supplier of high quality, precision steel balls and rollers to both domestic and international anti-friction bearing manufacturers. The Company also supplies high quality, precision steel balls and rollers, both directly and indirectly through its sales to bearing manufacturers, to automotive original equipment manufacturers ("OEMs") and the automotive aftermarket, to the gas and mining industries, and to producers of water, gas and oil well drilling bits and stainless steel valves and pumps. Precision steel balls and rollers are critical moving parts of anti-friction bearings which, in turn, are integral components of machinery with moving parts.

The Company was organized in October 1980 by a group of senior managers of the ball and roller division of Hoover Precision Products, Inc. (formerly Hoover Universal, Inc.), led by Richard Ennen, the Company's Chairman. The Company was founded in order to meet the bearings industry's need for a dependable source of high quality, precision balls and rollers. During 1997, the Company sold its products to over 440 customers located in 29 different countries, and its primary customers included FAG Bearings Corporation ("FAG"), SKF Bearing Industries ("SKF") and the Torrington Company.

Products

At its facilities in Erwin, Tennessee, Walterboro, South Carolina, Mountain City, Tennessee, and at its new facility in Kilkenny, Ireland, the Company produces high quality, precision steel balls in sizes ranging in diameter from 3/16 of an inch to 2 inches and rollers in a limited variety of sizes. The Company produces balls in a variety of grades ranging from grade 5 to grade 1000 and rollers in a variety of grades ranging from grade 50 to grade 1000. The grade number for a ball or a roller indicates the degree of spherical or cylindrical precision of the ball or roller; for example, grade 5 balls are manufactured to within five millionths of an inch of roundness and grade 50 rollers are manufactured to within fifty millionths of an inch of roundness. Sales of steel balls accounted for approximately 93%, 93% and 92% of the Company's net sales in 1995, 1996 and 1997, respectively. Sales of rollers accounted for the balance of the Company's net sales in such years.

In recent years, bearing manufacturers and automotive OEMs, responding to customer demands for higher quality, have begun to focus on the production of high precision, "quiet" bearings which allow equipment to run more smoothly and quietly and require high precision components, including grade 5 and grade 10 balls. From 1992 to 1997, the percentage of high precision balls produced by the Company for use in quiet bearing applications has increased from approximately 54% to approximately 81% of total net ball sales.

Precision Steel Balls. The Company manufactures high quality, precision balls in four different types of steel: 52100 steel, 440C stainless steel, S2 rock bit steel and 302 stainless steel. Each of the different types of steel has unique characteristics that make it suitable for particular applications.

During 1997, approximately 96% of the balls produced by the Company were made from 52100 steel ("52100 Steel"). See also "Business -- Raw Materials." The 52100 Steel balls have a high degree of hardness and provide excellent resistance to wear and deformation. The 52100 Steel balls are used primarily by manufacturers of anti-friction ball bearings where precise spherical and tolerance accuracy are required. The Company produces 52100 Steel balls in ten grades ranging from grade 1000 to grade 5 (highest precision), and in sizes ranging in diameter from 3/16 of an inch to 2 inches. The primary grades of the 52100 Steel balls are grade 16, grade 10 and grade 5.

Balls produced from 440C stainless steel offer substantial corrosion-resistant properties and are used primarily in pumps and valves because they are especially resistant to such corrosives as fresh water, crude oil, gasoline, alcohol and food products. Balls produced from S2 rock bit steel have a ground and polished finish as well as the toughness and strength necessary for severe shock loads. Balls produced from S2 rock bit steel are most frequently used in mining and oil field equipment and offshore drilling operations. Balls produced from 302 stainless steel are long lasting and corrosion resistant special material balls. Typical applications for balls produced from 302 stainless steel include beer tap valves, mechanical pump spraying, medical equipment, dairy machines and food processing equipment.

Precision Steel Rollers. The Company manufactures rollers in three types of steel: 52100 Steel, 440C stainless steel and S2 rock bit steel. Rollers are the primary components of anti-friction bearings which are subjected to heavy load conditions. The Company's roller products are used primarily for applications similar to those of its ball product lines, with the addition of hydraulic pumps and motors.

Sales and Marketing

The Company markets its products in the United States and abroad primarily through three salaried sales employees. Four additional internal sales employees handle customer orders and provide sales support.

The following table presents a breakdown of the Company's net sales for fiscal years 1993 through 1997:

	NET SALES (IN THOUSANDS)				
	1997	1996	1995	1994	1993
Domestic:					
Bearing Manufacturers	$ 30,160	$ 28,894	$ 26,764	$ 24,195	$ 19,076
	40%	34%	34%	40%	44%
Other	10,158	13,549	12,533	13,912	10,861
	13%	16%	16%	23%	25%
Foreign:					
Bearing Manufacturers	32,820	38,264	35,279	20,566	12,933
	44%	45%	46%	34%	30%
Other	2,114	3,832	3,210	1,814	655
	3%	5%	4%	3%	1%
Total	$ 75,252	$ 84,539	$ 77,786	$ 60,487	$ 43,525
	100%	100%	100%	100%	100%

The Company's marketing strategy is to increase its share of the domestic and international market for bearing components by offering a wide variety of high quality, precision balls and rollers to existing and prospective customers on a timely basis and in a cost-effective manner. In marketing its products, the Company has focused its efforts on bearing manufacturers with their own ball or roller manufacturing divisions. The Company's sales staff emphasizes the potential quality advantages and cost savings associated with the outsourcing of such bearing manufacturers' needs by purchasing precision components from the Company instead of manufacturing such components internally. For a breakdown of the Company's foreign sales in 1995, 1996 and 1997 by geographic region, see Note 11 of the Notes to Financial Statements.

The Company emphasizes sales to bearing manufacturers because sales in this market historically have been less cyclical than sales to the OEM automotive market. The Company's direct net sales to bearing manufacturers has increased from approximately 71% of net sales in 1992 to approximately 84% in 1997. Although the Company's direct sales to OEMs have significantly decreased in recent years, management believes that a significant but undeterminable percentage of the balls and rollers sold by the Company to bearing manufacturers are incorporated into products supplied to the OEM automotive market.

The Company's arrangements with its domestic customers typically provide that payments are due within 30 days following the date of shipment of goods. With respect to foreign customers (other than foreign customers that participate in the Company's inventory management program), payments generally are due within either 90 to 120 days following the date of shipment in order to allow for additional freight time and customs clearance. For customers that participate in the Company's inventory management program, sales are recorded when the product is used by the customer, and payments typically are due 30 days thereafter. See "Business -- Customers" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Customers

During 1997, the Company sold its products to more than 440 customers located in 29 different countries. Approximately 47% of the Company's net sales in 1997 were to international customers. See Note 10 of the Notes to Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations." In both the foreign and domestic markets, the Company principally sells its products directly to manufacturers and not to distributors.

During 1997, the Company's ten largest customers accounted for approximately 77% of its net sales. Sales to various U.S. and foreign divisions of SKF, which is one of the largest bearing manufacturers in the world, accounted for approximately 37% of net sales in 1997 and sales to FAG accounted for approximately 10% of net sales in 1997. None of the Company's other customers accounted for more than 10% of its net sales in 1997; however, sales to the Torrington Company, and Hanwha International each represented more than 5% of the Company's net sales during the period.

The Company currently negotiates and contracts with various purchasing units within SKF and believes that, in certain respects, such units operate independently with respect to purchasing decisions. There can be no assurance, however, that SKF will not centralize purchasing decisions in the future.

The Company ordinarily ships its products directly to customers within 60 days, but in some cases, in the same calendar month, of the date on which a sales order is placed. Accordingly, the Company generally has an insignificant amount of open (backlog) orders from customers at month end. Certain of the Company's customers have entered into contracts with the Company pursuant to which they have agreed to purchase all of their requirements of specified balls and rollers from the Company, but under which they are not obligated to purchase any specific amounts. While firm orders generally are received only monthly, the Company normally is aware of reasonably anticipated future orders well in advance of the placement of a firm order. The Company has installed a computerized, bar coded inventory management system with most of its major customers pursuant to which the Company, through a direct computer link, automatically monitors the customers' ball and roller inventories. This system permits the Company to determine on a day-to-day basis the amount of balls and/or rollers remaining in a customer's inventory. When such inventories fall below certain levels, the Company automatically ships additional goods. The Company follows industry practice in handling its inventory, which is a first in, first out policy.

Employees

As of December 31, 1997, the Company had 444 full-time employees of whom 369 were engaged in production/maintenance. No employee of the Company is represented by a union. The Company believes that relations with its employees are good.

Competition

The precision ball and roller industry is highly competitive, and many of the Company's competitors have substantially greater financial resources than the Company. The Company's primary domestic competitor is Hoover Precision Products, Inc., a division of Tsubakimoto Precision Products Co. Ltd. The Company's primary foreign competitors are Amatsuji Steel Ball Manufacturing Company, Ltd. and Tsubakimoto Precision Products Co. Ltd. The Company's ability to compete with foreign-based competitors could be adversely affected by an increase in the value of the United States dollar relative to foreign currencies.

The Company believes that competition within the precision ball and roller market is based principally on quality, price and the ability to consistently meet customer delivery requirements. Management believes that the Company's competitive strengths are its precision manufacturing capabilities, its reputation for consistent quality and reliability, and the productivity of its workforce. In addition, management believes that the Company's independence and sole focus on the production of balls and rollers is an advantage when selling to bearing manufacturers that may be reluctant to do business with a potential competitor. In recent years, certain bearing manufacturers with captive ball and roller manufacturing divisions, including American NTN Bearing Manufacturing Corporation and divisions of SKF based in Sweden, Brazil and Mexico, have turned to the Company as a source of supply.

Raw Materials

The primary raw material used by the Company is 52100 Steel. During 1997, approximately 96% of the steel used by the Company was 52100 Steel. The Company's other steel requirements include type 440C stainless steel, type S2 rock bit steel and type 302 stainless steel. The Company purchases substantially all of its 52100 Steel requirements from foreign mills because of the lack of domestic producers of such steel at the quality level the Company requires. The other steel requirements of the Company also are purchased principally from foreign steel manufacturers.

The Company allocates its steel purchases among suppliers on the basis of price and quality. Generally, the Company does not enter into written supply agreements with its suppliers or commit itself to maintain minimum monthly purchases of steel. The Company's pricing arrangements with its suppliers typically are subject to adjustment once every six months.

Because 52100 Steel principally is produced by foreign manufacturers, the Company's operating results would be negatively affected in the event that the U.S. government imposes any significant quotas, tariffs or other duties or restrictions on the import of such steel or if the United States dollar decreases in value relative to foreign currencies.

Patents, Trademarks and Licenses

The Company does not own any U.S. or foreign patents, trademarks or licenses that are material to its business. The Company does rely on certain data and processes, including trade secrets and know-how, and the success of its business depends, to some extent, on such information remaining confidential. Each executive officer of the Company is subject to a non-competition and confidentiality agreement that seeks to protect this information.

Seasonal Nature of Business

The Company's business historically has not been of a seasonal nature. However, as foreign sales have increased as a percentage of total sales, seasonality has become a factor for the Company in that some foreign customers typically cease their production activities during the month of August.

Environmental Compliance

The Company's operations and products are subject to extensive federal, state and local regulatory requirements relating to pollution control and protection of the environment. The Company maintains a compliance program to assist in preventing and, if necessary, correcting environmental problems. Based on information compiled to date, management believes that the Company's current operations are in substantial compliance with applicable environmental laws and regulations, the violation of which would have a material adverse effect on the Company. There can be no assurance, however, that currently unknown matters, new laws and regulations, or stricter interpretations of existing laws and regulations will not materially affect the Company's business or operations in the future. More specifically, although management believes that the Company disposes of its wastes in material compliance with applicable environmental laws and regulations, there can be no assurance that the Company will not incur significant liabilities in the future in connection with the clean-up of waste disposal sites.

The Company has incurred certain expenses in complying with applicable environmental laws associated with the removal of four underground storage tanks containing kerosene and waste oil, the remediation of soil and groundwater contamination resulting from a leak in one of the tanks, and the closing of a sludge disposal area. The remediation project is largely complete, but the Company has certain ongoing monitoring responsibilities. The amounts expended by the Company in connection with this remediation project have not been material, and based upon information currently available to the Company, management does not believe that the future costs associated with the project will have a material adverse effect on the Company's results of operations or financial condition.

Executive Officers of the Registrant

The executive officers of the Company consist of the following persons:

NAME	AGE	POSITION
Richard D. Ennen................	70	Chairman of the Board and Director
Roderick R. Baty................	44	President, Chief Executive Officer and Director
William C. Kelly, Jr............	39	Treasurer, Assistant Secretary and Chief Accounting Officer
Frank T. Gentry, III............	42	Vice President--Roller Manufacturing & Materials
Charles L. Edmisten.............	51	Vice President
Charles E. Bailey...............	39	Vice President--Marketing and Sales

Biographical Information. Set forth below is certain additional information with respect to each executive officer of the Company.

Richard D. Ennen is the principal founder of the Company and has been the Chairman of the Board and a director of the Company since its formation in 1980. He served as Chief Executive Officer of the Company from its inception until 1997 and as President of the Company from its inception until 1990. In recent years, Mr. Ennen has focused on the development and implementation of the Company's business strategy, rather than the day-to-day operations of the Company. Prior to forming the Company, Mr. Ennen held various management and executive positions with Hoover Precision Products, Inc. (formerly Hoover Universal, Inc.), a division of Tsubakimoto Precision Products Co. Ltd, including Corporate Vice President and General Manager of the ball and roller division. Mr. Ennen has over 40 years of experience in the anti-friction bearing industry.

Roderick R. Baty became President and Chief Executive Officer in July 1997. He joined the Company in July 1995 as Vice President and Chief Financial Officer and was elected to the Board of Directors in 1995. Prior to joining the Company, Mr. Baty served as President and Chief Operating Officer of Hoover Precision Products from 1990 until January 1995, and as Vice President and General Manager of Hoover Precision Products from 1985 to 1990.

William C. Kelly, Jr. joined the Company in 1993 as Assistant Treasurer and Manager of Investor Relations. In July 1994, Mr. Kelly was elected to serve as the Company's Chief Accounting Officer, and in February 1995, was elected Treasurer and Assistant Secretary. Prior to joining the Company, Mr. Kelly served from 1988 to 1993 as a Staff Accountant and as a Senior Auditor with the accounting firm of Price Waterhouse LLP.

Frank T. Gentry, III, was appointed Vice President -- Roller Manufacturing & Materials in October 1996. Mr. Gentry's responsibilities include purchasing, inventory control and transportation. Mr. Gentry joined the Company in 1981 and held various production control positions within the Company from 1981 to August 1995. From August 1995 to October 1996, Mr. Gentry held the position of Vice President -- Manufacturing.

Charles L. Edmisten has served as a Vice President of the Company since 1980. Mr. Edmisten's responsibilities include engineering and process development. Prior to joining the Company, Mr. Edmisten served in various positions with Hoover Precision Products, Inc., including Chief Engineer.

Charles E. Bailey was appointed Vice President -- Marketing and Sales in February 1998. Mr. Bailey's responsibilities include global and domestic marketing, sales management, and customer responsiveness. Prior to joining the Company, Mr. Bailey was the Vice President of Marketing and Product Development for the Jacobs Chuck Division of the Danaher Corporation, where he worked from 1991 to 1997.

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

Item 2 Properties

The Company has four manufacturing facilities located, respectively, in Erwin, Tennessee, Walterboro, South Carolina, Mountain City, Tennessee and Kilkenny, Ireland. The Company leased the Mountain City facility from the State of Tennessee in September 1995 in order to expand production capacity to meet the increasing worldwide demand for its products. The Company purchased the land and building at the facility in January 1997. Production began in early 1996 at the Mountain City facility. The Company established the Kilkenny, Ireland facility in August 1997 to better meet the needs of its customers in Europe. Production began in September 1997.

The Erwin, Walterboro, Mountain City and Kilkenny plants currently have approximately 125,000, 100,000, 48,000 and 66,000 square feet of manufacturing space, respectively. The Walterboro plant is located on a 10 acre tract of land owned by the Company, the Erwin plant is located on a 12 acre tract of land owned by the Company, the Mountain City plant is located and on an 8 acre tract of land owned by the Company and the Kilkenny facility is located on a 2 acre tract of land owned by the Company. During 1996, the Company added new machinery and equipment at the Erwin, Walterboro and Mountain City facilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

The Company believes that the Erwin, Walterboro, Mountain City and Kilkenny plants are adequately suited for the Company's current production and business needs.

At the time of the Company's initial public offering of the Company's stock in March 1994, the Erwin and Walterboro facilities were subject to a deed of trust and mortgage, respectively, that secured the Company's 10.88% Senior Secured Notes. The Senior Notes were repaid in full with a portion of the net proceeds of the initial public offering. At the current time, none of the Company's properties are pledged to secure any loans to the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 3 Legal Proceedings

All legal proceedings and actions involving the Company are of an ordinary and routine nature and are incidental to the operations of the Company. Management believes that such proceedings should not, individually or in the aggregate, have a material adverse effect on the Company's business or financial condition or on the results of operations.

Item 4 Submission of Matters to a Vote of Security Holders

No matters were submitted for a vote of stockholders during the fourth quarter of 1997.

Part II

Item 5 Market for the Registrant's Common Equity and Related Stockholder Matters

Since the Company's initial public offering in 1994, the Common Stock has been traded on the Nasdaq National Market under the trading symbol "NNBR." Prior to such time there was no established market for the Common Stock. As of March 25, 1998, there were 233 holders of record of the Common Stock.

The following table sets forth the high and low sale prices of the Common Stock, as reported by Nasdaq, and the dividends paid per share on the Common Stock during each calendar quarter of 1996 and 1997. See Note 3 of the Notes to Financial Statements.

	PRICE		
	HIGH	LOW	DIVIDEND
1996			
First Quarter....................	22 3/4	17 1/2	0.08
Second Quarter...................	26 3/4	20 3/8	0.08
Third Quarter....................	21 1/4	13 7/8	0.08
Fourth Quarter...................	16	12 3/8	0.08
1997			
First Quarter....................	15 3/8	10 3/8	0.08
Second Quarter...................	12 3/4	9 7/8	0.08
Third Quarter....................	13 1/4	9 1/2	0.08
Fourth Quarter...................	11 1/2	8	0.08

The declaration and payment of dividends are subject to the discretion of the Board of Directors of the Company and depend upon the Company's profitability, financial condition, capital needs, future prospects and other factors deemed relevant by the Board of Directors. The terms of the Company's revolving credit facility restrict the payment of dividends by prohibiting the Company from declaring or paying any dividend if an event of default exists at the time of, or would occur as a result of, such declaration or payment. For further description of the Company's revolving credit facility, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Item 6 Selected Financial Data

The following selected financial data of the Company are qualified by reference to and should be read in conjunction with the Financial Statements and the Notes thereto included as Item 8. The data set forth below as of December 31, 1997 and 1996, and for each of the three years in the period ended December 31, 1997, have been derived from the Financial Statements of the Company which have been audited by Price Waterhouse LLP, independent accountants, whose report thereon is included as part of Item 8. The financial data as of December 31, 1995, 1994 and 1993, and for the year ended December 31, 1993 also were derived from financial statements of the Company which have been audited by Price Waterhouse LLP (except for the pro forma statement of income data). These historical results are not necessarily indicative of the results to be expected in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEAR ENDED DECEMBER 31, 1997	1996	1995	1994	1993
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Statement of Income Data:					
Net sales	$ 75,252	$ 84,539	$ 77,786	$ 60,487	$ 43,525
Cost of products sold	51,707	56,695	53,912	40,110	29,762
Gross profit	23,545	27,844	23,874	20,377	13,763
Selling, general and administrative expenses	5,518	4,890	4,249	3,439	2,621
Depreciation	4,106	3,358	2,364	1,996	1,868
Income from operations	13,921	19,596	17,261	14,942	9,274
Interest expense	29	296	42	354	1,382
Income before provision for income taxes and extraordinary item	13,892	19,300	17,219	14,588	7,892
Provision for income taxes (1)	5,382	6,835	5,708	5,704	236
Income before extraordinary item	8,510	12,465	11,511	8,884	7,656
Extraordinary loss from early extinguishment of debt (net of income tax benefit of $710) (2)	--	--	--	(1,160)	--
Net income	$ 8,510	$ 12,465	$ 11,511	$7,724	$ 7,656
Net income per share:					
Income before extraordinary item	$ 0.57	$ .83	$ .79	$ .65	
Extraordinary item, net (2)	--	--	--	(.09)	
Net income per share (assuming dilution) (3)	$ 0.57	$ .83	$ .79	$ .56	
Dividends declared	$ .32	$ .32	$ .20	$ .07	
Number of shares outstanding (3)	14,804	15,042	14,583	13,716	

	1997	1996	1995	1994	1993
Pro Forma Statement of Income Data (4):					
Income before provision for income taxes and extraordinary item				$ 14,588	$ 7,892
Provision for income taxes				5,543	2,999
Income before extraordinary item				9,045	4,893
Extraordinary item, net (2)				(1,160)	--
Net income				$ 7,885	$ 4,893
Net income per share:					
Income before extraordinary item				$ .66	$ .44
Extraordinary item, net (2)				(.09)	--
Net income per share (3)				$ .57	$ .44
Weighted average number of shares outstanding (3)				13,716	11,016
Balance Sheet Data:					
Current assets	$ 26,185	$ 26,727	$ 26,728	$ 21,591	$ 13,971
Current liabilities	7,471	8,374	13,303	4,845	7,859
Total assets	63,273	59,292	54,241	36,936	26,215
Long-term debt (less current portion)	--	--	--	--	10,000
Stockholders' equity	52,971	48,710	39,218	30,537	8,184

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(1) During the period from the inception of the Company through the consummation of its initial public offering in March 1994, the Company was treated for income tax purposes as an S corporation under Subchapter S of the Internal Revenue Code of 1986, as amended, and under comparable tax laws of certain states. As a result, earnings of the Company during that period were taxed for federal and certain state income tax purposes directly to the Company's stockholders, rather than to the Company. Upon the termination of the Company's S corporation status, in addition to becoming subject to corporate tax at the federal level and in a number of states, the Company was required to provide for deferred federal and state income taxes, calculated in accordance with the Financial Accounting Standards Board Statement 109, "Accounting for Income Taxes" ("FAS 109"), for the cumulative temporary differences between the financial reporting and income tax bases of the Company's assets and liabilities, resulting in a charge to the provision for income taxes in the amount of $1,213,000 in 1994. See Note 12 of the Notes to Financial Statements.

(2) The Company used a portion of its net proceeds from the initial public offering to prepay the $12,000,000 in principal of the Company's 10.88% Senior Secured Notes and related accrued interest of $653,000. This prepayment resulted in an extraordinary after tax loss of $1,160,000, net of related income tax benefit of

$710,000. The gross extraordinary loss included a prepayment penalty of $1,728,000 and the write-off of unamortized deferred loan costs of $142,000.

(3) The actual and pro forma net income per share data is based on the historical weighted average number of shares outstanding, as adjusted to reflect (i) a Common Stock split of 508-for-one in connection with a reincorporation merger transaction completed in January 1994, (ii) the 3-for-2 split of the Common Stock effected on March 5, 1995, and (iii) the 3-for-2 split of the Common Stock effected on December 5, 1995. In addition, the weighted average number of shares outstanding used to compute earnings per share as of December 31, 1993, has been adjusted to include the estimated number of shares (464,000 shares as calculated at the initial public offering price and prior to adjustment for the stock dividends paid in 1995) required to be sold by the Company to pay, as of December 31, 1993, the distribution made to the Company's S corporation stockholders upon the consummation of the initial public offering. See Note 3 of the Notes to Financial Statements.

(4) The pro forma statement of income data for 1993 and 1994 is based on historical net income, as adjusted to reflect a provision for income taxes (at an assumed effective rate of 38%), as if the Company had been a C corporation since its inception. The pro forma statement of income data was calculated using the criteria established under FAS 109, which requires the use of an asset and liability approach to financial reporting and accounting for income taxes. The 1994 pro forma provision for income taxes does not include the $1,213,000 charge related to the Company's termination of its S corporation status as discussed in note (1) above. See Note 12 of the Notes to Financial Statements.

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Financial Statements and the Notes thereto and Selected Financial Data included elsewhere in this Form 10-K. Historical operating results and percentage relationships among any amounts included in the Financial Statements are not necessarily indicative of trends in operating results for any future period.

Overview

The Company's core business is the manufacture and sale of high quality, precision steel balls and rollers. In 1997, balls accounted for approximately 92% of the Company's net sales, while rollers accounted for the remaining 8%. Although all of the Company's net sales from 1980 through 1986 were exclusively to domestic customers, the Company's international sales have increased significantly since then and represented approximately 47% of net sales in 1997. See Note 11 of the Notes to Financial Statements. Sales declined in 1997, primarily due to reduced international sales.

Significant factors in the Company's growth since its founding include its displacement of captive ball manufacturing divisions of domestic and international bearing manufacturers as a source of precision balls and increased sales of high precision balls for quiet bearing applications. From 1992 through 1997, the percentage of high precision balls produced by the Company for use in quiet bearing applications has increased from approximately 54% to approximately 81% of total net ball sales. Management believes that the Company's sales growth since 1992 is due to its ability to capitalize on opportunities in overseas markets and provide precision balls at competitive prices, as well as its emphasis on product quality and customer service. The sales decline in 1997 was due in large part to economic conditions in Europe and Asia and a decline in outsourcing by certain captive producers.

Results of Operations

The following table sets forth for the periods indicated selected financial data and the percentage of the Company's net sales represented by each income statement line item presented.

	AS A PERCENTAGE OF NET SALES YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Net sales	100.0%	100.0%	100.0%
Cost of products sold	68.7	67.1	69.3
Gross profit	31.3	32.9	30.7
Selling, general and administrative expenses	7.3	5.8	5.5
Depreciation	5.5	4.0	3.0
Income from operations	18.5	23.1	22.2
Interest expense	0	.3	.1
Income before provision for income taxes and extraordinary item	18.5	22.8	22.1
Provision for income taxes	7.2	8.1	7.3
Income before extraordinary item	11.3	14.7	14.8
Net income	11.3%	14.7%	14.8%

Year Ended December 31, 1997 Compared in the Year Ended December 31, 1996

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

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

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

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

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

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

Year Ended December 31, 1996 Compared to the Year Ended December 31, 1995.

Net Sales. The Company's net sales increased by $6.7 million, or 8.7%, to $84.5 million in 1996 from $77.8 million in 1995. Foreign net sales increased $3.6 million, or 9.4%, to $42.1 million in 1996 from $38.5 million in 1995. The increase in foreign net sales was due primarily to increased sales volumes with existing customers, and to a lesser extent, sales to several new customers. Domestic net sales increased $3.1 million, or 8.0%, to $42.4 million in 1996 from $39.3 million in 1995. This increase was due primarily to increased sales to existing customers. Notwithstanding the Company's record sales in 1996, the Company's foreign sales in the last half of 1996 were negatively affected by weak international economies, certain customers' excess inventories and a slowing in the overall rate of outsourcing of captive production. The Company anticipates that its foreign sales will continue to be affected by one or more of these negative factors in 1997. In addition, in the fourth quarter of 1996, two of the Company's major customers have informed the Company of their intention to bring in-house in 1997 a portion of their business (in the aggregate, approximately $9.0 million in net sales) that was previously outsourced to the Company. Management anticipates that the loss of these sales in 1997 should be offset, at least partially, by additional sales to other existing customers.

Gross Profit. Gross profit increased by $3.9 million, or 16.3%, to $27.8 million in 1996 from $23.9 million in 1995. As a percentage of net sales, gross profit increased to 32.9% in 1996 from 30.7% in 1995. During 1995, gross profit was adversely affected as a result of increased raw material costs resulting from a steel shortage and inefficiencies associated with the steel shortage and capacity constraints, including increased labor and transportation costs. During the first quarter of 1996, the steel shortage abated and, in addition, the Company brought additional capacity on-line with the addition of the Mountain City, Tennessee facility which allowed for more efficient operations. During the third quarter of 1996, the Company implemented a new financial reporting software package which allowed for more efficient tracking and controlling of costs. Additionally, during 1996, the Company recorded approximately $700,000 of duty drawback associated with 1995 and 1996 imports of raw material which had not been previously recorded. This amount is an offset to export fees paid.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $641,000 or 15.1%, to $4.9 million from $4.2 million in 1995. The increase was due primarily to increased salaries and wages. As a percentage of net sales, selling, general and administrative expenses increased slightly to 5.8% in 1996 from 5.5% in 1995.

Depreciation Expense. Depreciation expense increased $994,000, or 42.0%, to $3.4 million in 1996 from $2.4 million in 1995. This increase was due primarily to capital expenditures associated with the expansion of the Company's facilities and purchases of equipment. As a percentage of sales, depreciation increased to 4.0% in 1996 from 3.0% in 1995.

Interest Expense. Interest expense increased $254,000, or 604.8%, to $296,00 in 1996 from $42,000 in 1995. This increase was due to increased levels outstanding under the Company's line of credit in 1996 compared to 1995.

Net Income. Net income increased $954,000, or 8.3%, to $12.5 million in 1996 from $11.5 million in 1995. As a percentage of net sales, net income decreased slightly to 14.7% in 1996 from 14.8% in 1995.

Liquidity and Capital Resources

In July 1997, the Company terminated its $10.0 million revolving credit facility and entered into a loan agreement with First American National Bank ("First American"). This loan agreement provides for a revolving credit facility of up to $25 million, which will expire June 30, 2000.

Amounts outstanding under the revolving facility are unsecured and bear interest at a floating rate equal to, at the Company's option, either LIBOR plus 0.65% or the Fed Funds effective rate plus 1.5%. The loan agreement contains customary financial and operating restrictions on the Company, including covenants restricting the Company, without First American's consent, from incurring additional indebtedness from, or pledging any of its assets to, other lenders and from disposing of a substantial portion of its assets. In addition, the Company is prohibited from declaring any dividend if a default exists under the revolving credit facility at the time of, or would occur as a result of, such a declaration. The loan agreement also prohibits sales of property outside of the ordinary course of business. The loan agreement contains financial covenants with respect to the Company, including a covenant that the Company's earnings will not decrease in any year by more than fifty percent of earnings in the Company's immediately preceding fiscal year. The Company, as of March 25, 1998, was in compliance with all such covenants.

The Company's arrangements with its domestic customers typically provide that payments are due within 30 days following the date of the Company's shipment of goods, while arrangements with foreign customers (other than foreign customers that have entered into an inventory management program with the Company) generally provide that payments are due within either 90 or 120 days following the date of shipment. Under the Company's inventory management program, payments typically are due within 30 days after the product is used by the customer. The Company has developed a presence in foreign markets, and to the extent foreign sales increase, management believes that the Company's working capital requirements will increase as a result of longer payment terms provided to foreign customers. The Company's net sales historically have not been of a seasonal nature. However, as foreign sales have increased as a percentage of total sales, seasonality has become a factor for the Company in that many foreign customers cease production during the month of August.

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

Working capital, which consists principally of cash and cash equivalents, accounts receivable and inventories, was $18.7 million at December 31, 1997, as compared to $18.4 million at December 31, 1996. The ratio of current assets to current liabilities increased slightly to 3.5:1 at December 31, 1997 from 3.2:1 at December 31, 1996. Cash flow from operations increased to $14.1 during 1997 from $12.7 million during 1996.

During 1998, the Company plans to spend approximately $9 million on capital expenditures, including the purchase of additional machinery and equipment for all four of the Company's facilities. The Company intends to finance these activities with cash generated from operations and funds available under the credit facility described above. The Company believes that funds generated from operations and borrowings from the credit facility will be sufficient to finance the Company's working capital needs and capital expenditure requirements in 1998.

In December 1996, the Company announced that its Board of Directors authorized the repurchase of up to 731,462 shares of the Company's Common Stock, equaling 5% of the Company's issued and outstanding shares as of November 11, 1996. The Company did not purchase any shares under this program during 1996. In February 1997, the Company repurchased 86,000 shares at an aggregate purchase price of $999,750. In September 1997, the Company repurchased 100,000 shares at an aggregate purchase price of $1,125,000. The repurchase program is no longer in effect.

Seasonality and Fluctuation in Quarterly Results

The Company's net sales historically have not been of a seasonal nature. However, as foreign sales have increased as a percentage of total sales, seasonality has become a factor for the Company in that many foreign customers cease production during the month of August. For information concerning the Company's quarterly results of operations for the years ended December 31, 1997 and 1996, see Note 15 of the Notes to Financial Statements.

Inflation and Changes in Prices

While the Company's operations have not been affected by inflation during recent years, prices for 52100 Steel and other raw materials purchased by the Company are subject to change. For example, during 1995, due to an increase in worldwide demand for 52100 Steel and the decrease in the value of the United States dollar relative to foreign currencies, the Company experienced an increase in the price of 52100 Steel and some difficulty in obtaining an adequate supply of 52100 Steel from its existing suppliers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations --Liquidity and Capital Resources." 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations --Liquidity and Capital Resources."

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

The Company wishes to caution that this report and the 1997 Annual Report to Stockholders contain, and future filings by the Company, press releases and oral statements made by the Company's authorized representatives may contain, forward looking statements that involve certain risks and uncertainties. The Company's actual results could differ materially from those expressed in such forward looking statements due to important factors bearing on the Company's business, many of which are discussed elsewhere in this filing and in the Company's prior filings. The following paragraphs discuss the risk factors that the Company regards as the most significant, although the

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

Industry Risks. The precision ball and roller industry is cyclical and tends to decline in response to overall declines in industrial production. The Company's sales could be negatively affected by adverse conditions in the industrial production sector of the economy or by adverse global or national economic conditions generally.

Competition. The precision ball and roller market is highly competitive, and many of the ball and roller manufacturers in the market are larger and have substantially greater resources than the Company. The Company's competitors are continuously exploring and implementing improvements in technology and manufacturing processes in order to improve product quality, and the Company's ability to remain competitive will depend, among other things, on whether it is able, in a cost effective manner, to keep apace with such quality improvements. In addition, the Company competes with many of its customers that, in addition to producing bearings, also internally produce balls and rollers for sale to third parties. The Company also faces a risk that its customers will decide to produce balls and rollers internally rather than outsourcing their needs to the Company.

Rapid Growth. The Company has undergone rapid growth over the last several years. Accordingly, the Company risks underutilization or inefficient utilization of its production facilities in future years. The Company also faces risks associated with start-up expenses, inefficiencies, delays and increased depreciation costs associated with its new facilities in Mountain City, Tennessee, in Kilkenny, Ireland and with its plant expansions. The Company currently is not operating at full capacity and faces risks of further under-utilization or inefficient utilization of its production facilities in future years.

Raw Material Shortages. Because the balls and rollers manufactured by the Company have highly-specialized applications, their production requires the use of very particular types of steel. Due to quality constraints in the United States, the Company obtains the vast majority of its steel from overseas suppliers. Steel shortages or transportation problems, particularly with respect to 52100 Steel, could have a detrimental effect on the Company's business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Risks Associated with International Trade. Because the Company obtains a majority of its raw materials from overseas suppliers and sells to a large number of international customers, the Company faces risks associated with (i) adverse foreign currency fluctuations, (ii) changes in trade, monetary and fiscal policies, laws and regulations, and other activities of governments, agencies and similar organizations, (iii) the imposition of trade restrictions or prohibitions, (iv) the imposition of import or other charges or taxes, and (v) unstable governments or legal systems in countries in which the Company's suppliers and customers are located. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Inflation and Changes in Prices." In the fourth quarter of 1997, Company began accepting payment in foreign currency from foreign customers. In addition, an increase in the value of the United States dollar relative to foreign currencies may adversely affect the ability of the Company to compete with its foreign-based competitors for international as well as domestic sales to the extent payments are made in United States dollars.

Dependence on Major Customers. During 1997, the Company's ten largest customers accounted for approximately 77% of its net sales. Sales to various U.S. and foreign divisions of SKF, which is one of the largest bearing manufacturers in the world, accounted for approximately 37% of net sales in 1997, and sales to FAG accounted for approximately 10% of net sales in 1997. The Company currently negotiates and contracts with various purchasing units within SKF and believes that, in certain respects, such units operate independently with respect to purchasing decisions. There can be no assurance, however, that SKF will not centralize purchasing decisions in the future. None of the Company's other customers accounted for more than 10% of its net sales in 1997, but sales to two of its customers each represented more than 5% of the Company's 1997 net sales. The loss of all or a substantial portion of sales to these customers would have a material adverse effect on the Company's business.

Item 7A   Quantitative and Qualitative Disclosures About Market Risk

Not Applicable

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Financial Statements

Financial Statements:

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders
of NN Ball & Roller, Inc.

In our opinion, the financial statements listed in the accompanying index present fairly, in all material respects, the financial position of NN Ball & Roller, Inc. and its subsidiary at December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE LLP

Winston-Salem, North Carolina
February 9, 1998

NN Ball & Roller, Inc.
Balance Sheets (in thousands, except per share date)

	December 31, 1997	December 31, 1996
Assets		
Current assets:		
Cash	$ 366	$ --
Accounts receivable, net	12,449	15,754
Inventories, net	11,865	10,408
Other current assets	1,505	565
Total current assets	26,185	26,727
Property, plant and equipment, net	37,088	32,419
Other	--	146
Total assets	$63,273	$59,292
Liabilities and stockholders' equity		
Current liabilities:		
Revolving credit facility	$ 1,480	$ 2,308
Accounts payable - trade	3,662	4,054
Accrued vacation expense	519	370
Deferred income	458	--
Income taxes payable	--	96
Accrued sales rebate	176	755
Other liabilities	1,176	791
Total current liabilities	7,471	8,374
Deferred income taxes	2,831	2,208
Total liabilities	10,302	10,582
Stockholders' equity:		
Common stock - $0.01 par value, authorized - 45,000 (1997) and 45,000 (1996) shares, issued and outstanding - 14,804 (1997) and 14,629 (1996) shares	149	146
Additional paid-in capital	27,902	26,983
Retained earnings	25,387	21,581
Cumulative translation adjustment	(467)	--
Total stockholders' equity	52,971	48,710
Total liabilities and stockholders' equity	$63,273	$59,292

NN Ball & Roller, Inc.
Statements of Income (in thousands, except per share data)

	Year ended December 31,		
	1997	1996	1995
Net Sales	$ 75,252	$ 84,539	$ 77,786
Cost of products sold	51,707	56,695	53,912
Gross profit	23,545	27,844	23,874
Selling, general and administrative expenses	5,518	4,890	4,249
Depreciation	4,106	3,358	2,364
Income from operations	13,921	19,596	17,261
Interest expense	29	296	42
Income before provision for income taxes	13,892	19,300	17,219
Provision for income taxes	5,382	6,835	5,708
Net income	$ 8,510	$ 12,465	$ 11,511
Net income per share	$ .57	$ .83	$ .79
Shares outstanding	14,804	14,629	14,473
Net income per share-assuming dilution	$ .57	$ .83	$ .79
Shares outstanding	14,804	15,042	14,583

NN Ball & Roller, Inc.
Statements of Changes in Stockholders' Equity (in thousands)

	Common stock Number of shares	Common stock Par value	Additional paid-in capital	Retained earnings	Cumulative translation adjustments	Total
Balance, December 31, 1994	6,432	$ 64	$ 25,289	$ 5,184	$ --	$30,537
Net income	--	--	--	11,511	--	11,511
Dividends paid	--	--	--	(2,830)	--	(2,830)
Three-for-two stock split	3,216	32	--	(32)	--	--
Three-for-two stock split	4,825	48	--	(48)	--	--
Balance, December 31, 1995	14,473	144	25,289	15,785	--	39,218
Net income	--	--	--	12,465	--	12,465
Dividends paid	--	--	--	(4,669)	--	(4,669)
Stock options exercised	156	2	1,694	--	--	1,696
Balance, December 31, 1996	14,629	146	29,983	21,581	--	48,710
Net income	--	--	--	8,510	--	8,510
Dividends paid	--	--	--	(4,704)	--	8,510
Stock options exercised	361	4	3,042	--	--	3,046
Stock repurchased	(186)	(1)	(2,123)	--	--	(2,124)
Cumulative translation	--	--	--	--	(467)	(467)
Balance, December 31, 1997	14,804	$149	$ 27,902	$25,387	$ (467)	$52,971

NN Ball & Roller, Inc.
Statements of Cash Flows (in thousands)

	Year ended December 31, 1997	1996	1995
Cash flows from operating activities:			
Net income	$ 8,510	$ 12,465	$ 11,511
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	4,106	3,358	2,364
Deferred income taxes	623	488	166
Changes in operating assets and liabilities:			
Accounts receivable	3,305	1,161	(5,898)
Inventories	(1,457)	(595)	(5,563)
Other current assets	(940)	(565)	30
Accounts payable-trade	(392)	(4,147)	4,748
Accrued vacation expense	149	--	--
Deferred income	458	--	--
Income taxes payable	(96)	(112)	(287)
Accrued sales rebate	(579)	512	79
Other liabilities	385	100	328
Net cash provided by operations	14,072	12,665	9,478
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(8,775)	(8,410)	(14,509)
Other assets	146	--	(23)
Net cash used for investing activities	(8,629)	(8,410)	(14,532)
Cash flows from financing activities:			
Net receipts (payments) under revolving line of credit	(828)	(1,282)	3,590
Cash dividends	(4,704)	(4,669)	(2,830)
Stock options exercised	3,046	1,696	--
Stock repurchased	(2,124)	--	--
Cumulative translation adjustment	(467)	--	--
Net cash provided (used) by financing activities	(5,077)	(4,255)	760
Net increase (decrease) in cash and cash equivalents	366	--	(4,294)
Cash and cash equivalents at beginning of period	--	--	4,294
Cash and cash equivalents at end of period	$ 366	$ --	$ --

NOTE 1 - THE COMPANY AND ITS SIGNIFICANT ACCOUNTING POLICIES

NN Ball & Roller, Inc. (the "Company") is a manufacturer of balls and rollers used primarily in the bearing industry. The Company has manufacturing facilities in Tennessee and South Carolina. During 1997, the Company opened NN Ball & Roller, Ltd., an operating facility in Kilkenny, Ireland. The Company sells to both foreign and domestic customers (See Note 11).

Cash and cash equivalents
The Company considers all highly liquid investments with an original maturity of three months or less as cash equivalents.

Inventories
Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Property, plant and equipment
Property, plant and equipment are stated at cost. Expenditures for maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized. When a major property item is retired, its cost and related accumulated depreciation or amortization are removed from the property accounts and any gain or loss is recorded in income or expense.

Depreciation is provided principally on the straight-line method over the estimated useful lives of the depreciable assets for financial reporting purposes. Accelerated depreciation methods are used for income tax purposes.

Revenue recognition
The Company generally recognizes a sale when goods are shipped and ownership is assumed by the customer. The Company has implemented an inventory management program for certain major customers. Under this program, sales are recognized when products are used by the customer from consigned stock, instead of at the time of shipment. Inventory on consignment at December 31, 1997 and 1996 was approximately $2,431,000 and $2,610,000, respectively.

Income Taxes
Income taxes are provided based upon income reported for financial statement purposes. Deferred income taxes reflect the tax effect of temporary differences between the financial reporting and income tax bases of the Company's assets and liabilities (See Note 12).

Historical net income per common share
Earnings per share is computed by dividing net income by the actual number of common shares outstanding during the year. Additionally, earnings per share assuming dilution is calculated in the same manner with the addition of dilutive common share equivalents (See Note 13). The dilutive effect of stock options is computed using the treasury stock method. The fully dilutive effect of the Company's stock options results in no impact on earnings per share for any period presented and thus has been omitted from these financial statements.

NN Ball & Roller, Inc.
Notes to Financial Statements
December 31, 1997, 1996, and 1995

Stock incentive plan
The Company uses the intrinsic value method to account for employee stock options. Accordingly, under this method, the Company has not recorded compensation expense related to the options (Note 9). The exercise price of each option equals the market price of the Company's stock on the date of grant.

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

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

Use of estimates in the preparation of financial statements
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CAPITAL CHANGES

On May 2, 1996, the stockholders approved an increase in the number of authorized common shares from 20,000,000 to 45,000,000. No change was made to the number of authorized shares of Preferred Stock.

NOTE 3 - STOCK SPLITS

On February 9, 1995, the Company's Board of Directors authorized a three-for-two stock split effected in the form of a 50% stock dividend payable on March 5, 1995 to stockholders of record on February 27, 1995. This resulted in the issuance of approximately 3,216,000 additional shares of common stock.

On November 13, 1995, the Company's Board of Directors authorized a three-for-two stock split effected in the form of a 50% stock dividend payable on December 5, 1995 to stockholders of record on November 27, 1995. This resulted in the issuance of approximately 4,825,000 additional shares of common stock. Unless otherwise stated, all references in the financial statements to stock option data, per share and weighted average share amounts have been restated to reflect these stock splits.

NOTE 4 - ACCOUNTS RECEIVABLE

	December 31, 1997	December 31, 1996
	(in thousands)	
Trade	$ 12,524	$ 15,516
Employees	11	84
Other	229	394
	12,764	15,994
Less - Allowance for doubtful accounts	315	240
	$ 12,449	$ 15,754

NOTE 5 - INVENTORIES

	December 31, 1997	December 31, 1996
	(in thousands)	
Raw materials	$ 2,911	$ 1,452
Work in process	2,793	2,586
Finished goods	6,221	6,430
	11,925	10,468
Less - Reserve for excess and obsolete inventory	60	60
	$ 11,865	$ 10,408

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

	Estimated useful life	December 31, 1997	December 31, 1996
Land		$ 323	$ 282
Buildings and improvements	10-25 years	9,718	6,742
Machinery and equipment	3-10 years	46,346	44,174
Construction in progress		3,286	1,598
		59,673	52,796
Less - Accumulated depreciation		22,585	20,377
		$37,088	$32,419

NOTE 7-SHORT-TERM CREDIT FACILITIES

Effective July 1997, the Company terminated a revolving line of credit with NationsBank of Tennessee, N.A., which consisted of a $10,000,000 line of credit of which $2,308,000 was outstanding at December 31, 1996, at an interest rate of 7.25%, and entered a similar agreement with First American National Bank. Under the new agreement, the Company may borrow up to $25,000,000 through June 30,2000. Amounts outstanding under the agreement are unsecured and are subject to interest charges of the LIBOR rate plus .65% or the Federal Funds effective rate plus 1.5%, according to the Company's option. There was $1,480,000 outstanding at December 31, 1997 at an interest rate of 6.615%. The agreement contains restrictive covenants which specify, among other things, restrictions on the incurrence of indebtedness and the maintenance of certain working capital requirements. The Company was in compliance with such covenants at December 31, 1997.

Interest paid during 1997, 1996 and 1995 was $28,000, $321,000 and $15,000, respectively.

NOTE 8-EMPLOYEE BENEFIT PLANS

The Company has defined contribution 401(k) profit sharing plan (the "Plan") covering substantially all employees who have one year of service, have attained age twenty-one and have elected to participate in the Plan. A participant may elect to contribute from 1% to 20% of his or her compensation to the Plan, subject to a maximum deferral set forth in the Internal Revenue Code. The Company provides a dollar for dollar matching contribution up to $500 per participant. The employer matching contribution if fully vested at all times. The contributions by the Company were $154,000, $140,000 and $148,000 in 1997, 1996 and 1995, respectively.

NOTE 9-STOCK INCENTIVE PLAN

Effective March 2, 1994, the Company adopted the NN Ball & Roller, Inc. Stock Incentive Plan under which 1,125,000 shares of the Common Stock were reserved for issuance to officers and key employees of the Company. Awards or grants under the plan may be made in the form of incentive and nonqualified stock options, stock appreciation rights and restricted stock. The stock options and stock appreciation rights must be issued with an exercise price not less than the fair market value of the Common Stock on the date of grant. The awards or grants under the plan may have various vesting and expiration periods as determined at the discretion of the Committee administering the plan.

NN Ball & Roller, Inc.
Notes to Financial Statements
December 31, 1997, 1996, and 1995

The following table summarizes the changes in the number of shares under option pursuant to the plan described above: (See Note 3)

	Number of shares	Per share option price
Outstanding at December 31, 1997..........	508,635	9.39-11.92
Granted................................	518,250	
Exercised..............................	--	
Outstanding at December 31, 1995..........	1,026,885	
Granted................................	39,000	15.50
Exercised..............................	(156,611)	
Forfeited..............................	(55,645)	
Outstanding at December 31, 1996..........	853,629	
Granted................................	42,750	10.44-12.50
Exercised..............................	(361,002)	
Forfeited..............................	(74,002)	
Outstanding at December 31, 1997..........	461,375	
Exercisable at December 31, 1997..........	81,750	
Shares reserved for future grant: December 31, 1997......................	146,012	

On May 6, 1996 and July 31, 1997, one of the Company's officers exercised approximately 150,000 and 358,000 stock options, respectively. The exercise price and the market price of the options at the date of exercise were $6.22 and $25.50 for 1996 and $6.22 and $12.50 for 1997, respectively. Certain of these options were considered non qualified options and, accordingly, the Company recorded compensation expense, for income tax purposes only, of approximately $1,967,000 in 1996 and $2,150,000 in 1997. The reduction in taxes payable of approximately $686,000 in 1996 and $789,000 in 1997 was recorded as additional paid-in capital in the accompanying financial statements.

All options granted in the period January 1, 1995 through December 31, 1997 vest 20% annually, beginning one year from date of grant. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. During 1996, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). SFAS 123 encourages but does not require a fair value based method of accounting for stock compensation plans. The Company has elected to continue accounting for its stock compensation plan using the intrinsic value based method and, accordingly, has not recorded compensation expense for each of the three years ended December 31, 1997. Had compensation cost for the Company's stock compensation plan been determined based on the fair value at the option grant dates, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

		Year ended December 31, 1997	Year ended December 31, 1996
Net income	As reported (000's)	$ 8,510	$12,465
	Pro forma (000's)	8,254	12,146
Earnings per share	As reported	$ .57	$ .85
	Pro forma	.56	.81
Earnings per share-assuming dilution	As reported	$ .57	$ .83
	Pro forma	.56	.81

The fair value of each option grant was estimated on actual information available through December 31, 1997 and 1996 using the Black-Scholes option-pricing model with the following assumptions:

Term	One year after each 20% vesting date
Risk free interest rate	5.8% and 6.16% for 1997 and 1996, respectively
Dividend yield	3.6% and 1.5% annually for 1997 and 1996, respectively
Volatility	30% and 31% for 1997 and 1996, respectively
Expected forfeitures	0-35%

NOTE 10 - SEGMENT INFORMATION

During 1997, the Company opened a new operating facility in Kilkenny, Ireland as discussed in Note 1. The Company's operating results at December 31, 1997 include the following segment information. Identifiable assets are those used exclusively in the operations of each segment, and consist primarily of cash, accounts receivable, inventory and property, plant and equipment.

NN Ball & Roller, Inc.
Notes to Financial Statements
December 31, 1997, 1996, and 1995

GEOGRAPHIC AREAS AT DECEMBER 31	1997	1996	1995
Net sales:			
United States	$75,103	$84,539	$77,786
Europe	149	--	--
Total net sales	75,252	84,539	77,786
Operating income (loss):			
United States	15,219	19,596	17,261
Europe	(1,298)	--	--
Total operating income:	13,921	19,596	17,261
Identifiable assets:			
United States	56,307	59,292	54,241
Europe	6,966	--	--
Total identifiable assets	$63,273	$59,292	$54,241

NOTE 11 - SALES TO MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

Sales to customers were concentrated in the following areas:

	Year ended December 31,		
	1997	1996	1995
Domestic:			
Bearing manufacturers	40%	34%	34%
Other	13%	16%	16%
	53%	50%	50%
Foreign:			
Bearing manufacturers	44%	45%	46%
Other	3%	5%	4%
	47%	50%	50%
	100%	100%	100%

Foreign sales were concentrated in the following geographical regions:

	Year ended December 31, 1997	1996	1995
Europe	24%	27%	30%
Canada	5%	5%	4%
South America	7%	6%	3%
Other export	11%	12%	13%
Total foreign	47%	50%	50%

Two customers accounted for 47% of consolidated sales in 1997. The only customers accounting for 10% or more of net sales in any prior year were SKF Bearings Industries, which represented 37% for years 1996 and 1995, and FAG Bearings Corporation, which represented 10% in 1996.

NOTE 12 - INCOME TAXES

The Company uses the asset and liability method to account for deferred income taxes. Under the asset and liability method, deferred income taxes are provided for the temporary differences between the financial reporting and income tax bases of the Company's assets and liabilities using enacted income tax rates expected to be in effect when the temporary differences reverse.

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

	Year ended December 31, 1997	1996	1995
	(in thousands)		
Current			
Federal	$ 4,338	$ 5,696	$ 4,978
State	421	651	564
	4,759	6,347	5,542
Deferred			
Federal	554	436	149
State	69	52	17
	623	488	166
	$ 5,382	6,835	5,708

NN Ball & Roller, Inc.
Notes to Financial Statements
December 31, 1997, 1996, and 1995

A reconciliation of taxes based on the federal statutory rate of 35% for the years ended December 31, 1997, 1996 and 1995 is summarized as follows:

	Year ended December 31,		
	1997	1996	1995
	(in thousands)		
Income taxes at the federal statutory rate	$ 4,862	$ 6,755	$ 6,027
State income taxes, net of federal benefit	318	457	378
Foreign sales corporation benefit	(249)	(458)	(425)
Impact of foreign taxes	283	-	-
Other, net	168	81	(272)
Provision for income taxes	$ 5,382	$ 6,835	$ 5,708

The tax effects of the temporary differences are as follows:

	December 31,	
	1997	1996
	(in thousands)	
Deferred income tax liability		
Tax in excess of book depreciation	$ 3,553	$ 2,754
Duty drawback receivable	55	-
Gross deferred income tax liability	3,608	2,754
Deferred income tax assets		
Inventories	281	211
Vacation reserve	191	135
Health insurance reserve	131	64
Other working capital accruals	174	136
Gross deferred income tax assets	777	546
Net deferred income tax liability	$ 2,831	$ 2,208

Income tax payments were approximately $4,825,749, $5,767,000 and $5,782,000 in 1997, 1996 and 1995, respectively.

NN Ball & Roller, Inc.
Notes to Financial Statements
December 31, 1997, 1996 and 1995

NOTE 13 - RECONCILIATION OF NET INCOME PER SHARE

	Year ended December 31, 1997		
	Income	Shares	Net income per share
Net income	$ 8,510		
Basic net income per share	8,510	14,804	$ .57
Effect of dilutive stock options	--		
Diluted net income per share	$ 8,510	14,804	$ .57

	Year ended December 31, 1996		
	Income	Shares	Net income per share
Net income	$ 12,465		
Basic net income per share	12,465	14,629	$ .85
Effect of dilutive stock options	--	413	
Diluted net income per share	$ 12,465	15,042	$ .83

	Year ended December 31, 1995		
	Income	Shares	Net income per share
Net income	$ 11,511		
Basic net income per share	11,511	14,473	$ .79
Effect of dilutive stock options	--	110	--
Diluted net income per share	$ 11,511	14,583	$ .79

NOTE 14 - COMMITMENTS

The Company has operating lease commitments for machinery and office equipment which expire on varying dates. Rent expense for 1997, 1996, and 1995 was $352,000, $378,000 and $242,000, respectively. The following is a schedule by year of future minimum lease payments as of December 31, 1997 under operating leases that have initial or remaining noncancelable lease terms in excess of one year (in thousands).

Year ended December 31,	
1998	$ 51
1999	51
2000	30
2001	-
2002	-
Total minimum lease payments	$ 132

NN Ball & Roller, Inc.
Notes to Financial Statements
December 31, 1997, 1196, and 1995

NOTE 15 - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED):

The following summarizes the unaudited quarterly results of operations for the years ended December 31, 1997 and 1996 (in thousands, except per share data).

	Year ended December 31, 1997			
	March 31	June 30	Sept. 30	Dec. 31
Net sales	$20,319	$20,964	$17,231	$16,689
Gross profit	6,481	6,657	4,845	6,639
Net income	2,639	2,732	1,299	1,814
Basic net income per share	.18	.19	.09	.12
Dilutive net income per share	.18	.19	.09	.12
Shares outstanding (Notes 2 and 3):				
Basic number of shares	14,543	14,543	14,804	14,804
Effect of dilutive stock options	170	170	--	--
Diluted number of shares	14,713	14,713	14,804	14,804

	Year ended December 31, 1996			
	March 31	June 30	Sept. 30	Dec. 31
Net sales	$26,085	$22,834	$16,558	$19,062
Gross profit	8,517	7,471	5,730	6,126
Net income	4,272	3,480	2,195	2,518
Basic net income per share	.29	.24	.15	.17
Dilutive net income per share	.28	.23	.15	.17
Shares outstanding (Notes 2 and 3):				
Basic number of shares	14,478	14,631	14,629	14,629
Effect of dilutive stock options	593	500	332	274
Diluted number of shares	15,071	15,131	14,961	14,903

NOTE 16 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 1995, the Company adopted Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" (SFAS 107), SFAS 107 requires the disclosure of the fair value of financial instruments.

The financial position of the Company at December 31, 1997 includes certain financial instruments. Management believes the fair value of these instruments approximates their carrying value. The carrying amounts and estimated fair value of the Company's financial instruments at December 31, 1997 and 1996 are as follows (in thousands):

	December 31,			
	1997		1996	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets:				
Cash and cash equivalents.......	$ 366	$ 366	$ --	$ --
Trade accounts receivable.......	12,524	12,524	15,516	15,516
Less: allowance for doubtful accounts.....................	(315)	--	(240)	--
Liabilities:				
Revolving credit facility.......	1,480	1,480	2,308	2,308

NN Ball & Roller, Inc.
Valuation and Qualifying Accounts and Reserves Schedule II

Description	Balance beginning of year	Additions	Deductions(1)	Balance at end of year
Year ended December 31, 1995				
Allowance for doubtful accounts................	$ 75	$ 40	$ --	$ 115
Reserve for excess and obsolete inventory......	$ 60	$ --	$ --	$ 60
Year ended December 31, 1996				
Allowance for doubtful accounts................	$ 115	$ 125	$ --	$ 240
Reserve for excess and obsolete inventory......	$ 60	$ --	$ --	$ 60
Year ended December 31, 1997				
Allowance for doubtful accounts................	$ 240	$ 75	$ --	$ 315
Reserve for excess and obsolete inventory......	$ 60	$ --	$ --	$ 60

(1) Deductions represent amounts written off.

Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Part III

Item 10 Directors and Executive Officers of the Registrant

Directors. The information required by Item 401 of Regulation S-K concerning the Company's directors is contained in the section entitled "Election of Directors -- Information about the Directors" of the Company's definitive Proxy Statement (to be filed with the Securities and Exchange Commission within 120 days after December 31, 1997) and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Executive Officers. Information required by Item 401 of Regulation S-K concerning the Company's executive officers is set forth in Item 1 hereof under the caption "Executive Officers of the Registrant."

Compliance with Section 16(a) of the Securities Exchange Act. The information required by Item 405 of Regulation S-K concerning compliance with Section 16(a) of the Securities Exchange Act by the Company's directors and executive officers and any 10% beneficial owners is contained in the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Item 11 Executive Compensation

The information required by Item 402 of Regulation S-K is contained in the sections entitled "Election of Directors -- Compensation of Directors" and "Executive Compensation" of the Company's definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Item 12 Security Ownership of Certain Beneficial Owners and Management

The information required by Item 403 of Regulation S-K is contained in the section entitled "Beneficial Ownership of Common Stock" of the Company's definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Part IV

Item 14 Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. Financial Statements

The financial statements of the Company filed as part of this Annual Report on Form 10-K begin on the following pages hereof:

(a) 2. Financial Statement Schedules

(a) 3. Exhibits Required by Item 601 of Regulation S-K

3.1 Certificate of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1 -- File No. 33-74694).

3.2 Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form S-1 -- File No. 33-74694).

4.1 Form of Common Stock certificate (incorporated by reference to Exhibit 4 to the Company's Registration Statement on Form S-1 -- File No. 33-74694).

10.1* NN Ball & Roller, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 -- File No. 33-74694).

10.2* Stock Option Agreement between the Company and James J. Mitchell (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 -- File No. 33-74694).

10.3* $1.2 million Life Insurance Policy purchased by Mr. Ennen, the premiums of which are paid for by the Company (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 -- File No. 33-74694).

10.4* $300,000 Life Insurance Policy purchased by the Company in favor of Mr. Bowman (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form S-1 -- File No. 33-74694).

10.5	Form of Confidentiality and Non-Compete Agreements for Executive Officers of the Company (incorporated by reference to Exhibit 10.17 to the Company's Registration Statement on Form S-1 -- File No. 33-74694).
10.6	Stockholder Agreement, dated February 22, 1994, among certain stockholders of the Company (incorporated by reference to Exhibit 10.18 to the Company's Registration Statement on Form S-1 -- File No. 33-74694).
10.7	Form of Indemnification Agreement for officers and directors of the Company (incorporated by reference to Exhibit 10.19 to the Company's Registration Statement on Form S-1 -- File No. 33-74694).
10.8	Lease, dated as of September 5, 1995, between the Company and the State of Tennessee Department of Economic and Community Development and the County of Johnson County, Tennessee (incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).
10.9	Lease, dated as of March 22, 1996, between the Company and the State of Tennessee Department of Economic and Community Development and the County of Johnson County, Tennessee (incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).
10.10*	Stock Option Agreement, dated as of July 3, 1995, between the Company and Roderick R. Baty (incorporated by reference to Exhibit 10.11 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).
10.11	Quitclaim Deed, dated January 20, 1997, executed by Johnson County, Tennessee in favor of the Company (incorporated by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996).
10.12	Loan Agreement, dated as of July 25, 1997, between the Company and First American National Bank (incorporated by reference to Exhibit 10.13 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1997).
10.13*	Employment Agreement, dated August 1, 1997, between the Company and Roderick R. Baty (incorporated by reference to Exhibit 10.14 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997).
10.14*	Severance Agreement, dated August 28, 1997, between the Company and James J. Mitchell (incorporated by reference to Exhibit 10.15 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1997).
23.1	Consent of Price Waterhouse LLP (filed herewith).

* Management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the fourth quarter of 1997.

(c) Exhibits

See Index to Exhibits (attached hereto).

The Company will provide without charge to any person, upon the written request of such person, a copy of any of the Exhibits to this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ Richard D. Ennen
Richard D. Ennen
Chairman and Director

Dated: March , 1998

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

NAME AND SIGNATURE	TITLE	DATE
/s/ Richard D. Ennen Richard D. Ennen	Chairman and Director	March , 1998
/s/ Roderick R. Baty Roderick R. Baty	President, Chief Executive Officer and Director (Principal Executive Officer)	March , 1998
/s/ William C. Kelly, Jr. William C. Kelly, Jr.	Treasurer, Assistant Secretary and Chief Accounting Officer (Principal Financial and Accounting Officer)	March , 1998
/s/ Deborah Ennen Bagierek Deborah Ennen Bagierek	Director	March , 1998
/s/ Michael D. Huff Michael D. Huff	Director	March , 1998
/s/ G. Ronald Morris G. Ronald Morris	Director	March , 1998
/s/ Michael E. Werner Michael E. Werner	Director	March , 1998
/s/ Steven T. Warshaw Steven T. Warshaw	Director	March , 1998

INDEX TO EXHIBITS

Exhibit Sequential

Number	Name of Exhibit
23.1	Consent of Price Waterhouse LLP

Note: The Company will provide without charge to any person, upon the written request of such person, a copy of any of the Exhibits to this Form 10-K.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-74694) of NN Ball and Roller, Inc. of our report dated February 9, 1998, appearing on page 20 in the 1997 Form 10-K.

/s/ PRICE WATERHOUSE LLP
- ------------------------
PRICE WATERHOUSE LLP

Winston-Salem, North Carolina
March 31, 1998

5
1,000
U.S. DOLLARS

12-MOS	12-MOS
DEC-31-1997	DEC-31-1996
JAN-01-1997	JAN-01-1996
DEC-31-1997	DEC-31-1996
1	1
366	0
0	0
12,764	15,994
(315)	(240)
11,865	10,408
26,185	26,727
59,673	52,796
(22,585)	(20,377)
63,273	59,292
7,471	8,374
0	0
0	0
0	0
149	146
52,822	48,564
63,273	59,292
75,252	84,539
75,252	84,539
51,707	56,695
51,707	56,695
9,624	8,248
0	0
29	296
13,892	19,300
5,382	6,835
8,510	12,465
0	0
0	0
0	0
8,510	12,465
0.57	0.85
0.57	0.83