

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 29, 2003  
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NN, Inc.

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(Exact name of registrant as specified in its charter)

DELAWARE	0-23486	62-1096725
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(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2000 Waters Edge Drive, Johnson City, Tennessee	37604
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(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (423) 743-9151  
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Not applicable

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(Former name or former address, if changed since last report)

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**Item 7. Financial Statements and Exhibits.**

(c) EXHIBITS. The following exhibits are filed herewith:

99.1 Press Release dated July 29, 2003.

**Item 12. Results of Operations and Financial Condition.**

On July 29, 2003 the Company issued a press release announcing its earnings for the second quarter of 2003. A copy of the press release is furnished under Item 12 of this Form 8-K as Exhibit 99.1.

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SIGNATURE

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 hereunto duly authorized.

Date: July 29, 2003

NN, INC.

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

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William C. Kelly, Jr.,  
Secretary, Treasurer and Chief  
Administrative Officer

RE: NN, Inc.  
2000 Waters Edge Drive  
Johnson City, TN 37604

FOR FURTHER INFORMATION:

**AT THE COMPANY**

- - - - -

Will Kelly  
Treasurer & Manager of Investor Relations  
(423) 743-9151

**AT FRB|WEBER SHANDWICK**

- - - - -

Kerry Thalheim Susan Garland  
(General info) (Analyst info)  
212-445-8437 212-445-8458

**FOR IMMEDIATE RELEASE**

July 29, 2003

**NN, INC. REPORTS REVENUE AND ADJUSTED NET INCOME UP 30.5% AND 29.0% RESPECTIVELY  
IN THE SECOND QUARTER OF 2003**

**Johnson City, Tenn., July 29, 2003** - NN, Inc. (Nasdaq: NNBR) today reported its financial results for the second quarter ended June 30, 2003. Results for the second quarter of 2003 include the operations of NN Netherlands (Veenendaal) a component manufacturing operation in Veenendaal, The Netherlands which was acquired from the SKF Group (SKF) on May 2, 2003. Net sales for the second quarter and first six months of 2003 reflect approximately eight weeks of revenue contribution from the Veenendaal operation. Additionally, net income includes 100% ownership interest in NN Euroball (Euroball) since May 2, 2003 due to the purchase of SKF's 23% minority interest on that date.

Net sales for the second quarter of 2003 were \$64.2 million, up 30.5% from \$49.2 million for the same period of 2002. Net income for the second quarter of 2003 totaled \$7.3 million, or \$0.44 per diluted share compared to \$2.4 million or \$0.15 per diluted share for the second quarter of 2002. Diluted earnings per share of \$0.44 for the second quarter of 2003 include a non-cash, non-taxable gain of \$6.6 million, or \$0.40 per diluted share, associated with the previously announced purchase of SKF's 23% minority interest in Euroball on May 2, 2003; an after-tax impairment charge of \$2.0 million, or \$0.12 per diluted share related to the planned closing of NN's plastic production facility, NN Arte, located in Guadalajara, Mexico; a non-cash, after-tax charge of \$291,000 or \$0.02 per diluted share relating to the write-off of unamortized loan costs associated with the refinancing of the former credit facility; and a non-cash, after tax charge of \$205,000 or \$0.01 per diluted share for compensation charges associated with a portion of employee stock options accounted for under the variable accounting method. Adjusting for these items, net income was \$3.2 million or \$0.19 per diluted share.

Net sales for the first half of 2003 were \$121.8 million, up 26.4% compared to \$96.4 million for the same period of 2002. Net income for the first half of 2003 totaled \$10.9

million, or \$0.69 per diluted share, compared to \$4.3 million or \$0.27 per diluted share, for the same period of 2002. Diluted earnings per share of \$0.69 for the first half of 2003 include the aforementioned items. Adjusting for these items, adjusted net income was \$6.8 million and adjusted diluted earnings per share were \$0.43 per share.

David L. Dyckman, Chief Financial Officer, commented, "This is the fifth consecutive quarter that we have experienced year-over-year improvement in revenues and earnings. Revenues of \$64.2 million for the second quarter of 2003 increased by approximately 30.5% compared to the second quarter of 2002. This increase was almost entirely attributable to the \$9.3 million in revenue contribution by our newly acquired Veenendaal operation and approximately \$5.4 million in favorable currency fluctuations.

"As a percentage of net sales, the gross profit margin was 22.5% in the second quarter of 2003 versus 26.5% in the second quarter of 2002. For the first half of 2003 and 2002, gross profit margin as a percentage of sales was 25.6% for both periods. The second quarter margins were primarily impacted by the dilution of the newly acquired Veenendaal facility, the NN Arte impairment charge relative to inventories, unfavorable sales mix, and inefficiencies in both our North American and European operations.

"Also during the second quarter we have made the difficult decision to close our operations in Guadalajara, Mexico. This operation was started in September of 2000 to supply certain Mexican operations of multi-national manufacturers of office automation equipment. The majority of these customers have recently shifted their manufacturing operations to other geographic regions in the world making it unprofitable for us to continue to manufacture these products in Guadalajara, Mexico. While our losses associated with this business have been modest to date, we feel that resources could be better utilized elsewhere in our operations and have made the decision to cease manufacturing at this plant during the fourth quarter of this year and redistribute this capacity to our IMC

operations in Lubbock, Texas. We have recorded an after tax charge of approximately \$2.0 million to cover the estimated write-down of equipment and other assets to estimated fair market value as well as to cover costs associated with severance payments to our displaced employees.

"Selling, general and administrative expenses for the second quarter of 2003 declined to 9.0% as a percentage of net sales compared to 9.7% for the same period in 2002. Negatively impacting the second quarter of 2003 SG&A levels was the recording of \$321,000, or 0.5% of net sales, of non-cash compensation charges associated with a portion of employee stock options accounted for under the variable accounting method. Remaining SG&A expenses as a percentage of sales approximate 8.5%, which is within our historical target range of 8.0% to 8.5%."

Roderick R. Baty, Chairman and Chief Executive Officer, stated, "During the second quarter, we announced the completion of two significant transactions for NN, Inc. On May 2, 2003, we announced our purchase of SKF Group's 23% ownership in NN Euroball. Having previously acquired INA/FAG's 23% ownership in December 2002, this transaction concludes the joint ownership phase of the original outsourcing venture and NN now owns 100% of NN Euroball."

"Additionally, on May 2, 2003, in a separate transaction, we acquired SKF's tapered roller and metal cage manufacturing operation in Veenendaal, The Netherlands. This operation manufactures rollers for tapered roller bearings as well as metal cages for both tapered and spherical roller bearings. Veenendaal produces approximately \$48 million in annual revenues and increases our consolidated roller business to approximately 16% of our total revenues. Both products represent an expansion of our bearing component offering and enhance the value we bring to our customers as a single supply partner for a wide variety of high quality, precision components. It is important to note that both transactions were immediately accretive to net income in the second quarter."

"To finance these transactions we entered into a new \$90 million syndicated credit facility on May 1, 2003 with AmSouth Bank as the primary agent. This facility provides for a two-year revolving credit facility of up to \$30 million and a \$30 million domestic term loan as well as an approximate 26.3 Euro based term loan (approx \$30 million). The \$90 million agreement replaced an existing \$60 million syndicated credit facility also with AmSouth Bank as the primary syndicate agent. As a result of entering into this new credit facility and paying off our existing credit facility, we are recognizing a non-cash, after-tax charge of \$291,000, which represents unamortized loan costs related to the previous credit facility. In addition to providing financing for these transactions, proceeds will be used to fund periodic working capital needs."

"During the second quarter, NN also completed a public offering of 3.6 million shares of the Company's stock by a group of selling shareholders. The Company did not receive any proceeds from the sale of the shares previously held by the group of selling shareholders, however, the underwriters did exercise their over-allotment option of 533,600 additional shares, which provided the Company with net proceeds of \$5.1 million."

Mr. Baty concluded, "We feel there are opportunities to improve our profitability through the further integration of the Veenendaal operation as well as continual cost improvement programs in place throughout our operations. Including our acquisition of Veenendaal and the purchase of the SKF minority interest, we anticipate third quarter earnings to be in the range of \$0.18 to \$0.20 per diluted share on revenues of \$63 million. We also expect the 2003 full year diluted earnings per share to be in the range of \$0.80 to \$0.82 per share on revenues of approximately \$250 million. Our guidance reflects an approximate 5% reduction in light vehicle production for both Europe and North America in comparison to 2002. It also assumes no improvement in North American industrial segment demand."

#### *Adjusted Net Income and Diluted Earnings Per Share*

In accordance with generally accepted accounting principles, reported net income and diluted earnings per share include the after-tax effect of: the gain from the purchase of SKF's interest in Euroball; impairment charges related to the planned closing of NN Arte; the write-off of unamortized loan costs of the former credit facility; and the non-cash compensation charges associated with a portion of employee stock options. The

Company's management believes that by adjusting reported net income and diluted earnings per share to exclude the effects of these items, the resulting earnings better represent the operating results of the Company. The Company's management uses adjusted earnings to evaluate operating performance of consolidated business units from one period to another. The reconciliation of adjusted net income and diluted earnings per share is provided below:

	Three Months Ended June 30, 2003		Six Months Ended June 30, 2003	
	Net Income (Millions)	Diluted EPS	Net Income (Millions)	Diluted EPS
As Reported	\$7.3	\$0.44	\$10.9	\$0.69
Add:				
Restructuring and Impairment Charges	2.0	0.12	2.0	0.12
Unamortized Loan Costs	0.3	0.02	0.3	0.02
Non-cash Compensation Charges	0.2	0.01	0.2	0.01
Less:				

Gain on Purchase of Minority Interest	6.6	0.40	6.6	0.41
Adjusted	\$3.2	\$0.19	\$6.8	\$0.43
	=====	=====	=====	=====

NN, Inc. manufactures and supplies high precision bearing components consisting of balls, rollers, seals, and retainers for leading bearing manufacturers on a global basis. In addition, the company manufactures a variety of other plastic components. NN, Inc. had sales of US \$193 million in 2002.

*The comments by Mr. Baty regarding the third quarter and full year 2003 earnings are forward looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve a number of risks and uncertainties that may cause actual results to be materially different from such forward-looking statements. Such factors include, among others, general economic conditions and economic conditions in the industrial sector, competitive influences, risks that current customers will commence or increase captive production, risks of capacity underutilization, quality issues, availability of raw materials, currency and other risks associated with international trade, the Company's dependence on certain major customers, and other risk factors and cautionary statements listed from time to time in the Company's periodic reports filed with the Securities and Exchange Commission, including, but not limited to, the Company's Annual Report on 10-K for the fiscal year ended December 31, 2002.*

**(Financial Tables Follow)**

**NN, Inc.  
Income Statement  
(In Thousands, Except Per Share Amounts)  
(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Net sales	\$ 64,194	\$ 49,186	\$121,803	\$ 96,386
Cost of goods sold	49,721	36,139	92,464	71,670
Gross profit	14,473	13,047	29,339	24,716
SG&A	5,771	4,777	10,403	9,317
Depreciation / Amortization	3,482	2,767	6,560	5,620
Restructuring and impairment costs	2,723	-	2,723	78
Income from operations	2,497	5,503	9,653	9,701
Interest expense	759	609	1,343	1,140
Gain on purchase of minority interest	(6,600)	-	(6,600)	-
Other income/expense	389	(141)	310	(496)
Income before provision for taxes	7,949	5,035	14,600	9,057
Provision for taxes	512	1,840	2,984	3,345
Minority interest	140	787	675	1,454
Net income	\$ 7,297	\$ 2,408	\$ 10,941	\$ 4,258
	=====	=====	=====	=====
Diluted earnings per share	\$ 0.44	\$ 0.15	\$ 0.69	\$ 0.27
	=====	=====	=====	=====

**NN, Inc.  
Condensed Balance Sheet  
(In Thousands, Except Per Share Amounts)  
(Unaudited)**

	Consolidated 6/30/03	Consolidated 12/31/02
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,641	\$ 5,144
Accounts receivable, net	44,542	28,965
Inventories, net	33,825	23,402
Other current assets	6,779	3,901
Total current assets	89,787	61,412
Property, plant and equipment, net	105,006	88,199
Assets held for sale	1,805	2,214
Goodwill, net	53,681	42,166
Other assets	4,604	4,016
Total assets	\$ 254,883	\$ 198,007
	=====	=====
<b>Liabilities and Stockholders' Equity</b>		

Current liabilities:		
Accounts payable	\$ 36,640	\$ 23,020
Accrued wages	11,608	6,354
Income taxes payable	1,019	620
Short term portion of long term debt	9,066	7,000
Other liabilities	4,400	3,240
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Total current liabilities	62,733	40,234
Minority interest in consolidated subsidiaries	-	19,706
Deferred income taxes	9,688	9,334
Long-term debt	75,344	46,135
Other	10,130	9,319
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Total liabilities	157,895	124,728
Total stockholders' equity	96,988	73,279
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Total liabilities and stockholders' equity	\$ 254,883	\$ 198,007
	=====	=====