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

FORM 10-Q

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

For the quarterly period ended March 31, 1998

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, Tennesee 37650
(Address of principal executive offices, including Zip Code)

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

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

As of May 13, 1998, there were 14,804,271 shares of the registrant's common stock, par value $0.01 per share, outstanding.

NN Ball & Roller, Inc.

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PART I. FINANCIAL INFORMATION

NN Ball & Roller, Inc.
Condensed Statements of Income and Comprehensive Income
(Unaudited)

Thousands of Dollars, Except Share and Per Share Data	Three Months Ended March 31, 1998	Three Months Ended March 31, 1997
Net sales	$ 20,886	$ 20,319
Cost of goods sold	14,177	13,838
Gross profit	6,709	6,481
Selling, general and administrative	1,304	1,305
Depreciation	1,159	1,052
Income from operations	4,246	4,124
Interest expense	15	19
Income before provision for income taxes	4,231	4,105
Provision for income taxes	1,564	1,466
Net income	$ 2,667	$ 2,639
Other comprehensive income:		
Foreign currency translation adjustments	(261)	--
Comprehensive income	$ 2,406	$ 2,639
Net income per common share	$ 0.18	$ 0.18
Weighted average number of shares outstanding	14,804,244	14,712,638

See accompanying notes.

NN Ball & Roller, Inc.
Condensed Balance Sheets

Thousands of Dollars	March 31, 1998 (Unaudited)	December 31, 1997
Assets		
Current assets:		
Cash	$ 196	$ 366
Accounts receivable, net	16,589	12,449
Inventories, net (Note 2)	12,189	11,865
Other current assets	1,073	1,505
Total current assets	30,047	26,185
Property, plant and equipment, net	36,870	37,088
Total assets	$66,917	$63,273
Liabilities and Stockholders' Equity		
Current liabilities:		
Revolving credit facility	$ 510	$ 1,480
Accounts payable	5,014	3,662
Accrued vacation payable	612	519
Accrued bonuses payable	434	--
Deferred income	804	458
Income taxes payable	1,018	--
Other current liabilities	1,503	1,352
Total current liabilities	9,895	7,471
Deferred income taxes	2,831	2,831
Total liabilities	12,726	10,302
Total stockholders' equity	54,191	52,971
Total liabilities and stockholders' equity	$66,917	$63,273

See accompanying notes.

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

Thousands of Dollars	Common stock Number of shares	Par Value	Additional paid in capital	Retained earnings (deficit)	Accumulated other comprehensive income	Total
Balance, January 1, 1997	14,629	$ 146	$ 26,983	$21,581	$ -	$ 48,710
Net income				2,639		2,639
Dividends				(1,111)		(1,111)
Stock repurchased	(86)	--	(999)	--		(999)
Balance, March 31, 1997	14,543	$ 146	$ 25,984	$23,109	$ -	$ 49,239
Balance, January 1, 1998	14,804	$ 149	$ 27,902	$25,387	$(467)	$ 52,971
Net income				2,667		2,667
Dividends				(1,186)		(1,186)
Other comprehensive income					(261)	(261)
Balance, March 31, 1998	14,804	$ 149	$ 27,902	$26,868	$(728)	$ 54,191

See accompanying notes.

NN Ball & Roller, Inc.
Condensed Statements of Cash Flows
(Unaudited)

Thousands of Dollars	Three Months Ended March 31, 1998	1997
Operating Activities:		
Net income	$ 2,667	$ 2,639
Adjustments to reconcile net income:		
Depreciation	1,159	1,052
Changes in operating assets and liabilities:		
Accounts receivable	(4,140)	(361)
Inventories	(324)	(39)
Other current assets	432	(202)
Accounts payable	1,352	456
Income taxes payable	1,018	--
Other liabilities	1,024	1,540
Net cash provided by operations	3,188	5,085
Investing Activities:		
Acquisition of plant, property, and equipment	(941)	(822)
Other assets	--	35
Net cash used by investing activities	(941)	(787)
Financing Activities:		
Net receipts (payments) under revolving line of credit	(970)	(2,188)
Stock options exercised	--	--
Repurchase of Company's Common Stock	--	(999)
Foreign Currency Translation	(261)	--
Dividends	(1,186)	(1,111)
Net cash provided (used) by financing activities	(2,417)	(4,298)
Net Change in Cash and Cash Equivalents	(170)	--
Cash and Cash Equivalents at Beginning of Period	366	--
Cash and Cash Equivalents at Period-End	$ 196	$ --

See accompanying notes.

NN Ball & Roller, Inc.
Notes To Condensed Financial Statements

Note 1. Interim Financial Statements

The accompanying condensed financial statements of NN Ball & Roller, Inc. have not been audited by independent accountants, except for the balance sheet at December 31, 1997. In the opinion of the Company's management, the financial statements reflect all adjustments necessary to present fairly the results of operations for the three-month periods ended March 31, 1998 and 1997, the Company's financial position at March 31, 1998 and December 31, 1997, and the cash flows for the three-month periods ended March 31, 1998 and 1997. These adjustments are of a normal recurring nature and are, in the opinion of management, necessary for fair presentation of the financial position and operating results for the interim periods.

In June 1997, the FASB issued Statement No. 130 "Reporting Comprehensive Income" (FAS130) which established standards for reporting and displaying comprehensive income and its components within an entity's financial statements. FAS 130, which is effective for the Company's 1998 first quarter financial reporting, defines the components of other comprehensive income to include foreign currency translation adjustments, unrealized gains and losses on marketable securities and minimum pension adjustments. Currently, the Company's only component of comprehensive income is foreign currency translation which is presented before tax due to the Company's intention to indefinitely reinvest earnings of their subsidiary outside the United States.

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

The results for the first quarter of 1998 are not necessarily indicative of future results.

Note 2. Inventories

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

Inventories are comprised of the following (in thousands):

	March 31, 1998 (Unaudited)	December 31, 1997
Raw materials	$ 2,688	$ 2,911
Work in process	3,339	2,793
Finished goods	6,222	6,221
	12,249	11,925
Less - Reserve for excess and obsolete inventory	60	60
	$12,189	$11,865

Note 3. Net Income Per Share

Thousands of Dollars, Except Share and Per Share Data	Three Months Ended March 31, 1998	1997
Net income	$ 2,667	$ 2,639
Adjustments to net income	--	--
Net income	2,667	2,639
Basic shares outstanding	14,804,244	14,543,242
Effect of dilutive stock options	--	169,396
Dilutive shares outstanding	14,804,244	14,712,638
Basic net income per share	$ 0.18	$ 0.18
Diluted net income per share	$ 0.18	$ 0.18

Excluded from the shares outstanding at March 31, 1998 and 1997 were 426,500 and 459,600, respectively, of antidilutive options to purchase common shares at an exercise price of $11.92 to $15.50.

DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Net Sales. Net sales increased by approximately $0.6 million, or 2.9%, from $20.3 million for the first quarter of 1997 to $20.9 million for the first quarter of 1998. Foreign sales increased $ 0.3 million, or 3.1%, from $ 9.8 million in the first quarter of 1997 to $10.1 million during the first quarter of 1998. Domestic sales increased $0.2 million, or 1.9%, from $10.5 million in the first quarter of 1997 to $10.7 million in the first quarter of 1998. The increase in foreign sales was due primarily to the strengthening of European economies, offset by reduced sales to Asian customers due to the financial crisis in Asia and the impact of the continued strengthening of the U.S. dollar against world currencies.

Gross Profit. Gross profit increased $0.2 million, or 3.1%, from $6.5 million for the first quarter of 1997 to $6.7 million for the first quarter of 1998. As a percentage of net sales, gross profit increased from 31.9% in the first quarter of 1997 to 32.1% for the same period in 1998. The increase in gross profit and gross profit as a percentage of sales was due to increased sales of 2.9% and to increased operating efficiencies for the first quarter of 1998 as compared to the first quarter of 1997.

Selling, General and Administrative. Selling, general and administrative expenses of $1.3 million remained flat for both of the first quarters of 1998 and 1997. As a percentage of net sales, selling, general and administrative expenses decreased slightly from 6.4% for the first quarter of 1997 to 6.2% for the same period in 1998.

Depreciation. Depreciation expense increased from $1.1 million for the first quarter of 1997 to $1.2 million for the same period in 1998. This increase was due primarily to purchases of capital equipment related to the new Ireland facility start-up in the fourth quarter of 1997. As a percentage of net sales, depreciation expense increased slightly from 5.2% for the first quarter of 1997 to 5.5% for the same period in 1998.

Interest Expense. Interest expense decreased slightly from $19,000 in the first quarter of 1997 to $15,000 during the same period in 1998.

Net Income. Net income increased slightly by $28,000, or 1.0%, from $2.6 million for the first quarter of 1997 to $2.7 million for the same period in 1998. As a percentage of net sales, net income decreased from 13.0% in the first quarter of 1997 to 12.8% for the first quarter of 1998. This decrease in net income as a percentage of net sales was due primarily to increased depreciation and income taxes recognized in the first quarter of 1998.

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 on June 30, 2000.

Amounts outstanding under the revolving facility are unsecured and bear interest at a floating rate equal to, at the Company's option, either LIBOR plus 0.65% or the Fed Funds effective rate plus 1.5%. The loan agreement contains customary financial and operating restrictions on the Company, including covenants, restricting the Company, without First American's consent, from incurring additional indebtedness from, or pledging any of its assets to, other lenders and from disposing of a substantial portion of its assets. In addition, the Company is prohibited from declaring any dividend if a default exists under the revolving credit facility at the time of, or would occur as a result of, such declaration. The loan agreement also prohibits sales of property outside of the ordinary course of business. The loan agreement also contains customary financial covenants with respect to the Company, including a covenant that the Company's earnings will not decrease in any year by more than fifty percent of earnings in the Company's immediately preceding fiscal year. The Company, as of May 13, 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. Due to the continuing expansion of the Company's foreign sales, 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 U.S. dollar against foreign currencies could impair the ability of the Company to compete with international competitors for foreign as well as domestic sales.

Working capital, which consists principally of accounts receivable and inventories was $20.2 million at March 31, 1998 as compared to $18.7 million at December 31, 1997. The ratio of current assets to current liabilities decreased from 3.5:1 at December 31, 1997 to 3.0:1 at March 31, 1998. This decrease was due primarily to increased accounts payable, income taxes payable and other payables increases offset by inventory and accounts receivable amounts. Cash flow from operations decreased from $5.1 million during the first quarter 1997 to $3.2 million during the first quarter 1998. This decrease was primarily attributed to an increase of $4.1 million in accounts receivable for the first quarter of 1998 as compared to an increase of $361,000 for the first quarter of 1997.

During 1998, the Company plans to spend approximately $9.0 million on capital expenditures (of which $941,000 has been spent through March 31, 1998) including the purchase of additional machinery and equipment for all three of the Company's U.S. facilities as well as the new Ireland facility. The Company intends to finance these activities with cash generated from operations and funds available under the credit facility described above. The Company believes that funds generated from operations and borrowings from the credit facility will be sufficient to finance the Company's working capital needs and projected capital expenditure requirements through December 1998.

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

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

Company's business, many of which already have been discussed in this filling and in the Company's prior fillings.

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

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

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

Rapid Growth. The Company has significantly expanded its production facilities and capacity over the last several years. The Company currently is not operating at full capacity and faces risks of further 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 plant expansions.

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

Risks Associated with International Trade. Because the Company obtains a majority of its raw materials from overseas suppliers and sells to a large number of international customers, the Company faces risks associated with (i) adverse foreign currency fluctuations, (ii) changes in trade, monetary and fiscal policies, laws and regulations, and other activities of governments, agencies and similar organizations, (iii) the imposition of trade restrictions or prohibitions, (iv) the imposition of import or other changes or taxes, and (v) unstable governments or legal systems in countries in which the Company's suppliers and customers are located.

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. 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.

PART II. OTHER INFORMATION

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

(a) Exhibits

Exhibit No.
- -----------

27 * - Financial Data Schedule (For Information of SEC Only)

- ------
* Filed herewith

(b) Reports on Form 8-K: None

SIGNATURES

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

NN Ball & Roller, Inc.

(Registrant)

Date: May 13, 1998 /s/ Roderick R. Baty

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

Date: May 13, 1998 /s/ David L. Dyckman

David L. Dyckman
Chief Financial Officer and
Vice President
(Principal Financial Officer)
(Duly Authorized Officer)

Date: May 13, 1998 /s/ William C. Kelly, Jr.

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

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