NN INC
Form 10-Q/A
November 22, 2002

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

**FORM 10-Q/A**
**(Amendment No. 1 to Form 10-Q)**

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

For the quarterly period ended **June 30, 2002**

OR

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

For the transition period from _________ to _________

Commission File Number 0-23486

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

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

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

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

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

As of August, 13, 2002 there were 15,367,773 of the registrant's common stock, par value $0.01 per share, outstanding.

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**Amendment No. 1**

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its quarterly report on Form 10-Q, by restating such portions in their entirety as set forth in the pages attached hereto:

1. Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

2. Part II, Item 1, Legal Proceedings.

3. Part II, Item 6, Exhibits and Reports on Form 8-K.

Part I. FINANCIAL INFORMATION

Item 2.

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

**Results of Operations**

**Three Months Ended June 30, 2002 Compared to the Three Months Ended June 30, 2001**

*Net Sales.* Net sales increased by approximately $1.8 million, or 3.9%, from $47.4 million for the second quarter of 2001 to $49.2 million for the second quarter of 2002. By segment, sales decreased $0.5 million or 3.5% for the Company's Domestic Ball and Roller segment from $14.2 million during the second quarter of 2001 to $13.7 million for the same period in 2002. The Domestic Ball and Roller segment's sales decrease was due mainly to decreased demand for the Company's products as a result of the economic environment. Offsetting this decrease, the Plastics segment's sales increased $1.7 million or 15.7% from $10.6 million for the second quarter of 2001 to $12.3 million for the same period in 2002. The Plastics segment's sales increase was principally driven by new growth programs. Additionally, the Euroball segment's sales increased $0.7 million or 2.9% from $22.5 million for the second quarter of 2001 to $23.2 million for the same period in 2002. The Euroball segment's sales increase was principally due to favorable currency impacts.

*Gross Profit.* Gross profit increased approximately $0.9 million or 7.6%, from $12.1 million for the second quarter of 2001 to $13.0 million for the second quarter of 2002. Sales volume increases in the Euroball segment, in addition to cost reduction efforts, netted a $0.4 million increase. Additionally, improvements from IMC and NN Arte contributed $0.6 million and $0.1 million, respectively. Offsetting these increases was a $0.2 million decrease in the Domestic Ball & Roller segment due to increased insurance costs and sales volume decreases offset by cost savings associated with the closing of the South Carolina ball manufacturing facility. As a percentage of net sales, gross profit increased from 25.6% in the second quarter of 2001 to 26.5% for the same period in 2002.

*Selling, General and Administrative.* Selling, general and administrative expenses increased by approximately $0.8 million or 21.1% from $4.0 million in the second quarter of 2001 to $4.8 million in the second quarter of 2002. Advisory service expenses associated with the previously announced desire of certain original founders of the Company to liquidate their holdings in the Company's stock contributed $0.3 million of the increase. Additionally, non-cash compensation charges associated with a portion of certain employee stock options contributed $0.3 million of the increase. As a percentage of net sales, selling, general and administrative expenses increased from 8.4% for the second quarter of 2001 to 9.8% for the same period in 2002.



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*Depreciation and Amortization.* Depreciation and amortization expense decreased by approximately $0.6

million or 17.5% from $3.4 million for the second quarter of 2001 to $2.8 million for the same period in 2002. The adoption of Statement No. 142 eliminated the amortization of goodwill and contributed $0.5 million of the decrease. Additionally, the assets held for sale as a result of the closing of the Walterboro, South Carolina ball facility contributed $0.3 million of the decrease. Currency impacts accounted for $0.1 million of the increase. As a percentage of net sales, depreciation and amortization expense decreased from 7.2% in the second quarter of 2001 to 5.7% in the second quarter of 2002.

*Interest Expense.* Interest expense, decreased by approximately $0.6 million from $1.1 million in the second quarter of 2001 to $0.5 million during the same period in 2002. This was due to decreased interest rates on the Company's credit facilities as well as decreased amounts outstanding on the debt. Total debt decreased from $64.8 million at June 30, 2001 to $45.0 million at June 30, 2002. As a percentage of net sales, interest expense, decreased from 2.3% in the second quarter of 2001 to 1.1% for the same period in 2002.

*Equity in Earnings of Unconsolidated Affiliates.* Equity in earnings of unconsolidated affiliates increased from a loss of $23,000 in the second quarter of 2001 to $0 during the same period of 2002. The decrease is due to the Company's sale of its minority interest in Jiangsu General Ball & Roller Company, Ltd. effective December 21, 2001.

*Net Gain on Involuntary Conversion.* Net gain on involuntary conversion decreased $2.5 million from $2.5 million for the second quarter of 2001 to $0 for the second quarter of 2002. The Company realized a net gain on involuntary conversion of $2.5 million in the second quarter of 2001. The gain is due to insurance proceeds received over the net book value of assets destroyed in the March 12, 2000 fire at the Erwin, Tennessee facility.

*Minority Interest of Consolidated Subsidiaries.* Minority interest of consolidated subsidiaries increased $0.2 million from $0.6 million for the second quarter of 2001 to $0.8 million for the second quarter of 2002. This increase is due to increased earnings at the Company's Euroball joint venture. The Company is required to consolidate this joint venture due to its majority ownership and ability to exercise control. The Company owns 54% of the shares of Euroball. Minority interest of consolidated subsidiary represents the combined interest of the minority partners of Euroball at 46%.

*Net Income.* Net income decreased by $1.1 million or 31.3%, from $3.5 million for the second quarter of 2001 to $2.4 million for the same period in 2002. The net gain on involuntary conversion recorded during the first quarter of 2001 contributed $1.6 million of the decrease, net of tax. As a percentage of net sales, net income decreased from 7.4% in the second quarter of 2001 to 4.9% for the second quarter of 2002.

**Six Months Ended June 30, 2002 Compared to the Six Months Ended June 30, 2001**

*Net Sales.* Net sales decreased by approximately $1.2 million, or 1.2%, from $97.6 million for the first six months of 2001 to $96.4 million for the first six months of 2002. By segment, the Domestic Ball and Roller segment's sales decreased $3.1 million or 10.3% from $30.0 million for the first six months of 2001 to $26.9 million for the same period in 2002. The Euroball segment's sales decreased $3.0 million or 6.2% from $47.9 million for the first six months of 2001 to $44.9 million for the same period in 2002. These decreases in the Domestic Ball and Roller segments and the Euroball segment were due mainly to decreased demand for the Company's products as a result of the economic environment. Offsetting this decrease, the Plastics segment's sales were $4.9 million higher or 24.6%. The Plastics segment's sales increased from $19.7 million for the first six months of 2001 to $24.6 million for the same period in 2002 principally due to the acquisition of Delta (incremental $2.9 million) as well as sales increases at NN Arte (incremental $0.8 million) and at IMC (incremental $1.2 million).

*Gross Profit.* Gross profit increased approximately $0.5 million or 1.9%, from $24.3 million for the first six months of 2001 to $24.7 million for the first six months of 2002. This increase in gross profit as a percentage of sales was due primarily to cost savings associated with the closing of the South Carolina ball manufacturing facility as well as other cost reduction and containment programs initiated during 2001. During the first six months of 2002, sales volume decreases and insurance increases in the Domestic Ball and Roller segment were partially offset by cost savings associated with the closing of the South Carolina



ball manufacturing facility netting a $0.8 million decrease in gross profit. During the same period, sales volume decreases in the Euroball segment were similarly partially offset by cost reductions, netting a $0.5 million decrease in gross profit. Within the Plastics segment were improvements from IMC and NN Arte of $0.9 million and $0.4 million, respectively, while the inclusion of a full six months of Delta results in 2002 versus approximately 4.5 months in 2001 contributed $0.5 million of increases in 2002. As a percentage of net sales, gross profit increased from 24.9% in the first six months of 2001 to 25.6% for the same period in 2002.

*Selling, General and Administrative.* Selling, general and administrative expenses increased by approximately $1.2 million or 15.2% from $8.1 million in the first six months of 2001 to $9.3 million in the first six months of 2002. The acquisition of Delta contributed $0.3 million of the increase. Advisory service expenses principally associated with the previously announced desire of certain original founders of the Company to liquidate their holdings in the Company's stock contributed $0.5 million of the increase. Strategic planning and information technology initiatives at Euroball contributed $0.2 million of the increase. Additionally, non-cash compensation charges associated with a portion of the employee stock options contributed $0.3 million of the increase. As a percentage of net sales, selling, general and administrative expenses increased from 8.3% for the first six months of 2001 to 9.7% for the same period in 2002.

*Depreciation and Amortization.* Depreciation and amortization expense decreased by approximately $1.1 million or 16.1% from $6.7 million for the first six months of 2001 to $5.6 million for the same period in 2002. The adoption of Statement No. 142 eliminated the amortization of goodwill and contributed $0.9 million of the decrease. Additionally, the assets held for sale as a result of the closing of the Walterboro, South Carolina ball facility, which are no longer depreciated, contributed $0.6 million of the decrease. This was offset in part by a full six months of Delta in 2002 as compared to 4.5 months in 2001 due to the February 2001 acquisition, which resulted in a $0.1 million increase. As a percentage of net sales, depreciation and amortization expense decreased from 6.9% in the first six months of 2001 to 5.8% for the same period in 2002.

*Restructuring costs.* The Company recorded a restructuring charge of $0.1 million in the first six months of 2002, all of which was recorded in the first quarter of 2002. The restructuring costs principally pertain to the Company's decision and announcement to close the Walterboro, South Carolina ball facility in 2001. The $0.1 million charge primarily represents the accrual for additional severance costs related to the closing of this facility. As a percentage, restructuring costs represent 0.1% of net sales in the first six months of 2002. There were no charges during the first six months of 2001.

*Interest Expense.* Interest expense, decreased by approximately $1.2 million from $2.3 million in the first six months of 2001 to $1.1 million during the same period in 2002. This was due to decreased interest rates on the Company's credit facilities as well as decreased amounts outstanding on the debt. Total debt decreased from $64.8 million at June 30, 2001 to $45.0 million at June 30, 2002. As a percentage of net sales, interest expense decreased from 2.4% in the first six months of 2001 to 1.2% for the same period in 2002.

*Equity in Earnings of Unconsolidated Affiliates.* Equity in earnings of unconsolidated affiliates decreased from earnings of $26,000 in the first six months of 2001 to $0 during the same period of 2002. The decrease is due to the Company's sale of its minority interest in Jiangsu General Ball & Roller Company, Ltd. effective December 21, 2001.

*Net Gain on Involuntary Conversion.* Net gain on involuntary conversion decreased $2.5 million from $2.5 million for the first six months of 2001 to $0 for the first six months of 2002. The Company realized a net gain on involuntary conversion of $2.5 million in the second quarter of 2001. The gain is due to insurance proceeds over the net book value of assets destroyed in the March 12, 2000 fire at the Erwin, Tennessee facility.

*Minority Interest of Consolidated Subsidiaries.* Minority interest of consolidated subsidiaries increased $0.4 million from $1.1 million for the first six months of 2001 to $1.5 million for the first six months of 2002. This increase is due to increased earnings at the Company's Euroball joint venture. The Company is required to consolidate this joint venture due to its majority ownership and ability to exercise control. The



Company owns 54% of the shares of Euroball. Minority interest of consolidated subsidiary represents the combined interest of the minority partners of Euroball at 46%.

*Net Income.* Net income decreased by $0.7 million or 14.0%, from $5.0 million for the first six months of 2001 to $4.3 million for the same period in 2002. The net gain on involuntary conversion recorded during the first quarter of 2001 contributed $1.6 million of the decrease, net of tax. As a percentage of net sales, net income decreased from 5.1% in the first six months of 2001 to 4.4% for the first six months of 2002.

**Liquidity and Capital Resources**

The Company has a $25 million senior non-secured revolving credit facility with AmSouth Bank ("AmSouth"), as the administrative agent for the lenders, expiring on July 25, 2003 and a senior non-secured term loan for $35 million expiring on

July 1, 2006. Amounts outstanding under the revolving facility and the term loan facility bear interest at a floating rate equal to LIBOR (1.86% at June 30, 2002) plus an applicable margin of 0.75% to 2.00% based upon calculated financial ratios. The loan agreement contains customary financial and non-financial covenants. Such covenants specify that the Company must maintain a minimum fixed charge coverage ratio, a minimum funded indebtedness to EBITDA ratio and a maximum funded indebtedness to capitalization ratio and limits the amount of capital expenditures we may make in any fiscal year. The loan agreement also contains customary restrictions on, among other things, additional indebtedness, liens on our assets, sales or transfers of assets, investments, restricted payments (including payment of dividends and stock repurchases), issuance of equity securities, and mergers, acquisitions and other fundamental changes in our business. The Company was in compliance with all such covenants as of June 30, 2002. Amounts available for borrowing under this term loan facility will be reduced by $7.0 million per annum and the facility will expire on July 1, 2006. On July 12, 2002, the Company amended its U.S. credit facility to convert the term loan portion into a reducing revolving credit line providing initial availability equivalent to the balance of the term loan prior to the amendment. Amounts available for borrowing under this facility will be reduced by $7.0 million per annum and the facility will expire on July 1, 2006. Additionally, on July 31, 2002, the Company amended the credit facility again to extend the $25 million senior non-secured revolving credit facility to July 25, 2004.

In July 2000, NN Euroball ApS, and its subsidiaries entered into a senior secured revolving credit facility of Euro 5.0 million, expiring on July 15, 2006 and a senior secured term loan of Euro 36.0 million, expiring on July 15, 2006 with HypoVereinsbank Luxembourg S.A. as agent for Bayerische Hypo-und Vereinsbank AG of Munich, Germany. On July 31, 2000, upon closing of the joint venture, NN Euroball ApS borrowed a total of Euro 31.5 million against these facilities for acquisition financing. Additional working capital and capital expenditure financing are provided for under the facility. Amounts outstanding under the facilities accrue interest at a floating rate equal to EURIBOR (3.44% at June 30, 2002) plus an applicable margin of 1.125% to 2.25% based upon calculated financial ratios. The loan agreement contains various restrictive covenants that specify, among other things, restrictions on the incurrence of indebtedness and the maintenance of certain financial ratios. These facilities also include certain negative pledges. Euroball was in compliance with all such covenants as of June 30, 2002.

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 generally provide that payments are due within 90 to 120 days following the date of shipment. The Company's net sales and receivables can be influenced by seasonality due to the Company's relative percentage of European business coupled with many foreign customers ceasing or significantly slowing production during the month of August.

The Company bills and receives payment from some of its foreign customers in Euro or other currencies. To date, the Company has not been materially adversely affected by currency fluctuations or foreign exchange restrictions. To manage risks associated with currency fluctuations and foreign exchange restrictions, the Company has strategies in place, including a hedging program, which allows management to hedge foreign currencies when exposures reach certain levels. However, the Company has not entered into any currency hedges in 2001 or during the current year. 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 $15.7 million at June 30, 2002 as compared to $17.9 million at December 31, 2001. The ratio of current assets to current liabilities decreased from 1.47:1 at December 31, 2001 to 1.34:1 at June 30, 2002. Cash flow from operations increased from $13.1 million during the six months of 2001 to $15.0 million during the first six months of 2002.

During 2002, the Company plans to spend approximately $6.8 million on capital expenditures (of which approximately $1.8 million has been spent through June 30, 2002) including the purchase of additional machinery and equipment for all of the Company's domestic and international ball facilities. The Company intends to finance these activities with cash generated from operations and funds available under the credit facilities described above. The Company believes that funds generated from operations and borrowings from the credit facilities will be sufficient to finance the Company's working capital needs and projected capital expenditure requirements through at least December 2002.

In addition, FAG and SKF have the right to require the Company to purchase their interests in Euroball beginning in January 2003, based on a formula using Euroball's historical net income and cash flow. As a result, the exact amount of the purchase price cannot be determined until the put right is exercised. The Company anticipates that if such purchase becomes necessary, it may need to borrow additional funds.

**The Euro**

The Company currently has operations in Italy, Germany and Ireland, all of which are Euro participating countries, and sells product to customers in many of the participating countries. The Euro has been adopted as the functional currency at these locations.

**Seasonality and Fluctuation in Results of Operations**

The Company's net sales historically have been of a seasonal nature, and as foreign sales have increased as a percentage of total sales, seasonality has become a more significant factor for the Company in that many foreign customers cease production during the month of August.

**Inflation and Changes in Prices**

While the Company's operations have not been affected by inflation during recent years, prices for 52100 chrome steel and other raw materials are subject to change. For example, during 1995, due to an increase in worldwide demand for 52100 chrome 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 chrome steel and some difficulty in obtaining an adequate supply of 52100 chrome steel from its existing suppliers. In our U.S. operations, the Company's typical 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 chrome steel price increases by taking such measures.

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

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

The following paragraphs discuss the risk factors the Company regards as the most significant as of the date of this report. 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.



*The demand for the Company's products is cyclical, which could adversely impact its revenues*. The end markets for fully assembled bearings are cyclical and tend to decline in response to overall declines in industrial production. As a result, the market for bearing components is also cyclical and impacted by overall levels of industrial production. The Company's sales in the past have been negatively affected, and in the future very likely will be negatively affected, by adverse conditions in the industrial production sector of the economy or by adverse global or national economic conditions generally.

*The Company depends on a very limited number of foreign sources for its primary raw material and is subject to risks of shortages and price fluctuation.* The steel that the Company uses to manufacture precision balls and rollers is of an extremely high quality and is available from a limited number of producers on a global basis. Due to quality constraints in the U.S. steel industry, the Company obtains substantially all of the steel used in its U.S. ball and roller production from overseas suppliers. If the Company had to obtain steel from sources other than its current suppliers, particularly in the case of its European operations, it could face higher prices and transportation costs, increased duties or taxes, and shortages of steel. Problems in obtaining steel, and particularly 52100 chrome steel, in the quantities that it requires and on commercially reasonable terms, could increase our costs, negatively impact our ability to operate our business efficiently and have a material adverse effect on the operating and financial results of the Company.

*The Company operates in and sells products to customers outside of the U.S. and is subject to several related risks.* Because the Company obtains a majority of its raw materials from overseas suppliers, actively participates in overseas manufacturing operations and sells to a large number of international customers, it faces risks associated with the following:

- adverse foreign currency fluctuations;
- changes in trade, monetary and fiscal policies, laws and regulations, and other activities of governments, agencies and similar organizations;
- the imposition of trade restrictions or prohibitions;
- high tax rates that discourage the repatriation of funds to the U.S.;

- the imposition of import or other duties or taxes; and
- unstable governments or legal systems in countries in which our suppliers, manufacturing operations, and customers are located.

The Company does not have a hedging program in place to help limit the risk associated with consolidating the operating results of our foreign businesses into U.S. dollars. An increase in the value of the U.S. dollar and/or the Euro related to other currencies may adversely affect its ability to compete with its foreign-based competitors for international, as well as domestic, sales. Also, a decline in the value of the Euro relative to the U.S. dollar will negatively impact the Company's consolidated financial results, which are denominated in U.S. dollars.

In addition, due to the typical slower summer manufacturing season in Europe, we expect that revenues in the third fiscal quarter will reflect lower sales, as our sales to foreign customers have increased as a percentage of net sales.

*The Company is heavily dependent on a relatively few number of customers and the loss of any major customer would have a material adverse effect on its business.* Sales to various U.S. and foreign divisions of SKF, which is one of the largest bearing manufacturers in the world, accounted for approximately 35% of net sales in 2001, and sales to INA/FAG accounted for approximately 19% of net sales. During 2001, the Company's ten largest customers accounted for approximately 73% of its consolidated net sales. None of the Company's other customers accounted for more than 5% of its net sales for 2001. The loss of all or a substantial portion of sales to these customers would have a material adverse effect on our financial position, results of operations and cash flows.



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*The costs and difficulties of integrating acquired businesses could impede the Company's future growth.*

The Company cannot give assurances that any future acquisition will enhance its financial performance. The Company's ability to effectively integrate any future acquisitions will depend on, among other things, the adequacy of its implementation plans, the ability of its management to oversee and operate effectively the combined operations and its ability to achieve desired operating efficiencies and sales goals. If the Company is not able to integrate the operations of acquired companies successfully into its business, the Company's future earnings and profitability could be materially and adversely affected.

*The Company may not be able to continue to make the acquisitions necessary for it to realize its growth strategy.* Acquiring businesses that complement or expand the Company's operations has been and continues to be an important element of its business strategy. This strategy calls for growth through acquisitions constituting approximately two-thirds of our future growth, with the remainder resulting from internal growth and market penetration. The Company bought its plastic bearing component business in 1999, formed Euroball in 2000 and acquired its bearing seal operations in 2001. The Company cannot give assurances that it will be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms in the future. In addition, the Company may borrow funds to acquire other businesses, increasing its interest expense and debt levels. The Company's inability to acquire businesses, or to operate them profitably once acquired, could have a material adverse effect on its business, financial position, results of operations and cash flows.

*The Company's growth strategy depends on outsourcing, and if the industry trend toward outsourcing does not continue, its business could be adversely affected.* The Company's growth strategy depends in significant part on major bearing manufacturers continuing to outsource components, and expanding the number of components being outsourced. This requires manufacturers to depart significantly from their traditional methods of operations. If major bearing manufacturers do not continue to expand outsourcing efforts or determine to reduce their use of outsourcing, our ability to grow our business could be materially adversely affected.

*The Company's markets are highly competitive.* The global market for bearing components is highly competitive with a majority of production represented by the captive production operations of certain large bearing manufacturers and the balance represented by independent manufacturers. Captive manufacturers make components for internal use and sale to third parties. All of the captive manufacturers, and many independent manufacturers, are significantly larger and have greater resources than the Company does. 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 the Company is able to keep pace with such quality improvements in a cost effective manner.

*The production capacity that the Company has added over the last several years has at times resulted in its having more capacity than it needs, causing its operating costs to be higher than expected.* The Company has significantly expanded its ball and roller production facilities and capacity over the last several years. During 1997, it built an additional manufacturing plant in Kilkenny, Ireland, and it continued this expansion in 2000 through the formation of Euroball with SKF and INA/FAG. The Company's ball and roller facilities currently are not operating at full capacity and its results of operations for 2001 were adversely affected by the under-utilization of its production facilities, and it faces risks of further under-utilization or inefficient utilization of its production facilities in future years.

**Part II. Other Information**

**Item 1. Legal Proceedings**

The Company is involved in various legal proceedings that 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 6. Exhibits and Reports on Form 8-K.**

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

10.1 Amendment No. 3 dated July 31, 2002 to Credit Agreement among NN, Inc.,as the Borrower, the Lenders identified therein, Bank One, Kentucky, NA, as Co-Agent, and AmSouth Bank as Administrative Agent (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q filed August 13, 2002).

10.2 Amendment No. 2 dated July 12, 2002 to Credit Agreement among NN, Inc. as the Borrower, the Lenders identified therein, Bank One, Kentucky, NA, as Co-Agent, and AmSouth Bank, as Administrative Agent (incorporated by reference to Exhibit 10.9 of the Company's Registration Statement on Form S-3/A filed July 15, 2002).

99.1 Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

The Company filed a Form 8-K on June 7, 2002 announcing it filed a registration statement with the Securities and Exchange Commission on June 6, 2002.



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.

Date: November 22, 2002

/s/ William C. Kelly, Jr.

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

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CERTIFICATIONS

I, Roderick R. Baty, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of NN, Inc.; and

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.

[Item 3 omitted because financial statements are neither contained nor amended in this report. Items 4, 5 and 6 omitted pursuant to the transition provisions of Release No. 34-46427.]

Date: November 22, 2002

/s/ Roderick R. Baty
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Roderick R. Baty
Chairman, President and Chief
Executive Officer

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I, David L. Dyckman, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of NN, Inc.; and

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.

[Item 3 omitted because financial statements are neither contained nor amended in this report. Items 4, 5 and 6 omitted pursuant to the transition provisions of Release No. 34-46427.]

Date: November 22, 2002

/s/ David L. Dyckman
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David L. Dyckman
Chief Financial Officer

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