

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2004
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

(State or other jurisdiction of
incorporation or organization)

62-1096725

(I.R.S. Employer
Identification No.)

2000 Waters Edge Drive
Johnson City, Tennessee

(Address of principal executive offices)

37604

(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 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.

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares of the registrant's common stock outstanding on March
9, 2005 was 16,885,913.

The aggregate market value of the voting stock held by non-affiliates of
the registrant at March 9, 2005, based on the closing price on the NASDAQ
National Market System on that date was approximately \$123,917,374.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement with respect to the 2005 Annual Meeting of
Stockholders are incorporated by reference in Part III of this Form 10-K.

PART I

Item 1. Business Overview

NN, Inc. manufactures and supplies high precision bearing components, consisting
of balls, cylindrical rollers, tapered rollers, seals, and plastic and metal
retainers, for leading bearing manufacturers on a global basis. We are a leading
independent manufacturer of precision steel bearing balls for the North American
and European markets. In 1998, we began implementing a strategic plan designed
to position us as a worldwide supplier of a broad line of bearing components and
other precision plastic components. Through a series of acquisitions executed as
part of that plan, we have built on our strong core ball business and expanded
our bearing component product offering. Today, we offer among the industry's
most complete line of commercially available bearing components. We emphasize
engineered products that take advantage of our competencies in product design
and tight tolerance manufacturing processes. Our bearing customers use our
components in fully assembled ball and roller bearings, which serve a wide
variety of industrial applications in the transportation, electrical,
agricultural, construction, machinery, mining and aerospace markets. As used in
this Annual Report on Form 10-K, the terms "NN", "the Company", "we", "our", or

"us" mean NN, Inc. and its subsidiaries.

For managerial and financial analysis purposes, management views the Company's operation in three segments: the domestic ball and roller operations of Erwin, Tennessee and Mountain City, Tennessee, also includes costs related to our start-up operation in China and corporate office costs, ("Domestic Ball and Roller Segment"), the European facilities of Kilkenny, Ireland, Eltmann, Germany, Pinerolo, Italy, Veenendaal, The Netherlands and Kysucke Nove Mesto, Slovakia ("NN Europe Segment" or "NN Europe") and the operations of Industrial Molding Corporation ("IMC") and The Delta Rubber Company ("Delta") (collectively "Plastic and Rubber Components Segment"). On March 12, 2004 we changed the name of our primary European entity from NN Euroball, ApS to NN Europe ApS. To avoid confusion between the entity and the segment, we will refer to the segment as the NN Europe Segment and the entity as NN Europe. Financial information about the Domestic Ball and Roller Segment, the NN Europe Segment and the Plastic and Rubber Components Segment is set forth in Note 11 of the Notes to Consolidated Financial Statements.

Recent Developments

On May 2, 2003, we acquired the 23 percent interest in NN Europe, ApS ("NN Europe") held by AB SKF ("SKF"). NN Europe was formed in 2000 by the Company, FAG Kugelfischer George Schaefer AG, which was subsequently acquired by INA - Schaeffler KG (collectively, "INA"), and AB SKF ("SKF"). SKF is a global bearing manufacturer and one of our largest customers. We paid approximately 13.8 million Euros (\$15.6 million) for SKF's interest in NN Europe. Following the closing of the transaction, we own 100 percent of the outstanding shares of NN Europe.

On May 2, 2003 we acquired 100 percent of the tapered roller and metal cage manufacturing operation of SKF in Veenendaal, The Netherlands. The results of Veenendaal's operations have been included in the consolidated financial statements since that date. We paid consideration of approximately 23.0 million Euros (\$25.7 million) and incurred other costs of approximately \$1.0 million, for the Veenendaal net assets acquired from SKF. The Veenendaal operation manufactures rollers for tapered roller bearings and metal cages for both tapered roller and spherical roller bearings allowing us to expand our bearing component offering. The financial results of the Veenendaal operation are included in the NN Europe Segment.

On October 9, 2003, we acquired certain assets comprised of land, building and machinery and equipment of the precision ball operations of KLF - Gulickaren ("KLF"), based in Kysucke Nove Mesto, Slovakia. We paid consideration of approximately 1.7 million Euros (\$2.0 million). The assets are being utilized by our wholly-owned subsidiary AKMCH ("NN Slovakia") based in Kysucke Nove Mesto, Slovakia, which began production in June 2004. The financial results of the operations are included in our NN Europe Segment.

During 2004 we formed a wholly owned subsidiary, NN Precision Bearing Products Company, LTD, ("NN Asia"). This subsidiary, which is expected to begin production of precision balls during the second half of 2005, will be located in the Kunshan Economic and Technology Development Zone, Jiangsu, The People's Republic of China and is a component of our strategy to globally expand our manufacturing base. The costs incurred as a result of this start-up are included in our Domestic Ball and Roller Segment.

Corporate Information

NN, originally organized in October 1980, is incorporated in Delaware, with our principal executive offices located at 2000 Water's Edge Drive, Johnson City, Tennessee 37604 and our telephone number is (423) 743-9151. Our web site address is www.nnbr.com. Information contained on our web site is not part of this Annual Report. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments thereto are available on our web site under "Investor Relations."

Products

Precision Steel Balls. At our Domestic Ball and Roller Segment facilities and our NN Europe Segment facilities, we manufacture and sell high quality, precision steel balls in sizes ranging in diameter from 1/8 of an inch to 12 1/2 inches. We produce and sell balls in grades ranging from grade 3 to grade 1000, as established by the American Bearing Manufacturers Association. 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 3 balls are manufactured to within three-millionths of an inch of roundness and grade 50 rollers are manufactured to within fifty-millionths of an inch of roundness. Our steel balls are used primarily by manufacturers of anti-friction bearings where precise spherical, tolerance and surface finish accuracies are required. At our Domestic Ball and Roller Segment, sales of steel balls accounted for approximately 86%, 86% and 88% of the segment's net sales in 2004, 2003 and 2002 respectively. At our NN Europe Segment, sales of steel balls accounted for approximately 68%, 76%, and 100% of the segment's net sales in 2004, 2003 and 2002, respectively.

Steel Rollers. We manufacture cylindrical rollers at our Erwin, Tennessee facility. These cylindrical rollers are produced in a wide variety of sizes, ranging from grade 50 to grade 1000. Rollers are used in place of balls in anti-friction bearings that are subjected to heavy load conditions. Our roller products are used primarily for applications similar to those of our ball product lines, plus certain non-bearing applications such as hydraulic pumps and motors. We manufacture tapered rollers at our Veenendaal, The Netherlands facility. These tapered rollers are used in tapered roller bearings that are used in a variety of applications including automotive gearbox applications, automotive wheel bearings and a wide variety of industrial applications.

Bearing Seals. At our Plastic and Rubber Components Segments Danielson, CT facility, we manufacture and sell a wide range of precision bearing seals produced through a variety of compression and injection molding processes and adhesion technologies to create rubber-to-metal bonded bearing seals. The seals are used in applications for automotive, industrial, agricultural, mining and aerospace markets.

Retainers: We manufacture and sell precision metal and plastic retainers for ball and roller bearings used in a wide variety of industrial applications. Retainers are used to separate and space balls or rollers within a fully assembled bearing. We manufacture plastic retainers at our Lubbock, Texas facility and metal retainers at our Veenendaal, The Netherlands facility.

Precision Plastic Components. At our Plastic and Rubber Components Segments Lubbock, TX facility, we also manufacture and sell a wide range of specialized plastic products including automotive under-the-hood components, electronic instrument cases and precision electronic connectors and lenses, as well as a variety of other specialized parts.

Research and Development. The amounts spent on research and development activities by us during each of the last three fiscal years are not material. Amounts spent are expensed as incurred.

Customers

Our bearing component products are supplied primarily to bearing manufacturers for use in a broad range of industrial applications, including transportation, electrical, agricultural, construction, machinery, mining and aerospace. We supply over 500 customers; however, our top 10 customers account for approximately 81% of our revenue. These top 10 customers include SKF, INA, Timken, GKN, SNR, Iljin, Delphi, Koyo, NTN and FTE. In 2004, 29% of our products were sold to customers in North America, 60% to customers in Europe, and the remaining 11% to customers located throughout the rest of the world, primarily Asia. Sales to various U.S. and foreign divisions of SKF accounted for approximately 48% of net sales in 2004 and sales to INA accounted for approximately 14% of net sales in 2004, demonstrating our long-term, strategic relationships with these key customers. These gains are directly attributed to the success of NN Europe, Veenendaal and our efforts to develop a closer partnering relationship with our global bearing customers. Sales to various divisions of the Timken Co. accounted for approximately 6% of net sales in 2004. None of our other customers accounted for more than 5% of our net sales in 2004.

Certain customers have contracted to purchase all or a majority of their bearing component requirements from us, although only a few are contractually obligated to purchase any specific amounts. While firm orders are generally received on a monthly basis, we are normally aware of future order levels well in advance of the placement of a firm order. For our Domestic Ball and Roller Segment, we maintain a computerized, bar coded inventory management system with most of our major customers that enables us to determine on a day-to-day basis the amount of these components remaining in a customer's inventory. When such inventories fall below certain levels, we automatically ship additional product.

NN Europe has entered into six-year supply agreements with SKF and INA providing for the purchase of NN Europe products in amounts and at prices that are subject to adjustment on an annual basis. The agreements contain provisions obligating NN Europe to maintain specified quality standards and comply with various ordering and delivery procedures, as well as other customary provisions. SKF may terminate its agreement if, among other things, NN Europe acquires or becomes acquired by a competitor of SKF. INA may terminate its agreement if, among other things, NN Europe assigns its rights under the agreement, whether voluntarily or by operation of law. These agreements expire May 31, 2006.

Veenendaal has entered into a five-year supply agreement with SKF providing for the purchase of Veenendaal products in amounts and at prices that are subject to adjustment on an annual basis. The agreement contains provisions obligating Veenendaal to maintain specified quality standards and comply with various ordering and delivery procedures, as well as other customary provisions. This agreement expires during 2008.

We ordinarily ship our products directly to customers within 60 days, and in some cases, during the same calendar month, of the date on which a sales order is placed. Accordingly, we generally have an insignificant amount of open (backlog) orders from customers at month end. Certain of our customers have entered into contracts with us pursuant to which they have agreed to purchase all of their requirements of specified balls and rollers and plastic molded products from us, although only a few are contractually obligated to purchase any specific amounts. Certain agreements are in effect with some of our largest customers, which provide for targeted, annual price adjustments that may be offset by material cost fluctuations.

During 2004, the Domestic Ball and Roller Segment sold its products to more than 250 customers located in more than 25 different countries. Approximately 55% of the Domestic Ball and Roller Segment net sales in 2004 were to customers outside the United States. Sales to the Domestic Ball & Roller Segment's top ten customers accounted for approximately 74% of the segment's net sales in 2004. Sales to SKF and INA accounted for approximately 25% and 18%, respectively, of the segment's net sales in 2004.

During 2004, the NN Europe Segment sold its products to more than 70 customers located in more than 30 different countries. Approximately 89% of its net sales in 2004 were to customers within Europe. Sales to the segment's top ten customers accounted for approximately 95% of the segment's net sales in 2004. Sales to SKF and INA accounted for approximately 66% and 16% of the segment's net sales in 2004, respectively. Sales to SKF and INA are made pursuant to the terms of supply agreements which expire in 2006 and 2008.

During 2004, the Plastic and Rubber Components Segment sold its products to more than 100 customers located in more than 10 different countries. Approximately 11% of the Plastic and Rubber Components Segment net sales were to customers outside the United States. Sales to the segment's top ten customers accounted for approximately 68% of the Plastics Segment's net sales in 2004.

See Note 11 of the Notes to Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations" for additional segment financial information. In both the foreign and domestic markets, the Company principally sells its products directly to manufacturers and not to distributors.

The following table presents a breakdown of our net sales for fiscal years 2002 through 2004:

(In Thousands)

	2004	2003	2002
Domestic Ball and Roller Segment	\$ 58,435	\$ 55,437	\$ 52,634
	19.2%	21.9%	27.3%
NN Europe Segment	193,930	147,127	90,653
	63.8%	58.0%	47.0%
Plastic and Rubber Components Segment	51,724	50,898	49,569
	17.0%	20.1%	25.7%
Total	\$304,089	\$253,462	\$192,856
	100%	100%	100%

Sales and Marketing

A primary emphasis of our marketing strategy is to expand key customer relationships by offering them the value of a single supply chain partner for a wide variety of components. As a result, we have progressed toward integrating our sales organization on a global basis across all of our product lines. Our sales organization includes nine direct sales and twelve customer service representatives. Due to the technical nature of many of our products, our engineers and manufacturing management personnel also provide technical sales support functions, while internal sales employees handle customer orders and other general sales support activities.

Our bearing component marketing strategy focuses on increasing our outsourcing relationships with global bearing manufacturers that maintain captive bearing component manufacturing operations. Our marketing strategy for our other precision plastic products is to offer custom manufactured, high quality, precision parts to niche markets with high value-added characteristics at competitive price levels. This strategy focuses on relationships with key customers that require the production of technically difficult parts, enabling us to take advantage of our strengths in custom product development, tool design, and precision molding processes.

As shown in the chart below, the addition of the plastic and metal retainer, tapered roller and seal product lines have further enhanced many of our key customer relationships, making us a more complete and integrated supplier of bearing component parts.

Name	Country	Description	Products		
			Balls & Rollers	Seals	Retainers
SKF	Sweden	Global bearing manufacturer	X	X	X
INA	Germany	Global bearing manufacturer	X	X	X
NTN	Japan	Global bearing manufacturer	X	X	X
SNR	France	Global bearing manufacturer	X		
Timken	USA	Global bearing manufacturer	X	X	X
Delphi	USA	Automotive component supplier	X	X	X
Iljin	Korea	Global bearing manufacturer	X		
NSK	Japan	Global bearing manufacturer	X		X
Koyo	Japan	Global bearing manufacturer	X	X	X
GKN	Germany	Global bearing manufacturer	X		

Our arrangements with our domestic customers typically provide that payments are due within 30 days following the date of shipment of goods. With respect to foreign customers, payments generally are due within 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 our Domestic Ball and Roller Segment's inventory management program, sales are recorded when the customer uses the product. See "Business -- Customers" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Manufacturing Process

We have become a leading independent bearing component manufacturer through exceptional service and high quality manufacturing processes and are recognized throughout the industry as a low-cost producer. Because our ball and roller manufacturing processes incorporate the use of standardized tooling, load sizes, and process technology, we are able to produce large volumes of products while maintaining high quality standards.

The key to our low-cost, high quality production of seals and retainers is the incorporation of customized engineering into our manufacturing processes, metal to rubber bonding competency and experience with a broad range of engineered resins. This design process includes the testing and quality assessment of each product.

Employees

As of December 31, 2004, we employed a total of 1,747 full-time employees. Our Domestic Ball and Roller Segment employed 288 workers, the NN Europe Segment employed 1,025 workers, our Plastic and Rubber Components Segment employed 426 workers, and there were 8 employees at the Company's corporate headquarters. Of our total employment, 17% are management/staff employees and 83% are production employees. We believe we are able to attract and retain high quality employees because of our quality reputation, technical expertise, history of financial and operating stability, attractive employee benefit programs, and our progressive, employee-friendly working environment. Only the employees in the Eltmann, Germany, Pinerolo, Italy, and Veenendaal, The Netherlands plants are unionized and we have never experienced any involuntary work stoppages. We consider our relations with our employees to be excellent.

Competition

The precision ball and roller and metal retainer industry is intensely competitive, and many of our competitors have greater financial resources than we do. Our primary domestic competitor is Hoover Precision Products, Inc., a division of Tsubakimoto Precision Products Co. Ltd. Our primary foreign competitors are Amatsuji Steel Ball Manufacturing Company, Ltd. and Tsubakimoto Precision Products Co. Ltd.

We believe that competition within the precision ball, roller and metal retainer market is based principally on quality, price and the ability to consistently meet customer delivery requirements. Management believes that our competitive strengths are our precision manufacturing capabilities, our reputation for consistent quality and reliability, and the productivity of our workforce.

The markets for the Plastic and Rubber Components Segment's products are also intensely competitive. Since the plastic injection molding industry is currently very fragmented, IMC must compete with numerous companies in each of its marketing segments. Many of these companies have substantially greater financial resources than we do and many currently offer competing products nationally and internationally. IMC's primary competitor in the bearing retainer segment is Nakanishi Manufacturing Corporation. Domestically, Nypro, Inc. and Key Plastics are the main competitors in the automotive segment.

We believe that competition within the plastic injection molding industry is based principally on quality, price, design capabilities and speed of responsiveness and delivery. Management believes that IMC's competitive strengths are product development, tool design, fabrication, and tight tolerance molding processes. With these strengths, IMC has built its reputation in the marketplace as a quality producer of technically difficult products.

While intensely competitive, the markets for Delta's products are less fragmented than IMC. The bearing seal market is comprised of approximately six major competitors that range from small privately held companies to Fortune 500 global enterprises. Bearing seal manufacturers compete on design, service, quality and price. Delta's primary competitors in the United States bearing seal market are Freudenburg-NOK, Chicago Rawhide Industries (an SKF subsidiary), Trostel, and Uchiyama.

Raw Materials

The primary raw material used in our Domestic Ball and Roller Segment and NN Europe Segment is 52100 Steel. During 2004, approximately 98% and 99% of the steel used by these two segments, respectively, was 52100 Steel in rod and wire form. Our other steel requirements include type 440C stainless steel and type S2 rock bit steel.

The Domestic Ball and Roller Segment purchases substantially all of its 52100 Steel requirements from foreign mills in Europe and Japan because of the lack of domestic producers of such steel in the form we require. The principal suppliers of 52100 Steel to the Domestic Ball and Roller Segment are Daido Steel Inc. (America), Shinsho Steel America, Lucchini USA Inc. (affiliate of Ascometal France) and Ohio Star Forge Co. The NN Europe Segment purchases all of its 52100 Steel requirements from European mills. The principal supplier of 52100 Steel to the NN Europe Segment is Ascometal France (See Note 14 of the Notes to Consolidated Financial Statements). Our other steel requirements are purchased principally from foreign steel manufacturers. There are a limited number of suppliers of the 52100 Steel that we use in our Domestic Ball and Roller and NN Europe Segments. We believe that if any of our current suppliers were unable to supply 52100 Steel to us, we would be able to obtain our 52100 Steel requirements from alternate sources. We cannot provide assurances that we would not face higher costs or production interruptions as a result of obtaining 52100 Steel from alternate sources.

We purchase steel on the basis of price and, more significantly, composition and quality. The pricing arrangements with our suppliers are typically subject to adjustment once every three to six months for the Domestic Ball and Roller Segment. Steel pricing is contractually adjusted on an annual basis within the NN Europe Segment. For the NN Europe Segment scrap surcharges are adjusted quarterly based upon market activity in the preceding quarter. In general, we do not enter into written supply agreements with suppliers or commit to maintain minimum monthly purchases of steel except for the supply arrangements between Ascometal and NN Europe (see Note 14 of the Notes to Consolidated Financial Statements). For the Domestic Ball and Roller and NN Europe Segments, the average price of 52100 Steel increased approximately 9.8% in 2004, increased approximately 3.5% in 2003, and increased approximately 2.5% in 2002.

Because 52100 Steel is principally produced by foreign manufacturers, the Company's operating results would be negatively affected in the event that the U.S. or European governments impose any significant quotas, tariffs or other duties or restrictions on the import of such steel, if the U.S. dollar decreases in value relative to foreign currencies or if supplies available to us would significantly decrease. On March 6, 2002, the U.S. government adopted legislation that imposed certain tariffs on the import of certain foreign produced steel into the United States. Because the vast majority of the 52100 Steel we use was exempted from these recent U.S. tariffs on imported steel, we were not materially affected by related import regulations.

The price of steel has risen over the last twelve to eighteen months with the potential for 2005 prices to reflect even greater increases. The increase is principally due to general increases in global demand and, more recently, due to China's increased consumption of steel. This has had the impact of increasing steel prices we pay in procuring our steel in the form of higher unit prices and scrap surcharges and could adversely impact the availability of steel. Our contracts with key customers allow us to pass a majority of the steel price increases on to those customers. However, for our NN Europe Segment, material price changes in any given year are typically passed along with price adjustments in January of the following year. Until the current increases can be passed through to our customers, income from operations, net income and cash flow from operations will be adversely affected.

The primary raw materials used by IMC are engineered resins. Injection grade nylon is utilized in bearing retainers, gears, automotive and other industrial products. We purchase substantially all of our resin requirements from domestic manufacturers and suppliers. The majority of these suppliers are international companies with resin manufacturing facilities located throughout the world. We experienced price increases for engineered resins of approximately 5.3% in 2004, price decreases of approximately 1.0% in 2003, and price decreases of approximately 1.0% in 2002.

Delta uses certified vendors to provide a custom mix of proprietary rubber compounds. Delta also procures metal stampings from several domestic suppliers. We experienced price increases for Delta's raw materials of approximately 10.2% in 2004, and price decreases of 2.5% in 2003 and 0% in 2002, respectively.

For the Plastic and Rubber Components Segment, we base purchase decisions on price, quality and service. Generally, we do not enter into written supply contracts with our suppliers or commit to maintain minimum monthly purchases of resins. The pricing arrangements with our suppliers typically can be adjusted at anytime.

Patents, Trademarks and Licenses

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

Seasonal Nature of Business

Historically, due to a substantial portion of sales to European customers, seasonality has been a factor for our business in that some European customers typically significantly reduce their production activities during the month of August.

Environmental Compliance

Our operations and products are subject to extensive federal, state and local regulatory requirements both domestically and abroad relating to pollution control and protection of the environment. We maintain a compliance program to assist in preventing and, if necessary, correcting environmental problems. Based on information compiled to date, management believes that our current operations are in substantial compliance with applicable environmental laws and regulations, the violation of which would have a material adverse effect on our business and financial condition. 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 our business or operations in the future. More specifically, although we believe that we dispose of wastes in material compliance with applicable environmental laws and regulations, there can be no assurance that we will not incur significant liabilities in the future in connection with the clean-up of waste disposal sites.

Executive Officers of the Registrant

Our executive officers are:

Name	Age	Position
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Roderick R. Baty	51	Chairman of the Board, Chief Executive Officer, President and Director
Frank T. Gentry, III	49	Vice President - Manufacturing
Robert R. Sams	47	Vice President - Market Services
David L. Dyckman	40	Vice President - Corporate Development and Chief Financial Officer
William C. Kelly, Jr.	46	Treasurer, Secretary and Chief Administrative and Compliance Officer

Set forth below is certain additional information with respect to each of our executive officers.

Roderick R. Baty was elected Chairman of the Board in September 2001 and continues to serve as Chief Executive Officer and President. He has served as President and Chief Executive Officer since July 1997. He joined NN in July 1995 as Vice President and Chief Financial Officer and was elected to the Board of Directors in 1995. Prior to joining NN, 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 Group from 1985 to 1990.

Frank T. Gentry, III, was originally appointed Vice President - Manufacturing in August 1995. Mr. Gentry is responsible for the Domestic Ball and Roller Segment. Mr. Gentry joined NN in 1981 and held various manufacturing management positions within NN from 1981 to August 1995.

Robert R. Sams joined NN in 1996 as Plant Manager of the Mountain City, Tennessee facility. In 1997, Mr. Sams served as Managing Director of the Kilkenny facility and in 1999 was elected to the position of Vice President - Market Services. Prior to joining NN, Mr. Sams held various positions with Hoover Precision Products from 1980 to 1994 and as Vice President of Production for Blum, Inc. from 1994 to 1996.

David L. Dyckman was appointed Vice President of Corporate Development and Chief Financial Officer in April 1998. Prior to joining NN, Mr. Dyckman served from January 1997 until April 1998 as Vice President--Marketing and International Sales for the Veeder-Root Division of the Danaher Corporation. From 1987 until 1997, Mr. Dyckman held various positions with Emerson Electric Company including General Manager and Vice President of the Gearing Division of Emerson's Power Transmission subsidiary. Mr. Dyckman resigned his position effective January 14, 2005.

William C. Kelly, Jr. joined NN in 1993 as Assistant Treasurer and Manager of Investor Relations. In July 1994, Mr. Kelly was elected to serve as NN's Chief Accounting Officer, and served in that capacity through March 2003. In March, 2003, Mr. Kelly was elected to serve as NN's Chief Administrative and Compliance Officer. In February 1995, Mr. Kelly was elected Treasurer and Assistant Secretary. In March 1999 he was elected Secretary of NN and still serves in that capacity as well as that of Treasurer. Prior to joining NN, Mr. Kelly served from 1988 to 1993 as a Staff Accountant and as a Senior Auditor with the accounting firm of PricewaterhouseCoopers LLP.

Item 2. Properties

The Company has two operating domestic ball manufacturing facilities located in Erwin, Tennessee and Mountain City, Tennessee. Of these two facilities, rollers are produced only at the Erwin, Tennessee facility. Production began in early 1996 at the Mountain City facility. During December 2001, we ceased production and closed our facility in Walterboro, South Carolina and sold the land and building assets during 2004.

The Erwin and Mountain City plants currently have approximately 125,000 and 86,400 square feet of manufacturing space, respectively. The Erwin plant is located on a 12 acre tract of land owned by the Company and the Mountain City plant is located on an eight acre tract of land owned by the Company.

Through NN Europe we manufacture precision steel balls in four manufacturing facilities located in Kilkenny, Ireland, Eltmann, Germany, Pinerolo, Italy and Kysucke Nove Mesto, Slovakia. The facilities currently have approximately 125,000, 175,000, 330,000 and 135,000 square feet of manufacturing space, respectively. The Kilkenny facility is located on a two acre tract owned by NN Europe, the Eltmann facility is leased from FAG and the Pinerolo facility is located on a nine acre tract owned by NN Europe. The Kysucke facility is also owned by NN Europe.

Our Veenendaal, The Netherlands operation manufactures rollers for tapered roller bearings and metal retainers in two facilities. The facilities, owned by the Company, have approximately 107,000 and 52,000 square feet of manufacturing space, respectively.

IMC manufactures a wide range of plastic molded products through two facilities located in Lubbock, Texas. The Slaton facility, located on a six and one half acre tract of land owned by the Company, contains approximately 193,000 square feet of manufacturing, warehouse and office space. The Cedar facility is situated on a two and one half acre tract of land which is also owned by the Company and contains approximately 35,000 square feet of manufacturing and warehouse space.

Delta's operations are located in two facilities on a 12-acre site in Danielson, Connecticut, owned by the Company. The two facilities encompass over 50,000 square feet of rubber seal manufacturing and administrative functions.

The property related to our NN Asia ball production facility in the People's Republic of China is leased.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Item 3. Legal Proceedings

From time to time the Company is subject to legal actions related to its operations, most of which 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 2004.

Part II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

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 11, 2005, there were approximately 4,500 holders of the Common Stock.

The following table sets forth the high and low closing sales prices of the Common Stock, as reported by Nasdaq, and the dividends paid per share on the Common Stock during each calendar quarter of 2004 and 2003.

	Close Price		Dividend
	High	Low	
2004			
First Quarter	\$13.13	\$11.08	\$0.08
Second Quarter	12.94	11.03	0.08
Third Quarter	12.00	9.40	0.08
Fourth Quarter	13.21	11.06	0.08
2003			
First Quarter	\$10.00	\$8.01	\$0.08
Second Quarter	12.66	9.35	0.08
Third Quarter	13.75	11.12	0.08
Fourth Quarter	12.90	10.70	0.08

The declaration and payment of dividends are subject to the sole 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.

Additionally, the terms of the Company's revolving credit facility restrict the declaration and payment of dividends in excess of certain amounts specified in the credit agreement in any fiscal year. The amount of consolidated retained earnings which represents undistributed earnings of 50 percent or less owned persons accounted for by the equity method is zero at December 31, 2004 and 2003. 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" herein.

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 consolidated financial statements and the Notes thereto included as Item 8. The data set forth below as of December 31, 2004 and 2003 and for the periods then ended has been derived from the consolidated financial statements of the Company which have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, whose report thereon is included as part of Item 8. The data below as of December 31, 2002, 2001 and 2000 and for the periods then ended has been derived from the consolidated financial statements of the Company, which have been audited by KPMG LLP, an independent registered public accounting firm. 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."

(In Thousands, Except Per Share Data)

Year Ended December 31,

	2004	2003	2002	2001	2000
	----	----	----	----	----
Statement of Income Data:					
Net sales	\$304,089	\$253,462	\$192,856	\$180,151	\$132,129
Cost of products sold (exclusive of depreciation shown separately below)	240,580	195,658	144,274	137,221	93,926
Selling, general and administrative expenses	29,755	21,700	17,134	16,752	11,571
Depreciation and amortization	16,133	13,691	11,212	13,150	9,165
(Gain) loss on disposal of assets	856	(147)	(25)	--	1,194
Restructuring and impairment costs	2,398	2,490	1,277	2,312	--
	-----	-----	-----	-----	-----
Income from operations	14,367	20,070	18,984	10,716	16,273
Interest expense	4,029	3,392	2,451	4,196	1,773
Equity in earnings of unconsolidated affiliate	--	--	--	--	(48)
Net gain on involuntary conversion	--	--	--	(3,901)	(728)
Other income	(853)	99	(462)	(186)	(1,330)
	-----	-----	-----	-----	-----
Income before provision for income taxes	11,191	16,579	16,995	10,607	16,606
Provision for income taxes	4,089	5,726	6,457	4,094	5,959
Minority interest in income of consolidated subsidiary	--	675	2,778	1,753	660
	-----	-----	-----	-----	-----
Income before cumulative effect of change in accounting principle	7,102	10,178	7,760	4,760	9,987
Cumulative effect of change in accounting principle, net of income tax benefit of \$112 and related minority interest impact of \$84	--	--	--	98	--
	-----	-----	-----	-----	-----
Net income	\$ 7,102	\$ 10,178	\$ 7,760	\$ 4,662	\$ 9,987
	=====	=====	=====	=====	=====
Basic income per share:					
Income before cumulative effect of change in accounting principle	\$ 0.42	\$ 0.64	\$ 0.51	\$ 0.31	\$ 0.66
Cumulative effect of change in accounting principle	--	--	--	(0.01)	--
	-----	-----	-----	-----	-----
Net income	\$ 0.42	\$ 0.64	\$ 0.51	\$ 0.31	\$ 0.66
	=====	=====	=====	=====	=====
Diluted income per share:					
Income before cumulative effect of change in accounting principle	\$ 0.41	\$ 0.62	\$ 0.49	\$ 0.31	\$ 0.64
Cumulative effect of change in accounting principle	--	--	--	(0.01)	--
	-----	-----	-----	-----	-----
Net income	\$ 0.41	\$ 0.62	\$ 0.49	\$ 0.30	\$ 0.64
	=====	=====	=====	=====	=====
Dividends declared	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.32
	=====	=====	=====	=====	=====
Weighted average number of shares outstanding - Basic	16,728	15,973	15,343	15,259	15,247
	=====	=====	=====	=====	=====
Weighted average number of shares outstanding - Diluted	17,151	16,379	15,714	15,540	15,531
	=====	=====	=====	=====	=====

(In Thousands, Except Per Share Data)

	Year Ended December 31,				
	2004	2003	2002	2001	2000
	----	----	----	----	----
Balance Sheet Data:					
Current assets	\$ 108,338	\$ 89,901	\$ 61,412	\$ 55,617	\$ 63,866
Current liabilities	74,431	64,176	40,234	32,534	33,840
Total assets	289,869	267,899	195,215	184,477	183,951
Long-term debt	67,510	69,752	46,135	47,661	50,515
Stockholders' equity	115,140	106,468	77,908	70,982	74,675

During 2004 we formed a wholly owned subsidiary, NN Precision Bearing Products Company, LTD. This subsidiary, which is expected to begin production of precision balls during the second half of 2005, will be located in the Kunshan Economic and Technology Development Zone, Jiangsu, The People's Republic of China.

On October 9, 2003, we acquired certain assets comprised of land, building and machinery and equipment of the precision ball operations of KLF - Gulickaren ("KLF"), based in Kysucke Nove Mesto, Slovakia.

On May 2, 2003 we acquired 100% of the tapered roller and metal cage manufacturing operations of SKF in Veenendaal, The Netherlands.

On May 2, 2003 we acquired the 23% interest in NN Europe, held by SKF. Upon consummation of this transaction, we became the sole owner of NN Europe.

On December 20, 2002 we completed the purchase of the 23% interest in NN Europe held by INA. As a result of this transaction, we own 77% of the shares of NN Europe.

Effective January 1, 2002 we adopted the provision of Statement of Financial Accounting Standards (SFAS) No. 142. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized. See Note 1 of the Notes to Consolidated Financial Statements.

On February 16, 2001 we completed the acquisition of all of the outstanding stock of The Delta Rubber Company.

On July 31, 2000 we completed the formation of NN Europe. As a result of this transaction, we owned 54% of the shares of NN Europe ApS.

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 Consolidated 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 Consolidated Financial Statements are not necessarily indicative of trends in operating results for any future period.

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

The Company wishes to caution readers that this report contains, and future filings by the Company, press releases and oral statements made by the Company's authorized representatives may contain, forward-looking statements that involve certain risks and uncertainties. Readers can identify these forward-looking statements by the use of such verbs as expects, anticipates, believes or similar verbs or conjugations of such verbs. The Company's actual results could differ materially from those expressed in such forward-looking statements due to important factors bearing on the Company's business, many

of which already have been discussed in this filing and in the Company's prior filings. The differences could be caused by a number of factors or combination of factors including, but not limited to, the risk factors described below.

You should carefully consider the following risks and uncertainties, and all other information contained in or incorporated by reference in this annual report on Form 10-K, before making an investment in our common stock. Any of the following risks could have a material adverse effect on our business, financial condition or operating results. In such case, the trading price of our common stock could decline and you may lose all or part of your investment.

The demand for our products is cyclical, which could adversely impact our revenues.

The end markets for fully assembled bearings are cyclical and tend to decline in response to overall declines in industrial and automotive production. As a result, the market for bearing components is also cyclical and impacted by overall levels of industrial and automotive production. Our sales in the past have been negatively affected, and in the future will be negatively affected, by adverse conditions in the industrial and/or automotive production sectors of the economy or by adverse global or national economic conditions generally.

We depend on a very limited number of foreign sources for our primary raw material and are subject to risks of shortages and price fluctuation.

The steel that we use 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, we obtain substantially all of the steel used in our U.S. ball and roller production from overseas suppliers. In addition, we obtain substantially all of the steel used in our European ball production from a single European source. If we had to obtain steel from sources other than our current suppliers we could face higher prices and transportation costs, increased duties or taxes, and shortages of steel. Due to China's increasing consumption of steel, we have received indications from our suppliers that steel availability in the quantities and types we require may be volatile in 2005. Problems in obtaining steel, and particularly 52100 chrome steel, in the quantities that we require and on commercially reasonable terms, could increase our costs, adversely impacting our ability to operate our business efficiently and have a material adverse effect on the revenues and operating and financial results of our Company.

The price of steel has risen over the last twelve to eighteen months with the potential for 2005 prices to reflect even greater increases. The increase is principally due to general increases in global demand and, more recently, due to China's increased consumption of steel. This has had the impact of increasing scrap surcharges we pay in procuring our steel in the form of higher unit prices and scrap surcharges and could adversely impact the availability of steel. Our contracts with key customers allow us to pass a majority of the steel price increases on to those customers. However, by contract, material price changes in any given year are typically passed along with price adjustments in January of the following year. Until the current increases can be passed through to our customers, income from operations, net income and cash flow from operations will be adversely affected.

We depend heavily on a relatively limited number of customers, and the loss of any major customer would have a material adverse effect on our 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 48% of consolidated net sales in 2004, and sales to INA accounted for approximately 14% of consolidated net sales in 2004. Sales to various divisions of the Timken Company accounted for approximately 6% of our net sales in 2004. During 2004, our ten largest customers accounted for approximately 79% of our consolidated net sales. None of our other customers individually accounted for more than 5% of our consolidated net sales for 2004. The loss of all or a substantial portion of sales to these customers would cause us to lose a substantial portion of our revenue and would lower our operating profit margin and cash flows from operations.

We operate in and sell products to customers outside the U.S. and are subject to several related risks.

Because we obtain a majority of our raw materials from overseas suppliers, actively participate in overseas manufacturing operations and sell to a large number of international customers, we face risks associated with the following:

- o adverse foreign currency fluctuations;
- o changes in trade, monetary and fiscal policies, laws and regulations, and other activities of governments, agencies and similar organizations;
- o the imposition of trade restrictions or prohibitions;
- o high tax rates that discourage the repatriation of funds to the U.S.;
- o the imposition of import or other duties or taxes; and
- o unstable governments or legal systems in countries in which our suppliers, manufacturing operations, and customers are located.

We do not have a hedging program in place 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 relative to other currencies may adversely affect our ability to compete with our 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 our 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 European customers have increased as a percentage of net sales.

The costs and difficulties of integrating acquired business could impede our future growth.

We cannot assure you that any future acquisition will enhance our financial performance. Our ability to effectively integrate any future acquisitions will depend on, among other things, the adequacy of our implementation plans, the ability of our management to oversee and operate effectively the combined operations and our ability to achieve desired operating efficiencies and sales goals. The integration of any acquired businesses might cause us to incur unforeseen costs, which would lower our profit margin and future earnings and would prevent us from realizing the expected benefits of these acquisitions.

We may not be able to continue to make the acquisitions necessary for us to realize our growth strategy.

Acquiring businesses that complement or expand our operations has been and continues to be an important element of our business strategy. This strategy calls for growth through acquisitions constituting approximately three-fourths of our future growth, with the remainder resulting from internal growth and market penetration. We bought our plastic bearing component business in 1999, formed NN Europe with our two largest bearing customers, SKF and INA, in 2000 and acquired our bearing seal operations in 2001. During 2002, we purchased INA's minority interest in NN Europe and during 2003 we purchased SKF's minority interest in NN Europe and SKF's tapered roller and metal cage manufacturing operations in Veenendaal, The Netherlands. See Note 2 of the Notes to Consolidated Financial Statements. We cannot assure you that we will be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms in the future. In addition, we may borrow funds to acquire other businesses, increasing our interest expense and debt levels. Our inability to acquire businesses, or to operate them profitably once acquired, could have a material adverse effect on our business, financial position, results of operations and cash flows.

Our growth strategy depends on outsourcing, and if the industry trend toward outsourcing does not continue, our business could be adversely affected.

Our 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.

Our market is highly competitive and many of our competitors have significant advantages that could adversely affect our business.

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 for sale to third parties. All of the captive manufacturers, and many independent manufacturers, are significantly larger and have greater resources than do we. Our competitors are continuously exploring and implementing improvements in technology and manufacturing processes in order to improve product quality, and our ability to remain competitive will depend, among other things, on whether we are able to keep pace with such quality improvements in a cost effective manner.

The production capacity we have added over the last several years has at times resulted in our having more capacity than we need, causing our operating costs to be higher than expected.

We have expanded our ball and roller production facilities and capacity over the last several years. During 1997, we built an additional manufacturing plant in Kilkenny, Ireland, and we continued this expansion in 2000 through the formation of NN Europe with SKF and INA. Our ball and roller production facilities have not always operated at full capacity and from time to time our results of operations have been adversely affected by the under-utilization of our production facilities, and we face risks of further under-utilization or inefficient utilization of our production facilities in future years.

The price of our common stock may be volatile.

The market price of our common stock could be subject to significant fluctuations and may decline. Among the factors that could affect our stock price are:

- o our operating and financial performance and prospects;
- o quarterly variations in the rate of growth of our financial indicators, such as earnings per share, net income and revenues;
- o changes in revenue or earnings estimates or publication of research reports by analysts;
- o loss of any member of our senior management team;
- o speculation in the press or investment community;
- o strategic actions by us or our competitors, such as acquisitions or restructurings;
- o sales of our common stock by stockholders;
- o general market conditions;
- o domestic and international economic, legal and regulatory factors unrelated to our performance; and
- o loss of a major customer.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

Provisions in our charter documents and Delaware law may inhibit a takeover, which could adversely affect the value of our common stock.

Our certificate of incorporation and bylaws, as well as Delaware corporate law, contain provisions that could delay or prevent a change of control or changes in our management that a stockholder might consider favorable and may prevent you from receiving a takeover premium for your shares. These provisions include, for example, a classified board of directors and the authorization of our board of directors to issue up to 5,000,000 preferred shares without a stockholder vote. In addition, our restated certificate of incorporation provides that stockholders may not call a special meeting.

We are a Delaware corporation subject to the provisions of Section 203 of the Delaware General Corporation Law, an anti-takeover law. Generally, this statute prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which such person became an interested stockholder, unless the business combination is approved in a prescribed manner. A business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the stockholder. We anticipate that the provisions of Section 203 may encourage parties interested in acquiring us to negotiate in advance with our board of directors, because the stockholder approval requirement would be avoided if a majority of the directors then in office approve either the business combination or the transaction that results in the stockholder becoming an interested stockholder.

These provisions apply even if the offer may be considered beneficial by some of our stockholders. If a change of control or change in management is delayed or prevented, the market price of our common stock could decline.

Overview and Management Focus

Our strategy and management focus is based upon the following long-term objectives:

- o Captive growth, providing a competitive and attractive alternative to the operations of our global customers
- o Expansion of our bearing product offering, and
- o Global expansion of our manufacturing base to better address the global requirements of our customers

Management generally focuses on these trends and relevant market indicators:

- o Global industrial growth and economics
- o Global automotive production rates
- o Costs subject to the global inflationary environment, including, but not limited to:
 - o Raw material
 - o Wages and benefits, including health care costs
 - o Regulatory compliance
 - o Energy
- o Raw material availability
- o Trends related to the geographic migration of competitive manufacturing
- o Regulatory environment for United States public companies
- o Currency and exchange rate movements and trends
- o Interest rate levels and expectations

Management generally focuses on the following key indicators of operating performance:

- o Sales growth
- o Cost of products sold levels
- o Selling, general and administrative expense levels

o Net income

o Cash flow from operations and capital spending

Our core business is the manufacture and sale of high quality, precision steel balls and rollers. In 2004, sales of balls and rollers accounted for approximately 77% of the Company's total net sales with 60% and 17% of sales from balls and rollers, respectively. Sales of metal bearing retainers accounted for 6% and sales of precision molded plastic and rubber parts accounted for the remaining 17%. See Note 11 of the Notes to Consolidated Financial Statements.

Since our formation in 1980 we have grown primarily through the displacement of captive ball manufacturing operations of domestic and international bearing manufacturers resulting in increased sales of high precision balls for quiet bearing applications. Management believes that our core business sales growth since our formation has been due to our ability to capitalize on opportunities in global markets and provide precision products at competitive prices, as well as our emphasis on product quality and customer service.

In 1997, we recognized changing dynamics in the marketplace, and as a result, developed and began implementing an extensive long-term growth strategy building upon our core business and leveraging our inherent strengths to better serve our global customer base. As part of this strategy, we sought to augment our intrinsic growth with complementary acquisitions that fit specific criteria.

On July 4, 1999, we acquired substantially all of the assets of Earsley Capital Corporation, formerly known as Industrial Molding Corporation ("IMC") for consideration of approximately \$30.0 million. Formed in 1947, IMC provides full-service design and manufacture of plastic injection molded components to the bearing, automotive, electronic, leisure and consumer markets with an emphasis on value-added products that take advantage of its capabilities in product development, tool design and tight tolerance molding processes. IMC operates two manufacturing facilities in Lubbock, Texas.

On July 31, 2000, we formed a majority owned stand-alone company in Europe, NN Europe ApS ("NN Europe"), for the manufacture and sale of chrome steel balls used for ball bearings and other products. As a result of this transaction, we owned 54% of NN Europe. SKF and INA respectively each owned 23% of NN Europe. As part of the transaction, NN Europe acquired the ball factories located in Pinerolo, Italy (previously owned by SKF), Eltmann, Germany (previously owned by INA), and Kilkenny, Ireland (previously owned by the Company). Acquisition financing of approximately 31.5 million Euro (approximately \$29.7 million) was drawn at closing, and the credit facility provided for additional working capital expenditure financing. In connection with this transaction, total equity, specifically additional paid in capital, increased by 10.0 million Euros (\$9.3 million) to reflect the increase in our proportionate interest in NN Europe as related to our 54% ownership as more fully detailed in Note 2 to the Consolidated Financial Statements. We have always consolidated NN Europe due to our majority ownership and have accounted for the acquisitions of the Pinerolo, Italy and Eltmann, Germany ball factories in a manner similar to the purchase method of accounting. On December 20, 2002 we completed the purchase of the 23% interest held by INA. We paid approximately 13.4 million Euros (\$13.8 million) for INA/FAG's interest in NN Europe. The excess of the purchase price paid to INA for its 23% interest over fair value of INA's 23% interest in the net assets of NN Europe of approximately \$1.5 million has been allocated to goodwill (see Note 2 of the Notes to Consolidated Financial Statements). On May 2, 2003 we acquired the 23% interest in NN Europe held by SKF. We paid approximately 13.8 million Euros (\$15.6 million) for SKF's interest in NN Europe. The excess of the purchase price paid to SKF for its 23% interest over the fair value of SKF's 23% interest in the net assets of NN Europe of approximately \$2.1 million was allocated to goodwill.

On February 16, 2001, we completed the acquisition of all of the outstanding stock of The Delta Rubber Company, a Connecticut corporation ("Delta"), for \$22.5 million in cash. Delta provides high quality engineered bearing seals and other precision-molded rubber products to original equipment manufacturers. Delta operates two manufacturing facilities in Danielson, Connecticut. We have accounted for this acquisition using the purchase method of accounting.

On September 11, 2001, we announced the closing of our Walterboro, South Carolina ball manufacturing facility effective December 2001. The closing was made as part of our strategy to redistribute our global production in order to better utilize capacity and serve the needs of our worldwide customers. The precision ball production of the Walterboro facility has been fully absorbed by our remaining U.S. ball & roller manufacturing facilities located in Erwin and Mountain City, Tennessee. In 2002 and 2001 we recorded before tax charges associated with the closing of \$1.3 million and \$1.9 million, respectively. In 2001, this amount includes a \$1.1 million before-tax charge for the recording of impairment on our manufacturing facility located in Walterboro, South Carolina and \$0.8 million related to employee severance costs. In 2002, this amount includes a \$0.6 million before-tax charge for the recording of an additional impairment on the facility, a \$0.6 million before-tax charge for the recording of impairment on the machinery and equipment and a \$0.1 million charge related to employee severance.

costs. There were no impairment charges related to these assets recorded in 2003. These amounts are reflected as restructuring and impairment costs in the accompanying Consolidated Statements of Income. The land and building assets were sold during the fourth quarter of 2004. As a result, we recorded a loss on disposal of assets of approximately \$0.8 million which has been recorded as a loss on disposal of assets, a component of income from operations. Additionally, during the fourth quarter of 2004, we recorded an impairment charge of approximately \$0.1 million related to certain remaining machinery and equipment assets of this facility. This amount was recorded as a component of restructuring and impairment costs. The financial results of this operation have been reflected in the Domestic Ball and Roller Segment. See Note 11 of the Notes to Consolidated Financial Statements.

Effective December 21, 2001, we sold our minority interest in Jiangsu General Ball & Roller Company, LTD, a Chinese ball and roller manufacturer located in Rugao City, Jiangsu Province, China. To effect the transaction, we sold our 50% ownership in NN General, LLC, which owns a 60% interest in the Jiangsu joint venture to our partner, General Bearing Corporation for cash of \$0.6 million and notes of \$3.3 million.

On May 2, 2003 we acquired 100% of the tapered roller and metal cage manufacturing operations of SKF in Veenendaal, The Netherlands. The results of Veenendaal's operations have been included in the consolidated financial statements since that date. We paid consideration of approximately 23.0 million Euros (\$25.7 million) and incurred other costs of approximately \$1.0 million, for the Veenendaal net assets acquired from SKF. The Veenendaal operation manufactures rollers for tapered roller bearings and metal cages for both tapered roller and spherical roller bearings allowing us to expand our bearing component offering. The financial results of the Veenendaal operation are included in the NN Europe Segment.

On October 9, 2003, we acquired certain assets comprised of land, building and machinery and equipment of the precision ball operations of KLF - Gulickaren ("KLF"), based in Kysucke Nove Mesto, Slovakia. We paid consideration of approximately 1.7 million Euros (\$2.0 million). The assets are being utilized by our wholly-owned subsidiary NN Slovakia based in Kysucke Nove Mesto, Slovakia, which began production in 2004. The financial results of the operations are included in our NN Europe Segment.

During 2004 we formed a wholly-owned subsidiary, NN Precision Bearing Products Company, LTD. This subsidiary, which is expected to begin production of precision balls during the second half of 2005, will be located in the Kunshan Economic and Technology Development Zone, Jiangsu, The People's Republic of China and is a component of our strategy to globally expand our manufacturing base.

The implementation and successful execution of this acquisition strategy to date has allowed the Company to expand its global presence and positions the Company for continued global growth and expansion into core served markets.

Critical Accounting Policies

Our significant accounting policies, including the assumptions and judgment underlying them, are disclosed in Note 1 of the Notes to Consolidated Financial Statements. These policies have been consistently applied in all material respects and address such matters as revenue recognition, inventory valuation, asset impairment recognition, business combination accounting and pension and post-retirement benefits. Due to the estimation processes involved, management considers the following summarized accounting policies and their application to be critical to understanding the Company's business operations, financial condition and results of operations. There can be no assurance that actual results will not significantly differ from the estimates used in these critical accounting policies.

Accounts Receivable. Accounts receivable are recorded upon recognition of a sale of goods and ownership and risk of loss is assumed by the customer. Substantially all of the Company's accounts receivable are due primarily from the core served markets: bearing manufacturers, automotive industry, electronics, industrial, agricultural and aerospace. The Company experienced \$0.1 million of bad debt expense during 2002, \$0.1 million during 2003 and \$0 million during 2004. In establishing allowances for doubtful accounts, the Company performs credit evaluations of its customers, considering numerous inputs when available including the customers' financial position, past payment history, relevant industry trends, cash flows, management capability, historical loss experience and economic conditions and prospects. Accounts receivable are written off or reserves established when considered to be uncollectible or at risk of being uncollectible. While management believes that adequate allowances for doubtful accounts have been provided in the Consolidated Financial Statements, it is possible that the Company could experience additional unexpected credit losses.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. The Company's inventories are not generally subject to obsolescence due to spoilage or expiring product life cycles. The Company operates generally as a make-to-order business; however, the Company also stocks products for certain customers

in order to meet delivery schedules. While management believes that adequate write-downs for inventory obsolescence have been made in the Consolidated Financial Statements, the Company could experience additional inventory write-downs in the future.

Acquisitions and Acquired Intangibles. For new acquisitions, the Company uses estimates, assumptions and appraisals to allocate the purchase price to the assets acquired and to determine the amount of goodwill. These estimates are based on market analyses and comparisons to similar assets. Annual tests are required to be performed to assess whether recorded goodwill is impaired. The annual tests require management to make estimates and assumptions with regard to the future operations of its reporting units, the expected cash flows that they will generate, and their market value. These estimates and assumptions therefore impact the recorded value of assets acquired in a business combination, including goodwill, and whether or not there is any subsequent impairment of the recorded goodwill and the amount of such impairment.

Impairment of Long-Lived Assets. The Company's long-lived assets include property, plant and equipment. The recoverability of the long-term assets is dependent on the performance of the companies which the Company has acquired, as well as volatility inherent in the external markets for these acquisitions. In assessing potential impairment for these assets the Company will consider these factors as well as forecasted financial performance. For assets held for sale, appraisals are relied upon to assess the fair market value of those assets. Future adverse changes in market conditions or adverse operating results of the underlying assets could result in the Company having to record additional impairment charges not previously recognized.

Pension and Post-Retirement Obligations. The Company uses several assumptions in determining its periodic pension and post-retirement expense and obligations which are included in the Consolidated Financial Statements. These assumptions include determining an appropriate discount rate, rate of compensation increase as well as the remaining service period of active employees. The Company uses an independent actuary to calculate the periodic pension and post-retirement expense and obligations based upon these assumptions and actual employee census data.

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,		
	2004	2003	2002
	-----	-----	-----
Net sales	100.0%	100.0%	100.0%
Cost of product sold (exclusive of depreciation shown separately below)	79.0	77.2	74.8
Selling, general and administrative expenses	9.8	8.6	8.9
Depreciation and amortization	5.3	5.4	5.8
(Gain) loss on disposal of assets	0.3	(0.1)	--
Restructuring and impairment costs	0.8	1.0	0.7
	-----	-----	-----
Income from operations	4.8	7.9	9.8
Interest expense	1.3	1.3	1.3
Other income	(0.2)	0.1	(0.3)
	-----	-----	-----
Income before provision for income taxes	3.7	6.5	8.8
Provision for income taxes	1.4	2.2	3.4
Minority interest in income of consolidated subsidiary	--	0.3	1.4
	-----	-----	-----
Net income	2.3%	4.0%	4.0%
	=====	=====	=====

Off Balance Sheet Arrangements

We have operating lease commitments for machinery, office equipment, vehicles, manufacturing and office space which expire on varying dates. The following is a schedule by year of future minimum lease payments as of December 31, 2004 under operating leases that have initial or remaining non-cancelable lease terms in excess of one year.

Year ended December 31,	

2005	\$ 2,306
2006	2,122
2007	1,879
2008	1,854
2009	1,789
Thereafter	15,315

Total minimum lease payments	\$ 25,265
	=====

On June 1, 2004, our wholly-owned subsidiary, NN Precision Bearing Products Company LTD, entered into a twenty year lease agreement with Kunshan Tian Li Steel Structure Co. LTD for the lease of land and building (approximately 110,000 square feet) in the Kunshan Economic and Technology Development Zone, Jiangsu, The People's Republic of China. The building will be newly constructed and we expect to begin usage of the leased property during the second quarter or third quarter of 2005. The land and building remain under the control of the lessor until such time as usage of the leased property commences. The agreement satisfies the requirements of a capital lease and we anticipate recording the lease as a capital lease in our Consolidated Financial Statements when usage of the leased property begins. Accordingly, as of December 31, 2004, no amount has been recorded related to the asset and corresponding obligation associated with the lease agreement in our Consolidated Financial Statements. We estimate the fair value of the land and building to be approximately \$2.0 million and undiscounted annual lease payments of approximately \$0.2 million (approximately \$4.1 million aggregate non-discounted lease payments over the twenty year term). The lease terms include fair value buy-out provisions and we maintain the option to extend the lease term.

Net Sales. Our net sales increased by \$50.6 million or 20.0% from \$253.5 million in 2003 to \$304.1 million in 2004. Net sales of our NN Europe Segment increased \$46.8 million or 31.8% from \$147.1 million in 2003 to \$193.9 million in 2004. The impact of a full year's activity in 2004 from our Veenendaal, The Netherlands tapered roller and metal retainer operation acquired on May 2, 2004 accounted for \$17.2 million of the increase. Impacts of foreign currency translation within the NN Europe Segment contributed \$15.9 million of the increase. The remaining increase of \$13.7 million within the NN Europe Segment is a result of increased product demand. Net sales of our Domestic Ball and Roller Segment increased \$3.0 million or 5.4% from \$55.4 million in 2003 to \$58.4 million in 2004 principally due to increases in product demand. Net sales of our Plastic and Rubber Components Segment increased \$0.8 million or 1.6% from \$50.9 million in 2003 to \$51.7 million in 2003 principally due to increases in product demand.

Cost of Products Sold. Our cost of products sold increased by \$44.9 million or 23.0% from \$195.7 million in 2003 to \$240.6 million in 2004. Cost of products sold of our NN Europe Segment increased \$39.9 million or 34.9% from \$114.3 million in 2003 to \$154.2 million in 2004. The impact of a full year's activity in 2004 from our Veenendaal, The Netherlands tapered roller and metal retainer operation acquired on May 2, 2004 accounted for \$14.4 million of the increase. Impacts of foreign currency translation within the NN Europe Segment contributed \$15.3 million of the increase. The remaining increase of \$10.2 million within the NN Europe Segment is a result of increased product demand, increases in material cost and the impact of inventory reductions. Cost of products sold of our Domestic Ball and Roller Segment increased \$3.1 million or 7.9% from \$39.2 million in 2003 to \$42.3 million in 2004 with the total increase principally due to increases in product demand and increases in raw material steel cost. Cost of products sold of our Plastic and Rubber Components Segment increased \$1.9 million or 4.6% from \$42.2 million in 2003 to \$44.1 million in 2004 principally due to increases in product demand and the impact of inventory reductions. As a percentage of net sales, cost of products sold increased from 77.2% in 2003 to 79.0% in 2004.

The price of steel has risen over the last twelve to eighteen months with the potential for 2005 prices to reflect even greater increases. The increase is principally due to general increases in global demand and, more recently, due to China's increased consumption of steel. This has had the impact of increasing scrap surcharges we pay in procuring our steel in the form of higher unit prices and scrap surcharges and could adversely impact the availability of steel. Our contracts with key customers allow us to pass a majority of the steel price increases on to those customers. However, by contract, material price changes in any given year are typically passed along with price adjustments in January of the following year. Until the current increases can be passed through to our customers, income from operations, net income and cash flow from operations will be adversely affected.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$8.1 million or 37.1% from \$21.7 million in 2003 to \$29.8 million in 2004. Selling, general and administrative expenses of our NN Europe Segment increased \$4.3 million or 39.4% from \$10.9 million in 2003 to \$15.2 million in 2004. The impact of a full year's activity in 2004 from our Veenendaal, The Netherlands tapered roller and metal retainer operation acquired on May 2, 2004 accounted for \$1.5 million of the increase. Impacts of foreign currency translation within the NN Europe Segment contributed \$1.4 million of the increase. The remaining increase of \$1.4 million within the NN Europe Segment is related to the start-up of our previously announced Level 3 program which integrates the principles of Lean Enterprise, Six Sigma and Total Productive Maintenance (the "Level 3 Program"), expenses associated with our Slovakia ball production facility and severance costs. Selling, general and administrative expenses of our Domestic Ball and Roller Segment increased \$2.8 million in 2004 over 2003 levels. The increase is principally related to Sarbanes-Oxley compliance efforts in the area of internal controls, the Level 3 program and costs associated with the start-up of NN Asia. Selling, general and administrative expenses of our Plastic and Rubber Components Segment increased \$0.5 million in 2004 over 2003 levels. The increase is principally related to the Level 3 program and costs associated with employee severance. As a percentage of net sales, selling, general and administrative expenses increased from 8.6% in 2003 to 9.8% in 2004.

Depreciation and amortization. Depreciation and amortization expense increased \$2.3 million or 17.8% from \$13.7 million in 2003 to \$16.1 million in 2004. Depreciation and amortization expense of our NN Europe Segment increased \$2.3 or 30.3% from \$7.6 million in 2003 to \$9.9 million in 2004. Of this amount, the impact of a full year's activity in 2004 from our Veenendaal, The Netherlands tapered roller and metal retainer operation acquired on May 2, 2004 accounted for \$1.0 million of the increase. Impacts of foreign currency translation within the NN Europe Segment contributed \$0.9 million of the increase. The remaining increase of \$0.4 million within the NN Europe Segment is related to our Slovakia ball production facility and capital spending increases. There was no change to depreciation and amortization expense within the Domestic Ball and Roller Segment and the Plastic and Rubber Components Segment. As a percentage of net sales, depreciation and amortization expenses decreased from 5.4% in 2003 to 5.3% in 2004.

(Gain) loss on disposal of assets. (Gain) loss on disposal of assets changed \$1.0 million from a gain of \$0.1 million in 2003 to a loss of \$0.9 million in 2004. Within the Domestic Ball and Roller Segment, the loss recorded in 2004 is principally associated with the December 2004 sale of our idle Walterboro, South Carolina land and building assets. This ball production facility was closed in 2001 as a part of our ongoing strategy to locate manufacturing capacity in closer proximity to our customers. The loss on disposal of assets was 0.3% of net sales in 2004.

Restructuring and impairment costs. Restructuring and impairment costs decreased by \$0.1 million from \$2.5 million in 2003 to \$2.4 million in 2004. In 2004, the \$2.4 million of restructuring and impairment costs is related to severance costs and related charges for approximately 86 employees at our Eltmann, Germany ball production facility, a component of the NN Europe Segment. In 2003, the \$2.5 million of restructuring and impairment costs are related to asset impairments, severance and lease exit costs due to the closing of our Guadalajara, Mexico plastic injection molding facility. As a percentage of net sales, restructuring and impairment costs decreased from 1.0% in 2003 to 0.8% in 2004.

Interest expense. Interest expense increased \$0.6 million, or 18.8%, from \$3.4 million in 2003 to \$4.0 million in 2004. Of this amount, approximately \$0.4 million is related to the April 26, 2004 issuance of our \$40.0 million aggregate principal amount of senior notes in a private placement. These notes bear interest at a fixed rate of 4.89%. See "Liquidity and Capital Resources." Within our NN Europe Segment, \$0.1 million is related the impacts of foreign currency translation. As a percentage of net sales, interest expense was unchanged at 1.3% in 2003 and 2004.

Net income. Net income decreased \$3.1 million or 30.2% from \$10.2 million in 2003 to \$7.1 million in 2004. As a percentage of net sales, net income decreased from 4.0% in 2003 to 2.3% in 2004.

Year Ended December 31, 2003 Compared to the Year Ended December 31, 2002

Net Sales. Our net sales increased by \$60.6 million or 31.4% from \$192.9 million in 2002 to \$253.5 million in 2003. Net sales of the NN Europe Segment increased \$56.5 million or 62.3% from \$90.7 million in 2002 to \$147.2 million in 2003. Sales from our Veenendaal, The Netherlands tapered roller and metal retainer operation acquired on May 2, 2003 accounted for \$35.1 million of the increase. Impacts of foreign currency translation within the NN Europe segment contributed \$18.7 million of the increase. The remaining increase of \$2.7 million is a result of increased product demand. Net sales of the Domestic Ball and Roller Segment increased \$2.8 million or 5.3% from \$52.6 million in 2002 to \$55.4 million in 2003. Net sales of the Plastics and Rubber Components Segment increased \$1.3 million or 2.6% from \$49.6 million in 2002 to \$50.9 million in 2003. Sales increases in these two segments are a result of increased product demand.

Cost of Products Sold. Our cost of products sold increased by \$51.4 million or 35.6% from \$144.3 million in 2002 to \$195.7 million in 2003. Cost of products sold of the NN Europe Segment increased \$46.4 million or 68.4% from \$67.9 million in 2002 to \$114.3 million in 2003. Cost of products sold from our Veenendaal, The Netherlands operation accounted for \$29.2 million of the increase and impacts of foreign currency translation accounted for \$14.7 million of the increase. The remaining increase of \$2.5 million within the NN Europe segment is principally attributed to increased product demands and material cost increases. Cost of products sold of the Domestic Ball and Roller Segment increased by \$2.6 million due to production costs associated with increased product demand of approximately \$1.9 million and increases in material costs and export costs of approximately \$0.7 million. Cost of products sold of the Plastics and Rubber Components Segment increased \$2.3 million due to production costs associated with increased product demand of approximately \$1.0 million, \$0.1 million related to inventory impairment charges due to the closing of our NN Arte business in Guadalajara, Mexico, and \$1.2 million due to product mix and insurance expense increases. As a percentage of sales, cost of products sold increased from 74.8% in 2002 to 77.2% in 2003.

The price of steel has risen over the last twelve to eighteen months with the potential for 2005 prices to reflect even greater increases. Prior to that time, steel prices had gradually declined since approximately 1997. The increase is principally due to general increases in global demand and, more recently, due to China's increased consumption of steel. This has had the impact of increasing steel prices we pay in procuring our steel in the form of higher unit prices and scrap surcharges and could adversely impact the availability of steel. Our contracts with key customers allow us to pass a majority of the steel price increases we incur on to those customers. However, by contract, material price changes in any given year are passed along with price adjustments in January of the following year. Until the current increases can be passed through to our customers, income from operations, net income and cash flow from operations will be adversely affected.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by \$4.6 million or 26.6% from \$17.1 million during 2002 to \$21.7 million during 2003. Selling, general and administrative expenses of the NN Europe Segment increased \$3.8 million principally due to the acquisition of Veenendaal on May 2, 2003 contributing \$2.6 million of the increase and impacts of foreign currency translation accounting for \$1.5 million of the increase, offset by

decreased spending of \$0.3 million. Selling, general and administrative expenses of the Domestic Ball and Roller Segment increased by \$0.9 million over 2002 spending levels. The increase is attributed to non-cash compensation charges associated with a portion of employee stock options accounted for under the variable accounting method of \$0.4 million, certain audit and legal charges of \$0.3 million and corporate development initiatives of \$0.2 million. Selling, general and administrative expenses decreased by \$0.1 million within the Plastic and Rubber Components Segment. As a percentage of net sales, selling, general and administrative costs decreased from 8.9% in 2002 to 8.6% in 2003.

Depreciation and Amortization. Depreciation and amortization expense increased \$2.5 million or 22.1% from \$11.2 million in 2002 to \$13.7 million in 2003. Depreciation and amortization expense of the NN Europe Segment increased \$2.8 million. Of this amount, \$1.5 million is related to the acquisition of Veenendaal on May 2, 2003 and impacts of foreign currency translation accounted for \$1.0 million of the increase. The other \$0.3 million is related to capital spending increases. Offsetting this amount was a decrease in depreciation and amortization expense in the Plastic and Rubber Components Segment of \$0.3 million related to decreased capital spending within this segment. There was no change to depreciation and amortization expense within the Domestic Ball and Roller Segment.

Interest Expense. Interest expense increased \$0.9 million or 38.4% from \$2.5 million in 2002 to \$3.4 million in 2003. Interest expense increased \$0.9 million related to additional borrowings necessary to fund the May 2, 2003 acquisition of Veenendaal and \$0.8 million related to the purchase of the minority interests in NN Europe held by INA/FAG and SKF on December 20, 2002 and May 2, 2003, respectively. Offsetting these increases was a decrease interest expense of \$0.8 million due to debt principal payments and decreased interest rates.

Minority Interest in Consolidated Subsidiary. Minority interest in consolidated subsidiary decreased \$2.1 million or 75.7% from \$2.8 million in 2002 to \$0.7 million in 2003. The decrease is attributed to the purchase of the minority interests in NN Europe held by INA/FAG and SKF on December 20, 2002 and May 2, 2003, respectively. As of May 2, 2003 we became the sole owner of NN Europe.

Net Income. Net income increased \$2.4 million or 31.2% from \$7.8 million in 2002 to \$10.2 million in 2003. As a percentage of net sales, net income was 4.0% in both 2002 and 2003.

Liquidity and Capital Resources

On May 1, 2003 in connection with the purchase of SKF's Veenendaal component manufacturing operations and SKF's 23 percent interest in NN Europe, we entered into a \$90 million syndicated credit facility with AmSouth Bank ("AmSouth") as the administrative agent and Suntrust Bank as the Euro loan agent for the lenders under which we borrowed \$60.4 million and 26.3 million Euros (\$29.6 million) (the "\$90 million credit facility"). This financing arrangement replaced our prior credit facility with AmSouth and Hypo Vereinsbank Luxembourg, S.A. The credit facility as originally entered into consisted of a \$30.0 million revolver ("\$30.0 million revolver") originally expiring on March 15, 2005, and subsequently extended to March 31, 2006 bearing interest at a floating rate equal to LIBOR (2.56% at December 31, 2004) plus an applicable margin of 1.25% to 2.0%, a \$30.4 million term loan expiring on May 1, 2008, bearing interest at a floating rate equal to LIBOR (2.56% at December 31, 2004) plus an applicable margin of 1.25% to 2.0% and a 26.3 million Euro (\$29.6 million) term loan ("26.3 million Euro term loan") expiring on May 1, 2008 which bears interest at a floating rate equal to Euro LIBOR (2.15% at December 31, 2004) plus an applicable margin of 1.25% to 2.0%. All amounts owed under the \$30.4 million term loan were paid during the second quarter of 2004 with the proceeds from our issuance of \$40 million aggregate principal amount of senior notes in a private placement and we no longer have borrowing capacity under that portion of the \$90 million credit facility. The terms of the \$30.0 million revolver and the 26.3 million Euro term loan remain unchanged except for the maturity date of the \$30.0 million revolver has been extended to March 31, 2006. The loan agreement contains customary financial and non-financial covenants. Such covenants specify that we must maintain certain liquidity measures. 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 the Company's business. The credit agreement is un-collateralized except for the pledge of stock of certain foreign subsidiaries. We were in compliance with all such covenants as of December 31, 2004.

In connection with the acquisition of KLF's operations in Slovakia, on September 23, 2003 we entered into a \$2.0 million short-term unsecured promissory note (the "\$2.0 million note") with AmSouth as the lender. This note bore interest at the prime rate. All amounts owed under this note were paid during the second quarter of 2004 with the proceeds from our \$40 million notes.

On March 23, 2004 we entered into a \$2.7 million short-term promissory note (the "\$2.7 million note") with AmSouth Bank ("AmSouth") as the lender. This note bore interest at the prime rate. This agreement was entered into to fund short term

operating capital requirements. All amounts owed under this note were paid during the second quarter of 2004 with the proceeds from our \$40 million notes.

On April 26, 2004 we issued \$40.0 million aggregate principal amount of senior notes in a private placement (the "\$40 million notes"). These notes bear interest at a fixed rate of 4.89% and mature on April 26, 2014. Interest is paid semi-annually. As of December 31, 2004, \$40.0 million remained outstanding. Annual principal payments of approximately \$5.7 million begin on April 26, 2008 and extend through the date of maturity. Proceeds from this credit facility were used to repay our existing US dollar denominated term loan, \$24 million, and repay a portion, of our borrowings under our US dollar denominated revolving credit facility, \$13 million, which are both components of our \$90 million credit facility, and to repay borrowings remaining under our \$2.0 million note and our \$2.7 million note of \$2 million and \$1 million, respectively. The agreement contains customary financial and non-financial covenants. Such covenants specify that we must maintain certain liquidity measures. The 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. No event of default had occurred as of December 31, 2004. The notes are not collateralized except for the pledge of stock of certain foreign subsidiaries. We incurred \$0.8 million of related costs as a result of issuing these notes which have been recorded as a component of other non-current assets and are being amortized over the term of the notes. In connection with the issuance of the \$40 million notes, capitalized costs in the amount of approximately \$0.3 million associated with structuring of the \$90 million credit facility were written off during the twelve months ended December 31, 2004 and are included as a component of other (income) expense.

During May 2003, we completed a public offering of 3.6 million shares of our stock by a group of selling shareholders. We 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 shares, which were offered by us. Net proceeds received by us in connection with the exercise of the over-allotment option were approximately \$5.1 million, net of issue costs. Per the terms of our credit facility, we repaid a portion of our credit facility with these proceeds.

On October 27, 2004 we completed the sale of our idle warehouse in Kilkenny, Ireland for approximately 1.6 million euro (\$2.0 million), net of selling costs incurred. As a result of this transaction, we recorded a loss on disposal of assets of approximately 0.1 million euro (\$0.1 million) during the fourth quarter which was recorded as a component of loss on disposal of assets. Prior to the sale this asset was classified as a component of Property, plant and equipment, net. Proceeds received from the sale of this asset were used to repay a portion of our \$90 million credit facility.

To date, cash generated by NN Europe and its subsidiaries has been used exclusively for general, NN Europe-specific purposes including investments in property, plant and equipment and prepayment of the Euro term loan, which is secured by NN Europe and its subsidiaries. Accordingly, no dividends have been declared or paid by NN Europe that may have been used by the Company to pay down our domestic credit facilities.

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 90 or 120 days following the date of shipment. Under the Domestic Ball and Roller Segments inventory management program with certain European customers, payments typically are due within 30 days after the customer uses the product. The Company's sales and receivables can be influenced by seasonality due to the Company's relative percentage of European business coupled with many foreign customers ceasing production during the month of August. For information concerning the Company's quarterly results of operations for the years ended December 31, 2004 and 2003, see Note 15 of the Notes to Consolidated Financial Statements.

The Company bills and receives payment from some of its foreign customers in Euro as well as other currencies. 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 transaction and translation risk has increased. Various strategies to manage this risk are available to management including producing and selling in local currencies and hedging programs. As of December 31, 2004, no currency hedges were in place. In addition, a strengthening of the U.S. dollar and/or Euro 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 \$33.9 million at December 31, 2004 as compared to \$25.7 million at December 31, 2003. The ratio of current assets to current liabilities increased from to 1.40:1 at December 31, 2003 and 1.46:1 at December 31, 2004. Cash flow from operations increased to \$31.6 million during 2004

from \$19.5 million during 2003 and \$31.1 million during 2002. Contributing to this change were principally improvements in the changes in operating assets and liabilities for the twelve months ended 2004 in comparison to the twelve months ended 2003 as follows: inventory \$5.8 million, accounts receivable \$1.1 million and accounts payable \$4.7 million.

During 2005, we plan to spend approximately \$9.1 million on capital expenditures related primarily to equipment and process upgrades and replacements and approximately \$7.9 million principally related to geographic expansion of our manufacturing base. We intend to finance these activities with cash generated from operations and funds available under our credit facilities. The Company believes that funds generated from operations and borrowings will be sufficient to finance the Company's working capital needs, projected capital expenditure requirements and dividend payments through December 2005.

The table below sets forth certain of the Company's contractual obligations and commercial commitments as of December 31, 2004:

Certain Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-Term Debt	\$ 74,670	\$ 7,160	\$25,720	\$13,219	\$28,571
Expected interest payments	15,091	3,293	4,915	3,390	3,493
Operating Leases	25,265	2,306	4,001	3,643	15,315
Capital Leases (1)	4,150	104	416	416	3,214
Expected pension contributions and benefit payments	5,978	468	1,056	1,134	3,320
Other Long-Term Obligations (2)	44,710	44,710	--	--	--
Total Contractual Cash Obligations	\$169,864	\$58,041	\$36,108	\$21,802	\$53,913

(1) On June 1, 2004, our wholly owned subsidiary, NN Precision Bearing Products Company LTD, entered into a twenty year lease agreement with Kunshan Tian Li Steel Structure Co. LTD for the lease of land and building (approximately 110,000 square feet) in the Kunshan Economic and Technology Development Zone, Jiangsu, The People's Republic of China. The building will be newly constructed and we expect to begin usage of the leased property during the second quarter of 2005. The land and building remain under the control of the lessor until such time as usage of the leased property commences. The agreement satisfies the requirements of a capital lease at June 1, 2004 and we anticipate recording the lease as a capital lease in our consolidated financial statements when usage of the leased property begins. Accordingly, as of December 31, 2004, no amount has been recorded related to the asset and corresponding obligation associated with the lease agreement in our consolidated financial statements. We estimate the fair value of the land and building to be approximately \$2.0 million and undiscounted annual lease payments of approximately \$0.2 million (approximately \$4.1 million aggregate non-discounted lease payments over the twenty year term). The lease terms include fair value buy-out provisions and we maintain the option to extend the lease term. Although no amounts have been recorded related to this lease agreement in our consolidated financial statements as of December 31, 2004, the Capital Leases line in the table above reflects the obligation as if the lease was recorded as of June 1, 2005, the date we estimate the Company will begin to use the property. No other amounts are included in Capital Leases above.

(2) Other Long-Term Obligations consist of steel purchase commitments at the NN Europe Segment (See Note 14 of the Notes to Consolidated Financial Statements.)

The Euro

The Company currently has operations in Ireland, Germany, Italy and The Netherlands, all of which are Euro participating countries, and, each facility sells product to customers in many of the participating countries. The Euro has been adopted as the functional currency at all locations in the NN Europe Segment, except Slovakia whose functional currency is the Slovak Korona. Slovakia joined the European Union in May 2004 and current plans call for Slovakia to adopt the Euro as its functional currency at a later date.

Seasonality and Fluctuation in Quarterly Results

The Company's net sales historically have been seasonal in nature, due to a significant portion of the Company's sales being to European customers that cease or significantly slow production during the month of August. For information concerning the Company's quarterly results of operations for the years ended December 31, 2004 and 2003, see Note 15 of the Notes to Consolidated Financial Statements.

Inflation and Changes in Prices

While the Company's operations have not been materially affected by inflation during recent years, prices for 52100 Steel, engineered resins and other raw materials purchased by the Company are subject to material change, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview and Management Focus". 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. In our U.S. operations our typical pricing arrangements with steel suppliers are subject to adjustment once every six months. The Company's NN Europe Segment has entered into long term agreements with its primary steel supplier which provide for standard terms and conditions and annual pricing adjustments to offset material price fluctuations in steel and quarterly scrap surcharge adjustments. The Company typically reserves the right to increase product prices periodically in the event of increases in its raw material costs. In the past, the Company has been able to minimize the impact on its operations resulting from the 52100 Steel price fluctuations by taking such measures. However, by contract, material price changes in any given year are passed along with price adjustments in January of the following year. Certain sales agreements are in effect with SKF and INA, which provide for minimum purchase quantities and specified, annual sales price adjustments that may be modified up or down for changes in material costs. These agreements expire during 2006 and 2008.

Recently Issued Accounting Standards

On December 16, 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," which requires companies to expense the value of employee stock options and similar awards and establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods. SFAS No. 123R is effective for interim and annual periods beginning after June 15, 2005 and applies to all outstanding and unvested share-based payment awards. This Statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award (usually the vesting period). We are currently evaluating the impacts of SFAS No. 123R on the Company's consolidated financial statements.

In December 2003 the FASB issued SFAS No. 132R (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits". SFAS No. 132R revises employers' disclosures about pension plans and other postretirement benefit plans. It does not change the measurement or recognition of those plans required by FASB Statements No. 87, "Employers' Accounting for Pensions", No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pensions Plans and for Termination Benefits, and No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". SFAS No. 132R requires additional disclosures to those in the original Statement 132R about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. With certain exceptions, principally related to disclosure requirements of foreign plans and expected benefit payments, SFAS No. 132R was effective for financial statements with fiscal years ending after December 15, 2003. Disclosure requirements related to foreign plans and expected benefit payments are effective for fiscal years ending after December 15, 2004. As of December 31, 2004, we have complied with the requirement of SFAS No. 132R.

On May 19, 2004, the FASB issued FASB Staff Position (FSP) No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003", which supersedes FSP No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," (the Act). FSP No. 106-2 permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the Act until authoritative guidance on accounting for subsidies provided by the Act is issued. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans. The Act did not have a material effect on the Company's Financial Statements.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs". SFAS No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). SFAS No. 151 requires

these items be recognized as current-period charges. In addition, SFAS No. 151 requires the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for fiscal years beginning after June 15, 2005. We are currently evaluating the impact of SFAS No. 151 on the Company's Financial Statements.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29". SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, Accounting for Nonmonetary Transactions, and replaces it with an exception for exchanges that do not have commercial substance. This Statement specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of this Statement are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We are currently evaluating the impact of SFAS 153 on the Company's Financial Statements.

Deduction for Qualified Domestic Production Activities

On October 22, 2004, the President signed the American Jobs Creation Act of 2004 (the "Act"). The Act provides a deduction for income from qualified domestic production activities, which will be phased in from 2005 through 2010. In return, the Act also provides for a two-year phase out of the existing extra-territorial income exclusion (ETI) for foreign sales that was viewed to be inconsistent with international trade protocols by the European Union. We are not yet in a position to determine the net effect of the phase out of the ETI and the phase in of this new deduction on the effective tax rate in future years. We expect to be in a position to finalize our assessment by December 31, 2005.

Under the guidance in FASB Staff Position No. FAS 109-1, Application of FASB Statement No. 109, "Accounting for Income Taxes," to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004, issued and effective on December 21, 2004, the deduction will be treated as a "special deduction" as described in FASB Statement No. 109. As such, the special deduction has no effect on deferred tax assets and liabilities existing at the enactment date. Rather, the impact of this deduction will be reported in the period in which qualifying activities occur.

Repatriation of Foreign Earnings

On October 22, 2004, the President signed the American Jobs Creation Act of 2004 (the "Act"). The Act creates a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85 percent dividends received deduction for certain dividends from controlled foreign corporations. The deduction is subject to a number of limitations and uncertainty remains as to how to interpret numerous provisions in the Act. As such, we are not yet in a position to decide on whether, and to what extent, we might repatriate foreign earnings that have not yet been remitted to the U.S. We expect to be in a position to finalize our assessment by December 31, 2005. On December 21, 2004 the FASB issued FSP No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004", effective on the date of issuance, and sets forth certain disclosure requirements for an enterprise that has not yet completed its evaluation of the repatriation provision. The disclosure requirements are discussed in Note 12 of the Notes to Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to changes in financial market conditions in the normal course of our business due to our use of certain financial instruments as well as transacting in various foreign currencies. To mitigate our exposure to these market risks, we have established policies, procedures and internal processes governing our management of financial market risks. We are exposed to changes in interest rates primarily as a result of our borrowing activities. At December 31, 2004, these borrowings included \$40.0 million aggregate principal amount of senior notes, a \$30 million revolving credit facility, and a 26.3 million Euro (\$29.6 million) term loan which was used to maintain liquidity and fund our business operations. At December 31, 2004, we had \$40.0 million outstanding of senior notes, \$11.4 million outstanding under the domestic credit facilities and NN Europe had 17.1 million Euro (\$23.3 million) outstanding under the Euro term loan. At December 31, 2004, a one-percent increase in the interest rate charged on our outstanding borrowings under both credit facilities would result in interest expense increasing annually by approximately \$0.4 million. In connection with a variable EURIBOR rate debt financing in July 2000 our majority owned subsidiary, NN Europe entered into an interest rate swap with a notional amount of Euro 12.5 million for the purpose of fixing the interest rate on a portion of their debt financing. The interest rate swap provides for us to receive variable Euribor interest payments and pay 5.51% fixed interest. The interest rate swap agreement expires in July 2006 and the notional amount amortizes in relation to principal payments on the underlying debt over the life of the swap. This original debt was repaid in May 2003, however, the swap remains pursuant to its original terms. On May 1, 2003, we entered into a new \$90 million syndicated credit facility. This new financing arrangement replaces our prior credit facility with AmSouth and NN Europe's credit facility with Hypo Vereinsbank Luxembourg, S.A., see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources". The nature and amount of our borrowings may vary as a result of future business requirements, market conditions and other factors.

Translation of the Company's operating cash flows denominated in foreign currencies is impacted by changes in foreign exchange rates. Our NN Europe Segment bills and receives payment from some of its foreign customers in their own currency. To date, the Company has not been materially adversely affected by currency fluctuations of foreign exchange restrictions. However, to help reduce exposure to foreign currency fluctuation, management has incurred debt in Euros and periodically used foreign currency hedges. These currency hedging programs allow management to hedge currency exposures when these exposures meet certain discretionary levels. The Company did not hold a position in any foreign currency hedging instruments as of December 31, 2004.

Item 8. Financial Statements and Supplementary Data

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To the Board of Directors and Shareholders' of NN, Inc.:

We have completed an integrated audit of NN, Inc.'s 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2004 and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of NN, Inc. and its subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers LLP
Charlotte, North Carolina
March 15, 2005

Report of Independent Registered Public Accounting Firm

The Board of Directors
NN, Inc.:

We have audited the accompanying consolidated statements of income and comprehensive income, consolidated statements of changes in stockholders' equity, and consolidated statements of cash flows of NN, Inc. for the year ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and the cash flows of NN, Inc. for the year ended December 31, 2002 in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for goodwill and other intangible assets in 2002.

/s/ KPMG LLP

Charlotte, North Carolina
February 24, 2003

NN, Inc.
Consolidated Balance Sheets
December 31, 2004 and 2003
(In thousands, except per share data)

Assets	2004	2003
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 10,772	\$ 4,978
Accounts receivable, net	51,597	40,864
Inventories, net	35,629	36,278
Income tax receivable	4,401	1,482
Other current assets	4,787	4,698
Current deferred tax asset	1,152	1,601
	-----	-----
Total current assets	108,338	89,901
Property, plant and equipment, net	131,169	128,996
Assets held for sale	--	1,805
Goodwill	44,457	42,893
Non-current deferred tax asset	1,629	--
Other non-current assets	4,276	4,304
	-----	-----
Total assets	\$ 289,869	\$ 267,899
	=====	=====
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 45,217	\$ 32,867
Accrued salaries, wages and benefits	16,332	12,032
Income taxes	1,599	1,332
Short term loans	--	2,000
Current maturities of long-term debt	7,160	12,725
Other liabilities	4,123	3,220
	-----	-----
Total current liabilities	74,431	64,176
Non-current deferred tax liability	17,857	13,423
Long-term debt	67,510	69,752
Accrued pension and other	14,931	14,080
	-----	-----
Total liabilities	174,729	161,431
	-----	-----
Commitments and Contingencies (Note 14)		
Stockholders' equity:		
Common stock - \$0.01 par value, authorized 45,000 shares, issued and outstanding 16,777 shares in 2004 and, 16,712 shares in 2003	168	168
Additional paid-in capital	53,423	52,960
Retained earnings	45,676	43,931
Accumulated other comprehensive income	15,873	9,409
	-----	-----
Total stockholders' equity	115,140	106,468
	-----	-----
Total liabilities and stockholders' equity	\$ 289,869	\$ 267,899
	=====	=====

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Income and Comprehensive Income
Years ended December 31, 2004, 2003 and 2002
(In thousands, except per share data)

	2004	2003	2002
	-----	-----	-----
Net sales	\$304,089	\$253,462	\$192,856
Cost of products sold (exclusive of depreciation shown separately below)	240,580	195,658	144,274
Selling, general and administrative	29,755	21,700	17,134
Depreciation and amortization	16,133	13,691	11,212
(Gain) loss on disposal of assets	856	(147)	(25)
Restructuring and impairment costs	2,398	2,490	1,277
	-----	-----	-----
Income from operations	14,367	20,070	18,984
Interest expense	4,029	3,392	2,451
Other (income) expense	(853)	99	(462)
	-----	-----	-----
Income before provision for income taxes	11,191	16,579	16,995
Provision for income taxes	4,089	5,726	6,457
Minority interest in consolidated subsidiaries	--	675	2,778
	-----	-----	-----
Net income	\$ 7,102	\$ 10,178	\$ 7,760
	-----	-----	-----
Other comprehensive income (loss):			
Additional minimum pension liability, net of tax	(200)	(177)	(28)
Unrealized holding gain on securities	73	--	--
Foreign currency translation	6,591	11,273	3,763
	-----	-----	-----
Comprehensive income	\$ 13,566	\$ 21,274	\$ 11,495
	=====	=====	=====
Basic income per share:			
Net income	\$ 0.42	\$ 0.64	\$ 0.51
	=====	=====	=====
Weighted average shares outstanding	16,728	15,973	15,343
	=====	=====	=====
Diluted income per share:			
Net income	\$ 0.41	\$ 0.62	\$ 0.49
	=====	=====	=====
Weighted average shares outstanding	17,151	16,379	15,714
	=====	=====	=====
Cash dividends per common share	\$ 0.32	\$ 0.32	\$ 0.32
	=====	=====	=====

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2004, 2003 and 2002
(In thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Gain	Total
	Number of shares	Par Value				
Balance, December 31, 2001	15,317	\$154	\$40,111	\$36,139	\$ (5,422)	\$ 70,982
Shares issued	53	--	346	--	--	346
Net income	--	--	--	7,760	--	7,760
Dividends declared	--	--	--	(4,915)	--	(4,915)
Additional minimum pension liability	--	--	--	--	(28)	(28)
Cumulative translation gain	--	--	--	--	3,763	3,763
Balance, December 31, 2002	15,370	\$154	\$40,457	\$38,984	\$ (1,687)	\$ 77,908
Shares issued	1,342	14	12,503	--	--	12,517
Net income	--	--	--	10,178	--	10,178
Dividends declared	--	--	--	(5,231)	--	(5,231)
Additional minimum pension liability	--	--	--	--	(177)	(177)
Cumulative translation gain	--	--	--	--	11,273	11,273
Balance, December 31, 2003	16,712	\$ 168	\$52,960	\$43,931	\$ 9,409	\$106,468
Shares issued	65	--	463	--	--	463
Net income	--	--	--	7,102	--	7,102
Dividends declared	--	--	--	(5,357)	--	(5,357)
Additional minimum pension liability	--	--	--	--	(200)	(200)
Unrealized holding gain	--	--	--	--	73	73
Cumulative translation gain	--	--	--	--	6,591	6,591
Balance, December 31, 2004	16,777	\$ 168	\$53,423	\$45,676	\$ 15,873	\$115,140

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2004, 2003 and 2002
(In Thousands)

	2004	2003	2002
Cash flows from operating activities:			
Net Income	\$ 7,102	\$ 10,178	\$ 7,760
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	16,133	13,691	11,212
Amortization of debt issue costs	220	212	260
(Gain) loss on disposals of property, plant and equipment	856	(147)	(25)
Allowance for doubtful accounts	22	158	138
Write-off of unamortized debt issue costs	260	455	--
Deferred income taxes	3,254	3,888	2,564
Minority interest in consolidated subsidiary	--	675	2,778
Restructuring costs and impairment costs	2,398	2,328	1,199
Changes in operating assets and liabilities:			
Accounts receivable	(8,123)	(9,242)	(3,728)
Inventories	2,059	(3,711)	1,479
Income tax receivable	(2,878)	(458)	--
Other current assets	111	(1,047)	4,795
Other assets	(799)	(1,578)	35
Accounts payable	9,782	5,118	5,535
Other liabilities	1,175	(1,059)	(2,915)
Net cash provided by operating activities	31,572	19,461	31,087
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	--	(21,435)	--
Purchase of minority interest	--	(15,586)	(13,802)
Acquisition of property, plant and equipment	(12,162)	(11,429)	(7,591)
Long-term note receivable	200	200	200
Proceeds from disposals of property, plant and equipment	2,342	212	65
Net cash used by investing activities	(9,620)	(48,038)	(21,128)
Cash flows from financing activities:			
Proceeds from long-term debt	40,000	90,332	13,802
Debt issue costs paid	(839)	(939)	--
Bank overdrafts	--	37	(1,103)
Repayment of long-term debt	(49,408)	(64,196)	(16,708)
Proceeds (repayment) of short-term debt	(2,000)	2,000	--
Proceeds from issuance of stock and exercise of stock options	463	5,579	346
Cash dividends	(5,357)	(5,231)	(4,915)
Net cash provided (used) by financing activities	(17,141)	27,582	(8,578)
Effect of exchange rate changes	983	829	739
Net change in cash and cash equivalents	5,794	(166)	2,120
Cash and cash equivalents at beginning of period	4,978	5,144	3,024
Cash and cash equivalents at end of period	\$ 10,772	\$ 4,978	\$ 5,144
Supplemental schedule of non-cash investing and financing activities:			
Stock issued related to acquisition of Veenendaal	\$ --	\$ 6,938	\$ --
Cash paid for interest and income taxes was as follows:			
Interest	\$ 3,318	\$ 2,496	\$ 1,965
Income taxes	4,887	4,371	4,774

See accompanying notes to consolidated financial statements

NN, Inc.
Notes to Consolidated Financial Statements
December 31, 2004, 2003 and 2002
(In thousands, except per share data)

1) Summary of Significant Accounting Policies and Practices

(a) Description of Business

NN, Inc. (the "Company") is a manufacturer of precision balls, cylindrical and tapered rollers, bearing retainers, plastic injection molded products, and precision bearing seals. The Company's balls, rollers, retainers, and bearing seals are used primarily in the domestic and international anti-friction bearing industry. The Company's plastic injection molded products are used in the bearing, automotive, instrumentation and fiber optic industries. The Domestic Ball and Roller Segment is comprised of two manufacturing facilities located in the eastern United States, our start-up operations in The People's Republic of China and corporate office costs. The Company's NN Europe Segment is comprised of manufacturing facilities located in Kilkenny, Ireland, Eltmann, Germany, Pinerolo, Italy, Veenendaal, The Netherlands and Kysucke Nove Mesto, Slovakia. On March 12, 2004 we changed the name of our primary European entity from NN Euroball, ApS to NN Europe ApS. To avoid confusion between the entity and the segment, we will refer to the segment as the NN Europe Segment and the entity as NN Europe. The facilities in the NN Europe Segment are engaged in the production of precision balls, tapered rollers and metal retainers. The Plastic and Rubber Components Segment consists of Industrial Molding Corporation ("IMC"), acquired in July 1999 and Delta Rubber, acquired in February 2001. IMC has two production facilities in Texas and Delta Rubber has two production facilities in Connecticut (see Note 2). All of the Company's segments sell to foreign and domestic customers.

(b) Cash and Cash Equivalents

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

(c) Inventories

Inventories are stated at the lower of cost or market. Actual costs are evaluated and do not exceed the lower of cost or market. Cost is determined using the first-in, first-out method. The Company accounts for inventory under a full absorption method, and accordingly, our inventory carrying value includes cost elements of material, labor and overhead.

Inventories include tools, molds and dies in progress that the Company is producing and will ultimately sell to its customers. This activity is principally related to our Plastic and Rubber Components Segment. They are carried at the lower of cost or market.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Assets held for sale are stated at lower of cost or fair market value less estimated selling costs. 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 are removed from the property accounts and any gain or loss is recorded in the statement of income. The Company reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. During the years ended December 31, 2004, 2003 and 2002, the Company recorded an impairment charge of \$108, \$0 and \$1,199 respectively, to write-down the land, building and equipment at the Walterboro, SC production facility to its net realizable value, which was principally based upon fair market value appraisals and valuations. The land and building assets were sold at a loss during the fourth quarter of 2004. As a result, we recorded a loss of approximately \$750 which has been recorded as a loss on disposal of assets, a component of income from operations. Additionally, during the fourth quarter of 2004, we recorded an impairment charge of approximately \$108 related to certain remaining machinery and equipment assets of this facility. This amount was recorded as a component restructuring and impairment costs. As of December 31, 2003, the carrying value of this land, building and equipment was classified as a component of assets held for sale in the accompanying financial statements at \$1,805.

NN, Inc.
Notes to Consolidated Financial Statements
December 31, 2004, 2003 and 2002
(In thousands, except per share data)

Property, plant and equipment includes tools, molds and dies principally used in our Plastic and Rubber Components Segment that are the property of the Company. These assets are stated at cost less accumulated depreciation.

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.

(e) Revenue Recognition

The Company generally recognizes a sale when goods are shipped and the risks of ownership are transferred to the customer. The Company has an inventory management program for certain major ball and roller customers whereby sales are recognized when products are used by the customer from consigned stock, rather than at the time of shipment. Under both circumstances, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sellers' price is determinable and collectibility is reasonably assured.

(f) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(g) Net Income Per Common Share

Basic earnings per share reflect reported earnings divided by the weighted average number of common shares outstanding. Diluted earnings per share include the effect of dilutive stock options outstanding during the year.

(h) Stock Incentive Plan

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation (an interpretation of APB Opinion No. 25)" issued in March 2000, to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. The Company also applies the provision of APB Opinion No. 25 to its variable stock options. Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans.

We have elected to continue accounting for our stock compensation plan using the intrinsic value based method under APB Opinion No. 25 and, accordingly, have not recorded compensation expense for each of the three years ended December 31, 2004, except as related to stock options accounted for under the variable method of accounting. Had compensation cost for the Company's stock compensation plan been determined based on the fair value at the option grant dates consistent with the method of SFAS No. 123 and SFAS No. 148, the Company's net income and earnings per share would have been as follows:

NN, Inc.
Notes to Consolidated Financial Statements
December 31, 2004, 2003 and 2002
(In thousands, except per share data)

	Year ended December 31,		
	2004	2003	2002
Net income - as reported	\$7,102	\$ 10,178	\$ 7,760
Stock based compensation costs, net of income tax, included in net income as reported	27	160	(69)
Stock based compensation costs, net of income tax, that would have been included in net income if the fair value method had been applied	(494)	(1,001)	(488)
Net income - proforma	\$6,635	\$ 9,337	\$ 7,203
Earnings per share - as reported	\$ 0.42	\$ 0.64	\$ 0.51
Stock based compensation costs, net of income tax, included in net income as reported	--	0.01	(0.01)
Stock based compensation costs, net of income tax, that would have been included in net income if the fair value method had been applied	\$(0.02)	(0.06)	(0.03)
Earnings per share - proforma	\$ 0.40	\$ 0.59	\$ 0.47
Earnings per share-assuming dilution - as reported	\$ 0.41	\$ 0.62	\$ 0.49
Stock based compensation costs, net of income tax, included in net income as reported	--	0.01	--
Stock based compensation costs, net of income tax, that would have been included in net income if the fair value method had been applied	(0.02)	(0.06)	(0.03)
Earnings per share - assuming dilution-proforma	\$ 0.39	\$ 0.57	\$ 0.46

The fair value of each option grant was estimated based on actual information available through December 31, 2004, 2003 and 2002 using the Black Scholes option-pricing model with the following assumptions:

Term	Vesting period
Risk free interest rate	3.25%, 3.38% and 3.28% for 2004, 2003 and 2002, respectively
Dividend yield	2.42%, 3.7%, and 3.2% annually for 2004, 2003 and 2002, respectively
Volatility	48.4%, 49.8% and 50.1% for 2004, 2003 and 2002, respectively

NN, Inc.
Notes to Consolidated Financial Statements
December 31, 2004, 2003 and 2002
(In thousands, except per share data)

(i) Principles of Consolidation

The Company's consolidated financial statements include the accounts of NN, Inc. and subsidiaries in which the Company owns more than 50% voting interest. Unconsolidated subsidiaries and investments where ownership is between 20% and 50% are accounted for under the equity method. All significant intercompany profits, transactions, and balances have been eliminated in consolidation. The ownership interests of other shareholders in companies that are more than 50% owned, but less than 100% owned by the Company, are reflected as minority interests. Minority interest in consolidated subsidiaries represents the minority shareholders interest of NN Europe ApS at December 31, 2002. There were no minority interests in consolidated subsidiaries at December 31, 2004 or December 31, 2003 as a result of the Company acquiring the remaining additional interests in NN Europe on May 2, 2003.

(j) Foreign Currency Translation

Assets and liabilities of the Company's foreign subsidiaries are translated at current exchange rates, while revenue, costs and expenses are translated at average rates prevailing during each reporting period. Translation adjustments are reported as a component of other comprehensive income. Net exchange gains or losses resulting from the translation of foreign financial statements are accumulated with other comprehensive earnings as a separate component of shareholders equity.

(k) Goodwill and Other Intangible Assets

Goodwill: The Company recognized the excess of the purchase price of an acquired entity over the fair value of the net identifiable assets as goodwill. Goodwill is tested for impairment on an annual basis as of October 1 and between annual tests in certain circumstances. Impairment losses are recognized whenever the implied fair value of goodwill is less than its carrying value. Goodwill is not amortized.

Other Acquired Intangibles: The Company recognizes an acquired intangible asset apart from goodwill whenever the asset arises from contractual or other legal rights, or whenever it is capable of being divided or separated from the acquired entity or sold, transferred, licensed, rented, or exchanged, whether individually or in combination with a related contract, asset or liability. An intangible asset other than goodwill is amortized over its estimated useful life unless that life is determined to be indefinite. The Company reviews the lives of intangible assets each reporting period and, if necessary, recognizes impairment losses if the carrying amount of an intangible asset subject to amortization is not recoverable from expected future cash flows and its carrying amount exceeds its fair value.

We completed our annual required goodwill impairment review during the fourth quarter of 2002, 2003 and 2004. In performing the impairment reviews, the Company estimated the fair values of the reporting units using a method that incorporates valuations derived from EBITDA multiples based upon market multiples and recent capital market transactions and also incorporates valuations determined by each segment's discounted future cash flows. As of January 1, 2002, the transition date and as of October 1, 2003 and 2004, the annual review dates, there was no impairment to goodwill as the fair values of the reporting units exceeded their carrying values of the reporting units. As a result of closing our NN Arte facility in Guadalajara, Mexico, we performed a test of the recoverability of the goodwill asset associated with this operation. This test was pursuant to the provisions of Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" which require that interim tests of the recoverability of goodwill be performed under certain circumstances. As a result, we recorded an impairment charge of approximately \$1.3 million to fully write-off the goodwill asset during the twelve month period ended December 31, 2003. There were no impairment charges recorded as a result of the annual goodwill impairment review during the twelve month period ended December 31, 2004. See Note 3.

NN, Inc.
Notes to Consolidated Financial Statements
December 31, 2004, 2003 and 2002
(In thousands, except per share data)

The changes in the carrying amount of goodwill for the years ended December 31, 2003 and 2004 are as follows:

In thousands	Plastic and Rubber Components Segment	NN Europe Segment	Total
Balance as of January 1, 2003	\$ 26,712	\$ 12,662	\$ 39,374
Goodwill acquired	--	2,151	2,151
Impairment losses	(1,285)	--	(1,285)
Currency impacts/reclassification	328	2,325	2,653
Balance as of January 1, 2004	\$ 25,755	\$ 17,138	\$ 42,893
Goodwill acquired	--	--	--
Impairment losses	--	--	--
Currency impacts	--	1,564	1,564
Balance as of December 31, 2004	\$ 25,755	\$ 18,702	\$ 44,457

(l) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment of or Disposal of Long-Lived Assets." Assets to be held and used are tested for recoverability when indications of impairment are evident. If the reviewed carrying value of the asset is not recoverable based on underlying cash flows related to specific groups of acquired long-lived assets, the asset is written down to the lesser of recoverable value or carrying value. Assets held for sale are carried at the lesser of carrying value or fair value less costs of disposal. The fair value of impaired assets is generally determined with the assistance of independent appraisals and valuations, when available.

(m) 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.

(n) Reclassifications

Certain 2003 and 2002 amounts have been reclassified to conform with the 2004 presentation.

(o) Derivative Financial Instruments

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities." In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS 133." SFAS No. 133 and SFAS No. 138 require that all derivative instruments be recorded on the balance sheet at their respective fair values. SFAS No. 133 and SFAS No. 138 are effective for all fiscal quarters of all fiscal years beginning after June 30, 2000, which for the Company was effective January 1, 2001.

In connection with a variable EURIBOR rate debt financing in July 2000 the Company's majority owned subsidiary, NN Europe ApS entered into an interest rate swap with a notional amount of 12.5 million Euro for the purpose of fixing the interest rate on a portion of their debt financing. The interest rate swap provides for the Company to receive variable Euribor interest payments and pay 5.51% fixed interest. The interest rate swap agreement expires in July 2006 and the notional amount amortizes in relation to the life of the swap.

Continued

The interest rate swap does not qualify for hedge accounting under the provisions of SFAS No. 133; therefore, the transition adjustment for adoption of SFAS No. 133 and any subsequent periodic changes in fair value of the interest rate swap are recorded in earnings as a component of other income.

As of December 31, 2004 and 2003, the fair value of the swap is a liability of approximately, \$167 and \$360, respectively, which is recorded in other non-current liabilities. The change in fair value during the years ended December 31, 2004 and 2003 was a gain of approximately \$193 and \$125, respectively, and for the year ended December 31, 2002 the change in fair value was a loss of approximately \$51 which has been included as a component of other income.

(p) Recently Issued Accounting Standards

On December 16, 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," which requires companies to expense the value of employee stock options and similar awards and establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods. SFAS No. 123R is effective for interim and annual periods beginning after June 15, 2005 and applies to all outstanding and unvested share-based payment awards. This Statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exception). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award-the requisite service period (usually the vesting period). We are currently evaluating the impacts of SFAS No. 123R on the Company's consolidated financial statements.

In December 2003 the FASB issued SFAS No. 132R (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits". SFAS No. 132R revises employers' disclosures about pension plans and other postretirement benefit plans. It does not change the measurement or recognition of those plans required by FASB Statements No. 87, "Employers' Accounting for Pensions", No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pensions Plans and for Termination Benefits, and No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". SFAS No. 132R requires additional disclosures to those in the original Statement 132R about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. With certain exceptions, principally related to disclosure requirements of foreign plans and expected benefit payments, SFAS No. 132R is effective for financial statements with fiscal years ending after December 15, 2003. Disclosure requirements related to foreign plans and expected benefit payments are effective for fiscal years ending after December 15, 2004. As of December 31, 2004, we have complied with the requirements of SFAS No. 132R.

On May 19, 2004, the FASB issued FASB Staff Position (FSP) No. 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003", which supersedes FSP No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," (the Act). FSP No. 106-2 permits a sponsor of a postretirement health care plan that provides a prescription drug benefit to make a one-time election to defer accounting for the effects of the Act until authoritative guidance on accounting for subsidies provided by the Act is issued. The Act introduces a prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree health care benefit plans. The Act did not have a material effect on the company's financial statements.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs". SFAS No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). SFAS No. 151 requires these items be recognized as current-period charges. In addition, SFAS No. 151 requires the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for fiscal years beginning after June 15, 2005. We are currently evaluating the impact of SFAS No. 151 on the company's financial statements.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29". SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, Accounting for Nonmonetary Transactions, and replaces it with an exception for exchanges that do not have commercial substance. This Statement specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of this Statement are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We are currently evaluating the impact of SFAS 153 on the Company's Financial Statements.

Deduction for Qualified Domestic Production Activities

On October 22, 2004, the President signed the American Jobs Creation Act of 2004 (the "Act"). The Act provides a deduction for income from qualified domestic production activities, which will be phased in from 2005 through 2010. In return, the Act also provides for a two-year phase out of the existing extra-territorial income exclusion (ETI) for foreign sales that was viewed to be inconsistent with international trade protocols by the European Union. We are not yet in a position to determine the net effect of the phase out of the ETI and the phase in of this new deduction on the effective tax rate in future years. We expect to be in a position to finalize our assessment by December 31, 2005.

Under the guidance in FASB Staff Position No. FAS 109-1, Application of FASB Statement No. 109, "Accounting for Income Taxes," to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004, issued and effective on December 21, 2004, the deduction will be treated as a "special deduction" as described in FASB Statement No. 109. As such, the special deduction has no effect on deferred tax assets and liabilities existing at the enactment date. Rather, the impact of this deduction will be reported in the period in which qualifying activities occur.

Repatriation of Foreign Earnings

On October 22, 2004, the President signed the American Jobs Creation Act of 2004 (the "Act"). The Act creates a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85 percent dividends received deduction for certain dividends from controlled foreign corporations. The deduction is subject to a number of limitations and uncertainty remains as to how to interpret numerous provisions in the Act. As such, we are not yet in a position to decide on whether, and to what extent, we might repatriate foreign earnings that have not yet been remitted to the U.S. We expect to be in a position to finalize our assessment by December 31, 2005. On December 21, 2004 the FASB issued FSP No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004", effective on the date of issuance, and sets forth certain disclosure requirements for an enterprise that has not yet completed its evaluation of the repatriation provision. The disclosure requirements are discussed in Note 12.

2) Acquisitions, Purchase of Minority Interest and New Businesses

During 2004 we formed a wholly-owned subsidiary, NN Precision Bearing Products Company, LTD, ("NN Asia"). This subsidiary, which is expected to begin precision ball production during the second half of 2005, will be located in the Kunshan Economic and Technology Development Zone, Jiangsu, The People's Republic of China and is a component of our strategy to globally expand our manufacturing base. The costs incurred as a result of this start-up of approximately \$481 were expensed and are included in the Domestic Ball and Roller Segment.

On October 9, 2003, we acquired certain assets comprised of land, building and machinery and equipment of the precision ball operations of KLF - Gulickaren ("KLF"), based in Kysucke Nove Mesto, Slovakia. We paid consideration of approximately 1,664 Euros (\$1,967). The assets are being utilized by our wholly owned subsidiary AKMCH based in Kysucke Nove Mesto, Slovakia, which began production in 2004. The financial results of the operations are included in our NN Europe Segment.

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On May 2, 2003 we acquired the 23 percent interest in NN Europe, ApS ("NN Europe") held by SKF. We paid approximately 13,842 Euros (\$15,586) for SKF's interest in NN Europe. The excess of the purchase price paid to SKF for its 23% interest over the fair value of SKF's 23% interest in the net assets of NN Europe of approximately \$2,151 was allocated to goodwill. Upon consummation of this transaction, we became the sole owner of NN Europe.

On May 2, 2003 we acquired 100 percent of the tapered roller and metal cage manufacturing operations of SKF in Veenendaal, The Netherlands. The results of Veenendaal's operations have been included in the consolidated financial statements since that date. We paid consideration of approximately 22,952 Euros (\$25,671) and incurred other costs of approximately \$1,022, for the Veenendaal net assets acquired from SKF. The excess of the fair value of the net assets acquired over the purchase price paid of 4,195 Euros (\$4,692) has been allocated as a proportionate reduction of certain assets acquired. The Veenendaal operation manufactures rollers for tapered roller bearings and metal cages for both tapered roller and spherical roller bearings allowing us to expand our bearing component offering. The financial results of the Veenendaal operation are included in the NN Europe Segment.

In connection with the acquisition of SKF's Veenendaal, The Netherlands operations, SKF purchased from us 700,000 shares of our common stock for an aggregate fair value of approximately \$6,937 million which was applied to the purchase of SKF's Veenendaal, The Netherlands operations. For purposes of valuing the 700,000 common shares issued in our consolidated financial statements, the value was determined based on the average market price of NN, Inc.'s common shares over the two-day period before, the day of, and the two-day period after the terms of the acquisition were agreed to, April 14, 2003.

The following table summarizes the allocation of the purchase price related to the assets acquired and liabilities assumed at the date of acquisition.

	At May 2, 2003
Current assets	\$6,611
Property, plant and equipment	27,690

Total assets acquired	34,301
Total liabilities	7,608

Total purchase price	\$ 26,693

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The following unaudited proforma summary presents the financial information for the twelve month periods ended December 31, 2003 as if our Veenendaal acquisition had occurred as of the beginning of the period presented. These pro forma results have been prepared for comparative purposes and do not purport to be indicative of what would have occurred had the acquisition been made as of the beginning of the period presented, nor are they indicative of future results.

	Twelve months ended December 31, 2003 (unaudited)
Net sales	\$ 270,989
Net income	10,478
Basic earnings per share	0.66
Diluted earnings per share	0.64
	Twelve months ended December 31, 2002 (unaudited)
Net sales	\$ 245,437
Net income	8,658
Basic earnings per share	0.56
Diluted earnings per share	0.55

On December 20, 2002 the Company completed the purchase of the 23% interest in NN Europe, ApS ("NN Europe") held by INA. NN Europe was formed in 2000 by the Company, FAG Kugelfischer George Schaefer AG, which was subsequently acquired by INA - Schaeffler KG (collectively, "INA"), and AB SKF ("SKF"). INA is a global bearing manufacturer and one of our largest customers. The Company paid approximately 13,400 Euro (\$13,802) for INA interest in NN Europe. The excess of the purchase price paid to INA/FAG for its 23% interest over the fair value of INA's 23% interest in the net assets of NN Europe of approximately \$1,517 was recorded as goodwill.

Effective July 31, 2000, the Company completed its NN Europe transaction. Completion of the transaction required the Company to start a majority owned stand-alone company in Europe, NN Europe ApS, for the manufacture and sale of precision steel balls used for ball bearings and other products. As a result of this transaction the Company owned 54% of the shares of NN Europe, ApS, AB SKF (SKF), a Swedish Company, and FAG, a German Company, owned 23% each. NN Europe ApS subsequently acquired the steel ball manufacturing facilities located in Pinerolo, Italy (previously owned by SKF), Eltmann, Germany (previously owned by INA) and Kilkenny, Ireland (previously owned by the Company). NN Europe ApS paid approximately \$47,433 for the net assets originally acquired from SKF and FAG. The acquisitions of the Pinerolo, Italy and Eltmann, Germany ball manufacturing facilities have been accounted for by the purchase method of accounting. The excess of the purchase price over the fair value of the net identifiable assets acquired of \$8,761 was recorded as goodwill.

Restructuring and Impairment Charges

Eltmann, Germany Restructuring

During the fourth quarter of 2004, the Company's NN Europe subsidiary, a component of the Company's NN Europe Segment, announced a reduction in staffing at its Eltmann, Germany ball production facility. This restructuring will affect approximately 86 employees and is expected to be completed during 2005. As a result, the Company has recorded restructuring charges of approximately 1,700 Euro (\$2,290) related to severance costs of approximately \$2,115 and other related charges of approximately \$175. The workforce reduction is a result of the Company's continuing strategy of rationalizing its global manufacturing capacity and transfer of production principally to its facility in Kysucke Nove Mesto, Slovakia. The charges have been recorded in restructuring and impairment costs, a component of income from operations.

The following summarizes the 2004 restructuring charges related to the restructuring at the Company's Eltmann, Germany facility:

	Charges	Paid in 2004	Reserve Balance at 12/31/04
Severance and other employee costs	\$2,290	--	\$2,290
Total	\$2,290	--	\$2,290

We expect to pay all amounts during 2005 and no additional charges are expected to be incurred. As a result of the workforce reduction and rationalization of global manufacturing capacity, we performed a test of the recoverability of the goodwill and long-lived assets associated with the Eltmann, Germany facility. This test was pursuant to the provisions of Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" and Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" which require that interim tests of asset recoverability be performed under certain circumstances. As a result of the test, we concluded that no indication of impairment exists at December 31, 2004.

NN Arte Plant Closing in Guadalajara, Mexico

In May 2003, we decided to close our Guadalajara, Mexico plastic injection molding facility. This operation was started in September of 2000 to supply certain Mexican operations of multi-national manufacturers of office automation equipment. The closure was substantially completed during the third quarter of 2003. The financial results of this operation have been included in the Plastic and Rubber Components Segment.

The plant closing resulted in the termination of approximately 42 full time hourly and salary employees located at the Guadalajara facility. For the twelve months ended December 31, 2003 total restructuring costs of \$230 were recorded related to the severance payments for the affected employees.

As a result of the closing, we performed a test of the recoverability of the goodwill asset associated with the Guadalajara, Mexico operation. This test was pursuant to the provisions of Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" which require that interim tests of the recoverability of goodwill be performed under certain circumstances. As a result, we recorded an impairment charge of approximately \$1,285 to fully write-off the goodwill asset during the twelve month period ended December 31, 2003.

We sold much of the machinery and equipment with certain pieces of machinery and equipment to be transferred and utilized by our Industrial Molding facility in Lubbock, Texas. Pursuant to the provisions of Statement of Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-lived Assets" we recorded an impairment charge of approximately \$1,049 during 2003 to write-down the machinery and equipment to its estimated fair market value. During the three months ended September 30, 2003 we recorded a gain of \$145 related to the disposition of certain pieces of the machinery and equipment assets that

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were previously assessed as impaired. During the twelve months ended December 31, 2003, we recorded a total impairment charge related to the machinery and equipment of approximately \$904.

During 2003, we also recorded an accounts receivable write-down of \$31 to reduce accounts receivable to its estimated fair market value. Additionally, we recorded an inventory write-down of \$108 during 2003 to reduce the carrying value of inventory to its estimated fair market value. These amounts related to the inventory asset have been recorded as a component of cost of products sold.

The following summarizes the 2004 and 2003 restructuring and impairment charges related to the closure of NN Arte:

	Charges	Non-Cash Write-downs	Paid in 2004	Reserve Balance At 12/31/04
Asset impairments	\$ --	\$ --	\$ --	\$ --
Lease exit costs	--	--	--	--
Severance and other employee costs	--	--	45	--
Total	\$ --	\$ --	\$ 45	\$ --

	Charges	Non-Cash Write-downs	Paid in 2003	Reserve Balance At 12/31/03
Asset impairments	\$2,328	\$2,328	\$ --	\$ --
Lease exit costs	40	--	40	--
Severance and other employee costs	230	--	185	45
Total	\$2,598	\$2,328	\$ 225	\$ 45

Walterboro, South Carolina Plant Closing

In September 2001, we announced the closure of our Walterboro, South Carolina ball manufacturing facility as a part of our ongoing strategy to locate manufacturing capacity in closer proximity to our customers. This facility is included in our Domestic Ball and Roller Segment (see Note 11). The closure was substantially completed by December 31, 2001.

Prior to December 31, 2001, production capacity and certain machinery and equipment was transferred from the Walterboro facility to the Company's two domestic ball facilities in Erwin, Tennessee and Mountain City, Tennessee. The plant closing resulted in the termination of approximately 80 full time hourly and salaried employees located at the Walterboro facility. The Company recorded restructuring costs of \$62 during the years ended December 31, 2002 for the related severance payments. All of the severance payments were paid by December 31, 2002. Additionally, prior to December 31, 2001, the Company decided to sell the Walterboro land, building and certain machinery. The Company incurred an impairment charge of \$564 during 2002 to write-down the land and building at the Walterboro facility to its net realizable value of \$1,128 at December 31, 2002 which was based upon fair market value appraisals. Additionally, the Company incurred an impairment charge of \$635 during 2002 to write down the equipment to its net realizable value of \$1,086. The land, building, and equipment assets with a recorded book value of \$1,805 were held for sale at December 31, 2003. In arriving at the carrying value of the assets held for sale, we utilized independent, third party fair value appraisals and valuations. The land and building assets were sold at a loss during the fourth quarter of 2004. As a result, we recorded a loss of approximately \$750 which has been recorded as a loss on disposal of assets, a component of income from operations. Additionally, during the fourth quarter of 2004, we recorded an impairment charge of approximately \$108 related to certain remaining machinery and equipment assets of this facility. This amount was recorded as a component of restructuring and impairment costs.

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The Company has charged expenses to cost of products sold for moving machinery, equipment and inventory to other production facilities and other costs to close the facility, which will benefit future operations, in the period they are incurred.

4) Investments in Affiliated Companies and Notes Receivable

Effective December 21, 2001, the Company sold its 50% ownership in NN General, LLC to its partner, General Bearing Corporation for cash of \$622 and notes of \$3,305. The notes are due in annual installments of \$200 with the balance of \$2,505 due on December 21, 2006. The notes bear interest at an average LIBOR (2.56% at December 31, 2004) plus 1.5%. Interest income on this note of \$86 and \$85 was recorded during 2004 and 2003, respectively, and has been included as a component of other income in the accompanying consolidated statement of income. Payments totaling \$286 and \$285 were received during 2004 and 2003, respectively which include \$200 of principal and \$86 and \$85 of interest payments, respectively. At December 31, 2004, the note receivable balance is \$2,705 and is included as a component of other non-current assets.

5) Accounts Receivable

	December 31,	
	2004	2003
Trade	\$ 53,331	\$ 42,619
Less - Allowance for doubtful accounts	1,734	1,755
Accounts receivable, net	\$ 51,597	\$ 40,864

Activity in the allowance for doubtful accounts is as follows:

Description	Balance at beginning of year	Additions	Write-offs	Balance at end of year
December 31, 2002				
Allowance for doubtful accounts	\$ 1,791	\$ 138	\$ 263	\$ 1,666
December 31, 2003				
Allowance for doubtful accounts	\$ 1,666	\$ 158	\$ 69	\$ 1,755
December 31, 2004				
Allowance for doubtful accounts	\$ 1,755	\$ 22	\$ 43	\$ 1,734

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Inventories

	December 31,	
	2004	2003
Raw materials	\$ 8,584	\$ 8,492
Work in process	6,356	6,808
Finished goods	22,334	22,128
Less-inventory reserve	(1,645)	(1,150)
Inventories, net	\$ 35,629	\$ 36,278

Inventory on consignment at December 31, 2004 and 2003 was approximately \$3,755 and \$3,046, respectively.

7) Property, Plant and Equipment

	Estimated Useful Life	December 31,	
		2004	2003
Land		\$8,454	\$7,940
Buildings and improvements	15-40 years	30,833	31,415
Machinery and equipment	3-12 years	168,561	156,263
Construction in process		11,249	4,681
		219,097	200,299
Less - accumulated depreciation		87,928	71,303
Property, plant and equipment, net		\$131,169	\$128,996

On September 11, 2001, the Company announced the closing of its Walterboro, South Carolina ball manufacturing facility effective December 2001. As a result of that closing, land and building was classified as a component of assets held for sale in the accompanying consolidated financial statements with a carrying value of \$1,128 as of December 31, 2003. Certain machinery and equipment assets are also held for sale with a carrying value of \$677 as of December 31, 2003. The land and building assets were sold during the fourth quarter of 2004. As a result, we recorded a loss on disposal of assets of approximately \$750 which has been recorded as a loss on disposal of assets, a component of income from operations. Additionally, during the fourth quarter of 2004, we recorded an impairment charge of approximately \$108 related to certain remaining machinery and equipment assets of this facility. This amount was recorded as a restructuring and impairment cost.

On October 27, 2004 we completed the sale of our idle warehouse in Kilkenny, Ireland for approximately 1,580 euro (\$1,959), net of selling costs incurred. As a result of this transaction, we recorded a loss on disposal of assets of approximately 37 euro (\$46) during the fourth quarter which was recorded as a component of loss on disposal of assets. Prior to the sale this asset was classified as a component of property, plant and equipment, net. Proceeds received from the sale of this asset were used to repay a portion of our \$90 million credit facility.

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8) Debt

a) Short-term

There were no short term loans outstanding at December 31, 2004.

At December 31, 2003, we had outstanding a \$2,000 unsecured note payable to AmSouth Bank ("AmSouth") bearing interest at prime rate (4.0% at December 31, 2003). The maturity date of this note was May 12, 2004. All amounts outstanding under this note were paid in 2004.

b) Long-term debt at December 31, 2004 and 2003 consists of the following:

	2004	2003
	-----	-----
Borrowings under our \$30,000 revolving credit facility bearing interest at a floating rate equal to LIBOR (2.56% at December 31, 2004) plus an applicable margin of 1.25 to 2.0, expiring on March 1, 2006	\$ 11,400	\$ 27,104
Borrowings under our \$30,400 term loan expiring on May 1, 2008, bearing interest at a floating rate equal to LIBOR (1.15% at December 31, 2003) plus an applicable margin of 1.25 to 2.0 payable in quarterly installments of \$1,790 beginning July 1, 2003 through April 1, 2008	--	27,152
Borrowings under our 26,300 Euro term loan expiring on May 1, 2008, bearing interest at a floating rate equal to Euro LIBOR (2.15% at December 31, 2004) plus an applicable margin of 1.25 to 2.0 payable in quarterly installments of Euro 1,314 beginning July 1, 2003 through April 1, 2008	23,270	28,221
Borrowings under our \$40,000 aggregate principal amount of senior notes bearing interest at a fixed rate of 4.89% maturing on April 26, 2014. Annual principal payments of \$5,714 begin on April 26, 2008 and extend through the date of maturity.	40,000	--
Total long-term debt	74,670	82,477
Less current maturities of long-term debt	7,160	12,725
Long-term debt, excluding current maturities of long-term debt	\$ 67,510	\$ 69,752
	=====	=====

On May 1, 2003 in connection with the purchase of SKF's Veenendaal component manufacturing operations and SKF's 23 percent interest in NN Europe, we entered into a \$90,000 syndicated credit facility with AmSouth Bank ("AmSouth") as the administrative agent and Suntrust Bank as the Euro loan agent for the lenders under which we borrowed \$60,400 and 26,300 Euros (\$29,600) (the "\$90 million credit facility"). This financing arrangement replaced our prior credit facility with AmSouth and Hypo Vereinsbank Luxembourg, S.A. The credit facility as originally entered into consisted of a \$30,000 revolver ("\$30.0 million revolver") originally expiring on March 15, 2005 and subsequently extended to March 31, 2006 bearing interest at a floating rate equal to LIBOR (2.56% at December 31, 2004) plus an applicable margin of 1.25% to 2.0%, a \$30,400 term loan expiring on May 1, 2008, bearing interest at a floating rate equal to LIBOR (2.56% at December 31, 2004) plus an applicable margin of 1.25% to 2.0% and a 26,300 Euro (\$29,600) term loan ("26.3 million Euro term loan") expiring on May 1, 2008 which bears interest at a floating rate equal to Euro LIBOR (2.15% at December 31, 2004) plus an applicable margin of 1.25% to 2.0%. All

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amounts owed under the \$30,400 term loan were paid during the second quarter of 2004 with the proceeds from our \$40,000 notes and we no longer have borrowing capacity under that portion of the \$90,000 credit facility. The terms of the \$30,000 revolver and the 26,300 Euro term loan remain unchanged except for the maturity date of the \$30,000 revolver has been extended to March 31, 2006. The loan agreement contains customary financial and non-financial covenants. Such covenants specify that we must maintain certain liquidity measures. 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 the Company's business. The credit agreement is un-collateralized except for the pledge of stock of certain foreign subsidiaries. In connection with this refinancing, capitalized costs in the amount of \$455 associated with the paid-off credit facilities were written-off during 2003 and are included as a component of other (income) expense. We incurred \$939 of debt issue costs as a result of entering into this credit facility which are being amortized over the life of the credit facility. We were in compliance with all such covenants as of December 31, 2004.

In connection with the acquisition of KLF's operations in Slovakia, on September 23, 2003 we entered into a \$2,000 short-term unsecured promissory note (the "\$2.0 million note") with AmSouth as the lender. This note bore interest at the prime rate. All amounts owed under this note were paid during the second quarter of 2004 with the proceeds from our \$40 million notes.

On March 23, 2004 we entered into a \$2,700 short-term promissory note (the "\$2.7 million note") with AmSouth Bank ("AmSouth") as the lender. This note bore interest at the prime rate. This agreement was entered into to fund short term operating capital requirements. All amounts owed under this note were paid during the second quarter of 2004 with the proceeds from our \$40 million notes.

On April 26, 2004 we issued \$40,000 aggregate principal amount of senior notes in a private placement (the "\$40 million notes"). These notes bear interest at a fixed rate of 4.89% and mature on April 26, 2014. Interest is paid semi-annually. As of December 31, 2004, \$40.0 million remained outstanding. Annual principal payments of approximately \$5,714 begin on April 26, 2008 and extend through the date of maturity. Proceeds from this credit facility were used to repay our existing US dollar denominated term loan, \$24,000, and repay a portion, of our borrowings under our US dollar denominated revolving credit facility, \$13,000, which are both components of our \$90 million credit facility, and to repay borrowings remaining under our \$2.0 million note and our \$2.7 million note of \$2,000 and \$1,000, respectively. The agreement contains customary financial and non-financial covenants. Such covenants specify that we must maintain certain liquidity measures. The 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. No event of default had occurred as of December 31, 2004. The notes are not collateralized except for the pledge of stock of certain foreign subsidiaries. We incurred \$839 of related costs as a result of issuing these notes which have been recorded as a component of other non-current assets and are being amortized over the term of the notes. In connection with the issuance of the \$40 million notes, capitalized costs in the amount of approximately \$260 associated with structuring of the \$90 million credit facility were written off during the three months ended June 30, 2004 and are included as a component of other (income) expense.

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2004 are as follows:

2005	\$ 7,160
2006	18,560
2007	7,160
2008	7,504
2009	5,715
Thereafter	28,571

Total	\$ 74,670
	=====

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9) Employee Benefit Plans

We have one defined contribution 401(k) profit sharing plan covering substantially all employees of the Domestic Ball and Roller and Plastic and Rubber Components Segments. All employees are eligible for the plan on the first day of the month following their hire date. A participant may elect to contribute between 1% and 60% of compensation to the plan, subject to Internal Revenue Service ("IRS") dollar limitations. Participants age 50 and older may defer an additional amount up to the applicable IRS Catch Up Provision Limit. The Company provides a matching contribution which is determined on an individual, participating company basis. Currently, the matching contribution for employees of the Domestic Ball and Roller Segment is the higher of five hundred dollars or 50% of the first 4% of compensation. The matching contribution for IMC employees is 25% of the first 6% of compensation and the matching contribution for Delta employees is 50% of the first 6% of compensation. All participants are immediately vested at 100%. Contributions by the Company for the Domestic Ball and Roller Segment were \$134, \$126, and \$126 in 2004, 2003 and 2002, respectively. Contributions by the Company for the Plastic and Rubber Components Segment were \$133, \$126 and \$100 in 2004, 2003 and 2002, respectively.

The Company has a defined benefit pension plan covering its Eltmann, Germany facility employees (a NN Europe division). The benefits are based on the expected years of service including the rate of compensation increase. The plan is unfunded.

Following is a summary of the changes in the projected benefit obligation for the defined benefit pension plan during 2004 and 2003:

	2004	2003	
Reconciliation of Funded Status:			
Accumulated benefit obligations	\$4,293	\$3,651	
Additional benefit obligation for future salary increases	423	336	
Projected benefit obligation	4,716	3,987	
Fair value of plan assets	--	--	
Funded status	\$4,716	\$3,987	
	-----	-----	
	2004	2003	
Change in projected benefit obligation:			
Benefit obligation at beginning of year	\$3,987	\$3,059	
Service cost	119	114	
Interest cost	230	208	
Benefits paid	(65)	(45)	
Effect of currency translation	312	625	
Actuarial loss	133	26	
Benefit obligation at December 31	\$4,716	\$3,987	
	-----	-----	
	2004	2003	2002
Weighted-average assumptions as of December 31:			
Discount rate	5.25%	5.5%	5.5%
Rate of compensation increase	1.3%-2.5%	1.3%-2.5%	1.5% - 2.1%
Measurement date	10/31/04	10/31/03	10/31/02

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The expected pension benefit payments for the next ten fiscal years are as follows:

	Pension Benefits
2005	\$ 68
2006	117
2007	140
2008	154
2009	179
2010-2014	1,319

	2004	2003	2002
Components of net periodic benefit cost:			
Service cost	\$119	\$114	\$ 95
Interest cost on projected benefit obligation	230	208	161
Amortization of net gain	9	9	9
	\$358	\$331	\$265
Net periodic pension benefit cost	\$358	\$331	\$265

We expect to contribute approximately \$400 to our pension plan in 2005.

Amounts recognized in the Consolidated Balance Sheets consist of:

	2004	2003
Accrued benefit liability	\$4,716	\$3,987
Accumulated other comprehensive loss, net of tax	(458)	(258)
	\$4,258	\$3,729
Net amount recognized in other non-current liabilities	\$4,258	\$3,729

Accumulated other comprehensive loss is shown net of tax of \$253, and \$135 at December 31, 2004, and 2003 respectively.

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10) Stock Incentive Plan

The Company has a Stock Incentive Plan under which 2,450 shares of the Company's common stock are 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.

A summary of the status of the Company's stock option plan as described above as of December 31, 2004, 2003 and 2002, and changes during the years ending on those dates is presented below:

	2004		2003		2002	
	Shares	Weighted- average exercise price per share	Shares	Weighted- average exercise price per share	Shares	Weighted- average exercise price per share
Outstanding at beginning of year	1,251	\$ 7.53	1,318	\$ 7.33	1,373	\$ 7.25
Granted	438	12.62	52	10.67	37	9.39
Exercised	(65)	7.12	(108)	6.74	(53)	6.61
Forfeited	(65)	11.48	(11)	7.63	(39)	7.65
Outstanding at end of year	1,559	\$ 8.82	1,251	\$ 7.53	1,318	\$ 7.33
Options exercisable at year-end	1,086	\$ 7.84	1,058	\$ 7.27	887	\$ 7.01

NN, Inc.
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The following table summarizes information about stock options outstanding at December 31, 2004:

Range of exercise prices per share	Options outstanding			Options exercisable	
	Number outstanding at 12/31/2004	Weighted-average remaining contractual life	Weighted-average exercise price per share	Number exercisable at 12/31/2004	Weighted-average exercise price per share
\$5.63 - \$6.50	283	4.9 years	\$6.06	283	\$6.06
\$7.63 - \$12.62	1,276	7.3 years	\$9.44	803	\$8.47

All options granted in the period January 1, 1999 through December 31, 2004 vest ratably over three years, 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. All options granted in the period January 1, 1995 through December 31, 1998, vest 20% - 33% 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. Certain options granted in July 1999 were deemed to be repriced options under the applicable accounting requirements. These options, which were fully vested as of the effective date of FASB Interpretation No. 44, are treated under variable accounting. Accordingly, compensation expense is recognized, to the extent the market price of the Company's stock exceeds \$10.50 at the end of each year. The Company recognized an increase to compensation expense of \$42 during 2004, of \$250 during 2003 and, a reduction of compensation expense of \$108 during 2002.

On August 4, 1998 the Company's Board of Directors authorized the repurchase of up to 740 shares of its Common Stock, equaling 5% of the company's issued and outstanding shares as of August 4, 1998. The program may be extended or discontinued at any time, and there is no assurance that the Company will purchase any or all of the full amount authorized. The Company has not repurchased any shares under this program through December 31, 2004.

11) Segment Information

The Company determined its reportable segments under the provisions of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". The Company's reportable segments are based on differences in product lines and geographic locations and are divided among Domestic Ball and Roller, NN Europe and Plastic and Rubber Components. The Domestic Ball and Roller Segment is comprised of two manufacturing facilities in the eastern United States. Additionally, costs related to our start-up operation in China and corporate office costs are included in the Domestic Ball & Roller Segment. The NN Europe Segment is comprised of manufacturing facilities located in Kilkenny, Ireland, Eltmann, Germany, Pinerolo, Italy, Veenendaal, The Netherlands, and Kysucke Nove Mesto, Slovakia. All of the facilities in the Domestic Ball and Roller and NN Europe Segments are engaged in the production of precision balls and rollers used primarily in the bearing industry. The Plastic and Rubber Components Segment is comprised of four facilities: two located in Lubbock, Texas, which represents the IMC business acquired in July 1999 and two facilities located in Danielson, Connecticut, which represents the Delta business acquired in February 2001. These facilities are engaged in the production of plastic injection molded products for the bearing, automotive, instrumentation and fiber optic markets and precision rubber bearing seals for the bearing, automotive, industrial, agricultural and aerospace markets.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates segment performance based on profit or loss from operations after income taxes. The Company accounts for intersegment sales and transfers at current market prices; however, the Company did not have any material intersegment transactions during 2004, 2003 or 2002.

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	December 31, 2004			December 31, 2003			December 31, 2002		
	Domestic Ball and Roller	NN Europe	Plastic and Rubber Components	Domestic Ball and Roller	NN Europe	Plastic and Rubber Components	Domestic Ball and Roller	NN Europe	Plastic and Rubber Components
Net sales	\$58,435	\$ 193,930	\$51,724	\$55,437	\$ 147,127	\$50,898	\$ 52,634	\$ 90,653	\$49,569
Interest expense	1,639	1,423	967	908	1,401	1,083	109	923	1,419
Depreciation & amortization	3,662	9,893	2,578	3,610	7,546	2,535	3,732	4,780	2,700
Income tax expense (benefit)	1,143	4,546	(1,600)	2,117	4,858	(1,249)	2,595	3,855	7
Segment profit (loss)	(1,930)	7,308	1,724	2,003	7,492	683	2,272	3,313	2,175
Segment assets	50,142	179,478	60,249	55,420	154,889	57,590	58,825	78,846	57,544
Expenditures for long-lived assets	3,238	8,021	903	2,948	5,609	2,872	1,778	3,452	2,361

Sales to external customers and long-lived assets utilized by the Company were concentrated in the following geographical regions:

	December 31, 2004		December 31, 2003		December 31, 2002	
	Sales	Long-lived assets	Sales	Long-lived assets	Sales	Long-lived assets
United States	\$ 74,228	\$ 34,945	\$ 67,756	\$ 36,523	\$ 68,485	\$35,582
Europe	181,224	96,224	134,914	92,473	89,750	51,674
Canada	9,040	--	10,727	--	10,598	--
Latin/S.America	8,052	--	13,435	--	8,450	943
Other export	31,545	--	26,630	--	15,573	--
All foreign countries	229,861	96,224	185,706	92,473	124,371	52,617
Total	\$304,089	\$131,169	\$253,462	\$128,996	\$192,856	\$88,199

For the years ended December 31, 2004, 2003 and 2002, sales to SKF amounted to \$145,534, \$107,484, and \$64,235, respectively, or 47.9%, 42.4%, and 33.3% of consolidated revenues, respectively. For the years ended December 31, 2004, 2003 and 2002, sales to INA amounted to \$41,693, \$40,110 and \$36,502 respectively or 13.7%, 15.8% and 18.9% of consolidated revenues, respectively. For the year ended December 31, 2004, sales to various divisions of The Timken Co. amounted to \$17,148 or 5.6% of consolidated revenues. None of the Company's other customers accounted for more than 5% of its net sales in 2004, 2003 or 2002. Accounts receivable concentrations as of December 31, 2004, 2003 and 2002 are generally reflective of sales concentrations during the years then ended.

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12) Income Taxes

Income before provision for income taxes for the years ended December 31, 2004, 2003 and 2002 are as follows:

	2004	Year ended December 31, 2003	2002
	-----	-----	-----
Income before provision for income taxes:			
United States	\$ (182)	\$ 3,711	\$ 7,491
Foreign	11,373	12,868	9,504
	-----	-----	-----
Total	\$ 11,191	\$ 16,579	\$ 16,995
	=====	=====	=====

Total income tax expense (benefit) for the years ended December 31, 2004, 2003, and 2002 are allocated as follows:

	Year ended December 31,		
	2004	2003	2002
	-----	-----	-----
Current:			
U.S. Federal	\$(2,785)	\$ (388)	\$1,753
State	88	(3)	249
Non-U.S.	3,532	2,229	1,891
	-----	-----	-----
Total current expense	\$ 835	\$1,838	\$3,893
	-----	-----	-----
Deferred:			
U.S. Federal	\$2,285	\$1,272	\$ 533
State	(46)	(13)	66
Non-U.S.	1,015	2,629	1,965
	-----	-----	-----
Total deferred expense	3,254	3,888	2,564
	-----	-----	-----
Total expense	\$4,089	\$5,726	\$6,457
	=====	=====	=====

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A reconciliation of taxes based on the U.S. federal statutory rate of 34% for the years ended December 31, 2004, 2003, and 2002 is summarized as follows:

	Year ended December 31,		
	2004	2003	2002
Income taxes at the federal statutory rate	\$3,805	\$5,637	\$5,778
State income taxes, net of federal benefit	42	(15)	208
Non-US earnings taxed at different rates	562	483	624
Other, net	(320)	(379)	(153)
	\$4,089	\$5,726	\$6,457
	\$4,089	\$5,726	\$6,457

The tax effects of the temporary differences are as follows:

	Year ended December 31,	
	2004	2003
Deferred income tax liability		
Tax in excess of book depreciation	\$ 12,793	\$ 9,355
Duty drawback receivable	69	68
Goodwill	3,372	3,053
Flow through loss from pass through entity	719	736
Other deferred tax liabilities	904	211
	17,857	13,423
	17,857	13,423
Deferred income tax assets		
Inventories	646	564
Allowance for bad debts	130	167
Personnel accruals	643	131
Other working capital accruals	30	355
NN Europe net operating loss carryforward	1,104	212
Other deferred tax assets	228	172
	2,781	1,601
	2,781	1,601
Net deferred income tax liability	\$ 15,076	\$ 11,822

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Although realization of deferred tax assets is not assured, management believes that it is more likely than not that all of the deferred tax assets will be realized. However, the amount of the deferred tax assets considered realizable could be reduced based on changing conditions.

The Company has not recognized a deferred tax liability for the undistributed earnings of its non-U.S. subsidiaries. The Company expects to reinvest these undistributed earnings indefinitely and does not expect such earnings to become subject to U.S. taxation in the foreseeable future. A deferred tax liability will be recognized when the Company expects that it will recover these undistributed earnings in a taxable manner, such as through the receipt of dividends or sale of the investments. It is not practicable to determine the U.S. income tax liability, if any, that would be payable if such earnings were not reinvested indefinitely.

As of December 31, 2004, the Company has not provided taxes on unremitted foreign earnings from certain foreign affiliates that are intended to be indefinitely reinvested in finance operations and expansion outside the United States. If such earnings were distributed beyond the amount for which taxes have been provided, foreign tax credits would substantially offset any incremental U.S. tax liability. The Company is exploring a one-time repatriation of earnings from certain foreign affiliates as a result of the American Jobs Creation Act of 2004, but has not made a decision regarding such repatriation. The deduction is subject to a number of limitations and uncertainty remains as to how to interpret numerous provisions in the American Jobs Creation Act of 2004. As such, the Company is not yet in a position to decide on whether, and to what extent, it might repatriate foreign earnings. 13) Reconciliation of Net Income Per Share

	2004	Year ended December 31, 2003	2002
	-----	-----	-----
Net income	\$ 7,102	\$ 10,178	\$ 7,760
Weighted average shares outstanding	16,728	15,973	15,343
Effective of dilutive stock options	423	406	371
	-----	-----	-----
Dilutive shares outstanding	17,151	16,379	15,714
Basic net income per share	\$ 0.42	\$ 0.64	\$ 0.51
	=====	=====	=====
Diluted net income per share	\$ 0.41	\$ 0.62	\$ 0.49
	=====	=====	=====

Excluded from the shares outstanding for the years ended December 31, 2004, and 2002 were 394 and 7 antidilutive options, respectively, which had an exercise price of \$12.62 per share during 2004, and \$10.26 per share during 2002. No shares were excluded from shares outstanding for the year ended December 31, 2003.

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Commitments and Contingencies

The Company has operating lease commitments for machinery, office equipment, vehicles, manufacturing and office space which expire on varying dates. Rent expense for 2004, 2003 and 2002 was \$3,203, \$2,359 and \$1,855, respectively. The following is a schedule by year of future minimum lease payments as of December 31, 2004 under operating leases that have initial or remaining noncancelable lease terms in excess of one year.

Year ended December 31,	
2005	\$ 2,306
2006	2,122
2007	1,879
2008	1,854
2009	1,789
Thereafter	15,315

Total minimum lease payments	\$ 25,265
	=====

The Kilkenny operation of the NN Europe Segment has received certain grants from the Ireland government. These grants are based upon the Kilkenny, Ireland facility hiring and retention of certain employment levels by the measurement date. At December 31, 2004, actual employment levels are less than those required by certain grant covenants. During 2003, the grant agreement measurement date was amended to extend the measurement date. The Company anticipates that, if necessary, the grant agreement measurement date and /or employment level thresholds would again be adjusted. Effects of this not occurring are estimated not to be material to the consolidated financial statements. As of December 31, 2004 and 2003 the grant obligation is recorded as a component of other non-current liabilities in the amount of \$559 and \$617, respectively.

The NN Europe Segment has entered into a supply contract with Ascometal France ("Ascometal") for the purchase of steel for ball production. The contract terms specify that Ascometal provide NN Europe 90%, 90%, 85% and 85% of its steel requirements for the years ending December 31, 2002, 2003, 2004 and 2005, respectively. The contract, among other things, stipulates that Ascometal achieve certain performance targets related to quality, reliability and service. The contract provisions include annual price adjustments based upon published indexes in addition to annual productivity improvement factor multiples. In 2004, NN Europe purchased approximately \$37,716 under the terms of this contract. The estimated commitment for 2005 is \$44,710. The contract expires December 31, 2005, however, it is automatically renewed for one year periods thereafter unless notice is provided by either NN Europe or Ascometal.

On June 1, 2004, our wholly owned subsidiary, NN Precision Bearing Products Company LTD, entered into a twenty year lease agreement with Kunshan Tian Li Steel Structure Co. LTD for the lease of land and building (approximately 110,000 square feet) in the Kunshan Economic and Technology Development Zone, Jiangsu, The People's Republic of China. The building will be newly constructed and we expect to begin usage of the leased property during the second quarter or third quarter of 2005. The land and building remain under the control of the lessor until such time as usage of the leased property commences. The agreement satisfies the requirements of a capital lease at June 1, 2004 and we anticipate recording the lease as a capital lease in our consolidated financial statements when usage of the leased property begins. Accordingly, as of December 31, 2004, no amount has been recorded related to the asset and corresponding obligation associated with the lease agreement in our consolidated financial statements. We estimate the fair value of the land and building to be approximately \$2,000 and undiscounted annual lease payments of approximately \$208 (approximately \$4,150 aggregate non-discounted lease payments over the twenty year term). The lease terms include fair value buy-out provisions and we maintain the option to extend the lease term.

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15) Quarterly Results of Operations (Unaudited)

The following summarizes the unaudited quarterly results of operations for the years ended December 31, 2004 and 2003.

	Year ended December 31, 2004			
	March 31	June 30	Sept. 30	Dec. 31
Net sales	\$ 77,632	\$ 75,265	\$ 72,917	\$ 78,275
Income from operations	6,108	4,304	4,510	(555)
Net income	3,218	1,986	2,152	(254)
Basic net income per share	0.19	0.12	0.13	(0.02)
Dilutive net income per share	0.19	0.12	0.13	(0.01)
Weighted average shares outstanding:				
Basic number of shares	16,712	16,721	16,767	16,773
Effect of dilutive stock options	477	456	368	453
Diluted number of shares	17,189	17,177	17,135	17,226

Fourth quarter results in 2004 include a pre-tax charge of \$2,290 (\$1,420 after-tax) related to severance costs and other related charges resulting from a reduction in staffing at the Company's Eltmann, Germany ball production facility. Additionally, fourth quarter results include a loss on disposal of assets of \$856 (\$548 after-tax) related to the sale of the Company's Walterboro, South Carolina land and building assets. These charges have been recorded as components of income from operations.

	Year ended December 31, 2003			
	March 31	June 30	Sept. 30	Dec. 31
Net sales	\$57,609	\$64,194	\$64,612	\$67,047
Income from operations	7,185	2,527	5,693	4,665
Net income	3,643	697	3,164	2,674
Basic net income per share	0.24	0.04	0.19	0.16
Dilutive net income per share	0.23	0.04	0.18	0.16
Weighted average shares outstanding:				
Basic number of shares	15,378	16,015	16,660	16,711
Effect of dilutive stock options	196	450	507	470
Diluted number of shares	15,574	16,465	17,167	17,181

Second quarter and third quarter results in 2003 include a pre-tax charge of \$3,047 (\$1,950 after-tax) and \$(449) ((\$267) after-tax), respectively, related to asset write downs due to the closure of our NN Arte operation in Guadalajara, Mexico. These charges have been recorded as a component of income from operations.

16) Fair Value of Financial Instruments

Management believes the fair value of financial instruments approximate their carrying value due to the short maturity of these instruments or in the case of the Company's notes receivable and debt, due to the variable interest rates. The fair value of the Company's fixed rate long-term borrowings are estimated using discounted cash flow analysis based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

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The carrying amounts and fair values of the Company's long-term debt and derivative financial instrument are as follows:

	December 31, 2004		December 31, 2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	-----	-----	-----	-----
Variable rate long-term debt	\$ 34,670	\$ 34,670	\$ 82,477	\$ 82,477
Fixed rate long-term debt	40,000	40,421	--	--
Interest rate swap agreement	167	167	360	360

17) Accumulated Other Comprehensive Income

At December 31, 2004 the Company has included in accumulated other comprehensive income (loss) unrealized income due to foreign currency translation of \$16,258, and at December 31, 2003 the Company has included in accumulated other comprehensive income (loss) unrealized income due to foreign currency translation of \$9,667. Income taxes on the foreign currency translation adjustment in other comprehensive income were not recognized because the earnings are intended to be indefinitely reinvested in those operations. Also included in accumulated other comprehensive loss as of December 31, 2004, and 2003 were additional minimum pension liability, net of tax of (\$458) and (\$258), respectively, and unrealized holding gain on securities net of tax of \$73 and \$0, respectively.

18) Sale of Common Stock

During May 2003, we completed a public offering of 3.6 million shares of our stock by a group of selling shareholders. We 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 shares, which were offered by us. Net proceeds received by us in connection with the exercise of the over-allotment option were approximately \$5,100, net of issue costs. Per the terms of our credit facility, we repaid a portion of our credit facility with these proceeds.

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

The information required by this Item was previously reported by the Company in Current Reports on Form 8-K and 8-K/A, dated August 25, 2003 and August 26, 2003.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Corporate Controller, the Company conducted an evaluation of its disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, Chief Executive Officer and the Corporate Controller concluded that the Company's disclosure controls and procedures were effective as of December 31, 2004, the end of the period covered by this annual report.

Management's Report on Internal Control Over Financial Reporting

The management of NN, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of management, including the Company's Chief Executive Officer and Corporate Controller, an evaluation of the effectiveness of the Company's internal control over financial reporting was conducted based on the framework in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation under the framework in Internal Control- Integrated Framework issued by the COSO, the Company's management concluded that the Company's internal control over financial reporting was effective as of December 31, 2004.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Item 9B. Other Information

None

Part III

Item 10. Directors and Executive Officers of the Registrant

The information required by this item of Form 10-K concerning the Company's directors is contained in the sections entitled "Election of Directors -- Information about the Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 2004, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Code of Ethics. Our Code of Ethics (the "Code") was approved by our Board on November 6, 2003. The Code is applicable to all officers, directors and employees. The Code is posted on our website at <http://www.nnbr.com>. We will satisfy any disclosure requirements under Item 10 of Form 8-K regarding an amendment to, or waiver from, any provision of the Code with respect to our principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions by disclosing the nature of such amendment or waiver on our website or in a report on Form 8-K.

Item 11. Executive Compensation

The information required by Item 402 of Regulation S-K is contained in the sections entitled "Information about the 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.

Security Ownership of Certain Beneficial Owners and Management

The information required by Items 201(d) and 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.

Information required by Item 201 (d) of Regulations S-K concerning the Company's equity compensation plans is set forth in the table below:

Table of Equity Compensation Plan Information

In thousands

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted -average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,559	\$8.82	--
Equity compensation plans not approved by security holders	--	--	--
Total	1,559	\$8.82	--

Item 13. Related Party Relationships

None.

Item 14. Principal Accountant Fees and Services

Information required by this item of Form 10-K concerning the Company's Accountants' Fees and Services is contained in the section entitled "Fees Paid to Independent Registered Public Accounting Firm" 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 15. Exhibits and Financial Statement Schedules

(a) List of Documents Filed as Part of this Report

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:

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Report of Independent Registered Public Accounting Firm for the year ended December 31, 2002.....	32
Consolidated Balance Sheets at December 31, 2004 and 2003.....	33
Consolidated Statements of Income and Comprehensive Income for the years ended December 31, 2004, 2003 and 2002.....	34
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Consolidated Statements of Cash Flows for the years ended December 31, 2004, 2003 and 2002.....	36
Notes to Consolidated Financial Statements.....	37

2. Financial Statement Schedules

Not applicable.

3. See Index to Exhibits (attached hereto)

(b) Reports on Form 8-K

The Company furnished a Form 8-K, in response to items 12 and 7, on November 5, 2004 announcing its third quarter earnings.

The Company filed a Form 8-K, in response to items 5 and 7, on December 21, 2004 announcing the resignation of its Chief Financial Officer, Dave Dyckman.

(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/ RODERICK R. BATY

 Roderick R. Baty
 Chairman and Director

Dated: March 16, 2005

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/ RODERICK R. BATY ----- Roderick R. Baty	Chairman, Chief Executive Officer, President and Director (Principal Executive Officer)	March 16, 2005
/S/ STEVEN W. FRAY ----- Steven W. Fray	Corporate Controller (Principal Accounting Officer)	March 16, 2005
/S/ G. RONALD MORRIS ----- G. Ronald Morris	Director	March 16, 2005
/S/ MICHAEL E. WERNER ----- Michael E. Werner	Director	March 16, 2005
/S/ STEVEN T. WARSHAW ----- Steven T. Warshaw	Director	March 16, 2005
/S/ JAMES L. EARSLEY ----- James L. Earsley	Director	March 16, 2005
/S/ ROBERT M. AIKEN, JR.. ----- Robert M. Aiken, Jr.	Director	March 16, 2005

Index to Exhibits

- 2.1 Asset Purchase Agreement dated April 14, 2003 among SKF Holding Maatschappij Holland B.V., SKF B.V., NN, Inc. and NN Netherlands B.V. (incorporated by reference to Exhibit 2.1 of Form 8-K filed on May 16, 2003).
- 3.1 Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement No. 333-89950 on Form S-3 filed June 6, 2002)
- 3.2 Restated By-Laws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement No. 333-89950 on Form S-3 filed June 6, 2002)
- 4.1 The specimen stock certificate representing the Company's Common Stock, par value \$0.01 per share (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement No. 333-89950 on Form S-3 filed June 6, 2002)
- 4.2 Article IV, Article V (Sections 3 through 6), Article VI (Section 2) and Article VII (Sections 1 and 3) of the Restated Certificate of Incorporation of the Company (included in Exhibit 3.1)
- 4.3 Article II (Sections 7 and 12), Article III (Sections 2 and 15) and Article VI of the Restated By-Laws of the Company (included in Exhibit 3.2)
- 10.1 NN, Inc. Stock Incentive Plan and Form of Incentive Stock Option Agreement pursuant to the Plan (incorporated by reference to Exhibit 10.1 of the Company's Registration Statement No. 333-89950 on Form S-3/A filed July 15, 2002)*
- 10.2 Amendment No. 1 to the NN, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 4.6 of the Company's Registration Statement No. 333-50934 on Form S-8 filed on November 30, 2000)*
- 10.3 Amendment No. 2 to the NN, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 4.7 of the Company's Registration Statement No. 333-69588 on Form S-8 filed on September 18, 2001)*
- 10.4 Form of Non-Competition and Confidentiality Agreement for Executive Officers of the Company (incorporated by reference to Exhibit 10.4 of the Company's Registration Statement No. 333-89950 on Form S-3/A filed July 15, 2002)*
- 10.5 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.6 of the Company's Registration Statement No. 333-89950 on Form S-3/A filed July 15, 2002)
- 10.6 Form of Stock Option Agreement, dated December 7, 1998, between the Company and the non-employee directors of the Company (incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K filed March 31, 1999)*
- 10.7 Elective Deferred Compensation Plan, dated February 26, 1999 (incorporated by reference to Exhibit 10.16 of the Company's Annual Report on Form 10-K filed March 31, 1999)*
- 10.8 Employment Agreement, dated August 1, 1997, between the Company and Roderick R. Baty (incorporated by reference to Exhibit 10.14 of the Company's Form 10-Q filed November 14, 1997)*
- 10.9 Amendment No. 1 to Employment Agreement between the Company and Roderick R. Baty, dated January 21, 2002 (incorporated by reference to Exhibit 10.18 of the Company's Annual Report on Form 10-K filed March 29, 2002)*
- 10.10 Change of Control and Noncompetition Agreement dated January 21, 2002 between the Company and Roderick R. Baty (incorporated by reference to Exhibit 10.19 of the Company's Annual Report on Form 10-K filed March 29, 2002)*
- 10.11 Employment Agreement, dated May 7, 1998, between the Company and Frank T. Gentry (incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K filed March 31, 1999)*

- 10.12 Amendment No. 1 to Employment Agreement between the Company and Frank T. Gentry, dated January 21, 2002 (incorporated by reference to Exhibit 10.16 of the Company's Annual Report on Form 10-K filed March 29, 2002)*
- 10.13 Change of Control and Noncompetition Agreement dated January 21, 2002 between the Company and Frank T. Gentry (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K filed March 29, 2002)*
- 10.14 Employment Agreement, dated January 21, 2002, between the Company and Robert R. Sams (incorporated by reference to Exhibit 10.20 of the Company's Annual Report on Form 10-K filed March 29, 2002)*
- 10.15 Change of Control and Noncompetition Agreement dated January 21, 2002 between the Company and Robert R. Sams (incorporated by reference to Exhibit 10.21 of the Company's Annual Report on Form 10-K filed March 29, 2002)*
- 10.16 Employment Agreement dated January 21, 2002, between the Company and William C. Kelly, Jr. (incorporated by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K filed March 29, 2002)*
- 10.17 Change of Control and Noncompetition Agreement, dated January 21, 2002, between the Company and William C. Kelly, Jr. (incorporated by reference to Exhibit 10.23 of the Company's Annual Report on Form 10-K filed March 29, 2002)*
- 10.18 NN Euroball, ApS Shareholder Agreement dated April 6, 2000 among NN, Inc., AB SKF and FAG Kugelfischer Georg Shafer AG (incorporated by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K filed March 29, 2002)
- 10.19 Frame Supply Agreement between Euroball S.p.A., Kugelfertigung Eltmann GmbH, NN Euroball Ireland Ltd. and Ascometal effective January 1, 2002 (We have omitted certain information from the Agreement and filed it separately with the Securities and Exchange Commission pursuant to our request for confidential treatment under Rule 24b-2. We have identified the omitted confidential information by the following statement, "Confidential portions of material have been omitted and filed separately with the Securities and Exchange Commission," as indicated throughout the document with an asterisk in brackets ([*])) (incorporated by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K filed March 31, 2003)
- 10.23 Amendment No. 3 to NN, Inc. Stock Incentive Plan as ratified by the shareholders on May 15, 2003 amending the Plan to permit the issuance of awards under the Plan to directors of the Company (incorporated by reference to Exhibit 10-1 of the Company's Quarterly Report on Form 10-Q filed August 14, 2003)*
- 10.24 Credit Agreement dated as of May 1, 2003 among NN, Inc., and NN Euroball as the Borrowers, the Subsidiaries as Guarantors, the Lenders as identifies therein, AmSouth Bank as Administrative Agent, and SunTrust Bank as Documentation Agent and Euro Loan Agent (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed August 14, 2003)
- 10.25 Supply Agreement between NN Euroball ApS and AB SKF dated April 6, 2000. (We have omitted certain information from the Agreement and filed it separately with the Securities and Exchange Commission pursuant to our request for confidential treatment under Rule 24b-2. We have identified the omitted confidential information by the following statement, "Confidential portions of material have been omitted and filed separately with the Securities and Exchange Commission, " as indicated throughout the document with a n asterisk in brackets([*]) (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed August 14, 2003)
- 10.26 Global Supply Agreement among NN, Inc., NN Netherlands B.V. and SKF Holding Maatschappij Holland B.V. dated April 14, 2003. (We have omitted certain information from the Agreement and filed it separately with the Securities and Exchange Commission pursuant to our request for confidential

treatment under Rule 24b-2. We have identified the omitted confidential information by the following statement, "Confidential portions of material have been omitted and filed separately with the Securities and Exchange Commission, " as indicated throughout the document with an asterisk in brackets[*](incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed August 14, 2003)

- 10.27 Amendment No. 4 dated November 12, 2004, to the Credit Agreement dated May 1, 2003, among NN, Inc. and NN Europe ApS as the Borrowers, the subsidiaries as Guarantors, the Lenders as identified therein, Am South Bank as Administrative Agent and SunTrust Bank as Documentation Agent and Euro Loan Agent.
- 10.28 Note Purchase Agreement dated April 22, 2004 among NN, Inc. as the Borrower and its Subsidiary Guarantors and the Prudential Insurance Company of America as Agent for the Purchase.
- 21.1 List of Subsidiaries of the Company.
- 23.1 Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm
- 23.2 Consent of KPMG, LLP, Independent Registered Public Accounting Firm
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act

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* Management contract or compensatory plan or arrangement.

THIS CONSENT AND AMENDMENT NO. 4 TO CREDIT AGREEMENT AND WAIVER (this "Amendment"), dated as of November __, 2004, is made and entered into on the terms and conditions hereinafter set forth, by and among NN, INC., a Delaware corporation ("Domestic Borrower"), NN EUROPE ApS, a Denmark limited liability company (successor by name change to NN Euroball ApS) ("Euro Borrower"; Domestic Borrower and Euro Borrower are sometimes hereinafter individually and collectively referred to as the "Borrower"), all subsidiaries (except for the Euro Borrower) of the Domestic Borrower who are now or hereafter become parties to the Credit Agreement, as hereinafter defined (the "Domestic Guarantors"), the several lenders who are now or hereafter become parties to the Credit Agreement (the "Lenders"), AMSOUTH BANK, an Alabama state bank, individually and as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and SUNTRUST BANK, as documentation agent and euro loan agent for the Lenders (in such capacity, the "Euro Loan Agent").

RECITALS:

1. Pursuant to that certain Credit Agreement dated as of May 1, 2003, by and among the Borrower, the Domestic Guarantors, the Administrative Agent, the Lenders and the Euro Loan Agent, as amended by that certain Amendment No.1 to Credit Agreement dated August 1, 2003, that certain Amendment No. 2 to Credit Agreement dated March 12, 2004, and that certain Amendment No. 3 to Credit Agreement and Waiver dated March 31, 2004, by and among the Borrower, the Domestic Guarantors, the Administrative Agent, the Lenders and the Euro Loan Agent (as the same heretofore may have been and/or hereafter may be amended, restated, supplemented, extended, renewed, replaced or otherwise modified from time to time, the "Credit Agreement"), the Lenders have agreed to make the Loans available to the Borrower, all as more specifically described in the Credit Agreement. Capitalized terms used but not otherwise defined in this Agreement have the same meanings as in the Credit Agreement.

2. The parties hereto desire to further amend the Credit Agreement in certain respects, as more particularly hereinafter set forth.

AGREEMENTS:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Consent to Sale of Real Property and Improvements and Application of Proceeds. Borrower has indicated its desire to sell certain real property and improvements owned by Borrower and located in Walterboro, South Carolina, and certain land and improvements adjacent to its manufacturing facility in Kilkenny, Ireland (collectively, the "Excess Property"). Borrower represents and warrants to Lenders that the Excess Property is no longer used or useful in the business of Borrower and its Subsidiaries. Borrower expects that the

proceeds of the sale of the Excess Property will exceed the limits for sales of assets set forth in subsection 9.3(d) of the Credit Agreement and further has requested that the net proceeds of the sale of the Excess Property be applied to the Loans in a manner other than as provided by the provisions of subsection 3.1.3(b) of the Credit Agreement. Lenders hereby consent to the sale of the Excess Property in the Fiscal Year ending December 31, 2004, subject to the following terms and conditions:

a. The aggregate Dollar or Dollar Equivalent amount, as applicable, of all sales of assets of the type described subsection 9.3(d) in the Fiscal Year ending December 31, 2004 (including the sale of the Excess Property) shall not exceed \$3,250,000, and all such sales shall be applied against the \$10,000,000 limit in subsection 9.3(d) for sales of assets over the term of the Facilities.

b. The net proceeds of the sale of the Excess Properties shall be applied to outstanding Revolving Loans, first applied to Base Rate Loans until the same have been fully repaid, and then to LIBOR Loans; provided, however, the Commitments shall not be reduced by the amount of such prepayment.

2. Effectiveness. This Amendment shall become effective when the Administrative Agent shall have received counterparts or signatures pages executed by the Borrower, the Domestic Guarantors, the Administrative Agent and the Lenders.

3. Representations and Warranties of the Borrower and the Guarantors. As an inducement to the Administrative Agent, the Euro Loan Agent and the Lenders to enter into this Amendment, the Borrower and the Domestic Guarantors hereby represent and warrant to the Administrative Agent, the Euro Loan Agent and the Lenders that, on and as of the date hereof:

(a) the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct, except for (1) representations and warranties that expressly relate to an earlier date, which remain true and correct as of said earlier date, and (2) representations and warranties that have become untrue or incorrect solely because of changes permitted by the terms of the Credit Agreement and the other Loan Documents, and

(b) no Default or Event of Default has occurred and is continuing.

4. Effect of Amendment; Continuing Effectiveness of Credit Agreement and Loan Documents.

(a) Neither this Amendment nor any other indulgences that may have been granted to the Borrower or any of the Domestic Guarantors by the Administrative Agent, the Euro Loan Agent or any Lender shall constitute a course of dealing or otherwise obligate the Administrative Agent, the Euro Loan Agent or any Lender to modify, expand or extend the agreements contained herein, to agree to any other amendments to the Credit Agreement or to grant any consent to, waiver of or indulgence with respect to any other noncompliance with any provision of the Loan Documents.

(b) This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement and the other Loan Documents. Any noncompliance by the Borrower or any Domestic Guarantor with any of the covenants, terms, conditions or provisions of this Amendment shall constitute an Event of Default. Except to the extent amended hereby, the Credit Agreement, the other Loan Documents and all terms, conditions and provisions thereof shall continue in full force and effect in all respects.

5. Counterparts. This Amendment may be executed in multiple counterparts or copies, each of which shall be deemed an original hereof for all purposes. One or more counterparts or copies of this Amendment may be executed by one or more of the parties hereto, and some different counterparts or copies executed by one or more of the other parties. Each counterpart or copy hereof executed by any party hereto shall be binding upon the party executing same even though other parties may execute one or more different counterparts or copies, and all counterparts or copies hereof so executed shall constitute but one and the same agreement. Each party hereto, by execution of one or more counterparts or copies hereof, expressly authorizes and directs any other party hereto to detach the signature pages and any corresponding acknowledgment, attestation, witness or similar pages relating thereto from any such counterpart or copy hereof executed by the authorizing party and affix same to one or more other identical counterparts or copies hereof so that upon execution of multiple counterparts or copies hereof by all parties hereto, there shall be one or more counterparts or copies hereof to which is(are) attached signature pages containing signatures of all parties hereto and any corresponding acknowledgment, attestation, witness or similar pages relating thereto.

6. Miscellaneous.

(a) This Amendment shall be governed by, construed and enforced in accordance with the laws of the State of Tennessee, without reference to the conflicts or choice of law principles thereof.

(b) The headings in this Amendment and the usage herein of defined terms are for convenience of reference only, and shall not be construed as amplifying, limiting or otherwise affecting the substantive provisions hereof.

(c) Any reference herein to any instrument, document or agreement, by whatever terminology used, shall be deemed to include any and all amendments, modifications, supplements, extensions, renewals, substitutions and/or replacements thereof as the context may require.

(d) When used herein, (1) the singular shall include the plural, and vice versa, and the use of the masculine, feminine or neuter gender shall include all other genders, as appropriate, (2) "include", "includes" and "including" shall be deemed to be followed by "without limitation" regardless of whether such words or words of like import in fact follow same, and (3) unless the context clearly indicates otherwise, the disjunctive "or" shall include the conjunctive "and."

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

BORROWER:

NN, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

NN EUROPE ApS, a Denmark limited liability company (successor by name change to NN Euroball ApS)

By: _____
Name: _____
Title: _____

DOMESTIC GUARANTORS:

INDUSTRIAL MOLDING GP, LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

INDUSTRIAL MOLDING LP, LLC,
a Tennessee limited liability company

By: _____
Name: _____
Title: _____

[Signatures Continued Next Page]

INDUSTRIAL MOLDING GROUP, L.P.,
a Tennessee limited partnership

By: Industrial Molding GP, LLC, a Delaware
limited liability company, its general
partner

By: _____
Name: _____
Title: _____

DELTA RUBBER COMPANY,
a Connecticut corporation

By: _____
Name: _____
Title: _____

KUGELFERTIGUNG ELTMANN GmbH, a German Company

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

NN NETHERLANDS B.V., a Dutch company

By: _____
Name: _____
Title: _____

[Signatures Continued Next Page]

NN EUROBALL IRELAND LIMITED, an Irish company

By: _____
Name: _____
Title: _____

NN HOLDINGS, B.V., a Dutch company

By: _____
Name: _____
Title: _____

NN SLOVAKIA, s.r.o.

By: _____
Name: _____
Title: _____

LENDERS:

AMSOUTH BANK, as a Lender

By: _____
Name: _____
Title: _____

FIRST TENNESSEE BANK NATIONAL ASSOCIATION,
as a Lender

By: _____
Name: _____
Title: _____

[Signatures Continued Next Page]

UNION PLANTERS BANK, NATIONAL ASSOCIATION,
as a Lender

By: _____
Name: _____
Title: _____

INTEGRA BANK, N.A., as a Lender

By: _____
Name: _____
Title: _____

SUNTRUST BANK, as a Lender and Euro
Loan Agent

By: _____
Name: _____
Title: _____

=====
 NN, INC.

\$40,000,000

4.89% Senior Notes, Series A, due April 26, 2014

 NOTE PURCHASE AGREEMENT

Dated April 26, 2004

=====
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(Not a part of the Agreement)

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Exhibit 4.4(a)(1)	--	Form of Opinion of Counsel for the U.S. Obligors
Exhibit 4.4(a)(2)	--	Form of Opinion of local Counsel to certain Obligors
EXHIBIT 4.4(b)	--	Form of Opinion of Special Counsel for the Purchasers
EXHIBIT 10.8(a)	--	Form of Italian Subsidiary Guarantee
EXHIBIT 10.8(b)	--	Form of Joinder Agreement
EXHIBIT S	--	Form of Supplement

NN, INC.
2000 WATERS EDGE DRIVE
JOHNSON CITY, TENNESSEE 37604

4.89% Senior Notes, Series A, due April 26, 2014

Dated as of
April 26, 2004

TO EACH OF THE PURCHASERS LISTED IN
THE ATTACHED SCHEDULE A:

Ladies and Gentlemen:

NN, INC., a Delaware corporation (the "Company") and the Guarantors named in the definition of such term (other than NN Italy), jointly and severally, agree with you as follows:

SECTION 1. AUTHORIZATION OF NOTES.

The Company will authorize the issue and sale of \$40,000,000 aggregate principal amount of its 4.89% Senior Notes, Series A, due April 26, 2014 (the "Series A Notes"). The Series A Notes together with each series of Additional Notes which may from time to time be issued pursuant to the provisions of Section 2.2 are collectively referred to as the "Notes" (such term shall also include any such notes issued in substitution therefor pursuant to Section 14 of this Agreement or the Other Agreements (as hereinafter defined). The Series A Notes shall be substantially in the form set out in Exhibit 1, with such changes therefrom, if any, as may be approved by you and the Company. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

SECTION 2. SALE AND PURCHASE OF NOTES.

Section 2.1. Sale and Purchase of Series A Notes. Subject to the terms and conditions of this Agreement, the Company will issue and sell to you and you will purchase from the Company, at the Closing provided for in Section 3, Series A Notes in the principal amount specified opposite your name in Schedule A at the purchase price of 100% of the principal amount thereof. Contemporaneously with entering into this Agreement, the Company is entering into separate Note Purchase Agreements (the "Other Agreements") identical with this Agreement with each of the other purchasers named in Schedule A (the "Other Purchasers"), providing for the sale at such Closing to each of the Other Purchasers of Series A Notes in the principal amount specified opposite its name in Schedule A. Your obligation hereunder, and the obligations of the Other Purchasers under the Other Agreements, are several and not joint

obligations, and you shall have no obligation under any Other Agreement and no liability to any Person for the performance or nonperformance by any Other Purchaser thereunder. The Series A Notes and each other series of Notes issued hereunder are each herein sometimes referred to as Notes of a "series."

The performance and payment of the Company hereunder and under the Notes and the other Financing Agreements shall be guaranteed by the Guarantors pursuant to the Subsidiary Guarantees. The obligations of the Obligors under and pursuant to the Financing Agreements shall be secured by the Collateral Agreements.

Section 2.2. Additional Series of Notes. The Company may, from time to time, in its sole discretion, but subject to the terms hereof, issue and sell one or more additional series of its unsecured unsubordinated promissory notes under the provisions of this Agreement pursuant to a supplement (a "Supplement") substantially in the form of Exhibit S. Each additional series of Notes (the "Additional Notes") issued pursuant to a Supplement shall be subject to the following terms and conditions:

(i) each series of Additional Notes, when so issued, shall be differentiated from all previous series by sequential alphabetical designation inscribed thereon;

(ii) each series of Additional Notes shall be dated the date of issue, bear interest at such rate or rates, mature on such date or dates, be subject to such mandatory and optional prepayment on the dates and at the premiums, if any, have such additional or different conditions precedent to closing, such representations and warranties and such additional covenants as shall be specified in the Supplement under which such Additional Notes are issued and upon execution of any such Supplement, this Agreement shall be deemed amended to reflect such additional covenants without further action on the part of the holders of the Notes outstanding under this Agreement, provided, that any such additional covenants shall inure to the benefit of all holders of Notes so long as any Additional Notes issued pursuant to such Supplement remain outstanding and any such additional covenants shall not impair, diminish or modify any existing covenants contained herewith;

(iii) each series of Additional Notes issued under this Agreement shall be in substantially the form of Exhibit 1 to Exhibit S hereto with such variations, omissions and insertions as are necessary or permitted hereunder;

(iv) the minimum principal amount of any series of Notes issued under a Supplement shall be \$7,500,000, except as may be necessary to evidence the outstanding amount of any Note originally issued in a denomination of \$250,000 or more;

(v) all Additional Notes shall mature more than one year after the issuance thereof and shall constitute Debt of the Company and shall rank pari passu with all other outstanding Notes; and

(vi) no Additional Notes shall be issued hereunder if at the time of issuance thereof and after giving effect to the application of the proceeds thereof, any Default or Event of Default shall have occurred and be continuing.

SECTION 3. CLOSING.

The sale and purchase of the Series A Notes to be purchased by you and the Other Purchasers shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603, at 10:00 A.M. Chicago time, at a closing (the "Closing") on April 26, 2004 or on such other Business Day thereafter as may be agreed upon by the Company and you and the Other Purchasers. At the Closing the Company will deliver to you the Series A Notes to be purchased by you in the form of a single Series A Note (or such greater number of Series A Notes in denominations of at least \$250,000 as you may request) dated the date of the Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 7000 287541 at AmSouth Bank, AmSouth Center, 315 Deaderick Street, Nashville, Tennessee 37237, ABA# 062000019. If at the Closing the Company shall fail to tender such Series A Notes to you as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

SECTION 4. CONDITIONS TO CLOSING.

Your obligation to purchase and pay for the Series A Notes to be sold to you at the Closing is subject to the fulfillment to your satisfaction, prior to or at the Closing, of the following conditions:

Section 4.1. Representations and Warranties. The representations and warranties of the Obligors in the Financing Agreements shall be correct when made and at the time of the Closing.

Section 4.2. Performance; No Default. Each Obligor shall have performed and complied with all agreements and conditions contained in each Financing Agreement required to be performed or complied with by it prior to or at the Closing, and after giving effect to the issue and sale of the Series A Notes (and the application of the proceeds thereof as contemplated by Section 5.14), no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since the date of the Memorandum that would have been prohibited by Section 10 hereof had such Section applied since such date.

Section 4.3. Compliance Certificates.

(a) Officer's Certificate. Each Obligor shall have delivered to you an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) Secretary's Certificate. Each Obligor shall have delivered to you a certificate, dated the date of Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Series A Notes and the other Financing Agreements to which it is a party.

Section 4.4. Opinions of Counsel. You shall have received opinions in form and substance satisfactory to you, dated the date of the Closing (a) (i) from Blackwell Sanders Peper Martin LLP, counsel for the U.S. Obligors, covering the matters set forth in Exhibit 4.4(a)(i) and (ii) from Kromann Reumert as Danish counsel, Pavia e Ansaldo Studio Legale as Italian counsel ("Italian Counsel"), Beiten Burkhardt as German counsel, Houthoff Buruma as Dutch counsel, McCann FitzGerald Solicitors as Irish counsel and Cechova Rakovsky as Slovakian counsel for various Obligors, covering the matters set forth in Exhibit 4.4(a)(ii), and each covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to you) and (b) from Chapman and Cutler LLP, your special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as you may reasonably request.

Section 4.5. Purchase Permitted by Applicable Law, etc. On the date of the Closing your purchase of Series A Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (ii) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (iii) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officer's Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Notes. Contemporaneously with the Closing, the Company shall sell to the Other Purchasers, and the Other Purchasers shall purchase, the Series A Notes to be purchased by them at the Closing as specified in Schedule A.

Section 4.7. Payment of Certain Fees. Without limiting the provisions of Section 16.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of (i) the Noteholder Collateral Agent and (ii) your special counsel referred to in Section 4.4(b)(i), in each case, to the extent reflected in a statement of such Person rendered to the Company at least one Business Day prior to the Closing.

Section 4.8. Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for the Series A Notes.

Section 4.9. Changes in Corporate Structure. No Obligor shall have changed its jurisdiction of incorporation or organization or been a party to any merger or consolidation and no Obligor shall have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

Section 4.10. Funding Instructions. At least three Business Days prior to the date of the Closing, you shall have received written instructions executed by a Responsible Officer directing the manner of the payment of funds and setting forth (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the Series A Notes is to be deposited.

Section 4.11. Other Financing Agreements. (a) Each Obligor shall have executed and delivered each Financing Agreement to which it is to be a party, which Financing Agreements shall be satisfactory in form and substance to you and the Other Purchasers and shall provide such security and/or Subsidiary Guarantees which cause the Notes and the other Financing Agreements to be pari passu with the Obligors' obligations under the Bank Indebtedness after giving effect to the Intercreditor Agreement.

- (b) Each party thereto shall have executed and delivered the Intercreditor Agreement which shall be satisfactory in form and substance to the Purchasers.

Section 4.12. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by the Financing Agreements and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

Section 4.13. Conditions to Issuance of Additional Notes. The obligations of the Additional Purchasers to purchase any Additional Notes shall be subject to the following conditions precedent, in addition to the conditions specified in the Supplement pursuant to which such Additional Notes may be issued:

- (a) Compliance Certificate. A duly authorized Senior Financial Officer of the Company shall execute and deliver to each Additional Purchaser and each holder of Notes an Officer's Certificate dated the date of issue of such series of Additional Notes stating that such officer has reviewed the provisions of this Agreement (including any Supplements hereto) and setting forth the information and computations (in sufficient detail) required in order to establish whether the Company and its Subsidiaries is in compliance with the requirements of Section 10 on such date.
- (b) Execution and Delivery of Supplement. The Company and each such Additional Purchaser shall execute and deliver a Supplement substantially in the form of Exhibit S hereto.
- (c) Representations of Additional Purchasers. Each Additional Purchaser shall have confirmed in the Supplement that the representations set forth in Section 6 are

true with respect to such Additional Purchaser on and as of the date of issue of the Additional Notes.

- (d) Closing Conditions. The closing conditions set forth in Section 4 shall have been updated and performed as of the date of issuance of each series of Additional Notes with respect to such series of Additional Notes (regardless of whether such closing conditions initially apply only to the Series A Notes).

Section 4.14. Acceptance of Appointment to Receive Service of Process. You shall have received evidence of the acceptance by Corporation Service Company of the appointment and designation provided for by Section 24.2(e), by the comparable section in the Italian Subsidiary Guarantee and in the Collateral Agreements for the period from the date of the Closing to April 26, 2015 (and the payment in full of all fees in respect thereof).

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE OBLIGORS.

Each of the Obligors (other than NN Italy), as to itself, represents and warrants to you that:

Section 5.1. Organization; Power and Authority. Each Obligor is a corporation or other legal business entity duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each Obligor has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver the Financing Agreements to which it is a party and to perform the provisions hereof and thereof.

Section 5.2. Authorization, etc. The Financing Agreements have been duly authorized by all necessary corporate or other action on the part of each Obligor party thereto and each Financing Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Obligor party thereto enforceable against such Obligor in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The Financing Agreements have been prepared, executed and delivered outside Ireland and Italy.

Section 5.3. Disclosure. The Company, through its agent, SPP Capital Partners, LLC, has delivered to you and each Other Purchaser a copy of a Private Placement Memorandum, dated February, 2004 (the "Memorandum"), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. This Agreement, the Memorandum and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue

statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Since December 31, 2003, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Memorandum or in the other documents, certificates and other writings delivered to you by or on behalf of the Company specifically for use in connection with the transactions contemplated hereby.

Section 5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates. (a) Schedule 5.4 contains (except as noted therein) complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) of the Company's Affiliates, other than Subsidiaries, and (iii) of the Company's directors and senior officers.

- (b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).
- (c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, or, in the case of each Subsidiary organized outside of the United States, such Subsidiary is in possession of all material governmental or public approvals necessary for the unrestricted conduct of its business, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.
- (d) No Subsidiary is a party to, or otherwise subject to, any legal restriction or any agreement (other than this Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by corporate law statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary except for the legal restriction provided by Art. 2433 of the Italian Civil Code applicable to NN Italy.

Section 5.5. Financial Statements. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all

material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

Section 5.6. Compliance with Laws, Other Instruments, etc. The execution, delivery and performance by the Obligors of the Financing Agreements will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of any Obligor or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which any Obligor or any Subsidiary is bound or by which any Obligor or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to any Obligor or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to any Obligor or any Subsidiary.

Section 5.7. Governmental Authorizations, etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by any Obligor of any Financing Agreement to which it is a party, including without limitation any thereof required in connection with the obtaining of Dollars to make payments under the Financing Agreements and the payment of such Dollars to Persons resident in the United States of America. It is not necessary to ensure the legality, validity, enforceability or admissibility into evidence in any jurisdiction in which any Obligor conducts its business or which asserts jurisdiction over any properties of such Obligor of the Financing Agreements that any thereof or any other document be filed, recorded or enrolled with any Governmental Authority, or that any such agreement or document be stamped with any stamp, registration or similar transaction tax other than (x) in Ireland, where (i) registration fees of, in aggregate, EUR60 will be payable in respect of registration of certain of the Pledge Agreements and (ii) stamp duties will be payable in respect of (a) the Pledge Agreement by NN Ireland, at the rate of .1% of the amounts secured thereby up to a maximum of EUR630, (b) the Pledge Agreement by the Company in respect of its shares in NN Europe ApS, at the rate of EUR12.50 and (c) any counterpart of the Pledge Agreements at (a) and (b), at the rate of EUR12.50 and (y) in Italy, where registration fees may be required in connection with the enforcement and/or admissibility into evidence of either the Pledge Agreement by NN Ireland related to NN Italy share certificates or the Italian Subsidiary Guarantee. The amount of the Italian Registration Duty has to be assessed by the relevant Italian tax authorities and currently is, as to the Italian Subsidiary Guarantee, 0.50% of Euro 20 million and, as to the Pledge Agreement entered into by NN Ireland, 0.50% of the value of such pledge.

Section 5.8. Litigation; Observance of Agreements, Statutes and Orders. (a) There are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 31, 2002. No liability for any Tax, directly or indirectly, imposed, assessed, levied or collected by or for the account of any Governmental Authority or any political subdivision thereof will be incurred by an Obligor or any holder of a Note as a result of the execution or delivery of the Financing Agreements and no deduction or withholding in respect of Taxes imposed by or for the account of any Taxing Jurisdiction, is required to be made from any payment by the Obligors under the Financing Agreements except for any such liability, withholding or deduction imposed, assessed, levied or collected by or for the account of any such Governmental Authority arising out of circumstances described in clause (a), (b) or (c) of Section 13.

Section 5.10. Title to Property; Leases. The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

Section 5.11. Licenses, Permits, etc. (a) The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others;

(b) To the best knowledge of the Company, no product of the Company or any of its Subsidiaries infringes in any Material respect any license, permit, franchise, authorization,

patent, copyright, service mark, trademark, trade name or other right owned by any other Person; and

- (c) To the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

Section 5.12. Compliance with ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrance of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

- (b) With respect to each Plan (if any) subject to Title IV of ERISA, the present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The present value of the accrued benefit liabilities (whether or not vested) under each Foreign Plan that is funded, determined as of the end of each Obligor's most recently ended fiscal year on the basis of reasonable actuarial assumptions, did not exceed the current value of the assets of such Foreign Plan allocable to such benefit liabilities. The term "benefit liabilities" has the meaning specified in section 4001 of ERISA and the terms "current value" and "present value" have the meanings specified in section 3 of ERISA.
- (c) The Company and its ERISA Affiliates have not incurred (i) withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material or (ii) any obligation in connection with the termination of or withdrawal from any Foreign Plan.
- (d) The expected post-retirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material .
- (e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to

section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of your representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Notes to be purchased by you.

- (f) All Foreign Plans have been established, operated, administered and maintained in compliance with all laws, regulations and orders applicable thereto, except where failure so to comply could not be reasonably expected to have a Material Adverse Effect. All premiums, contributions and any other amounts required by applicable Foreign Plan documents or applicable laws to be paid or accrued by the Company and its Subsidiaries have been paid or accrued as required, except where failure so to pay or accrue could not be reasonably expected to have a Material Adverse Effect.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf nor any other Obligor has offered the Notes, the Subsidiary Guarantees or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than you, the Other Purchasers and not more than seventeen (17) other Institutional Investors, each of which has been offered the Notes and the Subsidiary Guarantees at a private sale for investment. Neither the Company nor anyone acting on its behalf nor any other Obligor has taken, or will take, any action that would subject the issuance or sale of the Notes or the Subsidiary Guarantees to the registration requirements of Section 5 of the Securities Act.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Notes to pay down bank revolving, term and bridge loans and for general corporate purposes. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 1.00% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 1.00% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Debt; Future Liens. (a) Schedule 5.15 sets forth a complete and correct list of all outstanding Debt of the Company and its Subsidiaries as of April 1, 2004, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Debt of the Company or its Subsidiaries except as specifically set forth on such Schedule 5.15. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Debt of the Company or such Subsidiary and no event or condition exists with respect to any Debt of the Company or any Subsidiary that would permit (or that with notice or the lapse of

time, or both, would permit) one or more Persons to cause such Debt to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

- (b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.3.

Section 5.16. Foreign Assets Control Regulations, etc. Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto. Without limiting the foregoing, neither the Company nor any of its Subsidiaries (a) is a person whose property or interests in property are blocked pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) or (b) engages in any Material dealings or transactions, or is otherwise associated, with any such person. The Company and its Subsidiaries are in compliance, in all material respects, with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA Patriot Act of 2001). No part of the proceeds from the sale of the Notes hereunder will be used, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

Section 5.17. Status under Certain Statutes. Neither the Company nor any Subsidiary is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or is subject to regulation under the Public Utility Holding Company Act of 1935, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

Section 5.18. Environmental Matters. Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect. Except as otherwise disclosed to you in writing:

- (a) neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect;

- (b) neither the Company nor any of its Subsidiaries has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them or has disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect; and
- (c) all buildings on all real properties now owned, leased or operated by the Company or any of its Subsidiaries are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

Section 5.19. Solvency.

- (a) Assets Greater Than Liabilities. The fair value of the business and assets of the Company and its Subsidiaries, taken as a whole on a consolidated basis, exceeds, as of, and immediately after giving effect to the transactions consummated on the date of the Closing, the liabilities of the Company and its Subsidiaries, taken as a whole on a consolidated basis, as of such time.
- (b) Meeting Liabilities. Immediately after giving effect to the transactions contemplated by this Agreement, the Notes and the other Financing Agreements, no Obligor:
 - (i) will be engaged in any business or transaction, or about to engage in any business or transaction, for which its assets would constitute unreasonably small capital (within the meaning of the Uniform Fraudulent Transfer Act, the Uniform Fraudulent Conveyance Act and section 548 of the Bankruptcy Code, in each case, of the United States of America); or
 - (ii) will be unable to pay its debts as such debts mature.
- (c) Intent. No Obligor is entering into the Agreement, the Notes and the other Financing Agreements with any intent to hinder, delay, or defraud either current creditors or future creditors of such Obligor.

Section 5.20. Collateral Documents. The Collateral Documents will create a valid Lien in and to the Collateral in favor of the Collateral Agent, subject to no prior Liens except Liens permitted under Section 10.3.

Section 5.21. Ranking of Notes. The Company's obligations under the Financing Agreements will, upon issuance of the Notes, rank in right of payment at least pari passu, without preference or priority, with all of its other outstanding unsubordinated Debt and all unsubordinated trade obligations, except for Debt which is preferred as a result of being priority secured (but then only to the extent of such security) or by operation of law. Each Guarantor's obligations under the Subsidiary Guarantees will, upon issuance thereof, rank in right of payment pari passu, without preference or priority, with all of such Guarantor's other outstanding unsubordinated Debt and all unsubordinated trade obligations, except for Debt which is preferred

as a result of being priority secured (but then only to the extent of such security) or by operation of law. Upon the issuance of the Notes on the date of Closing, NN Mexico, LLC and NN Arte S. de R.L. de C.V. will not be obligors or guarantors in respect of the Bank Indebtedness and no equity interests or note obligations thereof have been pledged to secure the Bank Indebtedness.

SECTION 6. REPRESENTATIONS OF THE PURCHASER.

Section 6.1. Purchase for Investment. You represent that you are purchasing the Notes for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of your or their property shall at all times be within your or their control. You understand that the Notes and the Subsidiary Guarantees have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes or the Subsidiary Guarantees.

Section 6.2. Source of Funds. You represent that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by you to pay the purchase price of the Notes to be purchased by you hereunder:

- (a) the Source is an "insurance company general account" within the meaning of Department of Labor Prohibited Transaction Exemption ("PTE") 95-60 (issued July 12, 1995) and there is no employee benefit plan, treating as a single plan, all plans maintained by the same employer or employee organization, with respect to which the amount of the general account reserves and liabilities for all contracts held by or on behalf of such plan, exceed ten percent (10%) of the total reserves and liabilities of such general account (exclusive of separate account liabilities) plus surplus, as set forth in the NAIC Annual Statement filed with your state of domicile; or
- (b) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (issued July 12, 1991) and, except as you have disclosed to the Company in writing pursuant to this paragraph (b), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or
- (c) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the

conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this paragraph (c); or

- (d) the Source is a governmental plan; or
- (e) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (e); or
- (f) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

If you or any subsequent transferee of the Notes indicates that you or such transferee are relying on any representation contained in paragraph (b), (c) or (e) above, the Company shall deliver on the date of Closing and on the date of any applicable transfer a certificate, which shall either state that (i) it is neither a party in interest nor a "disqualified person" (as defined in section 4975(e)(2) of the Internal Revenue Code of 1986, as amended), with respect to any plan identified pursuant to paragraphs (b) or (e) above, or (ii) with respect to any plan, identified pursuant to paragraph (c) above, neither it nor any "affiliate" (as defined in Section V(c) of the QPAM Exemption) has at such time, and during the immediately preceding one year, exercised the authority to appoint or terminate said QPAM as manager of any plan identified in writing pursuant to paragraph (c) above or to negotiate the terms of said QPAM's management agreement on behalf of any such identified plan. As used in this Section 6.2, the terms "employee benefit plan", "governmental plan", "party in interest" and "separate account" shall have the respective meanings assigned to such terms in section 3 of ERISA.

SECTION 7. INFORMATION AS TO OBLIGORS.

Section 7.1. Financial and Business Information. The Obligors (other than NN Italy) shall deliver to each holder of Notes that is an Institutional Investor:

- (a) Quarterly Statements -- within the earlier of (x) 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year) or (y) the date, if any, when the quarterly statements set forth below are delivered to any other lender to the Company, duplicate copies of:
 - (i) a consolidated balance sheet of the Company and its consolidated Subsidiaries as at the end of such quarter, and
 - (ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its consolidated Subsidiaries for such quarter

and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that (i) the above described financial statements shall be with respect to the Company and its Restricted Subsidiaries (and not the Company and its consolidated Subsidiaries) for any such quarterly fiscal period with respect to which the aggregate assets of all Unrestricted Subsidiaries exceed 5% of Consolidated Total Assets as of the end of such quarterly fiscal period, and (ii) so long as the requirements of the foregoing clause (i) are not applicable, delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) Annual Statements -- within the earlier of (x) 105 days after the end of each fiscal year of the Company or (y) the date, if any, when the annual statements set forth below are delivered to any other lender to the Company, duplicate copies of:

(i) a consolidated balance sheet of the Company and its consolidated Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in consolidated shareholders' equity and cash flows of the Company and its consolidated Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the consolidated financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, provided that (i) the above described financial statements shall be with respect to the Company and its Restricted Subsidiaries (and not the Company and its consolidated Subsidiaries) for any such annual fiscal period with respect to which the aggregate assets of all Unrestricted Subsidiaries exceed 5% of Consolidated Total Assets as of the end of such annual fiscal period, and (ii) so long as the requirements of the foregoing clause (i) are not applicable, the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act)

prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission, shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) SEC and Other Reports -- promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission (excluding those pertaining solely to Plans) and of all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning developments that are Material;

(d) Notice of Default or Event of Default -- promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters -- promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

- (i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or
- (ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or
- (iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect; or

(iv) receipt of notice of the imposition of a Material financial penalty (which for this purpose shall mean any tax, penalty or other liability, whether by way of indemnity or otherwise) with respect to one or more Foreign Plans;

(f) Notices from Governmental Authority -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(g) Supplements -- promptly and in any event within five (5) Business Days after the execution and delivery of any Supplement, a copy thereof; and

(h) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of an Obligor to perform its or their obligations hereunder and under the Notes or under any other Financing Agreement as from time to time may be reasonably requested by any such holder of Notes.

Section 7.2. Officer's Certificate. Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.3 through Section 10.7 hereof, inclusive, and Section 10.10 hereof during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence);

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto; and

(c) Restricted Subsidiaries -- a list indicating which of the Company's Subsidiaries were Restricted Subsidiaries as of the end of the period covered by the financial statements then being furnished.

Section 7.3. Inspection. The Obligors (other than NN Italy) shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries pursuant to this Section 7.3(b)), all at such times and as often as may be reasonably requested.

SECTION 8. PREPAYMENT OF THE SERIES A NOTES.

Section 8.1. Required Prepayments. On April 26, 2008 and on each April 26 thereafter to and including April 26, 2013 the Company will prepay \$5,714,285.71 principal amount (or such lesser principal amount as shall then be outstanding) of the Series A Notes at par and without payment of the Make-Whole Amount or any premium, provided that upon any partial prepayment of the Series A Notes pursuant to Section 8.2 or Section 8.3 the principal amount of each required prepayment of the Series A Notes becoming due under this Section 8.1 on and after the date of such prepayment shall be reduced in the same proportion as the aggregate unpaid principal amount of the Series A Notes is reduced as a result of such prepayment.

Section 8.2. Optional Prepayments with Series A Make-Whole Amount. The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Series A Notes, in an amount not less than 10% of the aggregate principal amount of the Series A Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, plus the Series A Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Series A Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such

date, the aggregate principal amount of the Series A Notes to be prepaid on such date, the principal amount of each Series A Note held by such holder to be prepaid (determined in accordance with Section 8.4), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Series A Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Series A Notes a certificate of a Senior Financial Officer specifying the calculation of such Series A Make-Whole Amount as of the specified prepayment date.

Section 8.3. Change in Control. (a) Notice of Change in Control or Control Event. The Company will, within five (5) Business Days after any Responsible Officer has knowledge of the occurrence of any Change in Control or Control Event, give written notice (the "Change of Control Notice") of such Change in Control or Control Event to each holder of Notes unless notice in respect of such Change in Control (or the Change of Control contemplated by such Control Event) shall have been given pursuant to subparagraph (c) of this Section 8.3. Such Change of Control Notice shall contain and constitute an offer to prepay the Series A Notes as described in Section 8.3(c) hereof and shall be accompanied by the certificate described in Section 8.3(g).

(b) Condition to Company Action. The Company will not take any action that consummates or finalizes a Change in Control unless (i) at least 30 days prior to such action it shall have given to each holder of Series A Notes written notice containing and constituting an offer to prepay Series A Notes as described in subparagraph (c) of this Section 8.3, accompanied by the certificate described in subparagraph (g) of this Section 8.3, and (ii) contemporaneously with such action, it prepays all Series A Notes required to be prepaid in accordance with this Section 8.3.

(c) Offer to Prepay Notes. The offer to prepay Series A Notes contemplated by paragraph (a) and (b) of this Section 8.3 shall be an offer to prepay, in accordance with and subject to this Section 8.3, all, but not less than all, the Series A Notes held by each holder (in this case only, "holder" in respect of any Series A Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such Change of Control Notice (the "Proposed Prepayment Date"). If such Proposed Prepayment Date is in connection with an offer contemplated by subparagraph (a) of this Section 8.3, such date shall be not less than 30 days and not more than 120 days after the date of such offer (if the Proposed Prepayment Date shall not be specified in such offer, the Proposed Prepayment Date shall be the first Business Day after the 45th day after the date of such offer).

(d) Acceptance. A holder of Series A Notes may accept the offer to prepay made pursuant to this Section 8.3 by causing a notice of such acceptance to be delivered to the Company not later than 15 days after receipt by such holder of the most recent offer of prepayment. A failure by a holder of Series A Notes to respond to an offer to prepay made pursuant to this Section 8.3 shall be deemed to constitute a rejection of such offer by such holder.

(e) Prepayment. Prepayment of the Series A Notes to be prepaid pursuant to this Section 8.3 shall be at 100% of the principal amount of the Series A Notes together with accrued and unpaid interest thereon. The prepayment shall be made on the Proposed Prepayment Date except as provided in subparagraph (f) of this Section 8.3.

(f) Deferral Pending Change in Control. The obligation of the Company to prepay Series A Notes pursuant to the offers required by subparagraph (c) and accepted in accordance with subparagraph (d) of this Section 8.3 is subject to the occurrence of the Change in Control in respect of which such offers and acceptances shall have been made. In the event that such Change in Control has not occurred on the Proposed Prepayment Date in respect thereof, the prepayment shall be deferred until, and shall be made on, the date on which such Change in Control occurs. The Company shall keep each holder of Series A Notes reasonably and timely informed of (i) any such deferral of the date of prepayment, (ii) the date on which such Change in Control and the prepayment are expected to occur, and (iii) any determination by the Company that efforts to effect such Change in Control have ceased or been abandoned (in which case the offers and acceptances made pursuant to this Section 8.3 in respect of such Change in Control shall be deemed rescinded).

(g) Officer's Certificate. Each offer to prepay the Series A Notes pursuant to this Section 8.3 shall be accompanied by a certificate, executed by the Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Prepayment Date; (ii) that such offer is made pursuant to this Section 8.3; (iii) the principal amount of each Series A Note offered to be prepaid (which shall be 100% of each such Series A Note); (iv) the interest that would be due on each Series A Note offered to be prepaid, accrued to the Proposed Prepayment Date; (v) that the conditions of this Section 8.3 have been fulfilled; and (vi) in reasonable detail, the nature and date or proposed date of the Change in Control.

(h) Certain Definitions. "Change in Control" shall mean an event or series of events by which (a) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act), shall become the "beneficial owner" (within the meaning of Rule 13d-3 and/or Rule 13d-5 under the Exchange Act, except that a Person shall be deemed to have "beneficial ownership" of all shares or other ownership interests, as the case may be, that such Person has the right to acquire without condition, other than the passage of time, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of thirty-five percent (35%) or more of the combined voting power of all securities of the Company entitled to vote in the election of directors, other than securities having such power only by reason of the happening of a contingency (other than the passage of time), or (b) during any period of up to twelve (12) consecutive months, individuals who at the beginning of such period were directors or managers of the Company shall cease for any reason to constitute a majority of the Board of Directors or managers of the Company. The foregoing definition shall be deemed amended to the extent that the provisions of Section 11.1.18 (or any successor provision thereto) of the Credit Agreement is amended from time to time (but not merely waived). During any period when the Bank Indebtedness does not grant remedies to the lenders thereunder in the event of a change in control, and during any period in which no Bank Indebtedness exists, the rights of the holders of the Notes to require prepayment pursuant to this Section 8.3 shall be suspended until

such time, if any, as a replacement provision is included in the Bank Indebtedness, in which event such provision shall be incorporated herein by reference.

"Control Event" means:

- (i) the execution by the Company or an Affiliate of any agreement or letter of intent with respect to any proposed transaction or event or series of transactions or events which, individually or in the aggregate, may reasonably be expected to result in a Change in Control,
- (ii) the execution of any written agreement which, when fully performed by the parties thereto, would result in a Change in Control, or
- (iii) the making of any written offer by any person (as such term is used in Section 13(d) and Section 14(d)(2) of the Exchange Act as in effect on the date of the Closing) or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act as in effect on the date of the Closing) to the holders of the outstanding equity of the Company, which offer, if accepted by the requisite number of holders, would result in a Change in Control.

(i) All calculations contemplated in this Section 8.3 involving the capital stock or other equity interest of any Person shall be made with the assumption that all convertible securities of such Person then outstanding and all convertible securities issuable upon the exercise of any warrants, options and other rights outstanding at such time were converted at such time and that all options, warrants and similar rights to acquire shares of capital stock or other equity interest of such Person were exercised at such time.

Section 8.4. Allocation of Partial Prepayments In the case of each partial prepayment of the Series A Notes pursuant to Sections 8.1 and 8.2, the principal amount of the Series A Notes to be prepaid shall be allocated among all of the Series A Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof.

Section 8.5. Maturity; Surrender, etc In the case of each prepayment of Series A Notes pursuant to Section 8.1 and 8.2, the principal amount of each Series A Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and, in the case of prepayment pursuant to Section 8.2, the applicable Series A Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Series A Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Series A Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Series A Note shall be issued in lieu of any prepaid principal amount of any Series A Note.

Section 8.6. Purchase of Notes. Each Obligor (other than NN Italy) will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Series A Notes except upon the payment or prepayment of the Series A Notes

in accordance with the terms of this Agreement and the Series A Notes. Such Obligor will promptly cancel all Series A Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Series A Notes pursuant to any provision of this Agreement and no Series A Notes may be issued in substitution or exchange for any such Series A Notes.

Section 8.7. Series A Make-Whole Amount. The term "Series A Make-Whole Amount" means, with respect to any Series A Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Series A Note over the amount of such Called Principal, provided that the Series A Make-Whole Amount may in no event be less than zero. For the purposes of determining the Series A Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Series A Note, the principal of such Series A Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Series A Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Series A Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Series A Note, 0.50% over the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "PX1" on the Bloomberg Financial Markets Services Screen (or such other display as may replace page "PX1" on the Bloomberg Financial Markets Services Screen) for on-the-run actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such series of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded (and on-the-run, in the case of page "PX1" on the Bloomberg Financial Markets Services Screen) U.S. Treasury security with a maturity closest to and greater than the Remaining Average Life and (2) the actively traded (and on-the-run, in the case

of page PX1 on the Bloomberg Financial Markets Services Screen) U.S. Treasury security with a maturity closest to and less than the Remaining Average Life.

"Remaining Average Life" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Series A Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Series A Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or 12.1.

"Settlement Date" means, with respect to the Called Principal of any Series A Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

SECTION 9. AFFIRMATIVE COVENANTS.

The Obligors (other than NN Italy), jointly and severally, covenant that so long as any of the Notes are outstanding:

Section 9.1. Compliance with Law. The Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.2. Insurance. The Company will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 9.3. Maintenance of Properties. The Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.4. Payment of Taxes and Claims. The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes, assessments and claims in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 9.5. Corporate Existence, etc. The Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.2 and 10.7, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.6. Notes to Rank Pari Passu. The Notes and all other obligations under the Financing Agreements of the Obligors are and at all times shall remain direct and unsubordinated obligations of the Obligors party thereto ranking pari passu as against the assets of the related Obligor with all other Notes from time to time issued and outstanding hereunder without any preference among themselves and pari passu with all other present and future unsubordinated Debt of the related Obligor (including Bank Indebtedness) which is not expressed to be subordinate or junior in rank to any other unsubordinated Debt of the Company.

Section 9.7. Post-Closing Requirements. Within 30 days after the Intercreditor Agent, in accordance with instructions from Italian counsel, delivers the NN Italy share certificate to an appropriate civil law notary for notation, the Company shall (i) cause the Lien in favor of the Noteholder Collateral Agent on the shares of capital stock of NN Italy granted by NN Ireland to be noted upon the certificates representing such shares in accordance with Italian law, and (ii) deliver a legal opinion which is reasonably satisfactory to the holders from McCann

FitzGerald Solicitors with respect to perfecting Liens under Ireland law and Pavia e Ansaldo Studio Legale with respect to the perfection of such Lien under Italian law.

Within thirty days after the date of Closing, the Company shall have caused the Lenders and the Administrative Agent under the Credit Agreement to enter into such agreements as may be reasonably required by the Required Holders to cause the certificate of deposit in the face amount of [GRAPHIC OMITTED]100,000 Deposit No. 4058980, issued by ABN AMRO, N.V., to the Company and subject to the provisions of the Certificate of Deposit Control Agreement dated July 23, 2003 to be subject to the Intercreditor Agreement for the pari passu benefit of the Lenders, as defined in the Intercreditor Agreement.

SECTION 10. NEGATIVE COVENANTS.

The Obligors (other than NN Italy), jointly and severally, covenant that so long as any of the Notes are outstanding:

Section 10.1. Transactions with Affiliates. The Company will not and will not permit any Subsidiary to enter into directly or indirectly any transaction or group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

Section 10.2. Merger, Consolidation, etc. The Company shall not, and shall not permit any Restricted Subsidiary to, consolidate with or merge with any other corporation, limited liability company or limited partnership or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) in the case of any such transaction involving an Obligor, the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation, limited liability company or limited partnership organized and existing under the laws of the United States or any State thereof (including the District of Columbia) or, in the case of any Obligor other than the Company, the jurisdiction of such Obligor's organization or any Permitted Jurisdiction and, if such Obligor is not such corporation, limited liability company or limited partnership, (i) such corporation, limited liability company or limited partnership shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of each respective Financing Agreement by which Obligor was bound and (ii) shall have caused to be delivered to each holder of any Notes an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such

assumption are enforceable in accordance with their terms and comply with the terms hereof;

(b) in the case of any such transactions involving a Restricted Subsidiary and not an Obligor, the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of such Restricted Subsidiary as an entirety, as the case may be, shall be a Restricted Subsidiary organized and existing under the laws of the United States or any State thereof (including the District of Columbia) or in the jurisdiction of such Restricted Subsidiary's organization or any other Permitted Jurisdiction; and

(c) in all cases, immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing.

No such conveyance, transfer or lease of substantially all of the assets of an Obligor shall have the effect of releasing such Obligor or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 10.2 from its liability under this Agreement or the Notes.

The provisions of this Section 10.2 shall not prohibit an Asset Disposition permitted by Section 10.7.

Section 10.3. Liens. The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company or any such Restricted Subsidiary which do not constitute Collateral, whether now owned or held or hereafter acquired, or any income or profits therefrom or assign or otherwise convey any right to receive income or profits (unless it makes, or causes to be made, effective provision whereby the Notes will be equally and ratably secured with any and all other obligations thereby secured, such security to be pursuant to an agreement reasonably satisfactory to the Required Holders and, in any such case, the Notes shall have the benefit, to the fullest extent that, and with such priority as, the holders of the Notes may be entitled under applicable law, of an equitable Lien on such property), except:

(a) Liens for taxes, assessments or other governmental charges which are not yet due and payable or the payment of which is not at the time required by Section 9.4;

(b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other similar Liens, in each case, incurred in the ordinary course of business for sums not yet due and payable or the payment of which is not at the time required by Section 9.4;

(c) Liens (other than any Liens imposed by ERISA) incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security or retirement benefits, or (ii) to secure (or obtain letters of credit that secure) the performance of tenders, statutory obligations, surety bonds,

appeal bonds, bids, leases (other than Capital Leases), performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(d) any attachment or judgment Lien, unless the judgment it secures shall not, within 60 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within 60 days after the expiration of any such stay (unless the underlying claim which is the subject of such attachment or judgment Lien is fully covered by a solvent insurer which has acknowledged liability therefor in writing);

(e) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, in each case incidental to, and not interfering with, the ordinary conduct of the business of the Company or any of its Restricted Subsidiaries, provided that such Liens do not, in the aggregate, materially detract from the value of such property;

(f) Liens on property or assets of the Company or any of its Restricted Subsidiaries securing Debt owing to the Company or to another Obligor;

(g) Liens existing on the date of this Agreement and securing the Debt of the Company and its Restricted Subsidiaries referred to in Schedule 5.15;

(h) any Lien created to secure all or any part of the purchase price, or to secure Debt incurred or assumed to pay all or any part of the purchase price or cost of construction, of property (or any improvement thereon) constituting fixed or capital assets acquired or constructed by the Company or a Restricted Subsidiary after the date of the Closing, provided that

(i) any such Lien shall extend solely to the item or items of such property (or improvement thereon) so acquired or constructed and, if required by the terms of the instrument originally creating such Lien, other property (or improvement thereon) which is an improvement to or is acquired for specific use in connection with such acquired or constructed property (or improvement thereon) or which is real property being improved by such acquired or constructed property (or improvement thereon),

(ii) the principal amount of the Debt secured by any such Lien shall at no time exceed an amount equal to 100% of the fair market value (as determined in good faith by the board of directors of the Company) of such property (or improvement thereon) at the time of such acquisition or construction, and

(iii) any such Lien shall be created contemporaneously with or within the period ending 180 days after days after, the acquisition or construction of such property;

(i) any Lien existing on property constituting fixed or capital assets of a Person immediately prior to its being consolidated with or merged into the Company or a Restricted Subsidiary or its becoming a Restricted Subsidiary, or any Lien existing on any property

constituting fixed or capital assets acquired by the Company or any Restricted Subsidiary at the time such property is so acquired (whether or not the Debt secured thereby shall have been assumed), provided that (i) no such Lien shall have been created or assumed in contemplation of such consolidation or merger or such Person's becoming a Restricted Subsidiary or such acquisition of property, and (ii) each such Lien shall extend solely to the item or items of property so acquired and, if required by the terms of the instrument originally creating such Lien, other property which is an improvement to or is acquired for specific use in connection with such acquired property;

(j) any Lien renewing, extending or refunding any Lien permitted by paragraphs (g), (h) or (i) of this Section 10.3, provided that (i) the principal amount of Debt secured by such Lien immediately prior to such extension, renewal or refunding is not increased or the maturity thereof reduced, (ii) such Lien is not extended to any other property, and (iii) immediately after such extension, renewal or refunding no Default or Event of Default would exist;

(k) other Liens not otherwise permitted by paragraphs (a) through (j) securing Debt of the Company or a Restricted Subsidiary, provided that at the time of incurrence of such Lien and immediately after or any effect thereto, the Debt secured thereby is permitted by Section 10.4.

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any Collateral other than the Lien of the Bank Security and the Noteholder Security, in each case in accordance with, and subject to, the Intercreditor Agreement.

Section 10.4. Incurrence of Certain Additional Debt.

(a) Limitation on Funded Debt. The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, guarantee, or otherwise become directly or indirectly liable with respect to, any Funded Debt, other than:

(i) the Series A Notes;

(ii) Funded Debt of the Company and its Restricted Subsidiaries outstanding as of March 31, 2004 and described on Schedule 5.15 together with renewals, extensions and refundings thereof without increase in principal amount; and

(iii) additional Funded Debt of the Company and its Restricted Subsidiaries (including any additional series of Notes) provided that, on the date the Company or such Restricted Subsidiary becomes liable with respect to any such additional Funded Debt and immediately after giving effect thereto and the concurrent retirement of any other Debt of the Company or any such Restricted Subsidiary, (x) Consolidated Funded Debt does not exceed 60% of Consolidated Total Capitalization and (y) any such additional Funded Debt constituting Priority Debt is permitted by Section 10.4(b).

(b) Limitation on Priority Debt. The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume, guarantee, or otherwise become directly or indirectly liable with respect to, any Priority Debt, unless on the date the Company or such Restricted Subsidiary becomes liable with respect to any such Debt and immediately after giving effect thereto and the concurrent retirement of any other Debt of the Company or any such Restricted Subsidiary, Priority Debt would not exceed 20% of Consolidated Adjusted Net Worth.

(c) Time of Incurrence of Debt. For the purposes of this Section 10.4, any Person becoming a Restricted Subsidiary after the date hereof shall be deemed, at the time it becomes a Restricted Subsidiary, to have incurred all of its then outstanding Debt, and any Person extending, renewing or refunding any Debt shall be deemed to have incurred such Debt at the time of such extension, renewal or refunding.

Section 10.5. Consolidated Adjusted Net Worth. The Company will not, at any time, permit Consolidated Adjusted Net Worth to be less than the sum of (a) \$70,000,000, plus (b) 25% of its aggregate Consolidated Net Income (but only if a positive number) for the period beginning on January 1, 2004 ending at the end of the then most recently completed fiscal quarter.

Section 10.6. Fixed Charges Coverage Ratio. The Company will not permit the Fixed Charges Coverage Ratio to be less than 2.00 to 1.00, determined at the end of each quarterly fiscal period of the Company for the four fiscal quarter period ending on such date of determination, taken as a single accounting period.

Section 10.7. Sale of Assets, etc. The Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(a) in the good faith opinion of the Company or Restricted Subsidiary making the Asset Disposition, the Asset Disposition is in exchange for consideration having a fair market value at least equal to that of the property exchanged;

(b) immediately after giving effect to the Asset Disposition, no Default or Event of Default would exist; and

(c) immediately after giving effect to such Asset Disposition, the Company could incur at least \$1.00 of additional Funded Debt pursuant to Section 10.4(a); and

(d) the sum of (i) the Disposition Value of the property subject to such Asset Disposition, plus (ii) the aggregate Disposition Value for all other property that was the subject of an Asset Disposition during the period of 365 days immediately preceding such Asset Disposition would not exceed 25% of Consolidated Total Assets determined as of the end of the most recently ended calendar month preceding such Asset Disposition.

To the extent that the Net Proceeds Amount consisting of cash for any Transfer to a Person other than an Affiliate of the Company or Subsidiary is applied to a Debt Prepayment Application or applied or committed to be applied to a Property Reinvestment Application and is in fact applied within one year after such Transfer, then such Transfer (or, if less than all such Net Proceeds Amount is applied as contemplated hereinabove, the pro rata percentage thereof which corresponds to the Net Proceeds Amount so applied), only for the purpose of determining compliance with subsection (d) of this Section 10.7 as of any date, shall be deemed not to be an Asset Disposition.

Section 10.8. Maintenance of Parity. (a) In the event the Company has any Subsidiary which is a direct obligor of, or bound by or subject to a Guaranty for the benefit of, any lender, the Company shall cause such Subsidiary (except for NN Europe), concurrently with such Subsidiary becoming liable as an Obligor or under such other Guaranty, to execute and deliver a Subsidiary Guarantee and to deliver a Pledged Note, together with appropriate instruments of assignment attached thereto, duly executed in blank by the Company, as applicable, or the appropriate Guarantor, as the case may be; provided, however, that no Subsidiary shall be obligated to execute and deliver a Subsidiary Guarantee to the extent that, and so long as, (i) such Subsidiary Guarantee would not be permitted under applicable law and (ii) such Subsidiary has not delivered a Guaranty for the benefit of the Bank Indebtedness. In the event (i) changes in applicable law permit NN Europe to become a Guarantor hereunder and (ii) NN Europe has guaranteed other Bank Indebtedness, NN Europe shall promptly execute and deliver a Subsidiary Guarantee hereunder and, thus, become party to this Agreement and to the Intercreditor Agreement. Each Guarantor shall be and remain a Restricted Subsidiary.

(b) In the event the Company has any Subsidiary which has pledged or granted any lien in respect of any of its assets or properties to secure any of the Bank Indebtedness, the Company shall cause such Subsidiary (except for NN Europe), concurrently with such Subsidiary pledging or granting such Lien, to execute and deliver a Pledge Agreement, provided, however, that such Subsidiary shall not be so obligated to execute and deliver a Pledge Agreement to the extent that, and so long as, (i) such Pledge Agreement would not be permitted under applicable law and (ii) such Subsidiary has not delivered a Pledge Agreement for the benefit of the Bank Indebtedness. In the event (i) changes in applicable law permit NN Europe to become a Pledgor hereunder and (ii) NN Europe has delivered a Pledge Agreement for the benefit of other Bank Indebtedness, NN Europe shall promptly execute and deliver a Pledge Agreement hereunder and, thus, become party to this Agreement and to the Intercreditor Agreement. Each Pledgor shall be and remain a Restricted Subsidiary. Notwithstanding the foregoing provisions of this Section 10.8(b), in the event the Company requests, at the expense of the Company, the holders of the Notes to release the Lien of a Pledge Agreement, the holders of the Notes shall enter into such instruments of direction, reasonably requested by the Company, directing the Noteholder Collateral Agent to release the lien of such Pledge Agreement if, at the time of any such release and immediately after giving effect thereto, (i) the Collateral subject to such Pledge Agreement shall not be subject to any Liens and (ii) no Default or Event of Default shall exist.

(c) The Company shall not, at any time, permit NN Europe to have any material assets or operations other than the ownership by NN Europe of the outstanding equity of Subsidiaries of NN Europe and activities reasonably related to such ownership.

Section 10.9. Nature of Business. The Company will not and will not permit any of its Subsidiaries to, engage in any business if, as a result, when taken as a whole, the general nature of the businesses in which the Company and the Subsidiaries are engaged would be substantially changed from a general nature of the business in which the Company and the Subsidiaries are engaged in on the date of this Agreement.

Section 10.10. Leverage Ratio. The Obligors shall not permit the Leverage Ratio to be greater than 3.5 to 1.00, determined at the end of each quarterly fiscal period of the Company for the four fiscal quarter period ending on such date of determination, taken as a single accounting period.

SECTION 11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note or any amount payable pursuant to Section 13 for more than five Business Days after the same becomes due and payable; or

(c) (i) the Company defaults in the performance of or compliance with any term contained in Sections 10.2 through 10.7, inclusive or Section 10.10 or (ii) any Guarantor defaults in the performance of any term in any Subsidiary Guarantee; or

(d) any Obligor defaults in the performance of or compliance with any term contained herein or any other Financing Agreement (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 Business Days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Section 11) provided, however, that the period to cure any such default of, or non-compliance with, the requirements of Section 7.1(a) or (b) resulting from the Company's inability to file any quarterly or annual report with the Securities and Exchange Commission shall be the earlier of (x) sixty (60) Business Days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving a notice of default from any holder of a Note or (y) the date, if any, when the financial statements meeting the requirements set forth in Section 7.1(a) or (b) are delivered to any other lender to the Company; or

(e) any representation or warranty made in writing by or on behalf of any Obligor or by any officer of an Obligor in any Financing Agreement or in any writing

furnished in connection with the transactions contemplated hereby or thereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Debt that is outstanding in an aggregate principal amount of at least \$5,000,000 (or its equivalent in the relevant currency of payment) beyond any period of grace provided with respect thereto, or (ii) the Company or any Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Debt in an aggregate outstanding principal amount of at least \$5,000,000 (or its equivalent in the relevant currency of payment) or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Debt has become, or has been declared due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Debt to convert such Debt into equity interests), (x) the Company or any Restricted Subsidiary has become obligated to purchase or repay Debt before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least \$5,000,000 (or its equivalent in the relevant currency of payment), or (y) one or more Persons have the right to require the Company or any Restricted Subsidiary so to purchase or repay such Debt as a result of the failure by the Company or a Restricted Subsidiary to pay principal, premium or interest on such Debt; or

(g) any Financing Agreement shall cease to be a legal, valid and binding agreement enforceable against the Obligor thereunder, in accordance with the respective terms thereof or shall in any way be terminated or become or be declared ineffective or inoperative or shall in any way whatsoever cease to give or provide the respective rights, titles, interest, remedies, powers or privileges intended to be created thereby including, without limitation, a determination by any Governmental Authority or court that such Financing Agreement is invalid, void or unenforceable in any material respect or any party thereto shall contest or deny the validity or enforceability of any of its obligations under such Financing Agreement; or

(h) the Company or any Restricted Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(i) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Restricted Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Restricted Subsidiaries, or any such petition shall be filed against the Company or any of its Subsidiaries and such petition shall not be dismissed within 60 days; or

(j) any event occurs with respect to the Company or any Restricted Subsidiary which under the laws of any jurisdiction is analogous to any of the events described in paragraph (h) or (i) above, provided that the applicable grace period, if any, which shall apply shall be the one applicable to the relevant proceeding which most closely corresponds to the proceeding described in paragraph (g) or (h) above; or

(k) a final judgment or judgments for the payment of money in excess of \$5,000,000 are rendered against one or more of the Company and its Restricted Subsidiaries and which judgments are not, within 45 days after entry thereof, bonded, discharged or stayed pending appeal and are not insured by a solvent insurance company which has acknowledged liability for such judgment in writing; or

(l) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed \$5,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder, (vii) the Company or any Subsidiary fails to administer or maintain a Foreign Plan in compliance with the requirements of any and all applicable laws, statutes, rules, regulations or court orders or any Foreign Plan is involuntarily terminated or wound up or (viii) the Company or any ERISA Affiliate becomes subject to the imposition of a Material financial penalty (which for this purpose shall mean any tax, penalty or other liability, whether by way of indemnity or otherwise) with respect to one or more Foreign Plans; and any such event or events described in clauses (i) through (viii) above, either

individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect.

As used in Section 11(l), the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in section 3 of ERISA.

SECTION 12. REMEDIES ON DEFAULT, ETC.

Section 12.1. Acceleration. (a) If an Event of Default with respect to the Company described in paragraph (h) or (i) of Section 11 (other than an Event of Default described in clause (i) of paragraph (h) or described in clause (vi) of paragraph (h) by virtue of the fact that such clause encompasses clause (i) of paragraph (h)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 51% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder of Notes at the time outstanding affected by such Event of Default may at any time, at its option, by notice or notices to the Company, declare all the Notes held by it to be immediately due and payable.

Upon any Note's becoming due and payable under this Section 12.1, whether automatically or by declaration, such Note will forthwith mature and the entire unpaid principal amount of such Note, plus (i) all accrued and unpaid interest thereon and (ii) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for), and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note or in any other Financing Agreement, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3. Rescission. At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than 51% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 18, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 16, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SECTION 13. TAX INDEMNIFICATION.

All payments whatsoever under the Financing Agreements will be made by the Obligors in lawful currency of the United States of America free and clear of, and without liability or withholding or deduction for or on account of, any present or future Taxes of whatever nature imposed or levied by or on behalf of any jurisdiction other than the United States (or any political subdivision or taxing authority of or in such jurisdiction) (hereinafter a "Taxing Jurisdiction"), unless the withholding or deduction of such Tax is compelled by law.

If any deduction or withholding for any Tax of a Taxing Jurisdiction shall at any time be required in respect of any amounts to be paid by any Obligor under the Financing Agreements, the Obligors will pay to the relevant Taxing Jurisdiction the full amount required to be withheld, deducted or otherwise paid before penalties attach thereto or interest accrues thereon and pay to each holder of a Note such additional amounts as may be necessary in order that the net amounts paid to such holder pursuant to the terms of the Financing Agreements after such deduction, withholding or payment (including without limitation any required deduction or withholding of Tax on or with respect to such additional amount), shall be not less than the amounts then due and payable to such holder under the terms of the Financing Agreements before the assessment of such Tax, provided that no payment of any additional amounts shall be required to be made for or on account of:

(a) any Tax that would not have been imposed but for the existence of any present or former connection between such holder (or a fiduciary, settlor, beneficiary, member of, shareholder of, or possessor of a power over, such holder, if such holder is an estate, trust, partnership or corporation or any Person other than the holder to whom the Notes or any amount payable thereon is attributable for the purposes of such Tax) and the Taxing Jurisdiction, other than the mere holding of the relevant Note or the receipt of payments thereunder or in respect thereof, including without limitation such holder (or such other Person described in the above parenthetical) being or having been a citizen or resident thereof, or being or having been present or engaged in trade or business therein or having or having had an establishment office, fixed base or branch therein, provided that this exclusion shall not apply with respect to a Tax that would not have been imposed but for an Obligor, after the date of the Closing, opening an office in, moving an office to, reincorporating in, or changing the Taxing Jurisdiction from or through which payments on account of the Financing Agreements are made to, the Taxing Jurisdiction imposing the relevant Tax;

(b) any Tax that would not have been imposed but for the delay or failure by such holder (following a written request by the Company) in the filing with the relevant Taxing Jurisdiction or otherwise of Forms (as defined below) that are required to be filed by such holder to avoid or reduce such Taxes and that in the case of any of the foregoing would not result in any confidential or proprietary income tax return information being revealed, either directly or indirectly, to any Person and such delay or failure could have been lawfully avoided by such holder, provided that such holder shall be deemed to have satisfied the requirements of this clause (b) upon the good faith completion and submission of such Forms as may be specified in a written request of the Company no later than 60 days after receipt by such holder of such written request (and if such Forms are required pursuant to the laws of any jurisdiction other than the United States of America or any political subdivision thereof, such written request shall be accompanied by such Forms in the English language or with an English translation thereof); or

(c) any combination of clauses (a) and (b) above;

and provided, further, that in no event shall an Obligor be obligated to pay such additional amounts to any holder of a Note registered in the name of a nominee if under the law of the relevant Taxing Jurisdiction (or the current regulatory interpretation of such law) securities held in the name of a nominee do not qualify for an exemption from the relevant Tax and the Company shall have used its commercially reasonable efforts to give timely notice of such law or interpretation to such holder.

By acceptance of any Note, the holder of such Note agrees that it will from time to time with reasonable promptness (x) duly complete and deliver to or as reasonably directed by the Company all such forms, certificates, documents and returns provided to such holder by the Company (collectively, together with instructions for completing the same, "Forms") required to be filed by or on behalf of such holder in order to avoid or reduce any such Tax pursuant to the provisions of an applicable statute, regulation or administrative practice of the relevant Taxing Jurisdiction or of a tax treaty between the United States and such Taxing Jurisdiction and

(y) provide the Company with such information with respect to such holder as the Company may reasonably request in order to complete any such Forms, provided that nothing in this Section 13 shall require any holder to provide information with respect to any such Form or otherwise if in the opinion of such holder such Form or disclosure of information would involve the disclosure of tax return or other information that is confidential or proprietary to such holder, and provided further that each such holder shall be deemed to have complied with its obligation under this paragraph with respect to any Form if such Form shall have been duly completed and delivered by such holder to the Company or mailed to the appropriate taxing authority, whichever is applicable, within 60 days following a written request of the Company (which request shall be accompanied by copies of such Form and English translations of any such Form not in the English language) and, in the case of a transfer of any Note, at least 90 days prior to the relevant interest payment date.

If any payment is made by an Obligor to or for the account of the holder of any Note after deduction for or on account of any Taxes, and increased payments are made by such Obligor pursuant to this Section 13, then, if such holder at its reasonable discretion determines that it has received or been granted a refund of such Taxes, such holder shall, to the extent that it can do so without prejudice to the retention of the amount of such refund, reimburse to such Obligor such amount as such holder shall, in its reasonable discretion, determine to be attributable to the relevant Taxes or deduction or withholding. Nothing herein contained shall interfere with the right of the holder of any Note to arrange its tax affairs in whatever manner it thinks fit and, in particular, no holder of any Note shall be under any obligation to claim relief from its corporate profits or similar tax liability in respect of such Tax in priority to any other claims, reliefs, credits or deductions available to it or (other than as set forth in clause (b) above) oblige any holder of any Note to disclose any information relating to its tax affairs or any computations in respect thereof.

The Company will furnish the holders of Notes, promptly and in any event within 60 days after the date of receipt of the original tax receipt issued by the relevant taxation or other authorities involved for all amounts paid by the Company of any Tax in respect of any amounts paid under the Financing Agreements (or if such original tax receipt is not available or must legally be kept in the possession of such Obligor, a duly certified copy of the original tax receipt or any other reasonably satisfactory evidence of payment), together with such other documentary evidence with respect to such payments as may be reasonably requested from time to time by any holder of a Note.

If an Obligor makes payment to or for the account of any holder of a Note and such holder is entitled to a refund of the Tax to which such payment is attributable upon the filing of one or more forms, then such holder shall, as soon as practicable after receiving written request from the Company (which shall specify in reasonable detail and supply the forms to be filed) use reasonable efforts to complete and deliver such forms to or as directed by the Company.

The obligations of the Obligors under this Section 13 shall survive the payment or transfer of any Note and the provisions of this Section 13 shall also apply to successive transferees of the Notes.

SECTION 14. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 14.1. Registration of Notes. The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 14.2. Transfer and Exchange of Notes. Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or its attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note of the same series. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$500,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than \$500,000. Any transferee of a Note, or purchaser of a participation therein, shall, by its acceptance of such Note be deemed to make the same representations to the Company regarding the Note or participation as you and the Other Purchasers have made pursuant to Section 6.2, provided that such entity may (in reliance upon information provided by the Company, which shall not be unreasonably withheld) make a representation to the effect that the purchase by such entity of any Note will not constitute a non-exempt prohibited transaction under section 406(a) of ERISA.

Section 14.3. Replacement of Notes. Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to the Company (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least \$25,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 15. PAYMENTS ON NOTES.

Section 15.1. Place of Payment. Subject to Section 15.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of Citibank, N.A. in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section 15.2. Home Office Payment. So long as you or your nominee shall be the holder of any Note, and notwithstanding anything contained in Section 15.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 15.1. The Company will afford the benefits of this Section 15.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 15.2.

SECTION 16. EXPENSES, ETC.

Section 16.1. Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Obligors (other than NN Italy) will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or holder of a Note or the Noteholder Collateral Agent in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of any Financing Agreement (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under any Financing Agreement or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes or any other Financing Agreement, or by reason of being a holder of any Note including, in each case described in this clause (a), the costs and expenses of the Noteholder Collateral Agent, (b) the costs and expenses, including financial advisors' fees, incurred in connection with

the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by any Financing Agreement and (c) the cost and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information and all subsequent annual and interim filings of documents and financial information related to this Agreement, with the Securities Valuation Office of the National Association of Insurance Commissioners or any successor organization succeeding to the authority thereof. The Obligors (other than NN Italy) will pay, and will save you and each other holder of a Note and the Noteholder Collateral Agent harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those retained by you).

Section 16.2. Certain Taxes. The Obligors (other than NN Italy) agree to pay all stamp, documentary or similar taxes which may be payable in respect of the execution and delivery or the enforcement of the Financing Agreements or the execution and delivery (but not the transfer) or the enforcement of any of the Notes in any applicable jurisdiction or in respect of any amendment of, or waiver or consent under or with respect to, the Financing Agreements and will save each holder of a Note to the extent permitted by applicable law harmless against any loss or liability resulting from nonpayment or delay in payment of any such tax required to be paid by the Obligor hereunder.

Section 16.3. Survival. The obligations of the Company under this Section 16 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of any Financing Agreement, and the termination of any Financing Agreement.

SECTION 17. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of the Financing Agreements, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of any Obligor pursuant to any Financing Agreement shall be deemed representations and warranties of such Obligor under such Financing Agreement. Subject to the preceding sentence, the Financing Agreements embody the entire agreement and understanding between you and the Obligors and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 18. AMENDMENT AND WAIVER.

Section 18.1. (a) Requirements. This Agreement, the Notes and the other Financing Agreements may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Sections 1, 2, 3, 4, 5, 6, 13, 22 or 24 hereof, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time

outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 13, 18, 21 or 24 hereof.

(b) Supplements. Notwithstanding anything to the contrary contained herein, the Company may enter into any supplement providing for the issuance of one or more series of Additional Notes consistent with Sections 2.2 and 4.13 hereof without obtaining the consent of any holder of any other series of Notes.

Section 18.2. Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 18 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof or of the Notes unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding whether or not such holder consented to such waiver or amendment.

(c) Consent in Contemplation of Transfer. Any consent made pursuant to this Section 18 by a holder of Notes that has transferred or has agreed to transfer its Notes to the Company, any Subsidiary or any Affiliate of the Company and has provided or has agreed to provide such written consent as a condition to such transfer shall be void and of no force or effect solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been so effected or granted but for such consent (and the consent of all other holders of Notes that were acquired under the same or similar conditions shall be void and of no force or effect except solely as to such holder.

Section 18.3. Binding Effect, etc. Any amendment or waiver consented to as provided in this Section 18 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company

and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 18.4. Notes Held by Company, etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 19. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telefacsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

- (i) if to you or your nominee, to you or it at the address specified for such communications in Schedule A, or at such other address as you or it shall have specified to the Company in writing,
- (ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing,
- (iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of the Chief Financial Officer, or at such other address as the Company shall have specified to the holder of each Note in writing, or
- (iv) if to any of the Guarantors, "c/o NN, Inc." at the Company's address set forth in the beginning hereof to the attention of the Chief Financial Officer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 19 will be deemed given only when actually received.

Each document, instrument, financial statement, report, notice or other communication delivered in connection with the Financing Agreements shall be in English or accompanied by an English translation thereof.

The Financing Agreements have been prepared and signed in English and the parties hereto agree that the English version hereof and thereof (to the maximum extent permitted by applicable law) shall be the only version valid for the purpose of the interpretation and construction hereof and thereof notwithstanding the preparation of any translation into another

language hereof or thereof, whether official or otherwise or whether prepared in relation to any proceedings which may be brought in any jurisdiction.

SECTION 20. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 20 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 21. CONFIDENTIAL INFORMATION.

For the purposes of this Section 21, "Confidential Information" means information delivered to you by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by you as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any Person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you, provided that you may deliver or disclose Confidential Information to (i) your directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 21, (iii) any other holder of any Note, (iv) any Institutional Investor to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 21), (v) any Person from which you offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 21), (vi) any federal or state regulatory authority having jurisdiction over you, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally

recognized rating agency that requires access to information about your investment portfolio, and (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 21 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee or any other holder that shall have previously delivered such a confirmation), such holder will confirm in writing that it is bound by the provisions of this Section 21 and providing the Company assurances that such holder will enter into further agreements with language no more burdensome on the holder than the language contained in this Section 21 as reasonably requested by the Company in order to comply with Regulation FD of the Securities and Exchange Commission.

SECTION 22. SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your Affiliates as the purchaser of the Notes that you have agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this Section 22), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement (other than in this Section 22), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original holder of the Notes under this Agreement.

SECTION 23. SUBSIDIARY GUARANTEE.

Section 23.1. Subsidiary Guarantee. Each of the Guarantors (other than NN Italy) hereby unconditionally and irrevocably, jointly and severally, guarantees to the Noteholder Collateral Agent and the holders the due and punctual payment and performance of all of the Obligations, in each case as and when the same shall become due and payable, whether at maturity, by acceleration, mandatory prepayment or otherwise, according to their terms. In case of failure by a Principal Obligor of any Obligation punctually to pay or perform such Obligation, each of the Guarantors hereby unconditionally and irrevocably agrees to cause such payment to be made punctually as and when the same shall become due and payable, whether at maturity, by prepayment, declaration or otherwise, and to cause such performance to be rendered punctually as and when due, in the same manner as if such payment or performance were made by such

Principal Obligor. This guarantee is and shall be a guarantee of payment and performance and not merely of collection.

Section 23.2. Maximum Subsidiary Guarantee Liability. (a) Each Guarantor's respective obligations hereunder and under the other Financing Agreements shall be in an amount equal to, but not in excess of, the maximum liability permitted under Applicable Bankruptcy Law (the "Maximum Subsidiary Guarantee Liability"). To that end, but only to the extent such obligations otherwise would be subject to avoidance under Applicable Bankruptcy Law if any Guarantor is deemed not to have received valuable consideration, fair value or reasonably equivalent value for its obligations hereunder or under the other Financing Agreements, each such Guarantor's respective obligations hereunder and under the other Financing Agreements shall be reduced to that amount which, after giving effect thereto, would not render such Guarantor insolvent, or leave such Guarantor with an unreasonably small capital to conduct its business, or cause such Guarantor to have incurred debts (or to be deemed to have intended to incur debts), beyond its ability to pay such debts as they mature, at the time such obligations are deemed to have been incurred under Applicable Bankruptcy Law. As used herein, the terms "insolvent" and "unreasonably small capital" likewise shall be determined in accordance with Applicable Bankruptcy Law. This Section 23.2 is intended solely to preserve the rights of the holders and the Noteholder Collateral Agent hereunder and under the other Financing Agreements to the maximum extent permitted by Applicable Bankruptcy Law, and neither the Guarantors nor any other Person shall have any right or claim under this Section 23.2 that otherwise would not be available under Applicable Bankruptcy Law.

(b) Each Guarantor agrees that the Guaranteed Obligations at any time and from time to time may exceed the Maximum Subsidiary Guarantee Liability of such Guarantor, and may exceed the aggregate Maximum Subsidiary Guarantee Liability of all Guarantors hereunder, without impairing this Subsidiary Guarantee or affecting the rights and remedies of the holders and the Noteholder Collateral Agent.

(c) Without limiting the foregoing provisions of this Section 23.2, the maximum amount of NN Ireland's liability hereunder shall be the sum of (i) the aggregate principal amount of any advances made by the Company or Subsidiary to NN Ireland which are used exclusively for the purposes of NN Ireland's business operations in Ireland, (ii) interest with respect to such amount and (iii) any and all expenses incurred by the Noteholder Collateral Agent or any holder in endeavoring to collect and/or enforce the obligations of NN Ireland under this Agreement.

(d) Without limiting the foregoing provisions of this Section 23.2, the maximum amount of liability of NN Netherlands B.V. and NN Holdings B.V. (each a "Dutch Guarantor") under this Note Purchase Agreement shall be an amount equal to, but not in excess of, the maximum liability that such Dutch Guarantor could validly assume under this Note Purchase Agreement in accordance with the Dutch Ultra Vires Rules. For the purpose of this subclause the term "Dutch Ultra Vires Rules" refers to the rules of Dutch law concerning acts by a legal entity that cannot be conducive to the realization of such entity's objects (in Dutch: doeloverschrijding).

Section 23.3. Contribution. In the event any Guarantor party hereto or NN Italy (a "Funding Guarantor") shall make any payment or payments under this Subsidiary Guarantee or under the Italian Subsidiary Guarantee with respect to the Guaranteed Obligations or shall suffer any loss as a result of any realization upon any of its property granted as Collateral under any Financing Agreement, each other Guarantor (each, a "Contributing Guarantor") shall contribute to such Funding Guarantor an amount equal to such Contributing Guarantor's "Pro Rata Share" of such payment or payments made, or losses suffered, by such Funding Guarantor. For the purposes hereof, each Contributing Guarantor's Pro Rata Share with respect to any such payment or loss by a Funding Guarantor shall be determined as of the date on which such payment or loss was made by reference to the ratio of (a) such Contributing Guarantor's Maximum Subsidiary Guarantee Liability as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder) to (b) the aggregate Maximum Subsidiary Guarantee Liability of all Guarantors party hereto and NN Italy (including such Funding Guarantor) as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder). Nothing in this Section 23.3 shall affect each Guarantor's several liability for the entire amount of the Guaranteed Obligations (up to such Guarantor's Maximum Subsidiary Guarantee Liability). Each Guarantor covenants and agrees that its right to receive any contribution hereunder from a Contributing Guarantor shall be subordinate and junior in right of payment to all the Guaranteed Obligations.

Section 23.4. Subsidiary Guarantee Unconditional. The obligations of each Guarantor under this Section 23 shall be continuing, unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(a) any extension, renewal, settlement, compromise, waiver or release in respect of any Obligation of the Company under this Agreement or any other Financing Agreement, by operation of law or otherwise;

(b) any modification or amendment or supplement to this Agreement or any other Financing Agreement;

(c) any modification, amendment, waiver, release, non-perfection or invalidity of any direct or indirect security, or of any guarantee or other liability of any third party, for any Obligation of the Company under this Agreement or any other Financing Agreement;

(d) any change in the existence, structure or ownership of the Company, any Guarantor, or any insolvency, bankruptcy, reorganization or other similar case or proceeding affecting the Company, any Guarantor, or any of their respective assets, or any resulting release or discharge of any Obligation of the Company under this Agreement or any other Financing Agreement;

(e) the existence of any claim, set-off or other right that any Guarantor at any time may have against the Company, the Noteholder Collateral Agent, any holder or any other Person, regardless of whether arising in connection with this Agreement or any other Financing Agreement;

(f) any invalidity or unenforceability relating to or against the Company for any reason of the whole or any provision of this Agreement or any other Financing Agreement or any provision of Applicable Bankruptcy Law purporting to prohibit the payment or performance by the Company of any Obligation, or the payment by the Company of any other amount payable by it under this Agreement or any other Financing Agreement; or

(g) any other act or omission to act or delay of any kind by the Company, the Noteholder Collateral Agent, any holder or any other Person or any other circumstance whatsoever that might but for the provisions of this Section 23.4 constitute a legal or equitable discharge of the obligations of any Guarantor under this Section 23.

Section 23.5. Discharge Only Upon Payment in Full; Reinstatement in Certain Circumstances. Each Guarantor's obligations under this Section 23 shall remain in full force and effect so long as any Obligations are unpaid, outstanding or unperformed. If at any time any payment of the Obligations or any other amount payable by the Company under this Agreement or the other Financing Agreements is rescinded or otherwise must be restored or returned upon the insolvency, bankruptcy or reorganization of the Company or otherwise, each Guarantor's obligations under this Section 23 with respect to such payment shall be reinstated at such time as though such payment had become due but not been made at such time.

Section 23.6. Waiver. Each Guarantor irrevocably waives acceptance hereof, presentment, demand, protest, notice of any breach or default by the Company and any other notice not specifically provided for herein, as well as any requirement that at any time any action be taken by any Person against the Company or any other Person or any Collateral granted as security for the Obligations or the Guaranteed Obligations. Each Guarantor hereby specifically waives any right to require that an action be brought against the Company or any other Principal Obligor with respect to the Obligations. Each Guarantor hereby specifically waives any other act or omission or thing or delay to do any other act or thing which might in any manner or to any extent vary the risk of the Guarantor or might otherwise operate as a discharge of such Guarantor

Section 23.7. Waiver of Reimbursement, Subrogation, Etc. Each Guarantor hereby waives to the fullest extent possible as against the Company and its assets any and all rights, whether at law, in equity, by agreement or otherwise, to subrogation, indemnity, reimbursement, contribution, exoneration or any other similar claim, right, cause of action or remedy that otherwise would arise out of such Guarantor's performance of its obligations to any Noteholder Collateral Agent or any holder under this Section 23. The preceding waiver is intended by the Guarantors, the Noteholder Collateral Agent or any holder to be for the benefit of the Company or any of its successors and permitted assigns as an absolute defense to any action by any Guarantor against the Company or its assets that arises out of such Guarantor's having made any payment to the any Noteholder Collateral Agent or any holder with respect to any of the Guaranteed Obligations.

Section 23.8. Stay of Acceleration. If acceleration of the time for payment of any amount payable by the Company under this Agreement is stayed upon the insolvency, bankruptcy or reorganization of the Company, all such amounts otherwise subject to acceleration under the

terms of this Agreement shall nonetheless be payable by the Guarantors hereunder forthwith on demand by the Noteholder Collateral Agent as directed by Required Holders.

Section 23.9. Subordination of Indebtedness. Any indebtedness of the Company for borrowed money now or hereafter owed to any Guarantor is hereby subordinated in right of payment to the payment by the Company of the Obligations, and if a default in the payment of the Obligations shall have occurred and be continuing, any such indebtedness of the Company owed to any Guarantor, if collected or received by such Guarantor, shall be held in trust by such Guarantor for the holders of the Obligations and be paid over to the Noteholder Collateral Agent for application in accordance with this Agreement and the other Financing Agreements.

Section 23.10. Certain Releases. Provided that no Default or Event of Default has occurred and is continuing or would result therefrom:

(a) in the event that any asset sale permitted under Section 10.7 consists in whole or in part of the sale of all of the capital stock of (or other ownership interests in) a Subsidiary that is owned by the Company or any other Subsidiary of the Company, upon the request of the Company the Noteholder Collateral Agent shall release the Subsidiary whose stock (or other ownership interests) has (have) been sold from any duties and obligations to the holder pursuant to this Agreement and the other Financing Agreements to which such Subsidiary may be a party, provided that at the times of such request and release any Debt evidenced by a Pledged Note made by such Subsidiary has been fully satisfied; and

(b) in connection with any other asset sale permitted under Section 10.7, upon the request of the Company the Noteholder Collateral Agent shall execute and deliver any instruments reasonably required to release the assets sold from the Liens, if any, of the Financing Agreements.

Section 23.11. Third Party Beneficiary. Notwithstanding anything herein to the contrary, NN Italy shall have all of the rights, benefits and entitlements set forth in Section 23.3 hereof as a third party beneficiary.

SECTION 24. MISCELLANEOUS.

Section 24.1. Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 24.2. Jurisdiction and Process; Waiver of Jury Trial. (a) The Obligors irrevocably submit to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, City of New York, over any suit, action or proceeding arising out of or relating solely to the Financing Agreements. To the fullest extent permitted by applicable law, the Obligors irrevocably waive and agree not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any

objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Obligors agree, to the fullest extent permitted by applicable law, that a final judgment in any suit, action or proceeding of the nature referred to in Section 24.2(a) brought in any such court shall be conclusive and binding upon it subject to rights of appeal, as the case may be, and may be enforced in the courts of the United States of America or the State of New York (or any other courts to the jurisdiction of which it or any of its assets is or may be subject) by a suit upon such judgment.

(c) The Obligors consent to process being served in any suit, action or proceeding solely of the nature referred to in Section 24.2(a) by mailing a copy thereof by registered or certified or priority mail, postage prepaid, return receipt requested, or delivering a copy thereof in the manner for delivery of notices specified in Section 19, to Corporation Service Company, as its agent for the purpose of accepting service of any process in the United States. The Obligors agree that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(d) Nothing in this Section 24 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Obligors in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(e) Kugelfertigung Eltmann GmbH, NN Italy, NN Ireland, NN Netherlands B.V., NN Holdings B.V. and NN Slovakia, each hereby irrevocably appoint Corporation Service Company to receive for it, and on its behalf, service of process in the United States under the Financing Agreements to which it is a party.

(f) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HERewith OR THEREWITH.

Section 24.3. Obligation to Make Payment in Dollars. Any payment on account of an amount that is payable under the Financing Agreements in U.S. Dollars which is made to or for the account of any holder of Notes in any other currency, whether as a result of any judgment or order or the enforcement thereof or the realization of any security or the liquidation of the Obligors, shall constitute a discharge of the obligation of the Obligors under the Financing Agreements only to the extent of the amount of U.S. Dollars which such holder purchases in the foreign exchange markets in London, England, with the amount of such other currency in accordance with normal banking procedures at the rate of exchange prevailing on the London

Banking Day following receipt of the payment first referred to above. If the amount of U.S. Dollars so purchased is less than the amount of U.S. Dollars originally due to such holder, the Obligors agree to the fullest extent permitted by law, to indemnify and save harmless such holder from and against all loss or damage arising out of or as a result of such deficiency. This indemnity shall, to the fullest extent permitted by law, constitute an obligation separate and independent from the other obligations contained in the Financing Agreements, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by such holder from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due under the Financing Agreements or under any judgment or order. As used herein the term "London Banking Day" shall mean any day other than Saturday or Sunday or a day on which commercial banks are required or authorized by law to be closed in London, England.

Section 24.4. Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

Section 24.5. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 24.6. Construction. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Section 24.7. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by fewer than all, but together signed by all, of the parties hereto.

Section 24.8. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

NN, INC.

By /s/ David L. Dyckman

Name: David L. Dyckman
Title: Vice President

GUARANTORS:

INDUSTRIAL MOLDING GP, LLC, a Delaware
limited liability company

By: /s/ David L. Dyckman

Name: David L. Dyckman
Title: Manager

INDUSTRIAL MOLDING LP, LLC, a Tennessee
limited liability company

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

Name: William C. Kelly, Jr.
Title: Manager

INDUSTRIAL MOLDING GROUP, L.P.,
a Tennessee limited partnership

By: Industrial Molding GP, LLC, a Delaware
limited liability company, its general
partner

By: /s/ David L. Dyckman

Name: David L. Dyckman
Title: Manager

THE DELTA RUBBER COMPANY, a Connecticut
corporation

By: /s/ David L. Dyckman

Name: David L. Dyckman
Title: Vice President

KUGELFERTIGUNG ELTMANN GmbH, a German Company

By: /s/ Dirk Offergeld

Name: Dirk Offergeld
Title: Managing Director

By: /s/ Wolfgang Bartel

Name: Wolfgang Bartel
Title: Managing Director

NN EUROBALL IRELAND LIMITED, an Irish company

By: /s/ David L. Dyckman

Name: David L. Dyckman
Title: Authorized Signatory

NN NETHERLANDS B.V., a Dutch company

By: /s/ David L. Dyckman

Name: David L. Dyckman
Title: Director

NN HOLDINGS B.V., a Dutch company

By: /s/ David L. Dyckman

Name: David L. Dyckman
Title: Authorized Representative/Managing
Director of NN Netherlands B.V.

NN SLOVAKIA S.R.O., a Slovakian company

By: /s/ Nicola Trombetti

Name: Nicola Trombetti
Title: Director, for and on behalf of
NN Slovakia, s.r.o.

The foregoing is hereby agreed to as of the date thereof.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By /s/ Billy Greer

Name: Billy Greer

Title: Vice President

The foregoing is hereby agreed to as of the date thereof.

GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY

By: Prudential Private Placement Investors, L.P.,
as Investment Advisor

By: Prudential Private Placement Investors, Inc.,
as General Partner

By /s/ Billy Greer

Name: Billy Greer
Title: Vice President

The foregoing is hereby agreed to as of the date thereof.

AMERICAN BANKERS LIFE ASSURANCE
COMPANY OF FLORIDA, INC.

By: Prudential Private Placement Investors, L.P.,
as Investment Advisor
By: Prudential Private Placement Investors, Inc.,
as General Partner

By /s/ Billy Greer

Name: Billy Greer
Title: Vice President

The foregoing is hereby agreed to as of the date thereof.

FARMERS NEW WORLD LIFE INSURANCE COMPANY

By: Prudential Private Placement Investors, L.P.,
as Investment Advisor

By: Prudential Private Placement Investors, Inc.,
as General Partner

By /s/ Billy Greer

Name: Billy Greer
Title: Vice President

The foregoing is hereby agreed to as of the date thereof.

FORTIS BENEFITS INSURANCE COMPANY

By: Prudential Private Placement Investors, L.P.,
as Investment Advisor

By: Prudential Private Placement Investors, Inc.,
as General Partner

By /s/ Billy Greer

Name: Billy Greer
Title: Vice President

INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS OF PURCHASER
THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA
c/o Prudential Capital Group
1170 Peachtree Street, Suite 500
Atlanta, GA 30309
Facsimile: (404) 870-3741

PRINCIPAL AMOUNT OF
NOTES TO BE PURCHASED
\$20,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "NN, Inc., 4.89% Senior Notes, Series A, due April 26, 2014, PPN 629337 A* 7, principal, premium or interest") to:

The Bank of New York
New York, New York
ABA #021-000-018
For credit to: Account Number 890-0304-391

Notices

All notices and communications (including copies of all notices relating to payments) to be addressed as first provided above to the attention of the Managing Director.

All notices with respect to payments, and written confirmation of each such payment, to be addressed to:

The Prudential Insurance Company of America
c/o Prudential Investment Management, Operations & Systems
Gateway Center Two, 10th Floor
100 Mulberry Street
Newark, New Jersey 07102
Attention: Manager, Billings and Collections
Facsimile: (973) 802-8055

Recipient of telephonic prepayment notices:

Manager, Trade Management Group
Phone Number: (973) 802-4222
Facsimile: (973) 802-9425

SCHEDULE A
(to Note Purchase Agreement)

Name of Nominee is which Notes are to be issued: None

Taxpayer I.D. Number: 22-1211670

NAME AND ADDRESS OF PURCHASER
GENERAL ELECTRIC CAPITAL ASSURANCE
COMPANY
c/o Prudential Private Placement Investors, L.P.
4 Gateway Center
100 Mulberry Street
Newark, NJ 07102
Attention: Albert Trank, Managing Director
Telephone: (973) 802-8608
Facsimile: (973) 624-6432

PRINCIPAL AMOUNT OF
NOTES TO BE PURCHASED
\$10,350,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "NN, Inc., 4.89% Senior Notes, Series A, due April 26, 2014, PPN 629337 A* 7, principal, premium or interest") to:

The Bank of New York
ABA #021000018
Beneficiary: IOC566 or GLA111566
Attn: PP P&I Department
Ref: General Electric Capital Assurance Company - PRU, Account #127948

Notices

All notices and communications (including copies of all notices relating to payments) to be addressed as first provided above.

All notices with respect to payments, and written confirmation of each such payment, to be addressed to:

State Street
Account: General Electric Capital Assurance Company
801 Pennsylvania
Kansas City, MO 64105
Attn: Klaus Diem
Telephone: (816) 691-8646
Facsimile: (816) 691-5593
geam@statestreetkc.com (preferred delivery method)

with a copy to:

Bank of New York
P.O. Box 19266
Newark, NJ 07195
Attn: PP P&I Department
Ref: General Electric Capital Assurance Company, Account #127948,
NN, Inc., 4.89% Senior Notes, Series A, due April 26, 2014,
PPN 629337 A* 7

Name of Nominee in which Notes are to be issued: Hare & Co

Taxpayer I.D. Number: 91-6027719

NAME AND ADDRESS OF PURCHASER
AMERICAN BANKERS LIFE ASSURANCE COMPANY
OF FLORIDA, INC.
c/o Prudential Private Placement Investors, L.P.
4 Gateway Center
100 Mulberry Street
Newark, NJ 07102
Attention: Albert Trank, Managing Director
Telephone: (973) 802-8608
Facsimile: (973) 624-6432

PRINCIPAL AMOUNT OF
NOTES TO BE PURCHASED
\$3,600,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "NN, Inc., 4.89% Senior Notes, Series A, due April 26, 2014, PPN 629337 A* 7, principal, premium or interest") to:

JP Morgan Chase Bank
ABA #021000021
Account No.: 900-9000168
Account Name: JP Morgan Chase
For further credit to Account No.: G09888
Account Name: ABLAC - Prudential Private Placements

Notices

All notices and communications (including copies of all notices relating to payments) to be addressed as first provided above.

All notices with respect to payments, and written confirmation of each such payment, to be addressed to:

JP Morgan Chase Bank
Investor Services
3 Chase Metrotech Center
North America Insurance, 5S5
Brooklyn, NY 11245
Attention: Anna Marie Mazza
Telephone: (718) 242-5399
Facsimile: (718) 242-8328

and

Fortis, Inc.
One Chase Manhattan Plaza
New York, NY 10005
Attention: Kevin P. Mahoney
AVP, Investment Accounting & Treasury Operations
Telephone: (212) 859-7184
Facsimile: (212) 859-7043

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 59-0676017

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
FARMERS NEW WORLD LIFE INSURANCE COMPANY c/o Prudential Private Placement Investors, L.P. 4 Gateway Center 100 Mulberry Street Newark, NJ 07102 Attention: Albert Trank, Managing Director Telephone: (973) 802-8608 Facsimile: (973) 624-6432 E-mail: albert.trank@prudential.com	\$3,050,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "NN, Inc., 4.89% Senior Notes, Series A, due April 26, 2014, PPN 629337 A* 7, principal, premium or interest") to:

JPMorgan Chase Bank
New York, NY
ABA No.: 021000021
Account No.: 900-9000-168
Account Name: Farmers Insurance
Ref: PTFS
For further credit to P58834 New World Life

Notices

All notices and communications (including copies of all notices relating to payments) to be addressed as first provided above.

All notices with respect to payments, and written confirmation of each such payment, to be addressed to:

Jim DeNicholas - Director, Investment Operations/Accounting and Laszlo Heredy - Vice President & Chief Investment Officer Farmers Insurance Company 4680 Wilshire Blvd., 4th Floor Los Angeles, CA 90010

and

Joann Bronson - Director, Investments & Separate Accounts and Oscar
Tengtio - Vice President & Chief Financial Officer Farmers New World
Life Insurance Company 3003 77th Avenue Southeast, 5th Floor Mercer
Island, WA 98040-2837

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 91-0335750

NAME AND ADDRESS OF PURCHASER
FORTIS BENEFITS INSURANCE COMPANY
c/o Prudential Private Placement Investors, L.P.
4 Gateway Center
100 Mulberry Street
Newark, NJ 07102
Attention: Albert Trank, Managing Director
Telephone: (973) 802-8608
Facsimile: (973) 624-6432

PRINCIPAL AMOUNT OF
NOTES TO BE PURCHASED
\$3,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "NN, Inc., 4.89% Senior Notes, Series A, due April 26, 2014, PPN629337 A* 7, principal, premium or interest") to:

M&I Marshall & Illsley Bank
Milwaukee, WI
ABA No.: 075000051
DDA Account No.: 27006
Account Name: General Trust Fund
For further credit to Account No.: 89-0035-76-9
Account Name: Fortis Benefits Prudential Private Placements

Notices

All notices and communications (including copies of all notices relating to payments) to be addressed as first provided above.

All notices with respect to payments, and written confirmation of each such payment, to be addressed to:

Marshall & Illsley Trust Company
1000 North Water Street
Milwaukee, WI 53202
Attention: Kim Palleon
Telephone: (414) 287-7084
Facsimile: (414) 287-7125

and

Fortis, Inc.
One Chase Manhattan Plaza
New York, NY 10005
Attention: Kevin P. Mahoney
AVP, Investment Accounting & Treasury Operations
Telephone: (212) 859-7184
Facsimile: (212) 859-7043

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 81-0170040

DEFINED TERMS

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the express requirements of this Agreement.

Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether the action in question is taken directly or indirectly by such Person.

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Additional Notes" is defined in Section 2.2.

"Additional Purchasers" means the purchasers of Additional Notes.

"Affiliate" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and, with respect to the Company, shall include any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Applicable Bankruptcy Law" shall mean, with respect to any Guarantor, Title 11 of the United States Code, and any other laws governing bankruptcy, suspension of payments, reorganization, arrangement, adjustment of debts, relief of debtors, dissolution or insolvency and any other similar laws applicable to such Guarantor.

"Asset Acquisition" shall mean (a) any Investment by the Company or any of its Subsidiaries in any other Person pursuant to which such Person shall become a Subsidiary of the Company or any of its Subsidiaries or shall be merged with the Company or any of its Subsidiaries or (b) any acquisition by the Company or any of its Subsidiaries of the assets of any Person that constitute substantially all of an operating unit or business of such Person.

SCHEDULE B (to Note Purchase Agreement)

"Asset Disposition" means any Transfer except:

- (a) any
 - (i) Transfer from a Restricted Subsidiary to the Company or an Obligor; and
 - (ii) Transfer from the Company to an Obligor.

so long as immediately before and immediately after the consummation of any such Transfer and after giving effect thereto, no Default or Event of Default exists; and

- (b) any Transfer made in the ordinary course of business and involving only property that is either (i) inventory held for sale or (ii) equipment, fixtures, supplies or materials no longer required in the operation of the business of the Company or any of its Restricted Subsidiaries or that is obsolete.

"Bank Indebtedness" shall mean and include the Credit Agreement dated as of May 1, 2003 by and between the Company, NN Europe, various subsidiaries of the Company party thereto, various lenders party thereto, AmSouth Bank as administrative agent and Suntrust Bank as documentation agent and euro loan agent as amended, modified, renewed, extended, replaced or refinanced from time to time (the "Credit Agreement") and, in any event, shall include the primary bank facilities of the Company and of NN Europe.

"Bank Security" shall have the meaning ascribed to such term in the Intercreditor Agreement.

"Business Day" means (a) for the purposes of Section 8.7 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York, or Johnson City, Tennessee are required or authorized to be closed.

"Capital Lease" means, at any time, a lease which in accordance with GAAP would be capitalized on the lessee's balance sheet.

"Capital Lease Obligations" means, with respect to any person and any Capital Lease, the amount of the obligation of such person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such person.

"Closing" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Collateral" shall mean and include all property or assets of any Obligor which is subject to a Lien securing any obligations of such Obligor under any Financing Agreements.

"Collateral Agreements" shall mean and include each Pledge Agreement and any other pledge agreement, security agreement, or other collateral document evidencing the granting of any Lien by an Obligor on any of its property or assets to secure obligations of any Obligor under any Financing Agreement.

"Company" means NN, Inc., a Delaware corporation, or any successor that becomes such in accordance with Section 10.2.

"Confidential Information" is defined in Section 21.

"Consolidated Adjusted Net Worth" means, as of the date of any determination thereof, stockholders' equity of the Company and its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP plus (but without duplication and only to the extent excluded or deducted from stockholders' equity) any goodwill on the Company's balance sheet as of December 31, 2003 which is subsequently written off.

"Consolidated Cash Flow" means, for any period, Consolidated Net Income (reduced by the amount, if any, of non-recurring non-cash gains during such period) plus all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits, (ii) the depreciation and amortization taken during such period, (iii) Consolidated Fixed Charges and (iv) other non-recurring non-cash charges. Consolidated Cash Flow shall be adjusted retroactively to give effect to earnings or losses of any other Person the assets of which have been acquired substantially as an entity by purchase, merger, consolidation or otherwise after the beginning of such period and such acquisition is completed prior to the end of such period and, if less than substantially all of the assets of such other Person are being or have been so acquired, and such assets constitute substantially all of the assets theretofore employed by such Person in a divisional, branch or other unit operation, the earnings determined to be properly attributable to the assets so acquired may be so included.

"Consolidated Fixed Charges" means, with respect to any period, the sum of (a) Interest Charges for such period and (b) Long-Term Lease Rentals of the Company and its Restricted Subsidiaries for such period. Consolidated Fixed Charges shall be adjusted retroactively to give effect to the leases of real and personal property and the Debt of any business entity (or all or substantially all of its assets) acquired during the period of determination by the Company or any Restricted Subsidiary and shall be computed as though (i) such leases of real and personal property of such business entity (or all or substantially all of its assets) so acquired had been in effect, (ii) such Debt of such business entity so acquired had been owed by the Company or (iii) such business entity had been a Restricted Subsidiary, as the case may be, throughout the applicable period. "Consolidated Fixed Charges" shall not be reduced by any savings proposed or projected as a result of any acquisition during the period of determination.

SCHEDULE B
(to Note Purchase Agreement)

"Consolidated Funded Debt" means, as of any date of determination, the total of all Funded Debt of the Company and its Restricted Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP.

"Consolidated Section 10.10 Indebtedness" shall mean, for the Company and its Subsidiaries on a consolidated basis, all Section 10.10 Indebtedness that constitutes (a) indebtedness for borrowed money or for notes, debentures or other debt securities, (b) notes payable and drafts accepted representing extensions of credit regardless of whether the same represent obligations for borrowed money, (c) reimbursement obligations in respect of letters of credit issued for the account of the Company or a Subsidiary thereof (including any such obligations in respect of any drafts drawn thereunder), (d) liabilities for all or any part of the deferred purchase price of property or services, (e) liabilities secured by any Lien on any property or asset owned or held by the Company or any of its Subsidiaries regardless of whether the Section 10.10 Indebtedness secured thereby shall have been assumed by or is a primary obligation of the Company or such Subsidiary, (f) Capital Lease Obligations, (g) Off-Balance Sheet Liabilities, and (h) without duplication, all Contingent Obligations the primary obligation of which is Indebtedness of the type described in clauses (a) through (g) above; provided, however, that Consolidated Section 10.10 Indebtedness shall not include any unsecured current liabilities incurred in the ordinary course of business and not represented by any note, bond, debenture or other instrument.

"Consolidated Net Income" means, with reference to any period, the consolidated net income of the Company and its Restricted Subsidiaries for such period (taken as a cumulative whole), as determined in accordance with GAAP, after eliminating all offsetting debits and credits between the Company and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Restricted Subsidiaries in accordance with GAAP, provided that there shall be excluded:

(a) the income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or a Restricted Subsidiary, and the income (or loss) of any Person, substantially all of the assets of which have been acquired in any manner, realized by such other Person prior to the date of acquisition,

(b) the income (or loss) of any Person (other than a Restricted Subsidiary) in which the Company or any Restricted Subsidiary has an ownership interest, except to the extent that any such income has been actually received by the Company or such Subsidiary in the form of cash dividends or similar cash distributions, and

(c) extraordinary gains or losses of the Company and its Restricted Subsidiaries as determined in accordance with GAAP.

"Consolidated Total Assets" means, at any time, the total assets of the Company and its Restricted Subsidiaries which would be shown on a consolidated balance sheet of the Company and its Restricted Subsidiaries as of such time prepared in accordance with GAAP.

"Consolidated Total Capitalization" means, at any time, an amount equal to the sum of (i) Consolidated Adjusted Net Worth plus (ii) Consolidated Funded Debt.

"Contingent Obligations" shall mean, as to any Person, any contingent obligation calculated in conformity with GAAP, and in any event shall include (without duplication) all indebtedness, obligations or other liabilities of such Person guaranteeing or in effect guaranteeing the payment or performance of any indebtedness, obligation or other liability, whether or not contingent (collectively, the "primary obligations"), of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including any indebtedness, obligation or other liability of such Person, (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) otherwise to assure or hold harmless the owner of such primary obligation against loss with respect thereto.

"Contributing Guarantor" is defined in Section 23.3.

"Credit Agreement" is defined in the definition of "Bank Indebtedness."

"Debt" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities); and

(e) any Guaranty of such Person or letter of credit of such Person, with respect to liabilities of a type described in any of clauses (a) through (d) hereof.

"Debt" of any Person shall include all obligations of such Person of the character described in clauses (a) through (e) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP. "Debt" of any Person shall not include (i) such obligations of the character described in clauses (a) through (d) above, if owed or made by the Company or any Restricted Subsidiary to the Company or any other Restricted Subsidiary or (ii) any unfunded obligations which may now or hereafter exist in respect of pension, retirement or other similar plans of the Company or any Subsidiary.

"Debt Prepayment Application" means, with respect to any Transfer of property, the application by the Company or its Subsidiaries of cash in an amount equal to the Net Proceeds Amount (or portion thereof) with respect to such Transfer to pay Senior Debt of the Company or any Subsidiary (other than Senior Debt in respect of any revolving credit or similar credit facility providing the Company or any of its Subsidiaries with the right to obtain loans or other extensions of credit from time to time, except to the extent that in connection with such payment of Senior Debt the availability of credit under such credit facility is permanently reduced by an amount not less than the amount of such proceeds applied to the payment of such Senior Debt).

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means with respect to the Series A Notes that rate of interest that is the greater of (i) 2% per annum above the rate of interest stated in the Series A Notes or (ii) 2% over the rate of interest publicly announced by Citibank, N.A. in New York, New York as its "base" or "prime" rate. "Default Rate" with respect to any other series of Notes shall have the meaning ascribed to such term in the related Supplement.

"Disposition Value" means, at any time, with respect to any property

(a) in the case of property that does not constitute Subsidiary Stock, the book value thereof, valued at the time of such disposition in good faith by the Company, and

(b) in the case of property that constitutes Subsidiary Stock, an amount equal to that percentage of book value of the assets of the Subsidiary that issued such stock as is equal to the percentage that the book value of such Subsidiary Stock represents of the book value of all of the outstanding capital stock of such Subsidiary (assuming, in making such calculations, that all Securities convertible into such capital stock are so converted and giving full effect to all transactions that would occur or be required in connection with such conversion) determined at the time of the disposition thereof, in good faith by the Company.

"Dollars" or "\$" or "U.S. Dollars" means lawful money of the United States of America.

"EBITDA" shall mean, for the Company and its Subsidiaries on a consolidated basis for any period, after giving Pro Forma Effect to any Asset Acquisition made during such period, the sum of Section 10.10 Consolidated Net Income, plus Section 10.10 Interest Expense, plus any

provision for taxes based on income or profits that was deducted in computing Section 10.10 Consolidated Net Income, plus depreciation, plus amortization of intangible assets and other non-recurring non-cash charges.

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"Event of Default" is defined in Section 11.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal, for each day of such period, to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for each day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York.

"Financing Agreement" or "Financing Agreements" shall mean and include this Agreement, the Other Agreements, the Notes, the Subsidiary Guarantees and the Collateral Agreements, as amended or modified from time to time.

"Fixed Charges Coverage Ratio" means, at any time, the ratio of (a) Consolidated Cash Flow for the four consecutive fiscal quarters ending on, or most recently ended prior to, such time to (b) Consolidated Fixed Charges for such period.

"Foreign Plan" means any plan, fund or other similar program that (a) is established or maintained outside the United States of America by an Obligor or any Subsidiary primarily for the benefit of employees of such Obligor or one or more Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and (b) is not subject to ERISA or the Code.

"Funded Debt" means all Debt of the Company or any Subsidiary which would, in accordance with GAAP, constitute long term Debt including:

(a) any Debt with a maturity of more than one year after the creation of such Debt,

(b) any Debt outstanding under a revolving credit or similar agreement providing for borrowings (and renewals and extensions thereof) which pursuant to its terms would constitute long term Debt in accordance with GAAP,

(c) any Capital Lease Obligations, and

(d) any Guaranty with respect to Funded Debt of any other Person (but without duplication of any of the foregoing).

Notwithstanding anything to the contrary contained herein, any Debt outstanding under a revolving credit or similar facility providing for borrowings which are paid down for a period of at least 30 consecutive days during any 12 month period (and not merely refinanced with a short term credit facility) will not be deemed to constitute Funded Debt.

"Funding Guarantor" is defined in Section 23.3.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental Authority" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranteed Obligations" shall mean all the Obligations of the Company guaranteed by the Guarantors pursuant to the Subsidiary Guarantees.

"Guarantors" shall mean and include all existing and future Subsidiaries, including, but not limited to, Industrial Molding GP, LLC, Industrial Molding LP, LLC, Industrial Molding Group, L.P., The Delta Rubber Company, Kugelfertigung Eltmann GmbH, NN Italy, NN Ireland, NN Netherlands B.V., NN Holdings B.V. and NN Slovakia, s.r.o., a limited liability company organized under the laws of the Slovak Republic, having its registered office at Kukucinova 2346, 024 01 Kysucke Nove Mesto, Slovak Republic, Identification No. 36 407 241

but excluding any Subsidiary which is not required to deliver a Subsidiary Guarantee pursuant to Section 4.11 or Section 10.8. As of the date of Closing, NN Europe is not a Guarantor.

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Debt, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such Debt or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such Debt or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such Debt or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such Debt or obligation of the ability of any other Person to make payment of the Debt or obligation; or

(d) otherwise to assure the owner of such Debt or obligation against loss in respect thereof.

In any computation of the Debt or other liabilities of the obligor under any Guaranty, the Debt or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"Hazardous Material" means any and all pollutants, toxic or hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including, without limitation, asbestos, urea formaldehyde foam insulation and polychlorinated biphenyls).

"holder" or "Holder" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 14.1.

"Institutional Investor" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 10% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"Intercreditor Agreement" means the Intercreditor Agreement dated April 26, 2004 among AmSouth Bank, as the Bank Agent and Intercreditor Agent, Wells Fargo Bank, NA as the Noteholder Agent and the "Lenders" as defined therein.

"Interest Charges" means, with respect to any period, the sum (without duplication) of the following (in each case, eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP): (a) all interest in respect of Debt of the Company and its Subsidiaries (including imputed interest on Capital Leases) deducted in determining Consolidated Net Income for such period, together with all interest capitalized or deferred during such period and not deducted in determining Consolidated Net Income for such period, and (b) all debt discount and expense amortized or required to be amortized in the determination of Consolidated Net Income for such period.

"Investment" shall mean the making of any loan, advance, extension of credit or capital contribution to, or the acquisition of any stock, bonds, notes, debentures or other obligations or securities of, or the acquisition of any other interest in or the making of any other investment in, any Person.

"Italian Subsidiary Guarantee" shall mean, collectively, the Letter Agreement executed by NN Italy and the letter of acceptance from the Noteholder Collateral Agent, substantially in the form of Exhibit 10.8(a) hereto, pursuant to which NN Italy guarantees to the Noteholder Collateral Agent and the holders the performance of the obligations of the Company in an amount not in excess of Euro 20,000,000.

"Leverage Ratio" shall mean, for the Company and its Subsidiaries on a consolidated basis, as of any date of determination, after giving Pro Forma Effect to any Asset Acquisition made during such period, the ratio of Consolidated Section 10.10 Indebtedness to EBITDA.

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Long Term Lease Rentals" means, with respect to any period, the sum of the minimum amount of rental and other obligations required to be paid during such period by the Company or any Subsidiary as lessee under all leases of real or personal property (other than Capital Leases) having a term (including terms of renewal or extension at the option of the lessor or the lessee, whether or not such option has been exercised) expiring more than 1 year after the commencement of the initial term, excluding any amounts required to be paid by the lessee (whether or not therein designated as rental or additional rental) (a) which are on account of maintenance and repairs, insurance, taxes, assessments, water rates and similar charges, or (b) which are based on profits, revenues or sales realized by the lessee from the leased property or otherwise based on the performance of the lessee.

"Make-Whole Amount" means and includes (i) the Series A Make-Whole Amount, and (ii) with respect to any other series of Notes, any make-whole or premium applicable thereto.

"Material" means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of an Obligor to perform its obligations under the Notes or any other Financing Agreement, or (c) the validity or enforceability of a Financing Agreement.

"Maximum Subsidiary Guarantee Liability" shall mean the maximum liability hereunder and under the Italian Subsidiary Guarantee of the respective Guarantors permitted by Applicable Bankruptcy Law as provided in Section 23.2 hereto and in the Italian Subsidiary Guarantee.

"Memorandum" is defined in Section 5.3.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"Net Proceeds Amount" means, with respect to any Transfer of any property by the Company or any Restricted Subsidiary, an amount equal to the difference of:

(a) the aggregate amount of consideration (valued at the fair market value thereof by the Company or such Restricted Subsidiary in good faith) received by the Company or such Subsidiary in respect of such Transfer minus

(b) all ordinary and reasonable out-of-pocket costs and expenses actually incurred by the Company or such Restricted Subsidiary in connection with such Transfer.

"NN Europe" shall mean NN Europe ApS, a Danish limited liability company, and its successors.

"NN Ireland" shall mean NN Euroball Ireland Limited, an Irish company.

"NN Italy" shall mean Euroball S.p.A., an Italian company.

"NN Slovakia" is defined in the definition of "Guarantors" in Schedule B.

"Noteholder Collateral Agent" means Wells Fargo Bank Northwest, N.A.

"Noteholder Security" shall have the meaning ascribed to such term in the Intercreditor Agreement.

"Notes" is defined in Section 1.

"Obligations" shall mean, as to any Person, all Section 10.10 Indebtedness, obligations and other liabilities of such Person of any kind and description owing to the Noteholder Collateral Agent or the holders pursuant to the provisions of this Agreement, the Notes and the other Financing Agreements, howsoever evidenced or acquired, whether now existing or hereafter arising, due or not due, absolute or contingent, liquidated or unliquidated, direct or indirect, express or implied, whether owed individually or jointly with others.

"Obligors" shall mean and include the Company and each Guarantor and each Pledgor.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"Off-Balance Sheet Liabilities" of any Person shall mean (i) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (ii) any liability of such Person under any sale and leaseback transactions that do not create a liability on the balance sheet of such Person, (iii) any Synthetic Lease Obligation or (iv) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheet of such Person.

"Operating Lease" shall mean, as to any Person, any lease of property (whether real, personal or mixed) by such Person as lessee that is not a Capital Lease.

"Other Agreements" is defined in Section 2.

"Other Purchasers" is defined in Section 2.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Permitted Jurisdiction" shall mean the United States of America or any member country of the European Union as of the date of Closing (excluding Greece or Spain).

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"Plan" means an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"Pledge Agreements" shall mean and include each security agreement delivered by an Obligor securing any obligations of any Obligor under any Financing Agreement.

"Pledged Notes" shall have the meaning given such term in the Pledge Agreements.

"Pledgor" shall mean and include the Company and any Subsidiary, as the case may be, as grantor or pledgor under any Pledge Agreement. As of the date of Closing, NN Europe is not a Pledgor.

"Principal Obligor" shall mean, with respect to a specific indebtedness or obligation, the Person creating, incurring, assuming or suffering to exist such indebtedness or obligation without becoming liable for same as a surety or guarantor.

"Priority Debt" means the sum of (a) all Debt of the Company secured by Liens other than Liens permitted by Section 10.3(a) through (j), and (b) all Debt of Restricted Subsidiaries (except Debt held by the Company or another Restricted Subsidiary) other than (i) Debt of any Guarantor which either (A) is subject to the Intercreditor Agreement or another sharing agreement which is reasonably satisfactory to the Required Holders or (B) consists of Guarantees of such Guarantor of the Debt of Persons which are not Subsidiaries of such Guarantor and (ii) Debt of NN Europe not in excess of (euro)25,000,000.

"Pro Forma Effect" shall mean, in making any calculation hereunder to which such term is applicable, including any calculation necessary to determine whether the Company is in compliance with Section 10.10 or whether a Default would result from any Asset Acquisition, (a) any Asset Acquisition made during the most recent twelve (12) month period (the "Reference Period") ending on and including the date of determination (the "Calculation Date") shall be assumed to have occurred on the first day of the Reference Period, (b) Consolidated Section 10.10 Indebtedness, and the application of proceeds therefrom, incurred or to be incurred in connection with any Asset Acquisition made or to be made during the Reference Period shall be assumed to have arisen or occurred on the first day of the Reference Period, (c) there shall be excluded any Section 10.10 Interest Expense in respect of Consolidated Section 10.10 Indebtedness outstanding during the Reference Period that was or is to be refinanced with proceeds of Section 10.10 Indebtedness incurred or to be incurred in connection with any Asset Acquisition made or to be made during the Reference Period, (d) Section 10.10 Interest Expense in respect of Consolidated Section 10.10 Indebtedness bearing a floating rate of interest and assumed to have been incurred on the first day of the Reference Period shall be calculated on the basis of the average rate in effect for loans bearing interest at the greater of (i) the fluctuating rate of interest per annum from time to time established by AmSouth Bank as its "prime rate," regardless of whether published or publicly announced, or (ii) the fluctuating rate of interest per annum equal to 1/2 of one percentage point (0.5%) in excess of the Federal Funds Rate in effect from time to time throughout the period such Consolidated Section 10.10 Indebtedness is assumed to be outstanding, and (e) Section 10.10 Rent Expense shall include actual Section 10.10 Rent Expense incurred by any Person, operating unit or business acquired during the Reference Period, plus Section 10.10 Rent Expense projected for the twelve (12) month period following the date of actual incurrence thereof in respect of any Operating Lease entered into or to be entered into in connection with any Asset Acquisition made during the Reference Period, which projected Section 10.10 Rent Expense shall be deemed to have been incurred on the first day of the Reference Period.

"property" or "properties" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"Property Reinvestment Application" means, with respect to any Transfer of property, the application of the Net Proceeds Amount (or a portion thereof) with respect to such Transfer to the acquisition by the Company or any Restricted Subsidiary of operating assets of the Company or any Subsidiary to be used in the business of such person.

"QPAM Exemption" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"Required Holders" means, at any time, the holders of at least 66-2/3% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"Responsible Officer" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"Restricted Subsidiary" means and includes each Guarantor and (a) each Subsidiary designated as a "Restricted Subsidiary" on Schedule 5.4 hereto and (b) each Unrestricted Subsidiary of the Company designated by either (i) resolution of the Board of Directors of the Company or (ii) by written election by the chief executive officer of the Company, to be a "Restricted Subsidiary" hereunder, provided, that, (A) such Subsidiary shall be consolidated for the purposes of financial reporting, (B) such Subsidiary has not previously been designated as a Restricted Subsidiary more than once and (C) promptly upon any such designation of an Unrestricted Subsidiary to be a Restricted Subsidiary, the Company shall give written notice thereof to each holder of Notes, which notice shall contain a copy of the relevant resolutions of the Board of Directors designating such Subsidiary as a Restricted Subsidiary and shall contain a certification by a Responsible Officer to the effect that no Default or Event of Default existed at the time of such designation or immediately after giving effect thereto. Any Restricted Subsidiary may thereafter be designated to be an Unrestricted Subsidiary hereunder by resolution of the Board of Directors of the Company, provided, that, (1) such Subsidiary has not previously been designated as an Unrestricted Subsidiary more than once and (2) promptly upon any such designation of a Restricted Subsidiary to be an Unrestricted Subsidiary, the Company shall give written notice thereof to each holder of Notes, which notice shall contain a copy of the relevant resolutions of the Board of Directors designating such Subsidiary as an Unrestricted Subsidiary and shall contain a certification by a Responsible Officer to the effect that no Default or Event of Default existed at the time of such designation or immediately after giving effect thereto.

"Section 10.10 Consolidated Net Income" means for the Company and its Subsidiaries on a consolidated basis for any period, the net income (or loss) after taxes of the Company and its Subsidiaries on a consolidated basis for such period taken as a single accounting period, deemed in conformity with GAAP, subject to customary exclusions with respect to extraordinary and non-recurring items.

"Section 10.10 Indebtedness" shall mean, as to any Person, all items that in conformity with GAAP would be shown on the balance sheet of such Person as a liability and in any event shall include (without duplication and regardless of whether such items would be shown on the balance sheet of such Person) (a) indebtedness for borrowed money or for notes, debentures or

other debt securities, (b) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money, (c) reimbursement obligations in respect of letters of credit issued for the account of such Person (including any such obligations in respect of any drafts drawn thereunder), (d) liabilities for all or any part of the deferred purchase price of property or services, (e) liabilities secured by any Lien on any property or asset owned or held by such Person regardless of whether the indebtedness secured thereby shall have been assumed by or is a primary liability of such Person, (f) Capital Lease Obligations, (g) Contingent Obligations, and (h) Off-Balance Sheet Liabilities.

"Section 10.10. Interest Expense" shall mean, as to any Person for any period, the aggregate interest expense and amortization of deferred loan costs of such Person and its Subsidiaries on a consolidated basis for such period (calculated without regard to any limitations on the payment thereof), imputed interest on Capital Leases, commissions, discounts and other fees and charges owed with respect to letters of credit and unused commitments and net costs under interest rate protection agreements, all as determined in conformity with GAAP.

"Section 10.10 Rent Expense" shall mean, as to any Person for any period, the aggregate rent and lease expenses recorded by such Person and its Subsidiaries on a consolidated basis in conformity with GAAP pursuant to any Operating Lease.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Senior Debt" means and includes (i) any Debt of the Company owing to any Person which is not a Restricted Subsidiary or Affiliate and which is not expressed to be junior or subordinate to any other Debt of the Company and (ii) Debt of any Restricted Subsidiary due and owing to any Person other than the Company, another Restricted Subsidiary or an Affiliate.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"Series A Make-Whole Amount" is defined in Section 8.7.

"Series A Notes" is defined in Section 1.

"Subsidiary" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Subsidiary Guarantee" shall mean and include (a) as to each Guarantor other than NN Italy, the obligations of the Guarantors pursuant to this Agreement including Section 23, as amended or modified or restated or supplemented (by joinder agreement in Exhibit 10.8(b) or otherwise) from time to time and (b) as to NN Italy, the Italian Subsidiary Guarantee dated as of the date hereof from NN Italy to the Noteholder Collateral Agent and the holders, as amended or modified or restated or supplemented (by joinder agreement or otherwise) from time to time, each as satisfactory in form and substance to the Required Holders.

"Subsidiary Stock" means, with respect to any Person, the stock (or any options or warrants to purchase stock or other Securities exchangeable for or convertible into stock) of any Subsidiary of such Person.

"Supplement" is defined in Section 2.2.

"Synthetic Lease" shall mean a lease transaction under which the parties intend that (i) the lease will be treated as an "operating lease" by the lessee pursuant to Statement of Financial Accounting Standards No. 13, as amended and (ii) the lessee will be entitled to various tax and other benefits ordinarily available to owners (as opposed to lessees) of like property.

"Synthetic Lease Obligations" shall mean, with respect to any Person, the sum of (i) all remaining rental obligations of such Person as lessee under Synthetic Leases which are attributable to principal and, without duplication, (ii) all rental and purchase price payment obligations of such Person under such Synthetic Leases assuming such Person exercises the option to purchase the lease property at the end of the lease term.

"Tax" means any tax (whether income, documentary, sales, stamp, registration, issue, capital, property, excise or otherwise), duty, assessment, levy, impost, fee, compulsory loan, charge or withholding.

"Taxing Jurisdiction" is defined in Section 13.

"Transfer" means, with respect to any Person, any transaction in which such person sells, conveys, transfers or leases (as lessor) any of its property, including, without limitation, Subsidiary Stock.

"Unrestricted Subsidiary" shall mean a Subsidiary which is not a Restricted Subsidiary.

"U.S. Obligors" shall mean and include the Company and each Obligor organized under the laws of the United States or any State thereof.

SUBSIDIARIES OF THE
COMPANY AND OWNERSHIP
OF SUBSIDIARY STOCK

SUBSIDIARY	PERCENTAGE OWNERSHIP OF STOCK OR OTHER EQUITY INTERESTS BY NN, INC. AND THE SUBSIDIARIES	JURISDICTION OF INCORPORATION
Industrial Molding GP, LLC	NN, Inc. has a 100% ownership interest, representing a 100% distribution interest.	Delaware
Industrial Molding LP, LLC	Industrial Molding GP, LLC has a 100% ownership interest, representing a 100% distribution interest.	Tennessee
Industrial Molding Group, L.P.	Industrial Molding GP, LLC has a 1% ownership interest, representing a 1% distribution interest. Industrial Molding LP, LLC has a 99% ownership interest, representing a 99% distribution interest.	Tennessee
The Delta Rubber Company	NN, Inc. has a 100% ownership interest in the outstanding shares of The Delta Rubber Company.	Connecticut
NN Mexico, LLC*	NN, Inc. has a 100% ownership interest, representing a 100% distribution interest.	Delaware
NN Arte S. de R.L. de C.V. *	NN Mexico, LLC has a 99% ownership interest, representing a 99% distribution interest. Industrial Molding LP, LLC has a 1% ownership interest, representing a 1% distribution interest.	Mexico
NN Europe ApS	NN, Inc. owns 100% of the 125,000 outstanding shares of NN Europe ApS.	Denmark
Kugelfertigung Eltmann GMBH	NN Netherlands B.V. has a 100% ownership interest, representing a 100% distribution interest.	Germany
Euroball S.p.A.	NN Europe ApS has a 90% ownership interest in the 688,000 outstanding shares of Euroball S.p.A. (619,200), representing a 90% distribution interest. NN Euroball Ireland Limited has a 10% ownership interest in the 688,000 outstanding shares of Euroball S.p.A. (68,800), representing a 10% distribution interest.	Italy
NN Euroball Ireland Limited	NN Europe ApS has a 100% ownership interest in the 8,877,299 outstanding shares of NN Euroball Ireland Limited, representing a 100% distribution interest.	Ireland

SCHEDULE 5.4
(to Note Purchase Agreement)

NN Netherlands B.V.	NN Europe ApS has a 100% ownership interest, representing a 100% distribution interest.	Netherlands
NN Holdings B.V.	NN Netherlands B.V. holds 179 of the 180 outstanding shares, or 99.5%. NN Euroball Ireland Limited holds 1 of the 180 outstanding shares, or 0.5%.	Netherlands
NN Slovakia	NN Holdings B.V. has a 100% ownership interest, representing a 100% distribution interest.	Slovakia

* Denotes an Unrestricted Subsidiary. All other Subsidiaries are Restricted Subsidiaries.

AFFILIATES OF NN, INC. AND ITS SUBSIDIARIES

None.

NN, INC.'S DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Roderick R. Baty, Michael D. Huff, James L. Earsley, Michael E. Werner,
G. Ronald Morris, Steven T. Warshaw and Robert M. Aiken, Jr.

EXECUTIVE OFFICERS OF THE COMPANY

Roderick R. Baty	Chairman of the Board, Chief Executive Officer and President
Frank T. Gentry, III	Vice President - Manufacturing
Robert R. Sams	Vice President - Market Services
David L. Dyckman	Vice President - Corporate Development and Chief Financial Officer
William C. Kelly, Jr.	Treasurer, Secretary and Chief Administrative Officer

SENIOR OFFICERS OF SUBSIDIARIES

Dario Galetti	Managing Director, NN Europe, and Vice President
Paul Fortier	General Manager of The Delta Rubber Company
Calvin Leach	General Manager of Industrial Molding Corp.

LIENS ON STOCK OR OTHER EQUITY INTERESTS OF SUBSIDIARIES

1. NN, Inc.'s ownership of the outstanding capital stock of NN Europe ApS is subject to a lien in favor of AmSouth Bank, as Administrative Agent, pursuant to that certain Stock Pledge and Security Agreement, dated as of May 1, 2003, by and between NN, Inc. and AmSouth Bank, which pledge secures NN, Inc.'s obligations under the Bank Indebtedness.

2. NN Europe ApS's ownership of the outstanding capital stock of Euroball S.p.A. is subject to a lien in favor of AmSouth Bank, as Administrative Agent, pursuant to that certain Stock Pledge and Security Agreement, dated as of May 1, 2003, by and between NN Europe ApS and AmSouth Bank, which pledge secures NN Europe ApS's obligations under the Bank Indebtedness.

3. NN Europe ApS's ownership of the outstanding capital stock of NN Euroball Ireland Limited is subject to a lien in favor of AmSouth Bank, as Administrative Agent, pursuant to that certain Stock Pledge and Security Agreement, dated as of May 1, 2003, by and between NN Europe ApS and AmSouth Bank, which pledge secures NN Europe ApS's obligations under the Bank Indebtedness.

4. NN Euroball Ireland Limited's ownership of the outstanding capital stock of NN Euroball S.p.A. is subject to a lien in favor of AmSouth Bank, as Administrative Agent, pursuant to that certain Stock Pledge and Security Agreement, dated as of May 1, 2003, by and between NN Euroball Ireland Limited and AmSouth Bank, which pledge secures NN Euroball Ireland Limited's guarantee obligations under the Bank Indebtedness.

AGREEMENTS RESTRICTING SUBSIDIARY DISTRIBUTIONS

1. Section 9.5 of the Credit Agreement, dated as of May 1, 2003, as amended from time to time, by and among NN, Inc., NN Europe ApS, Subsidiaries now or becoming Guarantors thereto, AmSouth Bank and SunTrust Bank, limits Restricted Payments, which include some dividends from Subsidiaries.

2. NN Euroball Ireland Limited's ability to pay dividends is limited by that certain Agreement, dated as of October 10, 1997, with the Industrial Development Agency (Ireland).

DESCRIPTION OF
FINANCIAL STATEMENTS
DELIVERED TO PURCHASERS

1. The consolidated balance sheet of NN, Inc. and its Subsidiaries as of December 31, 2003, and the related consolidated statements of income, shareholders' equity and cash flows for the fiscal year then ended, together with the opinion of PricewaterhouseCoopers LLP with respect thereto, and the unaudited consolidating balance sheet of NN, Inc. and its Subsidiaries as of the end of such fiscal year and the unaudited consolidating statement of income of NN, Inc. and its Subsidiaries for such fiscal year.

SCHEDULE 5.5
(to Note Purchase Agreement)

DESCRIPTION OF DEBT
OF THE COMPANY AND ITS RESTRICTED SUBSIDIARIES
AS OF MARCH 31, 2004

(A) EXISTING DEBT AND CONTINGENT OBLIGATIONS

(I) Debt

1. Obligations of NN, Inc., as Domestic Borrower, NN Europe ApS, as Euro Borrower, and existing and future Subsidiaries, as Guarantors, pursuant to the Credit Agreement, dated as of May 1, 2003, as amended from time to time, by and among NN, Inc., NN Europe ApS, the existing and future Subsidiaries, AmSouth Bank and Sun Trust Bank (the "Credit Agreement"). Pursuant to Amendment No. 2, the term loan maturity date was changed from May 1, 2008 to September 30, 2007.

2. Bridge Loans in the aggregate amount of \$4,600,000 from AmSouth Bank to NN, Inc.

3. Three (3) Bank Guarantee Agreements executed by NN Netherlands B.V. as of April 28, 2003 for the benefit of ABN Amro Bank, N.V., in connection with ABN Amro's guarantee of NN Netherlands B.V.'s lease payments under the following lease agreements: (i) Lease Agreement by and between SKF B.V. (lessee) and B.V. Beleggingsmaatschappij en Handelsonderneming "De Vallei" (lessor), dated November 28, 2000, regarding the main office building in Veenendaal, at Groenveldselaan (Guarantee Agreement guarantees lease payments in the amount of (euro)46,240.50 or, converted at the exchange rate of 1.0964 as of April 29, 2003, \$50,698.08); (ii) Lease Agreement by and between SKF B.V. (lessee) and B.V. Beleggingsmaatschappij en Handelsonderneming "De Vallei" (lessor), dated December 12, 2000, regarding the warehouse in Veenendaal, at Smalle Zijde (Guarantee Agreement guarantees lease payments in the amount of (euro)40,635.63 or, converted at the exchange rate of 1.0964 as of April 29, 2003, \$44,552.90); and (iii) Lease Agreement by and between SKF B.V. (lessee) and B.V. Beleggingsmaatschappij en Handelsonderneming "De Vallei" (lessor), dated February 21, 2001, regarding the new building for the technical services department located next to the building of B&S Special Tools B.V. in Veenendaal, at Smalle Zijde (Guarantee Agreement guarantees lease payments in the amount of (euro)22,420.32 or, converted at the exchange rate of 1.0964 as of April 29, 2003, \$24,581.64).

4. NN, Inc. Elective Deferred Compensation Plan dated February 26, 1999.

5. Sublease Agreement between FAG Komponenten AG and Kugelfertigung Eltmann GmbH dated July 25, 2000.

SCHEDULE 5.15
(to Note Purchase Agreement)

(II) Contingent Obligations

1. Obligations of the Guarantors under the Bank Indebtedness.

2. Obligation of NN Euroball Ireland Limited (f/k/a NN Ball & Roller Limited) under the Agreement, dated as of October 10, 1997, with the Industrial Development Agency (Ireland).

3. Obligations of NN, Inc. pursuant to the Indemnity Agreements, dated as of August 7, 2003, with the following Officers and Directors of NN, Inc. and its Subsidiaries:

Directors:

Robert M. Aiken, Jr.
Michael E. Werner
James L. Earsley

Steven T. Warshaw
Michael D. Huff
Roderick R. Baty

Officers:

Roderick R. Baty
William C. Kelly, Jr.
Robert R. Sams
Dario Galetti

David L. Dyckman
Frank T. Gentry III
Paul Fortier
Calvin Leach

4. Obligations of NN, Inc. pursuant to the Indemnity Agreement, dated as of July 27, 2000, with Richard D. Ennen, former director of NN, Inc.

5. Pursuant to that certain Indemnification Letter from NN, Inc. to SKF, dated as of April 14, 2003, obligations of NN, Inc. to indemnify SKF's obligations under the following three (3) lease agreements: (i) Lease Agreement by and between SKF B.V. (lessee) and B.V. Beleggingsmaatschappij en Handelsonderneming "De Vallei" (lessor), dated November 28, 2000, regarding the main office building in Veenendaal, at Groenveldselaan; (ii) Lease Agreement by and between SKF B.V. (lessee) and B.V. Beleggingsmaatschappij en Handelsonderneming "De Vallei" (lessor), dated December 12, 2000, regarding the warehouse in Veenendaal, at Smalle Zijde; and (iii) Lease Agreement by and between SKF B.V. (lessee) and B.V. Beleggingsmaatschappij en Handelsonderneming "De Vallei" (lessor), dated February 21, 2001, regarding the new building for the technical services department located next to the building of B&S Special Tools B.V. in Veenendaal, at Smalle Zijde.

6. Obligation of Euroball S.p.A. under the SANPAOLO IMI S.p.A. guaranty in the amount of (euro)420,000.00.

(B) LIENS

1. NN, Inc.'s ownership of the outstanding capital stock of NN Europe ApS is subject to a lien in favor of AmSouth Bank, as Administrative Agent, pursuant to that certain Stock Pledge and Security Agreement, dated as of May 1, 2003, by and between NN, Inc. and AmSouth Bank, which pledge secures NN, Inc.'s obligations under the Bank Indebtedness.

2. NN Europe ApS's ownership of the outstanding capital stock of Euroball S.p.A. is subject to a lien in favor of AmSouth Bank, as Administrative Agent, pursuant to that certain Stock Pledge and Security Agreement, dated as of May 1, 2003, by and between NN Europe ApS and AmSouth Bank, which pledge secures NN Europe ApS's obligations under the Bank Indebtedness.

3. NN Europe ApS's ownership of the outstanding capital stock of NN Euroball Ireland Limited is subject to a lien in favor of AmSouth Bank, as Administrative Agent, pursuant to that certain Stock Pledge and Security Agreement, dated as of May 1, 2003, by and between NN Europe ApS and AmSouth Bank, which pledge secures NN Europe ApS's obligations under the Bank Indebtedness.

4. NN Euroball Ireland Limited's ownership of the outstanding capital stock of Euroball S.p.A. is subject to a lien in favor of AmSouth Bank, as Administrative Agent, pursuant to that certain Stock Pledge and Security Agreement, dated as of May 1, 2003, by and between NN Euroball Ireland Limited and AmSouth Bank, which pledge secures NN Euroball Ireland Limited's guarantee obligations under the Bank Indebtedness.

5. Pledge and Security Agreement, dated as of May 1, 2003, by and between NN, Inc. and AmSouth Bank, as Administrative Agent, whereby NN, Inc. pledged to AmSouth Bank its interest in the following Promissory Notes, which pledge secures NN, Inc.'s obligations under the Bank Indebtedness:

(a) Promissory Note, dated as of May 1, 2003, from Industrial Molding GP, LLC to NN, Inc., in the principal amount of \$60,405,342, as pledged to AmSouth Bank, as Administrative Agent, pursuant to that certain Pledge and Security Agreement, dated as of May 1, 2003, by and between NN, Inc. and AmSouth Bank (the "NN Pledge Agreement");

(b) Promissory Note, dated as of May 1, 2003, from Industrial Molding LP, LLC to NN, Inc., in the principal amount of \$60,405,342, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the NN Pledge Agreement;

(c) Promissory Note, dated as of May 1, 2003, from Industrial Molding Group, L.P. to NN, Inc., in the principal amount of \$60,405,342, as

pledged to AmSouth Bank, as Administrative Agent, pursuant to the NN Pledge Agreement;

(d) Promissory Note, dated as of May 1, 2003, from The Delta Rubber Company to NN, Inc., in the principal amount of \$60,405,342, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the NN Pledge Agreement;

(e) Promissory Note, dated as of May 1, 2003, from NN Mexico, LLC to NN, Inc., in the principal amount of \$60,405,342, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the NN Pledge Agreement;

(f) Promissory Note, dated as of May 1, 2003, from NN Arte S. De R.L. De D.V. to NN, Inc., in the principal amount of \$60,405,342, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the NN Pledge Agreement;

(g) Promissory Note, dated as of May 1, 2003, from Euroball S.p.A. to NN, Inc., in the principal amount of EUR20,000,000, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the NN Pledge Agreement;

(h) Promissory Note, dated as of May 1, 2003, from Kugelfertigung Eltmann GmbH to NN, Inc., in the principal amount of \$60,405,342, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the NN Pledge Agreement;

(i) Promissory Note, dated as of May 1, 2003, from NN Netherlands B.V. to NN, Inc., in the principal amount of \$60,405,342, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the NN Pledge Agreement;

(j) Promissory Note, dated as of May 1, 2003, from NN Euroball Ireland Limited to NN, Inc., in the principal amount of \$60,405,342, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the NN Pledge Agreement;

(k) Promissory Note, dated as of January 23, 2004, from NN Holdings B.V. to NN, Inc., in the principal amount of \$60,405,342, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the Credit Agreement; and

(l) Promissory Note, dated as of March 26, 2004, from NN Slovakia to NN, Inc., in the principal amount of \$60,405,342, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the Credit Agreement.

6. Pledge and Security Agreement, dated as of May 1, 2003, by and between NN Europe ApS and AmSouth Bank, as Administrative Agent, whereby NN Europe ApS pledged to AmSouth Bank its interest in the following Promissory Notes, which pledge secures NN Europe ApS's obligations under the Euro Term Loan:

(a) Promissory Note, dated as of May 1, 2003, from Euroball S.p.A. to NN Europe ApS, in the principal amount of EUR20,000,000, as pledged to AmSouth Bank, as Administrative Agent, pursuant to that certain Pledge and Security Agreement, dated as of May 1, 2003, by and between NN Europe ApS and AmSouth Bank (the "ApS Pledge Agreement")

(b) Promissory Note, dated as of May 1, 2003, from Kugelfertigung Eltmann GmbH to NN Europe ApS, in the principal amount of EUR26,283,000, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the ApS Pledge Agreement;

(c) Promissory Note, dated as of May 1, 2003, from NN Netherlands B.V. to NN Europe ApS, in the principal amount of EUR26,283,000, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the ApS Pledge Agreement;

(d) Promissory Note, dated as of May 1, 2003, from Industrial Molding GP, LLC to NN Europe ApS, in the principal amount of EUR26,283,000, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the ApS Pledge Agreement;

(e) Promissory Note, dated as of May 1, 2003, from Industrial Molding LP, LLC to NN Europe ApS, in the principal amount of EUR26,283,000, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the ApS Pledge Agreement;

(f) Promissory Note, dated as of May 1, 2003, from Industrial Molding Group, L.P. to NN Europe ApS, in the principal amount of EUR26,283,000, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the ApS Pledge Agreement;

(g) Promissory Note, dated as of May 1, 2003, from The Delta Rubber Company to NN Europe ApS, in the principal amount of EUR26,283,000, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the ApS Pledge Agreement;

(h) Promissory Note, dated as of May 1, 2003, from NN Mexico, LLC to NN Europe ApS, in the principal amount of EUR26,283,000, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the ApS Pledge Agreement;

(i) Promissory Note, dated as of May 1, 2003, from NN Arte De R.L. De C.V. to NN Europe ApS, in the principal amount of EUR26,283,000, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the ApS Pledge Agreement;

(j) Promissory Note, dated as of May 1, 2003, from NN Euroball Ireland Limited to NN Europe ApS, in the principal amount of EUR26,283,000, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the ApS Pledge Agreement;

(k) Promissory Note, dated as of January 23, 2004, from NN Holdings B.V. to NN Europe ApS, in the principal amount of EUR26,283,000, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the Credit Agreement; and

(l) Promissory Note, dated as of March 26, 2004, from NN Slovakia to NN Europe ApS, in the principal amount of EUR26,283,000, as pledged to AmSouth Bank, as Administrative Agent, pursuant to the Credit Agreement.

7. Section 8.19 of the Credit Agreement requires any new Subsidiary to enter into those certain Promissory Notes to be pledged to AmSouth, as Administrative Agent, by NN, Inc., as Domestic Borrower, and NN Europe ApS, as Euro Borrower.

[FORM OF SERIES A NOTE]

NN, INC.

4.89% Senior Note, Series A due April 26, 2014

No. [_____]]
\$[_____]]

[Date]
PPN 629337 A* 7

FOR VALUE RECEIVED, the undersigned, NN, INC. (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [_____] , or registered assigns, the principal sum of [_____] DOLLARS on April 26, 2014, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 4.89% per annum from the date hereof, payable semiannually, on the twenty-sixth (26th) day of each April and October in each year, commencing with the April 26 or October 26 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Series A Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the Default Rate.

Payments of principal of, interest on and any Series A Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at Citibank, N.A. in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Series A Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to separate Note Purchase Agreements, dated as of April 26, 2004 (as from time to time amended, the "Note Purchase Agreements"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 21 of the Note Purchase Agreements and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreements, provided that such holder may (in reliance upon information provided by the Company, which shall not be unreasonably withheld) make a representation to the effect that the purchase by such holder of any Note will not constitute a non-exempt prohibited transaction under section 406(a) of ERISA.

This Series A Note is a registered Series A Note and, as provided in the Note Purchase Agreements, upon surrender of this Series A Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series A Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment

EXHIBIT 1
(to Note Purchase Agreement)

for registration of transfer, the Company may treat the person in whose name this Series A Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreements. This Series A Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Series A Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Series A Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

This Series A Note is guaranteed pursuant to the Subsidiary Guarantees and is secured by the Pledge Agreements, and reference is hereby made to such Financing Agreements.

This Series A Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

NN, INC.

By _____
Name:
Title:

DESCRIPTION OF OPINION OF COUNSEL
TO THE U.S. OBLIGORS

The closing opinion of Blackwell Sanders Peper Martin LLP, counsel for the U.S. Obligors, which is called for by Section 4.4(a)(1) of the Note Purchase Agreements, shall be dated the date of the Closing and addressed to the Purchasers, shall be satisfactory in scope and form to the Purchasers and shall be to the effect that:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, is qualified as a foreign corporation in each jurisdiction wherein the failure to be so qualified could reasonably be expected to have a Material Adverse Effect on the Company, and, has the corporate power and the corporate authority to execute and perform the Note Purchase Agreements and to issue the Notes.

2. Each Guarantor organized under the laws of the United States is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, is qualified as a foreign corporation in each jurisdiction wherein the failure to be so qualified could reasonably be expected to have a Material Adverse Effect on such Guarantor, and, has the corporate power and corporate authority to execute and perform the Subsidiary Guarantee, and all of the issued and outstanding shares of capital stock of each such Guarantor have been duly issued, are fully paid and non-assessable and are owned by the Company, by one or more Guarantors, or by the Company and one or more Guarantors.

3. Each Financing Agreement has been duly authorized by all necessary corporate action on the part of the U.S. Obligors, has been duly executed and delivered by the U.S. Obligors and constitutes the legal and valid contract of the U.S. Obligors enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

4. No approval, consent or withholding of objection on the part of, or filing, registration or qualification with, any governmental body, Federal or state, is necessary in connection with the execution and delivery of the Financing Agreements.

5. The issuance and sale of the Notes and the execution, delivery and performance by the U.S. Obligors of the Financing Agreements do not conflict with or result in any breach of any of the provisions of or constitute a default under or result in the creation or imposition of any Lien upon any of the property of the U.S. Obligors pursuant to the provisions of the Articles of Incorporation or By-laws of each U.S. Obligor or any Material agreement or other instrument known to such counsel to which an U.S. Obligor is a party or by which an U.S. Obligor may be bound.

EXHIBIT 4.4(a)(1)
(to Note Purchase Agreement)

6. To our knowledge, after due inquiry, there is no litigation pending or threatened against or affecting U.S. Obligors, at law or in equity which could reasonably be expected to materially adversely effect, individually or in the aggregate, the properties, business, prospects, profits or condition (financial or otherwise) of the U.S. Obligors or which could impair the ability of the U.S. Obligors to carry on their business as now conducted or impair the ability of the U.S. Obligors to comply with the provisions of and perform its obligations under the Financing Agreements.

7. Neither the issuance of the Notes, nor the use of the proceeds of the sale of the Notes, will violate or conflict with Regulations T, U or X of the Board of Governors of the Federal Reserve System of the United States of America.

8. The issuance, sale and delivery of the Notes and the Subsidiary Guarantee under the circumstances contemplated by the Note Purchase Agreements do not, under existing law, require the registration of the Notes or the Subsidiary Guarantee under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended.

9. No Obligor organized under the laws of the United States is an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended.

The opinion of Blackwell Sanders Peper Martin LLP shall cover such other matters relating to the sale of the Notes as the Purchasers may reasonably request. The opinion of Blackwell Sanders Peper Martin LLP shall assume, for the purposes of the opinions in paragraphs 3 and 4 above relating to enforceability, that the laws of the State of Missouri are identical to the laws of the State of New York. With respect to matters of fact on which such opinion is based, such counsel shall be entitled to rely on appropriate certificates of public officials and officers of the Company.

DESCRIPTION OF OPINION OF LOCAL COUNSEL
TO CERTAIN OBLIGORS

EXHIBIT 4.4(a)(2)
(to Note Purchase Agreement)

DESCRIPTION OF OPINION OF SPECIAL COUNSEL
TO THE PURCHASERS

The closing opinion of Chapman and Cutler LLP, special counsel to the Purchasers, called for by Section 4.4(b) of the Note Purchase Agreements, shall be dated the date of the Closing and addressed to the Purchasers, shall be satisfactory in form and substance to the Purchasers and shall be to the effect that:

1. The Company is a corporation, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and the corporate authority to execute and deliver the Note Purchase Agreements and to issue the Notes.

2. Each Note Purchase Agreement has been duly authorized by all necessary corporate action on the part of the Company, has been duly executed and delivered by the Company and constitutes the legal, valid and binding contract of the Company enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

3. The Notes have been duly authorized by all necessary corporate action on the part of the Company, and the Notes being delivered on the date hereof have been duly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

4. The issuance, sale and delivery of the Notes under the circumstances contemplated by the Note Purchase Agreements do not, under existing law, require the registration of the Notes under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended.

The opinion of Chapman and Cutler LLP shall also state that the opinion of Blackwell Sanders Peper Martin LLP is satisfactory in scope and form to Chapman and Cutler LLP and that, in their opinion, the Purchasers are justified in relying thereon.

In rendering the opinion set forth in paragraph 1 above, Chapman and Cutler LLP may rely solely upon an examination of the Articles of Incorporation certified by, and a certificate of good standing of the Company from, the Secretary of State of the State of Delaware and the By-laws of the Company. The opinion of Chapman and Cutler LLP is limited to the laws of the State of New York and the Federal laws of the United States.

With respect to matters of fact upon which such opinion is based, Chapman and Cutler LLP may rely on appropriate certificates of public officials and officers of the Company

EXHIBIT 4.4(b)
(to Note Purchase Agreement)

and upon representations of the Company and the Purchasers delivered in connection with the issuance and sale of the Notes.

E-4.4(b)-2

EXHIBIT 10.8(a)
(to Note Purchase Agreement)

FORM OF JOINDER TO NOTE PURCHASE AGREEMENTS

THIS JOINDER TO NOTE PURCHASE AGREEMENTS (this "Agreement"), dated as of _____, 20__, is made by _____, a _____ (the "Additional Guarantor"), in favor of those several holders (the "Holders") under the Note Purchase Agreements (as hereinafter defined), and _____, as noteholder collateral agent (the "Noteholder Collateral Agent").

RECITALS:

A. The Purchasers listed in Schedule A thereto, NN, Inc. as the Company, and certain Subsidiaries of the Company becoming parties thereto as Guarantors are parties to those certain Note Purchase Agreements, each dated as of April 26, 2004 (as the same heretofore may have been and/or hereafter may be amended, restated, supplemented, extended, renewed, replaced or otherwise modified from time to time, the "Note Purchase Agreements"; except as otherwise defined herein, terms used herein and defined in the Note Purchase Agreements shall be used herein as so defined), pursuant to which the Company has issued an aggregate of \$40,000,000 4.89% Senior Notes, Series A, due April 26, 2014, all as more specifically described in the Note Purchase Agreements.

B. Pursuant to the Note Purchase Agreements, the Guarantors have guaranteed the due and punctual payment and performance of all of the Obligations of the Company under the Note Purchase Agreements and the other Financing Agreements.

C. Pursuant to the Note Purchase Agreements, the Company is required to cause the Additional Guarantor to execute and deliver to the Noteholder Collateral Agent this Agreement, and the Additional Guarantor desires to execute and deliver this Agreement to satisfy such requirement and condition.

AGREEMENTS:

NOW, THEREFORE, in consideration of the premises and in order to ensure the Company's compliance with the Note Purchase Agreements, the Additional Guarantor hereby agrees as follows:

1. Additional Guarantor. The Additional Guarantor hereby assumes all obligations of a Guarantor under and shall be a Guarantor for all purposes of the Note Purchase Agreements and shall be fully liable thereunder to the Noteholder Collateral Agent and the Holders to the same extent and with the same effect as though the Additional Guarantor had been one of the Guarantors originally executing and delivering the Note Purchase Agreements. Without limiting the foregoing:

(a) the Additional Guarantor hereby unconditionally and irrevocably guarantees to the Noteholder Collateral Agent and the Holders the due and punctual payment and performance of all the Obligations of the Company, in each case as and when the same shall become due and payable, whether at maturity, by acceleration, mandatory prepayment, declaration or otherwise, according to their terms;

EXHIBIT 10.8(b)
(to Note Purchase Agreement)

(b) in case of failure by the Company punctually to pay or perform the Obligations, the Additional Guarantor hereby unconditionally and irrevocably agrees to cause such payment or performance to be made punctually as and when the same shall become due and payable, whether at maturity, by acceleration, by prepayment, declaration or otherwise, and as if such payment or performance were made by the Company;

(c) the foregoing guarantee shall be a guarantee of payment and performance and not merely of collection;

(d) the foregoing guarantee is subject to the limitations expressly provided in subsections (a) and (b) of Section 23.2 of the Note Purchase Agreements and is subject to the other terms and conditions governing the guarantee of Guarantors under the Note Purchase Agreements (including, without limitation, Section 23.4 thereof), and the Additional Guarantor shall be entitled to all of the benefits and rights provided to a Guarantor under Section 23.3 of the Note Purchase Agreements; and

(e) the obligations of the Additional Guarantor with respect to the Obligations shall be joint and several with those of the other Guarantors, and all references in the Note Purchase Agreements to the "Guarantors" or any "Guarantor" shall be deemed to include and to refer to the Additional Guarantor.

2. Waiver. Without limitation of the Note Purchase Agreements, the Additional Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against the Company or any other Person, or any Collateral granted as security for the obligations or the Guaranteed Obligations. The Additional Guarantor hereby specifically waives any right to require that an action be brought against the Company or any other Principal Obligor with respect to the Guaranteed Obligations.

3. Waiver of Reimbursement, Subrogation, Etc. Without limitation of the Note Purchase Agreements, the Additional Guarantor hereby waives to the fullest extent possible as against the Company and its assets any and all rights, whether at law, in equity, by agreement or otherwise, to subrogation, indemnity, reimbursement, contribution, exoneration, or any other similar claim, cause of action, right or remedy that otherwise would arise out of the Additional Guarantor's performance of its obligations to the Noteholder Collateral Agent or any Holder under this Agreement or the Note Purchase Agreements. The preceding waiver is intended by the Additional Guarantor, the Noteholder Collateral Agent and the Holders to be for the benefit of the Company or any of its successors and permitted assigns as an absolute defense to any action by such Additional Guarantor against the Company or its assets that arises out of such Additional Guarantor's having made any payment to the Noteholder Collateral Agent or any Holder with respect to any of the Company's Obligations guaranteed hereunder.

4. Governing Law. Unless otherwise expressly set forth herein, this Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York, without reference to the conflicts or choice of law principles thereof.

5. CONSENT TO JURISDICTION. THE ADDITIONAL GUARANTOR HEREBY IRREVOCABLY CONSENTS TO THE PERSONAL JURISDICTION OF THE NEW YORK STATE AND FEDERAL COURTS LOCATED IN BOROUGH OF MANHATTAN, CITY OF NEW YORK IN ANY ACTION, CLAIM OR OTHER PROCEEDING ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTE PURCHASE AGREEMENTS, THE NOTES AND THE OTHER FINANCING AGREEMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. THE ADDITIONAL GUARANTOR HEREBY IRREVOCABLY CONSENTS TO THE SERVICE OF A SUMMONS AND COMPLAINT AND OTHER PROCESS IN ANY ACTION, CLAIM OR PROCEEDING BROUGHT BY THE NOTEHOLDER COLLATERAL AGENT OR ANY HOLDER IN CONNECTION WITH THIS AGREEMENT, THE NOTE PURCHASE AGREEMENTS, THE NOTES OR THE OTHER FINANCING AGREEMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER, OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS, ON BEHALF OF ITSELF OR ITS PROPERTY, IN THE MANNER SPECIFIED IN SECTION 19 OF THE NOTE PURCHASE AGREEMENTS AND AT THE ADDRESS SPECIFIED OPPOSITE THE ADDITIONAL GUARANTOR HEREIN. NOTHING IN THIS SECTION 5 SHALL AFFECT THE RIGHT OF THE NOTEHOLDER COLLATERAL AGENT OR ANY HOLDER TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE NOTEHOLDER COLLATERAL AGENT OR ANY HOLDER TO BRING ANY ACTION OR PROCEEDING AGAINST THE ADDITIONAL GUARANTOR OR ITS PROPERTIES IN THE COURTS OF ANY OTHER JURISDICTIONS.

6. WAIVER OF JURY TRIAL. THE NOTEHOLDER COLLATERAL AGENT, EACH HOLDER, AND THE ADDITIONAL GUARANTOR HEREBY IRREVOCABLY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION, CLAIM OR OTHER PROCEEDING ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTE PURCHASE AGREEMENTS, THE NOTES OR THE OTHER FINANCING AGREEMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS. The scope of this waiver is intended to be all-encompassing with respect to any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each of the parties hereto (i) acknowledges that this waiver is a material inducement for the parties to the Financing Agreements to enter into a business relationship, that the parties to the Financing Agreements have already relied on this waiver in entering into same and the transactions that are the subject thereof and that they will continue to rely on this waiver in their related future dealings, and (ii) further warrants and represents that each has reviewed this waiver with its legal counsel and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. This waiver is irrevocable, meaning that it may not be modified either orally or in writing, and this waiver shall apply to any subsequent amendments, modifications, supplements, extensions, renewals and/or replacements of this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

7. Severability. Any provision of this Agreement that is prohibited or unenforceable with respect to any Person or circumstance or in any jurisdiction shall, as to such Person, circumstance or jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision with respect to other Persons or circumstances or in any other jurisdiction.

8. Subordination of Indebtedness. Any indebtedness of the Company for borrowed money now or hereafter owed to the Additional Guarantor is hereby subordinated in right of payment to the payment by the Company of the Obligations such that if a default in the payment of the Obligations shall have occurred and be continuing, any such indebtedness of the Company owed to the Additional Guarantor, if collected or received by the Additional Guarantor, shall be held in trust by the Additional Guarantor for the holders of the Obligations and be paid over to the Noteholder Collateral Agent for application in accordance with the Note Purchase Agreements and the other Financing Agreements.

9. Final Agreement. This written agreement represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

IN WITNESS WHEREOF, the Additional Guarantor has caused this Agreement to be duly executed and delivered by its duly authorized officer or other representative as of the date first above written:

ADDITIONAL GUARANTOR:

By: -----

Name: -----

Title: -----

Address for notices under Section 19 of the Note Purchase Agreements: -----

Attn: -----

Telecopier No. -----

=====
NN, INC.

and

[NUMBER] SUPPLEMENT
DATED AS OF _____
TO NOTE PURCHASE AGREEMENT DATED AS OF APRIL 26, 2004

Re: \$ _____ % Series __ Senior Notes
DUE _____

EXHIBIT S
(to Note Purchase Agreement)
=====

NN, INC.

Dated as of
-----, ----

To the Purchaser(s) named in
Schedule A hereto

Ladies and Gentlemen:

This [Number] Supplement to Note Purchase Agreements (the "Supplement") is among NN, Inc., a Delaware corporation (the "Company") and the institutional investors named on Schedule A attached hereto (the "Purchasers").

Reference is hereby made to the Note Purchase Agreements dated as of April 26, 2004 (the "Note Purchase Agreements") among the Company and the purchasers listed on Schedule A thereto. All capitalized terms not otherwise defined herein shall have the same meaning as specified in the Note Purchase Agreements. Reference is further made to Section 4.13 of the Note Purchase Agreements which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

The Company hereby agrees with the Purchaser(s) as follows:

1. The Company has authorized the issue and sale of \$_____ aggregate principal amount of its _____% Series ___ Senior Notes due _____, ____ (the "Series ___ Notes"). The Series ___ Notes, together with the Notes previously issued pursuant to the Note Purchase Agreements and each series of Additional Notes which may from time to time hereafter be issued pursuant to the provisions of Section 2.2 of the Note Purchase Agreements, are collectively referred to as the "Notes" (such term shall also include any such notes issued in substitution therefor pursuant to Section 14 of the Note Purchase Agreements). The Series ___ Notes shall be substantially in the form set out in Exhibit 1 hereto with such changes therefrom, if any, as may be approved by the Purchaser(s) and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreements and on the basis of the representations and warranties hereinafter set forth, the Company agrees to issue and sell to each Purchaser, and each Purchaser agrees to purchase from the Company, Series ___ Notes in the principal amount set forth opposite such Purchaser's name on Schedule A hereto at a price of 100% of the principal amount thereof on the closing date hereafter mentioned.

3. The sale and purchase of the Series ___ Notes to be purchased by each Purchaser shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603, at 10:00 A.M. Chicago time, at a closing (the "Closing") on _____, ____ or on such

other Business Day thereafter on or prior to _____, ____ as may be agreed upon by the Company and the Purchasers. At the Closing, the Company will deliver to each Purchaser the Series ___ Notes to be purchased by such Purchaser in the form of a single Series ___ Note (or such greater number of Series ___ Notes in denominations of at least \$250,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of such Purchaser's nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number [_____] at _____ Bank, [Insert Bank address, ABA number for wire transfers, and any other relevant wire transfer information]. If, at the Closing, the Company shall fail to tender such Series ___ Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Purchaser's satisfaction, such Purchaser shall, at such Purchaser's election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

4. The obligation of each Purchaser to purchase and pay for the Series ___ Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to the Closing, of the conditions set forth in Section 4 of the Note Purchase Agreements (but adjusted to reflect the Series ___ Notes to be purchased at the Closing) except that the representations and warranties set forth in Section 5 of the Note Purchase Agreements and Section ___ of the Subsidiary Guarantee shall be modified as set forth in Exhibit A hereto.

5. [Here insert special provisions for Series ___ Notes including prepayment provisions applicable to Series ___ Notes (including Make-Whole Amount) and closing conditions applicable to Series ___ Notes].

6. Each Purchaser represents and warrants that the representations and warranties set forth in Section 6 of the Note Purchase Agreements are true and correct on the date hereof with respect to the purchase of the Series ___ Notes by such Purchaser.

7. The Company and each Purchaser agree to be bound by and comply with the terms and provisions of the Note Purchase Agreements as fully and completely as if such Purchaser were an original signatory to the Note Purchase Agreements.

The execution hereof shall constitute a contract between the Company and the Purchaser(s) for the uses and purposes hereinabove set forth, and this agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

NN, INC.

By _____
Name:
Title:

Accepted as of _____,

[VARIATION]

By _____
[Title]

INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS
OF PURCHASER

PRINCIPAL AMOUNT
OF SERIES ____ NOTES
TO BE PURCHASED
\$

[NAME OF PURCHASER]

- (1) All payments by wire transfer of immediately available funds to:

with sufficient information to identify the source and application of such funds.
- (2) All notices of payments and written confirmations of such wire transfers:
- (3) All other communications:

SCHEDULE A
(to Supplement)

SUPPLEMENTAL REPRESENTATIONS

The Company represents and warrants to each Purchaser that except as hereinafter set forth in this Exhibit A, each of the representations and warranties set forth in Section 5 of the Note Purchase Agreements is true and correct as of the date hereof with respect to the Series A Notes with the same force and effect as if each reference to "Series ___ Notes" set forth therein was modified to refer the "Series ___ Notes" and each reference to "this Agreement" therein was modified to refer to the Note Purchase Agreements as supplemented by the _____ Supplement. The Section references hereinafter set forth correspond to the similar sections of the Note Purchase Agreements which are supplemented hereby:

Section 5.3. Disclosure. The Company, through its agent, _____, have delivered to each Purchaser a copy of a [Private Placement Memorandum] dated _____ (the "Memorandum"), relating to the transactions contemplated by the _____ Supplement. The Note Purchase Agreements, the Memorandum, the documents, certificates or other writings delivered to each Purchaser by or on behalf of the Company in connection with the transactions contemplated by the Note Purchase Agreements and the _____ Supplement and the financial statements listed in Schedule 5.5 to the _____ Supplement, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Since _____, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 5.4. Organization and Ownership of Shares of Subsidiaries. (a) Schedule 5.4 to the _____ Supplement contains (except as noted therein) complete and correct lists of the Subsidiaries, and showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series ___ Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than [] other Institutional Investors, each of which has been offered the Series ___ Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Series ___ Notes to _____ and for general corporate purposes. No part of the proceeds from the sale of the Series ___ Notes pursuant to the _____ Supplement will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Debt; Future Liens. (a) Schedule 5.15 to the _____ Supplement sets forth a complete and correct list of all outstanding Debt of the Company and the Subsidiaries as of _____, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Debt of the Company or the Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Debt of the Company or such Subsidiary and no event or condition exists with respect to any Debt of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Debt to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

[Add any additional Sections as appropriate at the time the Series ___ Notes are issued]

NN, INC.

[_____] % SENIOR NOTE, SERIES [___] DUE [_____]

No. R[___]- [_____]
\$[_____]

[Date]
PPN[_____]

FOR VALUE RECEIVED, the undersigned, NN, INC. (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware hereby promises to pay to [_____] , or registered assigns, the principal sum of [_____] DOLLARS on [_____] , [_____] , with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of [___]% per annum from the date hereof, payable [_____] , on the [_____] day of [_____] in each year, commencing with the [_____] next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Supplement referred to below), payable [_____] , as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the Default Rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at [_____] or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to that certain [Number] Supplement dated as of _____ to Note Purchase Agreements, dated as of April 26, 2004 as from time to time amended and supplemented, the "Supplement", between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 21 of the Note Purchase Agreements (as defined in the Supplement) and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreements (as defined in the Supplement) provided that such holder may (in reliance upon information provided by the Company, which shall not be unreasonably withheld) make a representation to the effect that the purchase by such holder of any Note will not constitute a non-exempt prohibited transaction under section 406(a) of ERISA.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

[The Company will make required prepayments of principal on the dates and in the amounts specified in the Supplement. This Note is also subject to [optional] prepayment, in whole or from time to time in part, at the times and on the terms specified in the Supplement, but not otherwise]. [This Note is not subject to prepayment].

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of law of such State that would require the application of the laws of a jurisdiction other than such State.

NN, INC.

By _____
[Title]

Subsidiaries of the Registrant

Subsidiaries of NN, Inc. -----	Jurisdiction of Incorporation or Organization -----
The Delta Rubber Company	Connecticut
Industria. Molding GP, LLC	Delaware
Industria. Molding LP, LLC	Tennessee
NN Europe ApS	Denmark
Kugelfertigung Eltmann GmbH	Germany
Euroball S.p.A.	Italy
NN Euroball Ireland, Ltd.	Ireland
NN Mexico LLC	Delaware
NN Arte S De R.L. De D.V.	Mexico
NN Netherlands B.V.	The Netherlands
NN Holdings B.V.	The Netherlands
NN Slovakia	Zilina, Slovak Republic
NN Precision Bearing Products Company, Ltd.	The People's Republic of China

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8(No. 33-87572, No. 333-50934, and No.9588) and S-3 (No. 333-100119) of NN, Inc. of our report dated March 15, 2005 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K. We also consent to the reference to us under the heading "Selected Financial Data" in this Form 10-K.

/s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Charlotte, North Carolina
March 16, 2005

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (No.33-87572, No. 333-50934, and No. 333-69588) and S-3 (No. 333-100119) of NN, Inc. of our report dated March 16, 2005 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K. We also consent to the reference to us under the heading "Selected Financial Data" in this Form 10-K..

/s/ KPMG LLP

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KPMG LLP
Charlotte, North Carolina
March 14, 2005

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Roderick R. Baty, principal executive officer of NN, Inc., certify that:

- 1) I have reviewed this annual report on Form 10-K of NN, Inc.
- 2) Based on my knowledge, this annual 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 annual report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2005

Signature: /S/ RODERICK R. BATY

Roderick R. Baty
Principal Executive Officer

CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Steven W. Fray, principal accounting officer of NN, Inc., certify that:

- 6) I have reviewed this annual report on Form 10-K of NN, Inc.
- 7) Based on my knowledge, this annual 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 annual report;
- 8) Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.
- 9) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 10) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2005

Signature: /S/ STEVEN W. FRAY

Steven W. Fray
Principal Accounting Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of NN, Inc. (the "Company") on Form 10-K for the annual period ended December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and date indicated below, hereby certifies pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2005

/s/ Roderick R. Baty

Roderick R. Baty
Chairman, President and Chief Executive Officer
(principal executive officer)

[A signed original of this written statement required by Section 906 has been provided to NN, Inc. and will be retained by NN, Inc. and furnished to the Securities and Exchange Commission or it's staff upon request.]

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of NN, Inc. (the "Company") on Form 10-K for the annual period ended December 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and date indicated below, hereby certifies pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2005

/s/ Steven W. Fray

Steven W. Fray
Corporate Controller
(Principal Accounting Officer)

[A signed original of this written statement required by Section 906 has been provided to NN, Inc. and will be retained by NN, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]