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

FORM 10-Q

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

For the quarterly period ended June 30, 2005

OR

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

For the transition period from _________ to _________

Commission File Number 0-23486

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

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

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [X] No [_]

As of August 1, 2005 there were 17,176,172 shares of the registrant's common stock, par value $0.01 per share, outstanding.

NN, Inc.
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NN, Inc.
Consolidated Statements of Income and Comprehensive Income
(Unaudited)

(Thousands of Dollars, Except Per Share Data)	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Net sales	$ 83,787	$75,265	$ 170,502	$152,897
Cost of products sold (exclusive of depreciation shown separately below)	66,005	58,937	133,670	119,326
Selling, general and administrative	7,297	8,041	14,782	15,184
Depreciation and amortization	4,130	3,969	8,303	7,918
Loss on disposal of assets	2	--	6	--
Income from operations	6,353	4,318	13,741	10,469
Interest expense, net	1,025	932	2,008	1,824
Other (income) expense, net	(168)	25	(340)	(31)
Income before provision for income taxes	5,496	3,361	12,073	8,676
Provision for income taxes	2,184	1,375	4,736	3,472
Net income	3,312	1,986	7,337	5,204
Other comprehensive income (loss):				
Unrealized holding gain on securities, net of tax	--	--	(73)	--
Foreign currency translation	(5,895)	(524)	(9,965)	(3,013)
Comprehensive income (loss)	$ (2,583)	$ 1,462	$ (2,701)	$ 2,191
Basic income per common share:	$ 0.20	$ 0.12	$ 0.43	$ 0.31
Weighted average shares outstanding	16,971	16,721	16,914	16,713
Diluted income per common share:	$ 0.19	$ 0.12	$ 0.43	$ 0.30
Weighted average shares outstanding	17,328	17,177	17,252	17,176
Cash dividends per common share	$ 0.08	$ 0.08	$ 0.16	$ 0.16

See accompanying notes.

NN, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(Thousands of Dollars)	June 30, 2005	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 8,038	$ 10,772
Accounts receivable, net	56,554	51,597
Inventories, net	33,161	35,629
Income tax receivable	2,837	4,401
Other current assets	9,183	5,939
Total current assets	109,773	108,338
Property, plant and equipment, net	115,214	131,169
Goodwill, net	42,044	44,457
Other assets	5,840	5,905
Total assets	$ 272,871	$ 289,869
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 38,869	$ 45,217
Accrued salaries and wages	13,944	16,332
Income taxes	3,459	1,599
Current maturities of long-term debt	7,255	7,160
Other current liabilities	3,061	4,123
Total current liabilities	66,588	74,431
Non-current deferred tax liability	16,760	17,857
Long-term debt	64,669	67,510
Accrued pension and other	13,009	14,931
Total liabilities	161,026	174,729
Total stockholders' equity	111,845	115,140
Total liabilities and stockholders' equity	$ 272,871	$ 289,869

See accompanying notes.

NN, Inc.
Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

(Thousands of Dollars and Shares)	Common Stock Number Of Shares	Common Stock Par value	Additional paid in capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2004	16,712	$168	$ 52,960	$ 43,931	$ 9,409	$ 106,468
Shares issued	15	--	89	--	--	89
Net income	--	--	--	5,204	--	5,204
Dividends declared	--	--	--	(2,674)	--	(2,674)
Other comprehensive income (loss)	--	--	--	--	(3,013)	(3,013)
Balance, June 30, 2004	16,727	$168	$ 53,049	$ 46,461	$ 6,396	$ 106,074
Balance, January 1, 2005	16,777	$168	$ 53,423	$ 45,676	$ 15,873	$ 115,140
Shares issued	285	3	2,120	--	--	2,123
Net income	--	--	--	7,337	--	7,337
Dividends declared	--	--	--	(2,717)	--	(2,717)
Unrealized holding gain on available for sale securities	--	--	--	--	(73)	(73)
Other comprehensive income (loss)	--	--	--	--	(9,965)	(9,965)
Balance, June 30, 2005	17,062	$171	$ 55,543	$ 50,296	$ 5,835	$ 111,845

See accompanying notes.

NN, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(Thousands of Dollars)	Six Months Ended June 30, 2005	2004
Operating Activities:		
Net income	$ 7,337	$ 5,204
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation and amortization	8,303	7,918
Amortization of debt issue costs	119	106
Write-off of unamortized debt issue costs	--	260
Gain (loss) on disposal of property, plant and equipment	6	(2)
Changes in operating assets and liabilities:		
Accounts receivable	(8,563)	(7,951)
Inventories	277	3,694
Other current assets	(2,969)	86
Other assets	(314)	(222)
Accounts payable	(4,549)	2,959
Income tax receivable	1,274	1,259
Other liabilities	(599)	81
Net cash provided by operating activities	322	13,392
Investing Activities:		
Acquisition of property, plant, and equipment	(2,906)	(5,178)
Proceeds from disposals of property, plant and equipment	--	87
Net cash used by investing activities	(2,906)	(5,091)
Financing Activities:		
Proceeds from long-term debt	--	40,000
Proceeds from short-term debt	899	--
Increase in cash from reclassification of book overdraft	2,008	--
Debt issue costs paid	--	(703)
Repayment of long-term debt	(1,560)	(41,075)
Repayment of short-term debt	--	(2,000)
Proceeds from issuance of stock	2,123	90
Dividends paid	(2,717)	(2,674)
Net cash provided (used) by financing activities	753	(6,362)
Effect of exchange rate changes on cash and cash equivalents	(903)	(273)
Net Change in Cash and Cash Equivalents	(2,734)	1,666
Cash and Cash Equivalents at Beginning of Period	10,772	4,978
Cash and Cash Equivalents at End of Period	$ 8,038	$ 6,644

See accompanying notes.

NN, Inc.
Notes To Consolidated Financial Statements
(unaudited)

Note 1. Interim Financial Statements

The accompanying consolidated financial statements of NN, Inc. (the "Company") have not been audited by our independent registered public accounting firm, except that the balance sheet at December 31, 2004 is derived from the Company's audited financial statements. In the opinion of the Company's management, the financial statements reflect all adjustments necessary to present fairly the results of operations for the three and six month periods ended June 30, 2005 and 2004, the Company's financial position at June 30, 2005 and December 31, 2004, and the cash flows for the six month periods ended June 30, 2005 and 2004. These adjustments are of a normal recurring nature and are, in the opinion of management, necessary for fair presentation of the financial position and operating results for the interim periods. As used in this Quarterly Report on Form 10-Q, the terms "NN", "the Company", "we", "our", or "us" mean NN, Inc. and its subsidiaries.

Certain information and footnote disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. These Condensed, Consolidated, Unaudited Financial Statements should be read in conjunction with our audited Consolidated Financial Statements and the Notes thereto included in our most recent annual report on Form 10-K which we filed with the Securities and Exchange Commission on March 16, 2005.

The results for the first and second quarters of 2005 are not necessarily indicative of future results.

Note 2. Derivative Financial Instruments

We have an interest rate swap accounted for in accordance with Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities", effective January 1, 2001. The Company adopted SFAS No. 133 on January 1, 2001, which establishes accounting and reporting standards for derivative instruments and for hedging activities. The Standard requires the recognition of all derivative instruments on the balance sheet at fair value. The Standard allows for hedge accounting if certain requirements are met including documentation of the hedging relationship at inception and upon adoption of the Standard.

In connection with a variable Euribor rate debt financing in July 2000, our subsidiary, NN Europe ApS (formerly known as NN Euroball 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 its 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 initially established 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.

As of June 30, 2005, the fair value of the swap was approximately $108,000 which is recorded in other non-current liabilities. The change in fair value during the three and six month periods ending June 30, 2005 was a loss of approximatley $46,000 and a loss of approximately $60,000, respectively, which have been included as components of other (income)expense. The change in fair value during the three and six month periods ending June 30, 2004 was a loss of approximately $8,000 and a gain of approximately $84,000, respectively.

Inventories

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

Inventories are comprised of the following (in thousands):

	June 30, 2005	December 31, 2004
Raw materials	$ 8,396	$ 8,584
Work in process	6,417	6,356
Finished goods	19,793	22,334
Less inventory reserves	(1,445)	(1,645)
	$ 33,161	$ 35,629

Inventories on consignment at customer locations as of June 30, 2005 and December 31, 2004 totaled $3.8 million at each date.

Note 4. Net Income Per Share

(Thousands of Dollars, Except Share and Per Share Data)	Three months ended June 30, 2005	Three months ended June 30, 2004	Six months ended June 30, 2005	Six months ended June 30, 2004
Net income	$ 3,312	$ 1,986	$ 7,337	$ 5,204
Weighted average basic shares	16,970,929	16,720,858	16,914,044	16,712,867
Effect of dilutive stock options	357,487	455,695	338,150	462,832
Weighted average dilutive shares outstanding	17,328,416	17,176,553	17,252,194	17,175,699
Basic net income per share	$ 0.20	$ 0.12	$ 0.43	$ 0.31
Diluted net income per share	$ 0.19	$ 0.12	$ 0.43	$ 0.30

Excluded from the shares outstanding for each of the periods ended June 30, 2005 and 2004 were 357,000 and 438,000 antidilutive options, respectively, which had exercise prices of $12.62 as of June 30, 2005 and as of June 30, 2004.

Note 5. Segment Information

During 2005 and 2004, the Company's reportable segments are based on differences in product lines and geographic locations and are divided among Domestic Ball and Roller, European operations ("NN Europe") and Plastic and Rubber Components. The Domestic Ball and Roller Segment is comprised of two manufacturing facilities in the eastern United States. The NN Europe Segment is comprised of precision ball, roller and metal cage manufacturing facilities located in Kilkenny, Ireland; Eltmann, Germany; Pinerolo, Italy; Kysucke Nove Mesto, Slovakia (which began production in the second quarter of 2004); and Veenendaal, The Netherlands ("Veenendaal"). All of the facilities in the Domestic Ball and Roller Segment are engaged in the production of precision balls and rollers used primarily in the bearing industry. All of the facilities in the NN Europe Segment are engaged in the production of precision balls used primarily in the bearing industry, except for Veenendaal which is engaged in the production of tapered rollers and cages for use primarily in the bearing industry. The Plastic and Rubber Components Segment is comprised of the Industrial Molding Corporation ("IMC") business, located in Lubbock, Texas and The Delta Rubber Company ("Delta") business, located in Danielson, Connecticut. IMC is engaged in the production of plastic injection molded products for the bearing, automotive, instrumentation, fiber optic and office automation markets. Delta is engaged principally in the production of engineered bearing seals used principally in automotive, industrial, agricultural, mining and aerospace applications.

The accounting policies of each segment are the same as those described in the summary of significant accounting policies in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004. We evaluate segment performance based on profit or loss from operations before income taxes. We account for inter-segment sales and transfers at current market prices; however, we did not have any material inter-segment transactions during the three or six month periods ended June 30, 2005 or 2004.

	Three Months Ended June 30,					
	2005			2004		
(In Thousands of Dollars)	Domestic Ball & Roller	NN Europe Segment	Plastic and Rubber Components	Domestic Ball & Roller	NN Europe Segment	Plastic and Rubber Components
Revenues from external customers	$ 16,508	$ 52,773	$ 14,506	$ 14,550	$ 48,387	$ 12,328
Pretax profit (loss)	374	5,147	(25)	(137)	3,088	410
Assets	51,818	162,716	58,337	50,072	157,027	56,761

	Six Months Ended June 30,					
	2005			2004		
(In Thousands of Dollars)	Domestic Ball & Roller	NN Europe Segment	Plastic and Rubber Components	Domestic Ball & Roller	NN Europe Segment	Plastic and Rubber Components
Revenues from external customers	$ 32,435	$108,711	$ 29,356	$ 28,977	$ 98,441	$ 25,479
Pretax profit (loss)	1,698	9,698	677	630	6,878	1,168
Assets	51,818	162,716	58,337	50,072	157,027	56,761

Note 6. Acquisitions

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 for the six month periods ended June 30, 2005 and 2004 of approximately $0.4 million and $0.1 million, respectively, were classified as selling, general and administrative expense and are included in the Domestic Ball and Roller Segment.

On July 22, 2005, we acquired an adjacent building to the existing building in Kysucke Nove Mesto, Slovakia for approximately 1.2 million Euros ($1.4 million), which will allow for future growth in manufacturing capacity.

Note 7. Pensions

In December 2003 the FASB issued SFAS No. 132 (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 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. At June 30, 2005, we have complied with the disclosure requirements of SFAS No. 132R. We have a defined benefit pension plan covering the employees at our Eltmann, Germany facility. The benefits are based on the expected years of service including the rate of compensation increase. The plan is unfunded.

Components of Net Periodic Pension Cost:

(In Thousands of Dollars)	Three months ended June 30, 2005	Three months ended June 30, 2004	Six months ended June 30, 2005	Six months ended June 30, 2004
Service cost	$ 25	$ 26	$ 52	$ 52
Interest cost	50	58	103	116
Amortization of net gain	3	--	5	--
Net periodic pension cost	$ 78	$ 84	$ 160	$ 168

We expect to contribute approximately $0.3 million to our pension plan in 2005. As of June 30, 2005, approximately $0.2 million of contributions have been made.

Note 8. New Accounting Pronouncements

In March 2005 the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"). FIN 47 clarifies that the term "conditional asset retirement obligation" as used in FASB Statement No. 143, "Accounting for Asset Retirement Obligations", refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. We are currently evaluating the impacts of FIN 47 on the Company's consolidated financial statements.

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 was effective for 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 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 that these items be recognized as current-period charges. In addition, SFAS No. 151 requires that 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.

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.

Note 9. Long-Term Debt and Short-Term Debt

On May 1, 2003, we entered into a $90.0 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 "$90.0 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") expiring on March 15, 2005, subsequently extended to June 30, 2007 bearing interest at a floating rate equal to LIBOR (3.34% at June 30, 2005) 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 (3.34% at June 30, 2005) 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 (2.10% at June 30, 2005) 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 $40.0 million notes and we no longer have borrowing capacity under that portion of the $90.0 million credit facility. The terms of the $30.0 million revolver and the 26.3 million Euro term loan remain unchanged. 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 June 30, 2005.

On April 26, 2004 we issued $40.0 million aggregate principal amount of senior notes in a private placement (the "$40.0 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 June 30, 2005, $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, $24.0 million, and repay a portion, of our borrowings under our US dollar denominated revolving credit facility, $13.0 million, which are both components of our $90.0 million credit facility, and to repay other short term borrowings totaling approximately $4.7 million. 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. We were in compliance with all such covenants as of June 30, 2005. The notes are not collateralized except for the pledge of stock of certain foreign subsidiaries. We incurred $0.7 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.

Debt outstanding under the various agreements as of June 30, 2005 and December 31, 2004 was as follows:

(In Thousands of Dollars)	June 30, 2005	December 31, 2004
$90 million credit facility		
Current maturities of long-term debt	$ 7,255	$ 7,160
Long-term debt	24,669	27,510
Total	$31,924	$34,670
$40 million notes		
Current maturities of long-term debt	--	--
Long-term debt	40,000	40,000
Total	$40,000	$40,000

The fair value of our fixed rate long-term borrowings are estimated using discounted cash flow analysis based on our incremental borrowing rates for similar types of borrowing arrangements. We estimate the fair value of the $40.0 million notes to be $40.1 million at June 30, 2005 and $40.4 million at December 31, 2004.

As a result of the Company's cash management system, checks issued but not presented to the banks for payment may create negative book cash balances. Such negative balances are included in accounts payable and totaled 2.0 million and 0.0 as of June 30, 2005 and December 30, 2004, respectively.

Note 10. Goodwill

The changes in the carrying amount of goodwill for the six month periods ended June 30, 2005 and the twelve month period ended December 31, 2004 are as follows::

(In Thousands of Dollars)	Plastic and Rubber Components Segment	NN Europe Segment	Total
Balance as of January 1, 2004	$25,755	$17,138	$42,893
Currency impacts/reclassification	--	1,564	1,564
Balance as of December 31, 2004	$25,755	$18,702	$44,457
Balance as of January 1, 2005	$25,755	$18,702	$44,457
Currency impacts	--	(2,413)	(2,413)
Balance as of June 30, 2005	$25,755	$16,289	$42,044

Note 11. Stock Compensation

We have adopted the provisions of SFAS 123, which encourages but does not require a fair value based method of accounting for stock compensation plans. We have elected to continue accounting for our stock compensation plan using the intrinsic value based method under Auditing Practices Board ("APB") Opinion No. 25 and, accordingly, have not recorded compensation expense for the three and six month periods ended June 30, 2005 and June 30, 2004, except as related to stock options accounted for under the variable method of accounting. Had compensation cost for our stock compensation plan been determined based on the fair value at the option grant dates, our net income and earnings per share would have been changed to the pro-forma amounts indicated below:

(In Thousands, Except per Share Data)	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Net income - as reported	$3,312	$1,986	$7,337	$ 5,204
Stock based compensation costs (income), net of income tax, included in net income as reported	3	79	(59)	12
Stock based compensation costs, net of income tax, that would have been included in net income if the fair value method had been applied	(34)	(8)	(469)	(64)
Net income - pro-forma	$3,281	$2,057	$6,809	$5,152
Basic earnings per share - as reported	$ 0.20	$ 0.12	$ 0.44	$ 0.31
Stock based compensation costs (income), net of income tax, included in net income as reported	--	--	--	--
Stock based compensation costs, net of income tax, that would have been included in net income if the fair value method had been applied	--	--	(0.03)	--
Basic earnings per share - pro-forma	$ 0.20	$ 0.12	$ 0.41	$ 0.31
Earnings per share-assuming dilution - as reported	$ 0.19	$ 0.12	$ 0.43	$ 0.30
Stock based compensation costs (income), net of income tax, included in net income as reported	--	--	--	--
Stock based compensation costs, net of income tax, that would have been included in net income if the fair value method had been applied	--	--	(0.03)	--
Earnings per share - assuming dilution-pro-forma	$ 0.19	$ 0.12	$ 0.40	$ 0.30

The fair value of each option grant was estimated based on actual information available through June 30, 2005 and 2004 using the Black Scholes option-pricing model with the following assumptions:

Term	-	Vesting period
Risk free interest rate	-	3.76% and 3.79% at June 30, 2005 and 2004, respectively
Dividend yield	-	2.52% and 2.52% at June 30, 2005 and 2004, respectively
Volatility	-	46.47% and 48.59% at June 30, 2005 and 2004, respectively

Note 12. Lease Commitment

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 half 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 satisfied 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 June 30, 2005, 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 under the same terms and conditions as the original agreement.

Note 13. Restructuring 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 be completed during 2005. As a result, during 2004, the Company recorded restructuring charges of approximately 1.7 million Euro ($2.3 million) related to severance costs of approximately $2.1 million and other related charges of approximately $0.2 million. 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 were recorded in restructuring and impairment costs, a component of income from operations in the fourth quarter of 2004.

The following summarizes the restructuring charges related to the restructuring at the Company's Eltmann, Germany facility for the twelve months ended December 31, 2004 and the six months ended June 30, 2005:

Twelve months ended December 31, 2004

(In Thousands of Dollars)	Reserve Balance at 01/01/04	Charges	Paid in 2004	Currency Impacts	Reserve Balance at 12/31/04
Severance and other employee costs	$ --	$ 2,290	$ --	$ --	$ 2,290
	$ --	$ 2,290	$ --	$ --	$ 2,290

Six months ended June 30, 2005

(In Thousands of Dollars)	Reserve Balance at 01/01/05	Charges	Paid in 2005	Currency Impacts	Reserve Balance at 06/30/05
Severance and other employee costs	$ 2,290	$ --	$ (410)	$ (213)	$ 1,667
	$ 2,290	$ --	$ (410)	$ (213)	$ 1,667

We expect to pay all amounts during 2005 and no additional charges are expected to be incurred.

Item 2.

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

Overview and Management Focus

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

- Captive growth, providing a competitive and attractive alternative to the operations of our global customers
- Expansion of our bearing product offering, and
- 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:

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

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

- Sales growth
- Cost of products sold levels
- Selling, general and administrative expense levels
- Net income
- 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 59% and 18% 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%.

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.

Results of Operations

Three Months Ended June 30, 2005 Compared to the Three Months Ended June 30, 2004

Net Sales. Net sales increased by approximately $8.5 million, or 11.3%, from $75.3 million for the second quarter of 2004 to $83.8 million for the second quarter of 2005. By segment, sales increased $4.4 million, $2.2 million and $1.9 million for the NN Europe Segment, Plastic and Rubber Components Segment, and the Domestic Ball and Roller Segment, respectively. Within the NN Europe Segment, approximately $2.0 million of the increase is related to the impact of currency exchange rates, approximately $1.6 million of the increase is related to price adjustments associated with raw material pass through and approximately $0.8 million is related to increases in product demand. Within the Plastics and Rubber Component Segment, approximately $1.8 million of the increase is related to increased product demand and approximately $0.4 million is related to price adjustments associated with raw material pass through. Within the Domestic Ball and Roller Segment, approximately $1.3 million is related to price adjustments associated with raw material pass through and approximately $0.6 million related to increased product demand.

Cost of Products Sold. Cost of products sold increased by approximately $7.1 million, or 12.1%, from $58.9 million for the second quarter of 2004 to $66.0 million for the second quarter of 2005. By segment, cost of products sold increased $2.7 million, $2.5 million and $1.9 million for the Plastics and Rubber Component Segment, the NN Europe Segment and the Domestic Ball and Roller Segment, respectively. Within the Plastics and Rubber Components Segment, approximately $1.8 million is related to increases in volume and approximately $0.9 million is related to increased material costs, principally higher resin costs at our Industrial Molding facility. Within the NN Europe Segment, approximately $1.6 million is related to the impact of currency exchange rates and approximately $1.8 million is related to increases in volume and increased material costs offset by productivity improvements of approximately $0.9 million. Within the Domestic Ball and Roller Segment, approximately $0.9 million is related to increases in material cost, approximately $0.6 million is related to transportation fuel surcharges and inventory reductions and approximately $0.4 million is related to increased volume. As a percentage of net sales, cost of products sold increased from 78.2% during the second quarter of 2004 to 78.8% during the second quarter of 2005.

The price of steel has risen over the last twelve to eighteen months with the potential for prices for the remainder of 2005 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. Unless we can continue to pass these increases 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 decreased by approximately $0.7 million, or 8.8%, from $8.0 million during the second quarter of 2004 to $7.3 million during the second quarter of 2005. By segment, selling, general and administrative expenses decreased $0.4 million and $0.3 million for the NN Europe Segment and the Domestic Ball and Roller Segment, respectively. Within the NN Europe Segment the decrease is principally related to lower consulting costs. Within the Domestic Ball and Roller Segment the decrease is principally related to lower Sarbanes-Oxley compliance costs. As a percentage of net sales, selling, general and administrative expenses decreased from 10.6% during the second quarter of 2004 to 8.7% during the second quarter of 2005.

Depreciation and Amortization. Depreciation and amortization expenses increased by approximately $0.1 million, or 2.5%, from $4.0 million for the second quarter of 2004 to $4.1 million for the second quarter of 2005. The increase is principally related to the impact of foreign currency exchange rates within the NN Europe Segment. As a percentage of net sales, depreciation and amortization expense decreased from 5.3% during the second quarter of 2004 to 4.9% during the second quarter of 2005.

Interest Expense. Interest expense increased by approximately $0.1 million, or 11.1%, from $0.9 million in the second quarter of 2004 to $1.0 million in the second quarter of 2005. The increase is principally related increased market interest rates. See "Liquidity and Capital Resources".

Net Income. Net income increased by approximately $1.3 million, or 65%, from $2.0 million in the second quarter of 2004 to $3.3 million in the second quarter of 2005. As a percentage of net sales, net income increased from 2.7% during the second quarter of 2004 to 3.9% during the second quarter of 2005.

Six Months Ended June 30, 2005 Compared to the Six Months Ended June 30, 2004

Net Sales. Net sales increased by approximately $17.6 million, or 11.5%, from $152.9 million for the first six months of 2004 to $170.5 million for the first six months of 2005. By segment, sales increased $10.3 million, $3.9 million and $3.4 million for the NN Europe Segment, the Plastic and Rubber Components Segment and the Domestic Ball and Roller Segment, respectively. Within the NN Europe Segment, approximately $5.1 million of the increase is related to the impact of currency exchange rates, approximately $3.2 million of the increase is related to price adjustments associated with raw material pass through and approximately $2.0 million is related to increases in product demand. Within the Plastic and Rubber Components Segment, approximately $3.1 million of the increase is related to increased product demand and approximately $0.8 million is related to price adjustments associated with raw material pass through. Within the Domestic Ball and Roller Segment, approximately $2.4 million of the increase is related to price adjustments associated with raw material pass through and approximately $1.1 million is related to increases in product demand.

Cost of Products Sold. Cost of products sold increased by approximately $14.4 million, or 12.1%, from $119.3 million for the first six months of 2004 to $133.7 million for the first six months of 2005. By segment, cost of products sold increased $7.4 million, $4.6 million and $2.4 million for the NN Europe Segment, the Plastics and Rubber Component Segment and the Domestic Ball and Roller Segment, respectively. Within the NN Europe Segment, approximately $4.3 million of the increase is related to the impact of currency exchange rates and approximately $4.4 million is related to increases in volume and approximately $0.8 million is related to increased material costs. These increases were offset by approximately $2.1 million of productivity improvements. Within the Plastics and Rubber Component Segment, approximately $2.7 million is related to increased volume and approximately $1.9 million is related to increases in raw material costs. Within the Domestic Ball and Roller Segment, approximately $1.1 million of the increase is related to increased material cost, approximately $0.7 million is related to increased volume and approximately $0.6 million is related to transportation fuel surcharges and inventory reductions. As a percentage of net sales, cost of products sold increased from 78.0% during first six months of 2004 to 78.4% during the first six months of 2005.

The price of steel has risen over the last twelve to eighteen months with the potential for prices for the remainder of 2005 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. Unless we can continue to pass these increases 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 decreased by approximately $0.4 million or 2.6% from $15.2 million during the first six months of 2004 to $14.8 million during the first six months of 2005. By segment, selling, general and administrative expenses decreased $0.2 million, $0.1 million and $0.1 million for the NN Europe Segment, Domestic Ball and Roller Segment

and the Plastic and Rubber Components Segment, respectively. Within the NN Europe Segment, the decrease is related principally to decreased lower consulting costs of approximately $0.6 million, offset by the negative impact of foreign currency exchange rates of approximately $0.4 million. Within the Domestic Ball and Roller Segment and the Plastics and Rubber Components Segment the decrease is principally related to decreased Sarbanes-Oxley compliance costs. As a percentage of net sales, selling, general and administrative expenses decreased from 9.9% during the first six months of 2004 to 8.7% during the first six months of 2005.

Depreciation and Amortization. Depreciation and amortization expenses increased by approximately $0.3 million or 3.8% from $8.0 million for the first six months of 2004 to $8.3 million for the first six months of 2005. By segment, depreciation and amortization expenses increased by $0.3 million and $0.2 million for the NN Europe Segment and the Plastics and Rubber Component Segments, respectively and decreased by $0.2 million for the Domestic Ball and Roller Segment. Within the NN Europe Segment, the $0.3 million increase is principally related to the impact of foreign currency exchange rates. Within the Plastics and Rubber Components Segment the increase is a result of capital investments in machinery and equipment. Within the Domestic Ball and Roller Segment, the $0.2 million decrease is a result of a lower level of capital investments in machinery and equipment for the period. As a percentage of net sales, depreciation and amortization expense decreased from 5.2% for the first six months of 2004 to 4.9% for the first six months of 2005.

Interest Expense. Interest expense increased by approximately $0.2 million from $1.8 million in the first six months of 2004 to $2.0 million in the first six months of 2005. The increase is principally related to increased market interest rates. See "Liquidity and Capital Resources".

Net Income. Net income increased by approximately $2.1 million, or 40.4%, from $5.2 million in the first six months of 2004 to $7.3 million in the first six months of 2005. As a percentage of net sales, net income increased from 3.4% during the first six months of 2004 to 4.3% during the first six months of 2005.

Liquidity and Capital Resources

On May 1, 2003, we entered into a $90.0 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 "$90.0 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") expiring on March 15, 2005, subsequently extended to June 30, 2007 bearing interest at a floating rate equal to LIBOR (3.34% at June 30, 2005) 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 (3.34% at June 30, 2005) 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 (2.10% at June 30, 2005) 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 $40.0 million notes and we no longer have borrowing capacity under that portion of the $90.0 million credit facility. The terms of the $30.0 million revolver and the 26.3 million Euro term loan remain unchanged. 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 June 30, 2005.

On April 26, 2004 we issued $40.0 million aggregate principal amount of senior notes in a private placement (the "$40.0 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 June 30, 2005, $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, $24.0 million, and repay a portion, of our borrowings under our US dollar denominated revolving credit facility, $13.0 million, which are both components of our $90.0 million credit facility, and to repay other short term borrowings totaling approximately $4.7 million. 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. We were in compliance with all such covenants as of June 30, 2005. The notes are not collateralized except for the pledge of stock of certain foreign subsidiaries. We incurred $0.7 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.

Amounts outstanding under the $90.0 million credit facility and the $40.0 million note as of June 30, 2005 were $31.9 million and $40.0 million, respectively. See Note 9 of the Notes to Consolidated Financial Statements.

Our arrangements with our domestic customers typically provide that payments are due within 30 days following the date of shipment of goods by us, while arrangements with certain export customers (other than export customers that have entered into an inventory management program with the Company) generally provide that payments are due within either 90 or 120 days following the date of shipment. Our net sales have historically been of a seasonal nature due to our relative percentage of European business coupled with slower European production during the month of August.

We bill and receive payment from some of our customers in Euros as well as other currencies. To date, we have not been materially adversely affected by currency fluctuations. Nonetheless, as a result of these sales, our 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 June 30, 2005, no currency hedges were in place. In addition, a strengthening of the U.S. dollar and/or Euro against foreign currencies could impair our ability to compete with international competitors for foreign as well as domestic sales.

Working capital, which consists principally of accounts receivable and inventories, was $43.2 million at June 30, 2005 as compared to $33.9 million at December 31, 2004. The ratio of current assets to current liabilities increased from 1.46:1 at December 31, 2004 to 1.65:1 at June 30, 2005. Cash flow from operations totaled $0.3 million during the first six months of 2005, compared with $13.4 million during the first six months of 2004. The primary reason for the reduction in operating cash flow was an increase in working capital related to the increase in our sales in the first half of 2005.

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. Of these amounts approximately $2.9 million has been spent through June 30, 2005. We intend to finance these activities with cash generated from operations and funds available under the credit facilities described above. We believe that funds generated from operations and borrowings from the credit facilities will be sufficient to finance our working capital needs and projected capital expenditure requirements through June 2006.

The Euro

We currently have operations in Italy, Germany, Ireland, and The Netherlands, all of which are Euro participating countries, and sell product to customers in many of the participating countries. The Euro has been adopted as the functional currency at these locations in the NN Europe Segment, except Slovakia whose functional currency is the Slovak Korona. Slovakia joined the European Union in May 2004 and the country is expected to adopt the Euro as its currency within several years.

Seasonality and Fluctuation in Quarterly Results

Our net sales historically have been of a seasonal nature due to a significant portion of our sales to European customers that cease or significantly slow production during the month of August.

Inflation and Changes in Prices

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, 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 may experience 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.

Critical Accounting Policies

Our significant accounting policies, including the assumptions and judgments underlying them, are disclosed in the Company's Annual Report on Form 10-K, for the fiscal year ended December 31, 2004 including those policies as discussed in Note 1. 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 postretirement 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. Substantially all of the Company's accounts receivable are due primarily from the served markets: bearing manufacturers, automotive industry, electronics, industrial, agricultural and aerospace. 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 when considered to be 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-lived 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. 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.

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. Statements regarding capital expenditures, future borrowings, and financial commitments are forward-looking statements. Readers can identify 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 quarterly report on Form 10-Q, 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 production. As a result, the market for bearing components is also cyclical and impacted by overall levels of industrial production. Our sales in the past have been negatively affected, and in the future will be negatively affected, by adverse conditions in the industrial production sector 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, particularly in the case of our European operations, we could face higher prices and transportation costs, increased duties or taxes, and shortages of steel. Problems in obtaining steel, and particularly 52100 chrome steel, in the quantities that we require and on commercially reasonable terms, could increase our costs, negatively impact our ability to operate our business efficiently and have a material adverse effect on the operating and financial results of our Company.

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. During 2004, our ten largest customers accounted for approximately 81% 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 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:

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

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 could 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 two-thirds 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/FAG, in 2000 and acquired our bearing seal operations in 2001. During 2002, we purchased INA/FAG's minority interest in NN Europe and on May 2, 2003 we acquired SKF's minority interest in NN Europe, to become the sole owner at NN Europe. On May 2, 2003 we acquired SKF's tapered roller and metal cage manufacturing operations in Veenendaal, The Netherlands. On October 9, 2003 we acquired the precision ball producing assets of KLF-Gulickaren in Kysucke Nove Mesto, Slovakia. 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/FAG. Our ball and roller 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:

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

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.

Item 3. 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 June 30, 2005, we had $20.8 million outstanding under the domestic credit facilities, $40.0 million aggregate principal amount of senior notes outstanding and NN Europe had 9.2 million Euro ($11.1 million) outstanding under the Euro term loan. See Note 8 of the Notes to Consolidated Financial Statements. At June 30, 2005, a one-percent increase in the interest rate charged on our outstanding borrowings under our credit facilities, that are subject to variable interest rates, would result in interest expense increasing annually by approximately $0.3 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 the $90.0 million 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. On April 26, 2004, we issued $40.0 million of aggregate principal amounts of senior notes in a private placement, replacing a portion of our $90.0 million credit facility, 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 our operating cash flows denominated in foreign currencies is impacted by changes in foreign exchange rates. Our NN Europe Segment bills and receives payments from some of its foreign customers in their own currency. To date, we have not been materially adversely affected by currency fluctuations or foreign exchange restrictions. However, to help reduce exposure to foreign currency fluctuation, management has incurred debt in Euros and has periodically used foreign currency hedges. These currency hedging programs allow management to hedge currency exposures when these exposures meet certain discretionary levels. We did not hold a position in any foreign currency hedging instruments as of June 30, 2005.

Item 4. Controls and Procedures

As of June 30, 2005, we carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures are effective.

There have been no changes in this fiscal quarter in the Company's internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

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

Item 2. Change in Securities and Use of Proceeds

None

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

The Company's Annual Meeting of Stockholders was held on May 18, 2005. As of March 31, 2005, the record date for the meeting, there were 16,910,579 shares of common stock outstanding and entitled to vote at the meeting. There were present at said meeting, in person or by proxy, stockholders holding 15,741,978 shares of common stock, constituting approximately 93% of the shares of common stock outstanding and entitled to vote, which constituted a quorum.

The first matter voted upon at the meeting was the election of G. Ronald Morris and Steven T. Warshaw as Class III Directors to serve for three-year terms each. The vote was 14,935,210 and 15,256,175 For and 806,768 and 485,803 Withheld for Messrs. Morris and Warshaw, respectively.

The nominees were elected to serve until the 2008 Annual Meeting of Stockholders and until their successors are duly elected and qualified. In addition to the foregoing directors, Roderick R. Baty and Robert M. Aiken, Jr. are serving terms that will expire in 2006, and Michael E. Werner is serving a term that will expire in 2007.

The second matter voted upon at the meeting was the proposal to approve the NN, Inc. 2005 Stock Incentive Plan. The vote was 8,993,991 For and 4,006,289 Against, and there were 355,990 Abstentions and 2,385,708 Broker Non-Votes.

The third matter voted upon at the meeting was the ratification of PricewaterhouseCoopers LLP as the Company's registered independent public accounting firm for the fiscal year ending December 31, 2005. The vote was 14,821,408 For, 914,522 Against and 6,048 abstentions.

Item 5. Other Information

None

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

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

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.

Reports on Form 8-K

The Company furnished a Form 8-K, in response to Items 12 and 7, on April 28, 2005 announcing its first quarter 2005 earnings.

The Company furnished a Form 8-K, in response to Item 5, on June 10, 2005 announcing the appointment of a Corporate Chief Financial Officer.

SIGNATURES

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

NN, Inc.
(Registrant)

Date: August 9, 2005

/s/ Roderick R. Baty

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

Date: August 9, 2005

/s/ James H. Dorton

James H. Dorton
Vice President - Corporate Development
and Chief Financial Officer
(Principal Financial Officer)
(Duly Authorized Officer)

Date: August 9, 2005

/s/ William C. Kelly, Jr.

William C. Kelly, Jr.,
Vice President and
Chief Administrative Officer
(Duly Authorized Officer)

Exhibit 31.1

CERTIFICATIONS

I, Roderick R. Baty, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officers 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)) 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) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) 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 an 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 officers 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: August 9, 2005

/s/ Roderick R. Baty

Roderick R. Baty
Chairman, President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, James H. Dorton, certify that:

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

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officers 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)) 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) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) 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 an 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 officers 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: August 9, 2005

/s/ James H. Dorton

James H. Dorton
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NN, Inc. (the "Company") on Form 10-Q for the interim period ended June 30, 2005, 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: August 9, 2005

/s/ Roderick R. Baty

Roderick R. Baty
Chairman, President and Chief
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 its staff upon request.]

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT
TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NN, Inc. (the "Company") on Form 10-Q for the interim period ended June 30, 2005, 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: August 9, 2005

/s/ James H. Dorton

James H. Dorton
Chief Financial 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.]