

**UNITED STATES
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, 2011**

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
Common Stock, par value \$.01

Name of each exchange on which registered
The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates of the registrant at June 30, 2011, based on the closing price on the NASDAQ Stock Market LLC on that date was approximately \$252,285,440.

The number of shares of the registrant's common stock outstanding on March 9, 2012 was 16,948,632

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement with respect to the 2011 Annual Meeting of Stockholders are incorporated by reference in Part III, Items 10 to 14 of this Annual Report on Form 10-K as indicated herein.

Forward-Looking Statements

We wish to caution readers that this report contains, and our future filings, press releases and oral statements made by our 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. Our actual results could differ materially from those expressed in such forward-looking statements due to important factors bearing on our business, many of which already have been discussed in this filing and in our prior filings. The differences could be caused by a number of factors or combination of factors including the risk factors discussed in “Item 1A Risk Factors” of this Annual Report on Form 10-K.

Item 1. Business Overview

NN, Inc. has three operating segments, the Metal Bearing Components Segment, the Plastic and Rubber Components Segment, and the Precision Metal Components Segment. 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.

Within the Metal Bearing Components Segment, we manufacture and supply high precision bearing components, consisting of balls, cylindrical rollers, tapered rollers, and metal retainers, for leading bearing manufacturers on a global basis. We are a leading independent manufacturer of precision steel bearing balls and rollers for the North American, European and Asian markets. In 2011, Metal Bearing Components accounted for 73% of total NN, Inc. sales. Sales of balls and rollers accounted for approximately 68% of our total net sales with 49% of sales from balls and 19% of sales from rollers. Sales of metal bearing retainers accounted for 5% of net sales. Through a series of acquisitions and plant expansions, we have built upon our strong core ball business and expanded our bearing component product offering. Today, we offer one of the industry’s most complete lines 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 automotive, electrical, agricultural, construction, machinery, and mining markets.

Within the Plastic and Rubber Components Segment, we manufacture high precision rubber seals and plastic retainers for leading bearing manufacturers on a global basis. In addition, we manufacture specialized plastic products including automotive components, electronic instrument cases and other molded components used in a variety of industrial and consumer applications. Finally, we also manufacture rubber seals for use in various automotive, industrial and mining applications. In 2011, plastic products accounted for 7% of net sales and rubber seals accounted for 3% of net sales.

Our Precision Metal Components Segment is comprised of the Whirlaway Corporation (“Whirlaway”). Whirlaway is a manufacturer of highly engineered, difficult to manufacture precision metal components and subassemblies for the automotive, HVAC, fluid power and diesel engine markets. Our entry into the precision metal components market from 2006 is part of our strategy to serve markets and customers we view as adjacent to bearing components that utilize our core manufacturing competencies. These products accounted for 17% of net sales in 2011.

The three business segments are composed of the following manufacturing operations:

Metal Bearing Components Segment

- Erwin, Tennessee Ball and Roller Plant (“Erwin Plant”)
- Mountain City, Tennessee Ball Plant (“Mountain City Plant”)
- Pinerolo, Italy Ball Plant (“Pinerolo Plant”)
- Veenendaal, The Netherlands Roller and Stamped Metal Parts Plant (“Veenendaal Plant”)
- Kysucke Nove Mesto, Slovakia Ball Plant (“Kysucke Plant”)
- Kunshan, China Ball Plant (“Kunshan Plant”)

Plastic and Rubber Components Segment

- Delta Rubber Company, Danielson, Connecticut Rubber Seal Plant (“Danielson Plant”)
- Industrial Molding Corporation, Inc. Lubbock, Texas Plastic Injection Molding Plant (“Lubbock Plant”)

Precision Metal Components Segment

- Whirlaway Corporation, Wellington, Ohio Metal Components Plant 1 (“Wellington Plant 1”)
- Whirlaway Corporation, Wellington, Ohio Metal Components Plant 2 (“Wellington Plant 2”)

Financial information about the segments is set forth in Note 12 of the Notes to Consolidated Financial Statements.

Corporate Information

NN, originally organized in October 1980, is incorporated in Delaware. Our principal executive offices are located at 2000 Waters Edge Drive, Johnson City, Tennessee, and our telephone number is (423) 743-9151. Our website address is www.nnbr.com. Information contained on our website 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 related amendments are available via a link to “SEC.gov” on our website under “Investor Relations.” Additionally, all required interactive data pursuant to Item 405 of Regulation S-T is posted on our website.

Products

Metal Bearing Components Segment

Precision Steel Balls. At our Metal Bearing Components Segment facilities (with the exception of our Veenendaal Plant), we manufacture and sell high quality, precision steel balls in sizes ranging in diameter from 5/32 of an inch (3.969 mm) to 2 5/8 inches (66.675 mm). We produce and sell balls in grades ranging from grade 3 to grade 1000, according to international standards endorsed by the American Bearing Manufacturers Association. The grade number for a ball, in addition to defining allowable dimensional variation within production batches, indicates the degree of spherical precision of the ball; for example, grade 3 balls are manufactured to within three-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. Sales of precision steel balls accounted for approximately 67%, 69%, and 73% of the Metal Bearing Components Segment net sales in 2011, 2010, and 2009, respectively.

Steel Rollers. We manufacture tapered rollers at our Veenendaal and Erwin Plants and cylindrical rollers at our Erwin Plant. Rollers are an alternative rolling element used instead of balls in anti-friction bearings that typically have heavier loading or different speed requirements. Our roller products are used primarily for applications similar to those of our precision steel ball product line, plus certain non-bearing applications such as hydraulic pumps and motors. Tapered rollers are a component 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. Most cylindrical rollers are made to specific customer requirements for diameter and length and are used in a variety of industrial applications. Tapered rollers accounted for approximately 21%, 14%, and 10% of the Metal Bearing Components Segment net sales in 2011, 2010 and 2009, respectively. Cylindrical rollers accounted for approximately 5%, 4% and 4% of the Metal Bearing Components Segment net sales in 2011, 2010, and 2009, respectively.

Metal Retainers. We manufacture and sell precision metal retainers for roller bearings used in a wide variety of industrial applications. Retainers are used to separate and space the rolling elements (rollers) within a fully assembled bearing. We manufacture metal retainers at our Veenendaal Plant.

Plastic and Rubber Components Segment

Bearing Seals. At our Danielson Plant, 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 and mining markets.

Plastic Retainers. At our Lubbock Plant, we manufacture and sell precision plastic retainers for ball and roller bearings used in a wide variety of industrial applications. Retainers are used to separate and space the rolling elements (balls or rollers) within a fully assembled bearing.

Precision Plastic Components. At our Lubbock Plant, 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 industrial and consumer parts.

Precision Metal Components Segment

Precision Metal Components. We sell a wide range of highly engineered precision metal components and subassemblies. The precision metal components offered include highly engineered shafts, mechanical components, fluid system components and complex precision assembled and tested parts. The products are used in the following end markets: automotive, HVAC, fluid power and diesel engine.

Research and Development

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

Customers

Our products are supplied primarily to bearing manufacturers and automotive and industrial parts manufacturers for use in a broad range of industrial applications, including automotive, electrical, agricultural, construction, machinery and mining. Additionally, we supply precision metal, rubber, and plastic components to automotive and industrial companies that are not used in bearing assemblies. We supply approximately 400 customers; however, our top ten customers account for approximately 76% of our revenue. Sales to each of these top ten customers are made to multiple customer locations and divisions throughout the world. Only one of these customers, AB SKF ("SKF"), had sales levels that were over 10% of total net sales. Sales to various U.S. and foreign divisions of SKF accounted for approximately 38% of net sales in 2011. In 2011, 40% of our products were sold to customers in North America, 46% to customers in Europe, 10% to customers in Asia and the remaining 4% to customers in South America.

We sell our products to most of our largest customers under either sales contracts or agreed upon commercial terms. In general, we pass through material cost fluctuations when incurred to our customers in the form of changes in selling prices. 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. At the U.S. operations of our Metal Bearing Components Segment, we maintain a computerized, bar coded inventory management system with certain 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, additional product is automatically shipped.

During 2011, the Metal Bearing Components Segment sold products to approximately 250 customers located in 30 different countries. Approximately 87% of the net sales in 2011 were to customers outside the United States. Approximately 61% of net sales in 2011 were to customers within Europe. Sales to our top ten customers accounted for approximately 87% of the net sales in 2011.

During 2011, the Plastic and Rubber Components Segment sold its products to over 100 customers located principally in North America. Approximately 15% of the Plastic and Rubber Components Segment's net sales were to customers outside the United States, with the majority of those sales to customers in Mexico, Canada & Asia. Sales to the segment's top ten customers accounted for approximately 66% of the segment's net sales in 2011.

During 2011, the Precision Metal Components Segment sold its products to 15 customers located in four countries. Approximately 89% of all sales were to customers located within the United States. Sales to the segment's top ten customers accounted for approximately 96% of the segment's net sales in 2011.

In both the foreign and domestic markets, we principally sell our products directly to manufacturers and do not sell significant amounts through distributors or dealers.

See Note 12 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.

The following table presents a breakdown of our net sales for fiscal years 2011, 2010 and 2009:

<i>(In Thousands)</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Metal Bearing Components Segment	\$ 308,883	\$ 271,339	\$ 183,605
Percentage of Total Sales	72.7%	74.3%	70.7%
Precision Metal Components Segment	72,272	54,913	45,003
Percentage of Total Sales	17.0%	15.0%	17.4%
Plastic and Rubber Components Segment	43,536	39,117	30,775
Percentage of Total Sales	10.3%	10.7%	11.9%
Total	<u><u>\$ 424,691</u></u>	<u><u>\$ 365,369</u></u>	<u><u>\$ 259,383</u></u>
Percentage of Total Sales	<u>100%</u>	<u>100%</u>	<u>100%</u>

The change in value of Euro denominated sales resulted in net sales increasing \$11.1 million in 2011 and decreasing \$10.7 million in 2010 compared to the prior years when converted to U.S. Dollars.

Sales and Marketing

A primary emphasis of our marketing strategy is to expand key customer relationships by offering high quality, high precision products with the value of a single supply chain partner for a wide variety of components. 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. For the Precision Metal Components Segment and the Plastics and Rubber Components Segment, the current sales structure consists of using a direct sale force supported by senior segment management and engineering involvement with manufacturers' representatives utilized to supplement our direct sales force.

Our Metal Bearing Components Segment marketing strategy focuses on increasing our outsourcing relationships with global bearing manufacturers that maintain captive (in house) bearing component manufacturing operations. Our marketing strategy for the Plastic and Rubber Components Segment and the Precision Metal Components Segment is to offer custom manufactured, high quality, precision products to 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 and assemblies, enabling us to take advantage of our strengths in custom product development, equipment and tool design, component assembly and machining processes.

Our arrangements with both our U.S. and European customers typically provide that payments are due within 30 to 60 days following the date of shipment of goods. With respect to export customers of both our U.S. and European businesses, payments generally are due within 60 to 120 days following the date of shipment in order to allow for additional freight time and customs clearance. For some customers that participate in our 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. 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 cost competitively, while maintaining high quality standards.

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

Within the precision metal components industry, we are well positioned in the market by virtue of our focus on highly engineered, difficult to manufacture critical components, product development and component subassemblies.

Employees

As of December 31, 2011, we employed a total of 1,895 full-time employees and 259 full time equivalent temporary workers. The following numbers are for full time employees only. Our Metal Bearing Components Segment employed 285 in the U.S., 732 in Europe and 134 in China; our Plastic and Rubber Components Segment employed 279, all in the U.S.; and our Precision Metal Components Segment employed 459, all in the U.S. In addition, there were six employees at our 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. The employees at the Pinerolo and Veenendaal Plants are unionized. We have excellent employee relations throughout NN and we have never experienced any significant involuntary work stoppages.

Competition

The Metal Bearing Components Segment of our business is intensely competitive. Our primary domestic competitor is Hoover Precision Products, Inc., a wholly owned U.S. subsidiary of Tsubakimoto Precision Products Co. Ltd. Our primary foreign competitors are Amatsuji Steel Ball Manufacturing Company, Ltd. (Japan), a wholly owned division of NSK LTD., Tsubaki Nakashima Co., LTD (Japan) and Jiangsu General Ball and Roller Co., LTD (China).

We believe that competition within the Metal Bearing Components Segment 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 wide product assortment, our reputation for consistent quality and reliability, our global manufacturing footprint 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, we must compete with numerous companies in each industry market segment. Many of these companies have substantially greater financial resources than we do and many currently offer competing products nationally and internationally. Our primary competitor in the plastic bearing retainer market is Nakanishi Manufacturing Corporation. Domestically, Nypro, Inc. and C&J Industries are among the main competitors in the precision plastic components markets.

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 our competitive strengths are product development, tool design, fabrication, and tight tolerance molding processes. With these strengths, we have built our reputation in the marketplace as a quality producer of technically difficult products.

While intensely competitive, the markets for our rubber seal products are less fragmented than our plastic injection molding products. The bearing seal market is comprised of approximately six major competitors that range from small privately held companies to large global enterprises. Bearing seal manufacturers compete on design, service, quality and price. Our primary competitors in the U.S. bearing seal market are Freudenburg-NOK, Trelleborg, Trostel, and Uchiyama.

In the Precision Metal Components Segment market, internal production of components by our customers can impact our business as the customers weigh the risk of outsourcing strategically critical components or producing in-house. Our primary outside competitors are Linamar, Stanadyne, A. Berger, C&A Tool, American Turned Products, Camcraft and Autocam. We generally win new business on the basis of technical competence and our proven track record of successful product development.

Raw Materials

The primary raw material used in our core ball and roller business of the Metal Bearing Components Segment is 52100 Steel, which is high quality chromium steel. Our other steel requirements include metal strip, stainless steel, and type S2 rock bit steel.

The Metal Bearing Components Segment businesses purchase substantially all of their 52100 Steel requirements from suppliers in Europe and Japan and all of their metal strip requirements from European suppliers and traders. The principal suppliers of 52100 Steel for our U.S. businesses are Daido Steel (Japan), Kobe Steel (Japan), Lucchini (affiliate of Ascometal France) and Ohio Star Forge Co. The principal suppliers of 52100 Steel for our European

businesses are Ascometal (France), Ovako, Kobe Steel (Japan) and Daido Steel (Japan) while the principal suppliers of metal strip are Thyssen and Theis. If any of our current suppliers were unable to supply 52100 Steel to us, 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 composition, quality, availability and price. For precision steel balls, the pricing arrangements with our suppliers are typically subject to adjustment every three to six months in the U.S. and contractually adjusted on an annual basis within the European locations for the base steel price and quarterly for surcharge adjustments. In general, we do not enter into written supply agreements with suppliers or commit to maintain minimum monthly purchases of steel except for the year to year supply arrangement between Ascometal and the European operations of our Metal Bearing Components Segment.

Because 52100 Steel is principally produced by non-U.S. manufacturers, our 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. The value of the U.S. Dollar factors into the steel price as the suppliers' base currencies are the Euro and Japanese Yen.

The Metal Bearing Components Segment has historically been affected by upward price pressure on steel principally due to general increases in global demand and due to global increased consumption of steel. In general, we pass through material cost fluctuations to our customers in the form of changes in selling price.

For the Plastic and Rubber Components Segment, we base purchase decisions on quality, service and price. Generally, we do not enter into written supply contracts with our suppliers or commit to maintain minimum monthly purchases of resins, rubber compounds or metal stampings.

The primary raw materials used by the Plastic and Rubber Components Segment are engineered resins, injection grade nylon and proprietary rubber compounds. 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 use certified vendors to provide a custom mix of proprietary rubber compounds. This segment also procures metal stampings from several domestic and foreign suppliers.

The Precision Metal Components Segment produces products from a wide variety of metals in various forms from various sources. Basic types include hot rolled steel, cold rolled steel (both carbon and alloy), stainless, extruded aluminum, die cast aluminum, gray and ductile iron castings, hot and cold forgings and mechanical tubing. Some material is purchased directly under contracts, some is consigned by the customer, and some is purchased directly from the steel mills.

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. Additionally, all employees are subject to company ethics policies that prohibit the disclosure of information critical to the operations of our business.

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 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. In the Metal Bearing Components Segment, the Kysucke Plant, the Veenendaal Plant, the Pinerolo Plant and Kunshan Plant are ISO 14000 or 14001 certified and all received the EPD (Environmental Product Declaration), except for the Veenendaal Plant's

stamped metal parts business. 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 could have a material adverse effect on our business and financial condition. We have assessed conditional asset retirement obligations and have found them to be immaterial to the consolidated financial statements. We cannot assure 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 waste in material compliance with applicable environmental laws and regulations, we cannot be certain that we will not incur significant liabilities in the future in connection with the clean-up of waste disposal sites. We maintain long-term environmental insurance covering the four manufacturing locations purchased with the Whirlaway acquisition (two of which have ceased operations). We are currently a potentially responsible party of a remedial action at a former waste recycling facility used by us. See Item 3 and Note 15 of the Notes to Consolidated Financial Statements.

Executive Officers of the Registrant

Our executive officers are:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Roderick R. Baty	58	Chairman of the Board, Chief Executive Officer and President
Frank T. Gentry, III	56	Senior Vice President – Managing Director, Metal Bearing Components
James H. Dorton	55	Senior Vice President – Corporate Development and Chief Financial Officer, General Manager Plastic and Rubber Components
Thomas C. Burwell	43	Vice President – Chief Accounting Officer and Corporate Controller
William C. Kelly, Jr.	53	Vice President – Chief Administrative Officer, Secretary, and Treasurer
Jeffrey H. Hodge	50	Vice President – General Manager, U.S. Ball and Roller and NN Asia Divisions
James R. Widders	55	Vice President – General Manager, Precision Metal Components Division

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 appointed Vice President – Managing Director Metal Bearing Components Division in April 2009 and promoted to Senior Vice President in May 2010. Prior to that, Mr. Gentry was Vice President – General Manager U.S. Ball and Roller Division from August 1995. Mr. Gentry joined NN in 1981 and held various manufacturing management positions within NN from 1981 to August 1995.

James H. Dorton joined NN as Vice President of Corporate Development and Chief Financial Officer in June 2005. In May 2010, he was promoted to Senior Vice President. In January 2012, Mr. Dorton assumed the additional responsibility of General Manager of the Plastic and Rubber Components Segment of NN. Prior to joining NN, Mr. Dorton served as Executive Vice President and Chief Financial Officer of Specialty Foods Group, Inc. from 2003 to 2004, Vice President Corporate Development and Strategy and Vice President – Treasurer of Bowater Incorporated from 1996 to 2002 and as Treasurer of Intergraph Corporation from 1989 to 1996. Mr. Dorton is a Certified Public Accountant.

Thomas C. Burwell joined NN as Corporate Controller in September 2005. He was promoted to Vice President Chief Accounting Officer and Corporate Controller in 2011. Prior to joining NN, Mr. Burwell held various positions at Coats, PLC from 1997 to 2005 ultimately becoming the Vice President of Finance for the U.S. Industrial Division. From 1992 to 1997, Mr. Burwell held various positions at the international accounting firm BDO Seidman, LLP. Mr. Burwell is a Certified Public Accountant.

William C. Kelly, Jr. was named Vice President and Chief Administrative Officer in June 2005. In March, 2003, Mr. Kelly was elected to serve as Chief Administrative Officer. In March 1999, he was elected Secretary of NN and still serves in that capacity as well as that of Treasurer. In February 1995, Mr. Kelly was elected Treasurer and Assistant Secretary. He 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. 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.

Jeffrey H. Hodge joined NN in 1989 and has served various roles including Operations Manager, Plant Manager and Corporate Manager of Level 3 (Lean Enterprise, Six Sigma, TPM) from 2003 to 2009 before accepting his current role in 2009 as Vice President and General Manager of U.S. Ball & Roller and NN Asia Divisions. Prior to joining NN, Mr. Hodge was a member of the U.S. military from 1985 to 1989.

James R. Widders was named Vice President and General Manager of the Precision Metal Components Division on December 15, 2010. Mr. Widders had 13 years of service at Whirlaway prior to its acquisition by NN. Prior to joining NN, he served as Vice President and General Manager at Technifab, Inc. a manufacturer of molded foam components for the Aerospace industry and in various management positions with GE Superabrasives, a division of General Electric.

Item 1A. Risk Factors

The following are risk factors that affect our business, financial condition, results of operations, and cash flows, some of which are beyond our control. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this Annual Report on Form 10-K. If any of the events described below were to actually occur, our business, financial condition, results of operations or cash flows could be adversely affected and results could differ materially from expected and historical results.

A large portion of our capital structure is in the form of debt. As such, we continue to heavily rely on our current lenders as a major source of long term capital.

We are dependent on the continued provision of financing from our revolving credit lenders and our senior notes lenders for a major portion of our capital structure. As such we must continually meet our existing financial and non-financial covenants or risk potentially default. In the event of default, the degree to which our current lenders and/or potential future lenders will continue to lend to us will depend in large part on our results from operations and near term business prospects at the time of the default.

A recession impacting both U.S. and Europe on automotive and industrial markets once again could have a material adverse effect on our ability to finance our operations and implement our growth strategy.

During the three month period ended December 31, 2008 and the year ended December 31, 2009, we experienced a sudden and significant reduction in customer orders driven by reductions in automotive and industrial end market demand across all our businesses. Prior to this time, our company had never been affected by a recession that had impacted both of our key geographic markets of the U.S. and Europe simultaneously. If we are impacted by a global recession in the future, this could have a material adverse effect on our financial condition, results of operations and cash flows from operations and could lead to additional restructuring and/or impairment charges being incurred. However, we believe we would be in a much better position to weather any recession or economic downturn given the actions taken to permanently reduce our cost base including closing or ceasing operations at four former manufacturing locations.

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

The end markets for fully assembled bearings and other industrial and automotive components are cyclical and tend to decline in response to overall declines in industrial and automotive production. As a result, the market for bearing components and precision metal, plastic, and rubber products 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. Additionally, inflation in oil and the resulting higher gasoline prices could have a negative impact on demand for our products as a result of consumer and corporate spending reductions.

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 our metal bearing components 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. operations of our Metal Bearing Components Segment from non-U.S. suppliers. In addition, we obtain most of the steel used in our European operations 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. Problems in obtaining steel, 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 our revenues and operating and financial results.

Increases in the market demand for steel can have the impact of increasing scrap surcharges we pay in procuring our steel in the form of higher unit prices and could adversely impact the availability of steel. Our commercial terms with key customers allow us to pass along steel price fluctuations through changing the customers' selling prices.

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, one of the largest bearing manufacturers in the world, accounted for approximately 38% of consolidated net sales in 2011. No other customers accounted for more than 10% of sales. During 2011, sales to various U.S. and foreign divisions of our ten largest customers accounted for approximately 76% of our consolidated net sales. 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 risks related to doing business internationally.

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;
- a U.S. Federal Tax code that discourages 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 change in the value of the Euro relative to the U.S. Dollar can 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 of each year will be lower than in the other quarters of the year.

Failure of our product could result in a product recall.

The majority of our products go into bearings used in the automotive industry and other critical industrial manufacturing applications. A failure of our components could lead to a product recall. If a recall were to happen as a result of our components failing, we could bear a substantial part of the cost of correction. In addition to the cost of fixing the parts affected by the component, a recall could result in the loss of a portion of or all of the customers' business. To partially mitigate these risks, we carry limited product recall insurance and have invested heavily in the TS16949 quality program.

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. Acquiring companies involves inherent risk in the areas of environmental and legal issues, information technology, cultural and regulatory matters, product/supplier issues, and financial risk. 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 future 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 a portion of our future growth objectives, with the remainder resulting from organic growth and increased market penetration. 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 borrowing agreements limit our ability to complete acquisitions without prior approval of our lenders.

Our growth strategy depends in part on companies outsourcing critical components, and if outsourcing does not continue, our business could be adversely affected.

Our growth strategy depends in part on major customers 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 customers 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 markets for precision bearing components, precision metal components and plastic and rubber components are highly competitive, with a majority of production represented by the captive production operations of large 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 we do. 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.

Our production capacity has been expanded geographically in recent years to operate in the same markets as our customers.

We have expanded our metal bearing components production facilities and capacity over the last several years. Historically, metal bearing component production facilities have not always operated at full capacity. Over the past several years, we have undertaken steps to address a portion of the capacity risk including closing or ceasing operations at certain plants and downsizing employment levels at others. As such, the risk exists that our customers may exit the geographic markets in which our production capacity is located and/or develop vendors in lower cost countries in which we do not have production capacity.

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:

- economic recession or other macro-economic factors;
- our operating and financial performance and prospects;
- quarterly variations in the rate of growth of our financial indicators, such as earnings (loss) per share, net income (loss) 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;
- domestic and international economic, legal and regulatory factors unrelated to our performance;
- loss of a major customer; and
- ability to declare and pay a dividend.

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. In addition, due to the market capitalization of our stock, our stock tends to be more volatile than large capitalization stocks that comprise the Dow Jones Industrial Average or Standard and Poor's 500 Index.

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 shareholders from receiving a takeover premium for their shares. These provisions include, for example, a classified board of directors and the authorization of our board of directors to issue up to 5.0 million 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.

In addition, during 2008 we adopted a shareholder's rights plan, which expired in December 2011, intended to deter coercive or unfair takeover tactics and prevent an acquirer from gaining control of the company at less than fair value. The plan gave existing shareholders the right to purchase Junior Participating Preferred Stock of the Company once and only if the acquirer obtained 15% of our common stock.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The manufacturing plants for each of our segments are listed below. In addition, we lease a portion of a small office building in Johnson City, Tennessee which serves as our corporate offices.

Metal Bearing Components Segment

<u>Manufacturing Operation</u>	<u>Country</u>	<u>Approximate Sq. Feet</u>	<u>Owned or Leased</u>
Erwin Plant	U.S.A.	125,000	Owned
Mountain City Plant	U.S.A.	86,000	Owned
Kilkenny Plant (non-operating)	Ireland	125,000	Owned
Pinerolo Plant	Italy	330,000	Owned
Kysucke Plant	Slovakia	135,000	Owned
Veenendaal Plant	The Netherlands	159,000	Owned
Kunshan Plant Phase I	China	110,000	Leased
Kunshan Plant Phase II (not yet in operation)	China	75,000	Leased

The Kunshan Plant leases are accounted for as a capital lease and we have an option to purchase the facilities at various points in the future. Production at the Kilkenny Plant ceased on February 6, 2009 and was moved to other European Metal Bearing Components operations. The Kilkenny property is being made ready for sale with any expected sale to occur later than a year from the date of this report. As such, the property is still considered to be held and used for which the carrying value at December 31, 2011 approximates its fair value.

Plastic and Rubber Components Segment

<u>Manufacturing Operation</u>	<u>Country</u>	<u>Approximate Sq. Feet</u>	<u>Owned or Leased</u>
Danielson Plant	U.S.A.	50,000	Owned
Lubbock Plant	U.S.A.	228,000	Owned

Precision Metal Components Segment

<u>Manufacturing Operation</u>	<u>Country</u>	<u>Approximate Sq. Feet</u>	<u>Owned or Leased</u>
Wellington Plant 1	U.S.A.	86,000	Leased
Wellington Plant 2	U.S.A.	132,000	Leased

The Wellington Plants are leased from a company controlled by the former owner of Whirlaway Corporation, who was an officer of NN until September 1, 2011 (see Note 20 of the Notes to Consolidated Financial Statements).

For more information, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."

Item 3. Legal Proceedings

During 2006, we received correspondence from the Environmental Protection Agency ("EPA") requesting information regarding a former waste recycling vendor ("AER") used by our former Walterboro, South Carolina facility. AER, located in Augusta, Georgia, ceased operations in 2000 and EPA began investigating its facility. As a

result of AER's operations, soil and groundwater became contaminated. EPA initially contacted fifty-four other companies ("Potentially Responsible Parties" or "PRPs") who also sent waste to AER. Most of these PRPs, including us, have entered into a consent order with EPA to investigate and remediate the site proactively. To date, the PRP Group has submitted a Remedial Investigation, which has been accepted by EPA. In addition, a Feasibility Study has been tentatively approved by EPA. The costs associated with the chosen remediation are estimated to be approximately \$10 million of which our allocated share is approximately \$0.1 million which has been fully accrued for as of December 31, 2011. While there can be no assurances, we believe that the \$0.1 million is the maximum amount for which we will be liable under the tentatively accepted remediation plan.

Due to the impacts of the global economic recession and the resulting reduction in revenue and operating losses, our wholly owned German subsidiary Kugelfertigung Eltmann GbmH ("Eltmann" or "Eltmann Plant") sustained a significant weakening of its financial condition. As a result, it became technically insolvent at which point it was required to file for bankruptcy under German bankruptcy law. The filing was made in the bankruptcy court in Germany on January 20, 2011. As of this date, NN lost the ability to control or manage Eltmann as a result of the bankruptcy court trustee taking over effective control and day to day management of this subsidiary. As a result of loss of control this subsidiary, NN deconsolidated the assets and liabilities of Eltmann on our Consolidated Financial Statements effective January 20, 2011. The ultimate impact on NN of Eltmann filing for bankruptcy will depend on the findings of the bankruptcy court. However, until such court proceedings are finalized, we will not be able to determine what liabilities and contingent obligations, if any, might remain as the responsibility of NN. (See Note 1 of Notes to Consolidated Financial Statements).

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

Item 4. Mine Safety Disclosures

Not applicable

Part II

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

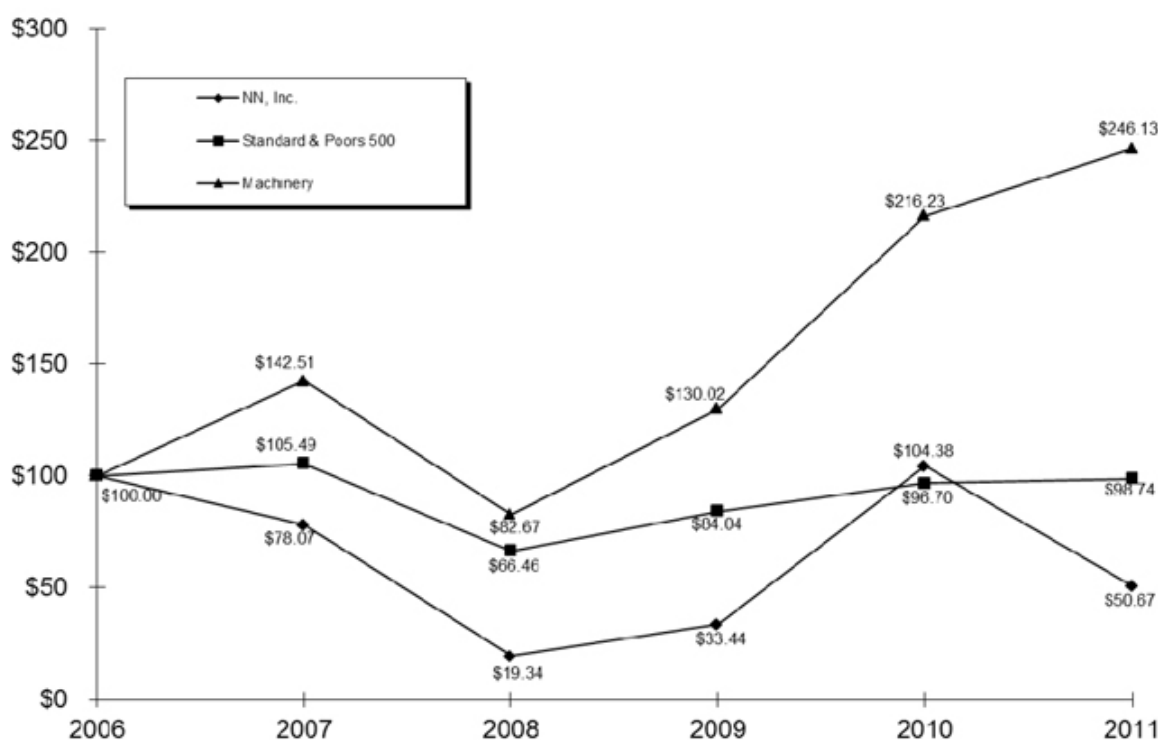
Our common stock is traded on The NASDAQ Stock Market LLC ("NASDAQ") under the trading symbol "NNBR." As of March 9, 2012, there were approximately 3,500 holders of the common stock and the closing per share stock price as reported by NASDAQ was \$8.44.

The following table sets forth the high and low closing sales prices of the common stock, as reported by NASDAQ. We did not pay any dividends on the common stock during 2011 and 2010.

	Close Price	
	High	Low
2011		
First Quarter	\$ 18.53	\$ 11.81
Second Quarter	19.01	12.62
Third Quarter	16.16	5.05
Fourth Quarter	9.06	4.71
2010		
First Quarter	\$ 5.50	\$ 3.25
Second Quarter	7.32	5.00
Third Quarter	8.88	4.46
Fourth Quarter	12.52	8.03

The following graph compares the cumulative total shareholder return on our common stock (consisting of stock price performance and reinvested dividends) from December 31, 2006 with the cumulative total return (assuming reinvestment of all dividends) of (i) the Value Line Machinery Index (“Machinery”) and (ii) the Standard & Poor’s 500 Stock Index, for the period December 31, 2006 through December 31, 2011. The Machinery index is an industry index comprised of 49 companies engaged in manufacturing of machinery and machine parts, a list of which is available from the Company. The comparison assumes \$100 was invested in our common stock and in each of the foregoing indices on December 31, 2006. We cannot assure you that the performance of the common stock will continue in the future with the same or similar trend depicted on the graph.

Comparison of Five-Year Cumulative Total Return*
NN, Inc., Standard & Poors 500 and Value Line Machinery Index
 (Performance Results Through 12/31/11)



* Cumulative total return assumes reinvestment of dividends.

	Cumulative Return				
	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011
NN, Inc.	78.07	19.34	33.44	104.38	50.68
Standard & Poors 500	105.49	66.46	84.04	96.70	98.74
Machinery	142.51	82.67	130.02	216.23	246.13

The declaration and payment of dividends are subject to the sole discretion of our Board of Directors and depend upon our profitability, financial condition, capital needs, credit agreement restrictions, future prospects and other factors deemed relevant by the Board of Directors. During the fourth quarter of 2008, we suspended our historic quarterly dividend in order to enhance our liquidity due to the global recession. As of the date of this report, no dividend has been reinstated by our Board of Directors.

See Part III, Item 12 – “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” of this 2011 Annual Report on Form 10-K for information required by Item 201 (d) of Regulation S-K.

Item 6. Selected Financial Data

The following selected financial data has been derived from our audited financial statements. The selected financial data should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited consolidated financial statements, including notes thereto.

(In Thousands, Except Per Share Data)

	Year ended December 31,				
	2011	2010	2009	2008	2007
Statement of Income Data:					
Net sales	\$ 424,691	\$ 365,369	\$ 259,383	\$ 424,837	\$ 421,294
Cost of products sold (exclusive of depreciation shown separately below)	347,622	296,422	235,466	344,685	337,024
Selling, general and administrative	30,657	30,407	27,273	36,068	36,473
Depreciation and amortization	17,016	19,195	22,186	27,981	22,996
(Gain) loss on disposal of assets	(36)	808	493	(4,138)	(71)
Impairment of goodwill	—	—	—	30,029	10,016
Restructuring and impairment charges, excluding goodwill impairment	—	2,289	4,977	12,036	3,620
Income (loss) from operations	29,432	16,248	(31,012)	(21,824)	11,236
Interest expense	4,715	6,815	6,359	5,203	6,373
Write-off of unamortized debt issuance cost	—	130	604	—	—
Other income, net	(1,388)	(1,682)	(351)	(850)	(386)
Income (loss) before provision (benefit) for income taxes	26,105	10,985	(37,624)	(26,177)	5,249
Provision (benefit) for income taxes	5,168	4,569	(2,290)	(8,535)	6,422
Net income (loss)	<u>\$ 20,937</u>	<u>\$ 6,416</u>	<u>\$ (35,334)</u>	<u>\$ (17,642)</u>	<u>\$ (1,173)</u>
Basic income (loss) per share:					
Net income (loss)	<u>\$ 1.24</u>	<u>\$ 0.39</u>	<u>\$ (2.17)</u>	<u>\$ (1.11)</u>	<u>\$ (0.07)</u>
Diluted income (loss) per share:					
Net income (loss)	<u>\$ 1.24</u>	<u>\$ 0.39</u>	<u>\$ (2.17)</u>	<u>\$ (1.11)</u>	<u>\$ (0.07)</u>
Dividends declared	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.24</u>	<u>\$ 0.32</u>
Weighted average number of shares outstanding – Basic	<u>16,817</u>	<u>16,455</u>	<u>16,268</u>	<u>15,895</u>	<u>16,749</u>
Weighted average number of shares outstanding – Diluted	<u>16,953</u>	<u>16,570</u>	<u>16,268</u>	<u>15,895</u>	<u>16,749</u>

(In Thousands)	As of December 31,				
	2011	2010	2009	2008	2007
Balance Sheet Data:					
Current assets	\$ 124,025	\$ 115,670	\$ 98,283	\$ 124,621	\$ 138,024
Current liabilities	73,041	83,587	68,489	63,355	84,256
Total assets	259,461	248,555	242,652	284,040	350,078
Long-term debt	71,629	67,643	77,558	90,172	100,193
Stockholders' equity	99,676	78,107	76,803	109,759	130,043

During the year ended December 31, 2011, the results were impacted by certain items including \$5.0 million in additional start-up costs from new multi-year sales programs (all in our Precision Metals Components Segment) and \$0.8 million in a one-time tax benefit from removing valuation allowances on certain deferred tax assets in Europe. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information.

During the year ended December 31, 2010, the results were impacted by certain items including \$4.5 million from NN ceasing operations at the Tempe plant, \$3.0 million in start-up costs from new multi-year sales programs (both in our Precision Metals Components Segment) and \$1.1 million in costs related to the elimination of certain senior management positions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information.

For the year ended December 31, 2009, the operating results were significantly impacted by the effects of the global recession and related destocking by our customers as our sales decreased 37%, excluding foreign exchange effects, from the year ended December 31, 2008. Additionally, we incurred \$5.0 million in restructuring and impairment charges related to two plant closures and a reduction in force at another manufacturing location. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information.

For the year ended December 31, 2008, goodwill, certain intangible assets, and certain tangible assets were subject to impairment charges of \$38,371 (\$24,402 after tax). In addition, restructuring charges of \$2,247 (\$2,247 after tax) and impairment charges of \$1,447 (\$1,447 after tax) on long lived assets were recorded related to the closure of the Kilkenny Plant. Finally, 2008 benefited from the sale of excess land resulting in a gain of \$4,018 (\$2,995 after tax).

For the year ended December 31, 2007, Whirlaway added \$62,662 in sales; \$53,515 in cost of products sold (exclusive of depreciation and amortization); \$4,106 in selling, general and administrative expenses; \$3,991 in depreciation and amortization; \$2,406 in interest expense and \$852 in net loss.

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.

Risk Factors

See Item 1A. "Risk Factors" for a discussion of risk factors that could materially impact our actual results.

Overview and Management Focus

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

- Growth from taking over the in-house (captive) production of components from our global customers by providing a competitive and attractive outsourcing alternative
- Organic and acquisitive growth of our precision metal components platform
- 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 the 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
- Selling, general and administrative expense
- Net income (loss)
- Cash flow from operations and capital spending
- Customer service reliability
- External and internal quality indicators
- Employee development

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, and business combination accounting. Due to the estimation processes involved, management considers the following summarized accounting policies and their application to be critical to understanding our business operations, financial condition and results of operations. We cannot assure you that actual results will not significantly differ from the estimates used in these critical accounting policies.

Revenue Recognition. We recognize revenues based on the stated shipping terms with the customer when these terms are satisfied and the risks of ownership are transferred to the customer. We have an inventory management program for certain major Metal Bearing Components Segment customers whereby revenue is 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 collectability is reasonably assured.

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 our accounts receivables are due primarily from the core served markets. In establishing allowances for doubtful accounts, we perform credit evaluations of our 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. We believe that adequate allowances for doubtful accounts have been provided in the Consolidated Financial Statements. However, it is possible that we 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. Inventory valuations are developed using normalized production capacities for each of our manufacturing locations. Abnormal variances from excess capacity or under-utilization of fixed production overheads are expensed in the period incurred. Our inventories are not generally subject to obsolescence due to spoilage or expiring product life cycles. We assess inventory obsolescence routinely and record a reserve when inventory items are deemed non recoverable in future periods. We operate generally as a make-to-order business; however, we also stock 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, we could experience additional inventory write-downs in the future.

Goodwill and Acquired Intangibles. For new acquisitions, we use 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 procedures 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, and the expected cash flows that they will generate. These estimates and assumptions could 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.

Goodwill is tested for impairment on an annual basis as of October 1 and between annual tests if a triggering event occurs. The impairment procedures are performed at the reporting unit level for the one unit that still has goodwill. In September 2011, the FASB issued a revised accounting standard, which is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a "qualitative" assessment to determine whether further impairment testing is necessary. Specifically, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. This standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. We are adopting this standard in the fourth quarter of 2011 concurrent with our annual impairment test. In assessing the qualitative factors, we considered the impact of the following key factors and their effect on the reporting unit, budget to actual performance, economic, market and industry considerations, earnings multiples and cash flow from operations. Based on this qualitative assessment considering prior year results and current operating performance we determined it was more likely than not that the fair value of the reporting unit exceeded the carrying value of the reporting unit.

If the qualitative assessment indicates it is more likely than not that the fair value is less than the carrying value, U.S. GAAP prescribes a two-step process for testing for goodwill impairments. The first step is to determine if the carrying value of the reporting unit with goodwill is less than the related fair value of the reporting unit. We determine the fair value of the reporting unit through use of discounted cash flow methods and market based multiples of earning and sales methods obtained from a grouping of comparable publicly trading companies. We believe this methodology of valuation is consistent with how market participants would value reporting units. The discount rate and market based multiples used are specifically developed for the units tested regarding the level of risk and end markets served. Even though we do use other observable inputs (Level 2 inputs under the US GAAP hierarchy) the calculation of fair value for goodwill would be most consistent with Level 3 under the US GAAP hierarchy.

If the carrying value of the reporting unit is less than fair value of the reporting unit, the goodwill is not considered impaired. If the carrying value is greater than fair value then the potential for impairment of goodwill exists. The potential impairment is determined by allocating the fair value of the reporting unit among the assets and liabilities based on a purchase price allocation methodology as if the reporting unit was acquired in a business combination. The fair value of the goodwill is implied from this allocation and compared to the carrying value with an impairment loss recognized if the carrying value is greater than the implied fair value.

Our indefinite lived intangible asset is accounted for similarly to goodwill. This asset is tested for impairment at least annually by comparing the fair value to the carrying value, using the relief from royalty rate method, and if the fair value is less than the carrying value, an impairment charge is recognized for the difference.

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 carry forwards. 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. (See Note 13 of the Notes to Consolidated Financial Statements).

Impairment of Long-Lived Assets. Our long-lived assets include property, plant and equipment. The recoverability of the long-term assets is dependent on the performance of the companies which we have acquired or built, as well as the performance of the markets in which these companies operate. In assessing potential impairment for these assets, we will consider these factors as well as forecasted financial performance based, in large part, on management business plans and projected financial information which are subject to a high degree of management judgment and complexity. Future adverse changes in market conditions or adverse operating results of the underlying assets could result in having to record additional impairment charges not previously recognized. (See Note 6 of the Notes to Consolidated Financial Statements).

Results of Operations

The following table sets forth for the periods indicated selected financial data and the percentage of our net sales represented by each income statement line item presented.

	As a Percentage of Net Sales		
	Year ended December 31,		
	2011	2010	2009
Net sales	100.0%	100.0%	100.0%
Cost of product sold (exclusive of depreciation shown separately below)	81.9	81.1	90.8
Selling, general and administrative expenses	7.2	8.3	10.5
Depreciation and amortization	4.0	5.3	8.6
(Gain) loss on disposal of assets	0.0	0.2	0.2
Restructuring and impairment charges	0.0	0.6	1.9
Income (loss) from operations	6.9	4.5	(12.0)
Interest expense	1.1	1.9	2.4
Other (income) expense	(0.3)	(0.5)	0.1
Income (loss) before provision (benefit) for income taxes	6.1	3.1	(14.5)
Provision (benefit) for income taxes	1.2	1.3	(0.9)
Net income (loss)	<u>4.9%</u>	<u>1.8%</u>	<u>(13.6%)</u>

Sales Concentration

Sales to various U.S. and foreign divisions of SKF, one of the largest bearing manufacturers in the world, accounted for approximately 38% of consolidated net sales in 2011. During 2011, sales to various U.S. and foreign divisions of our ten largest customers accounted for approximately 76% of our consolidated net sales. None of our other customers individually accounted for more than 10% of our consolidated net sales for 2011. 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 have a corresponding negative impact on our operating profit margin due to the operational leverage these customers provide. This could lead to sales volumes not being high enough to cover our current cost structure or to provide adequate operating cash flows or cause us to incur additional restructuring and/or impairment costs. Due to a limit on the amount of excess bearing component production capacity in the markets we serve, we believe it would be difficult for any of our top ten customers to take a significant portion of our business away in the short term.

OVERALL RESULTS

(In Thousands of Dollars)	Consolidated NN, Inc.		
	2011	2010	Change
Net sales	\$424,691	\$365,369	\$59,322
Foreign exchange effects			11,066
Volume			34,886
Price			5,376
Mix			(4,157)
Material inflation pass-through			12,151
Cost of products sold (exclusive of depreciation shown separately below)	347,622	296,422	51,200
Foreign exchange effects			8,714
Volume			24,023
Cost reduction projects			(9,331)
Mix			1,121
Inflation			14,908
New sales program start-up costs and other specific costs			11,765
Selling, general and administrative	30,657	30,407	250
Foreign exchange effects			562
Increase in spending			935
Severance costs incurred during 2010			(1,247)
Depreciation and amortization	17,016	19,195	(2,179)
Foreign exchange effects			436
Accelerated depreciation incurred during 2010			(1,000)
Elimination of depreciation expense on fully depreciated assets, net of new assets placed in service			(1,615)
Restructuring and impairment charges	—	2,289	(2,289)
Interest expense	4,715	6,815	(2,100)
(Gain)/Loss on disposal of assets	(36)	808	(844)
Write off of unamortized debt issue cost	—	130	(130)
Other income, net	(1,388)	(1,682)	294
Income before provision for income taxes	26,105	10,985	15,120
Provision for income taxes	5,168	4,569	599
Net income	<u>\$ 20,937</u>	<u>\$ 6,416</u>	<u>\$14,521</u>

Net Sales. Net sales increased from 2011 to 2010 due primarily to sales growth in the customer end markets we serve. Both automotive and industrial end markets have experienced strong year over year sales growth due to the overall macro-economic growth and higher consumer demand. Additionally, sales increased due to the appreciation in value of Euro denominated sales. The increase in sales due to price was the result of targeted price increases to our customers across all businesses and product lines. The increase in sales from material inflation pass-through was due to increasing sales prices to our customers to recover actual material inflation incurred during 2011.

Cost of Products Sold (exclusive of depreciation). A large portion of the increase was due to the same sales volume increases discussed above. Cost of products sold was impacted more so by inflation on material, labor and manufacturing supplies in 2011 than in 2010 or 2009 due to increased global demand. Additionally, cost of products sold increased from the appreciation in value of Euro denominated costs. Cost of products sold increased \$5.0 million due to additional production inefficiencies and incurred costs, over those levels experienced in 2010, from starting up production on new multi-year sales programs at our Precision Metal Components Segment (discussed below).

Additionally, cost of products sold increased due to specific costs added during 2011 for incentive compensation and compensation related costs (especially medical and workers compensation costs), and from higher levels of spending on scheduled repairs and maintenance and for manufacturing supplies. During 2010, spending was depressed in these areas due to the global recession. Finally, there were various one time benefits during 2010 related to labor concessions and credits from a material supplier in Europe that did not repeat in 2011.

During 2011, our cost of products sold as a percentage of sales was 81.9%, which is slightly higher than our historical range. The higher cost of products sold was due to operational inefficiencies related to the new sales program start-ups and additional specific costs mentioned above.

Selling, General and Administrative. Selling, general and administrative expenses increased in part due to the appreciation in value of Euro denominated costs as compared to 2010. The increase in spending in selling, general and administrative expenses was due to the addition of incentive compensation that was not in place during 2010 and from the addition of certain key positions at our Precision Metal Components Segment to support growth in this business. Finally, during 2010, we incurred \$1.2 million in severance costs, which did not repeat in 2011, related to permanent administrative cost savings.

Depreciation and Amortization. A large portion of the decrease in depreciation and amortization expense was due to the accelerated depreciation of \$1.0 million during 2010 on certain fixed assets at our Tempe Plant, which did not repeat during 2011, and the elimination of the Tempe Plant depreciation from the 2011 expense due to ceasing operations in August 2010. Depreciation expense was further reduced due to certain assets, which are still in use, at our Pinerolo Plant becoming fully depreciated from the second quarter of 2010 onward. Finally, the elimination of the Eltmann Plant depreciation due to deconsolidation of that unit and no longer incurring amortization expense on a customer contract intangible asset after 2010 further reduced the 2011 expense. Partially offsetting these favorable effects was the impact on depreciation of capital expenditures that were placed in service during 2011.

Interest Expense. Interest expense was lower primarily due to decreases in the interest rate spread charged on our LIBOR credit facility and our senior notes partially offset by higher overall debt levels during 2011. These savings were achieved under the new credit agreements entered into on December 21, 2010 and September 30, 2011.

Restructuring and impairment charges. During the year ended December 31, 2010, we incurred \$2.0 million in restructuring charges related to ceasing operations at our Tempe Plant and \$0.3 million in impairment charges related to the production equipment at our Eltmann Plant. These charges did not repeat during 2011. (See Note 2 of the Notes to Consolidated Financial Statements).

Other income, net. Included in other income, net, during 2011, was \$0.9 million related to foreign exchange gains on inter-company loans which was lower than the \$1.4 million in foreign exchange gains on inter-company loans incurred in 2010. The gains are a function of the change in valuation of the Euro versus the U.S. Dollar.

Provision for income taxes. For the twelve months ended December 31, 2011 and 2010, the difference between the effective tax rates of 20% and 42%, respectively, was mainly due to not recognizing tax benefits on the Tempe Plant closure costs and other incurred losses in the U.S. due to existing deferred tax valuation allowances in 2010. Additionally, in 2011 we recognized tax benefits related to the Eltmann deconsolidation of \$0.6 million and income tax expense was lowered by the elimination of valuation allowances on certain deferred tax assets totaling \$0.8 million in Europe. (See Note 13 of the Notes to Consolidated Financial Statements).

RESULTS BY SEGMENT

METAL BEARING COMPONENTS SEGMENT

(In Thousands of Dollars)

	Year ended December 31,		
	2011	2010	Change
Net sales	\$ 308,883	\$ 271,339	\$ 37,544
Foreign exchange effects			11,066
Volume			16,664
Price			3,451
Mix			(4,156)
Material inflation pass-through			10,519
Segment net income	<u>\$ 30,360</u>	<u>\$ 24,910</u>	<u>\$ 5,450</u>

The sales volume increase in our Metal Bearings Components Segment has been in our U.S. and Asian based businesses. Sales volumes were more robust in the first half of 2011 with the second half witnessing sales reductions due to softening demand in Europe.

The segment net income was impacted primarily by the increase in sales volume and the related production efficiencies and leveraging of fixed production costs. Additionally, the achieved price increases in 2011 had a significant impact on segment net income. Finally, the segment results were favorably impacted by the implementation of planned cost reduction projects. The 2010 segment net income included \$1.2 million in after-tax foreign exchange gains on certain inter-company loans as discussed above that were not included in 2011 segment net income.

PRECISION METAL COMPONENTS SEGMENT

<i>(In Thousands of Dollars)</i>	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Net sales	\$72,272	\$54,913	\$17,359
Volume			15,671
Price/Mix			1,310
Material inflation pass-through			378
Segment net loss	<u>\$ (3,143)</u>	<u>\$ (8,922)</u>	<u>\$ 5,779</u>

The majority of the increase in sales at this segment was due to the addition of new multi-year sales programs in 2011. Partially offsetting the volume increases from the new sales programs was volume lost due to ceasing operations at the Tempe Plant during the third quarter of 2010.

The segment net loss was lower in 2011 due to benefits from increased sales volumes and price increases during 2011. Additionally, \$4.5 million in Tempe plant closure related costs that were incurred in 2010 did not repeat during 2011. Partially offsetting these favorable effects was \$5.0 million in additional operational inefficiencies and incurred costs during 2011, over those levels experienced in 2010, related to ramping up production for new large multi-year sales programs. During the third and fourth quarters of 2011, we achieved reductions in start-up costs on the major sales programs from the levels experienced during the fourth quarter of 2010 and first half of 2011.

PLASTIC AND RUBBER COMPONENTS SEGMENT

<i>(In Thousands of Dollars)</i>	<u>Year ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Net sales	\$43,536	\$39,117	\$4,419
Volume			2,550
Price/Mix			615
Material inflation pass-thru			1,254
Segment net income	<u>\$ 1,919</u>	<u>\$ 2,504</u>	<u>\$ (585)</u>

The volume increase for this segment was related to increased U.S. automotive end market demand as the economy and consumer demand has returned to more normalized levels. The majority of the increases in price are from passing through material inflation to customers which provided minimal impact to net income.

The decrease in segment net income was from operational inefficiencies due to starting-up a new sales program which more than offset the favorable benefit that resulted from the increase in sales volume.

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009.

Economic Impacts on the Twelve Month Period ended December 31, 2010.

During the year ended December 31, 2010, sales showed significant improvement from the dramatic reductions witnessed during the year ended December 31, 2009 due to the worldwide recession. Sales increased 45% during the year ended December 31, 2010 from year ended December 31, 2009, excluding the effects of foreign currency exchange rates.

We believe the increase in sales that occurred during 2010 was due both to customers adopting more normalized ordering patterns and increased demand in the end markets we serve. We believe that during 2009 demand for our products had decreased more than actual demand in the end markets we serve. We referred to this as the “de-stocking effect” and believed it was due to reduction in overall inventory levels throughout the supply chains we serve. We are uncertain to what extent the change of overall stock levels within the supply chains had on 2010 sales demand from our customers.

The 45% increase in sales volume was the main driver of the improvement in net income during the year ended December 31, 2010. Despite the increase in sales volume during 2010, we continued to aggressively manage employment levels, production levels, and discretionary spending in order to maximize the return on each dollar of sales added. In addition, we have reduced fixed cost through announced plant closures and targeted reductions in permanent positions in order to facilitate a leaner organization and to insure as global revenues improve we will be able to leverage that improvement into increased earnings.

Unusual or Non-Recurring Costs Impacting the Twelve Month Period ended December 31, 2010.

Ceasing Operations and Severance Costs

In addressing our global cost structure, we incurred various charges during 2010 from ceasing operations at our Tempe Plant and the elimination of various senior level positions. The impact of ceasing operations at the Tempe Plant totaled \$4.5 million in costs and charges during 2010. This was composed of \$2.0 million in cash restructuring costs and \$2.5 million in charges related to reducing the book values of certain equipment and inventory that was abandoned as part of ceasing operations and from the loss on sale of other assets. In addition to the Tempe Plant, we incurred \$1.1 million in charges related to eliminating certain senior level positions within our Company to streamline the organization. Finally, we incurred \$0.3 million in impairment charges on certain production machinery at our Eltmann Plant which filed for bankruptcy on January 20, 2011. The total impact on the 2010 net income of all of the above was \$6.0 million pre-tax and \$5.8 million after-tax.

OVERALL RESULTS

(In Thousands of Dollars)	Consolidated NN, Inc.		
	2010	2009	Change
Net sales	\$ 365,369	\$ 259,383	\$ 105,986
Foreign exchange effects			(10,718)
Volume			115,975
Price			550
Mix			(927)
Material inflation pass-through			1,106
Cost of products sold (exclusive of depreciation shown separately below)	296,422	235,466	60,956
Foreign exchange effects			(8,125)
Volume			73,390
Cost reduction			(9,209)
Mix			(774)
Inflation			1,991
New sales program start-up costs and plant closure related costs			3,683
Selling, general and administrative	30,407	27,273	3,134
Foreign exchange effects			(724)
Severance costs			1,247
Share based compensation expense			1,101
Increase in spending			1,510
Depreciation and amortization	19,195	22,186	(2,991)
Foreign exchange effects			(490)
Accelerated depreciation due to plant closure			1,000
Elimination of depreciation expense on fully depreciated assets			(3,501)
Restructuring and impairment charges	2,289	4,977	(2,688)
Interest expense	6,815	6,359	456
Loss on disposal of assets	808	493	315
Write off of unamortized debt issue cost	130	604	(474)
Other income, net	(1,682)	(351)	(1,331)
Income (loss) before provision (benefit) for income taxes	10,985	(37,624)	48,609
Provision (benefit) for income taxes	4,569	(2,290)	6,859
Net income (loss)	\$ 6,416	\$ (35,334)	\$ 41,750

Net Sales. Net sales increased during 2010 from 2009 primarily due to higher customer demand for our products. As discussed previously, we believe the higher sales volume in 2010 was due to both sales growth in the customer end markets we serve and due to a shift in focus of supply chain participants from reducing inventory levels to adopting ordering patterns based on true market demand. The negative mix effect was related mainly to timing of the recovery as lower price automotive components rebounded more quickly during 2010 than higher priced industrial components. The increase in sales price was due to targeted price increases to certain customers and the increase in sales from material pass-through was to adjust selling prices for the increase in raw material costs experienced during 2010.

Cost of Products Sold (exclusive of depreciation shown separately below). The majority of the increase was due to the same sales volume increases discussed above. Excluding volume effects, cost of products sold decreased due mainly to the reduction in the value of Euro denominated costs relative to the U.S. Dollar and to planned cost saving projects partially offset by increased inflation. Additionally, cost of products sold increased \$3.0 million due to production inefficiencies and additional incurred costs from starting up production on new major multi-year sales programs at our Wellington Plants and from \$0.6 million in one-time costs related to the Tempe Plant closure for the revalue of inventory that ceased to be used and the transfer of certain production to our Wellington Plants.

We continue to aggressively manage our production costs. We were able to effectively leverage fixed manufacturing costs, particularly fixed labor cost in Europe, during 2010 with the 45% increase in sales from 2009 (excluding foreign currency effects).

During 2010, our cost of products sold as a percentage of sales was approximately 81%, which is slightly higher than our historical range. This lower profitability was due to operational inefficiencies related to the new sales program start-ups mentioned above. In general, as sales increase, we are better able to leverage our existing fixed cost base, thereby reducing cost of products sold as a percentage of sales.

Selling, General and Administrative Expenses. A large portion of the increase in selling, general and administrative expenses was from share-based compensation expense recognized during the first quarter of 2010 due to the immediate vesting of shares granted to certain key employees and non-executive directors. Additionally, the increase in selling, general and administrative expenses during 2010 was from increased salaries and wages expense particularly due to eliminating the 10% to 20% reduction in salaries put in place in 2009 and reinstating incentive compensation plans for 2010. Finally, during 2010, we incurred \$1.2 million in severance cost related to permanent administrative cost savings.

Depreciation and Amortization. Depreciation and amortization expense decreased as certain assets depreciated for a full year during 2009 became fully depreciated during the second quarter of 2010. Additionally, depreciation expense was lower in 2010 due to the reduction in value of Euro denominated depreciation expense. These reductions were partially offset by accelerated depreciation of \$1.0 million on certain fixed assets at our Tempe Plant due to ceasing operations at that facility. (See Notes 2 and 6 of the Notes to Consolidated Financial Statements).

Interest Expense. Interest expense was higher due to increases in the interest rate spread charged on our LIBOR credit facility and our senior notes. The interest rate was increased upon amending our credit facilities on March 13, 2009 and on March 5, 2010. In addition, we amortized \$0.3 million more of capitalized loan costs into interest expense due to the amendments of the loan facilities.

Restructuring and Impairment Charges. During the year ended December 31, 2010, we incurred \$2.0 million in restructuring charges related to ceasing operations at our Tempe Plant and \$0.3 million in impairment charges related to the production equipment at our Eltmann Plant. During the year ended December 31, 2009, we incurred \$1.1 of restructuring and impairment costs related to the closures of the Kilkenny Plant and the Hamilton Plant and \$3.8 million in restructuring charges related to the reduction in labor force at our Veenendaal Plant. (See Note 2 of the Notes to Consolidated Financial Statements).

Other Income, Net. The majority of the other income, net recognized during the year ended December 31, 2010, related to foreign exchange gains at our foreign subsidiaries from U.S. Dollar denominated inter-company loans that were put in place with the amended credit facilities in 2009. During 2010, the Dollar appreciated approximately 7% against the Euro which lead to the generation of these gains.

Provision for Income Taxes. For the full year 2010 and 2009, the difference between the effective tax rates of 41.6% and 6%, respectively, was mainly due to valuation allowances placed on U.S. deferred tax benefits during the second quarter of 2009 that were still being applied to U.S. taxable losses and expense during 2010. In 2010, the main driver was not recognizing tax benefits on the losses in the Precision Metal Components Segment from ceasing operations at the Tempe Plant and the new sales program startups. (See Note 13 of the Notes to Consolidated Financial Statements).

RESULTS BY SEGMENT

METAL BEARING COMPONENTS SEGMENT

(In Thousands of Dollars)

	Year ended December 31,		
	2010	2009	Change
Net sales	\$271,339	\$183,605	\$87,734
Foreign exchange effects			(10,718)
Volume			97,465
Price			500
Mix			(927)
Material inflation pass-through			1,414
Segment net income (loss)	<u>\$ 24,910</u>	<u>\$ (16,108)</u>	<u>\$41,018</u>

All three geographic regions of this segment experienced robust sales growth from 2009 levels. As discussed previously, these volume increases were related to both increased end market demand and our customers adopting more normalized ordering patterns. The unfavorable mix resulted as automotive end markets with generally lower sales prices rebounded more quickly than the industrial end markets with generally higher sales prices.

The segment net income was impacted primarily by the large increase in sales volume and the related production efficiencies and leveraging of fixed production costs. The impact of fixed costs and related leveraging of production capacity was significant in this segment as a large portion of our installed capacity is in Western Europe, where labor cost is not easily reduced when production volumes decrease. Additionally, the segment results were favorably impacted by reductions in production costs from planned cost reduction projects. Finally, 2010 depreciation costs were much lower than 2009 depreciation costs within the segment as certain assets depreciated for a full year during 2009 became fully depreciated during the second quarter of 2010.

The positive variance in segment net income for 2010 compared to 2009 was favorably impacted by certain items totaling \$4.9 million. The 2010 segment net income was favorably impacted by \$1.2 million, after tax, in foreign exchange gains on certain inter-company U.S. Dollar denominated transactions (as discussed above). In addition, the segment net loss for 2009 was increased by \$0.8 million after tax, due to restructuring charges related to the closure of the Kilkenny Plant taken in 2009 and by \$2.9 million of after tax restructuring charges related to the reduction in force at our Veenendaal Plant incurred in 2009.

PRECISION METAL COMPONENTS SEGMENT

(In Thousands of Dollars)

	Year ended December 31,		
	2010	2009	Change
Net sales	\$54,913	\$45,003	\$ 9,910
Volume			9,910
Segment net loss	<u>\$ (8,922)</u>	<u>\$ (4,391)</u>	<u>\$(4,531)</u>

The majority of the increase in sales at this segment was due to higher U.S. automotive and industrial demand in 2010 versus 2009. Additionally, 2010 sales increased from the startup of a new multi-year sales program.

Despite a 22% increase in sales from 2009, the 2010 segment net loss increased by \$4.5 million from 2009. The favorable impact to 2010 segment net loss from the increased sales volume was approximately \$4.0 million. However, the 2010 segment net loss was affected by \$4.5 million in charges related to ceasing operations at the Tempe Plant. This includes \$2.0 million of severance and other associated closure costs, \$1.6 million in charges related to reducing the book values of certain equipment and inventory that ceased to be used, \$0.2 million in cost due to the start-up of production of former Tempe Plant products at the Wellington Plant, and \$0.7 million from the loss on sale of certain assets that ceased to be used. Additionally, the segment incurred approximately \$3.0 million in operational inefficiencies and additional costs related to ramping up production for the new multi-year sales programs discussed above.

PLASTIC AND RUBBER COMPONENTS SEGMENT

(In Thousands of Dollars)

	Year ended December 31,		
	2010	2009	Change
Net sales	\$39,117	\$30,775	\$8,342
Volume			8,600
Price/Mix			(258)
Segment net income (loss)	<u>\$ 2,504</u>	<u>\$ (2,091)</u>	<u>\$4,595</u>

The volume increase for this segment was related to increased U.S. automotive end market demand.

The increase in segment net income for 2010 resulted from the 27% increase in sales and the related operational efficiencies from higher levels of production. The volume benefits were partially offset by \$0.3 million in severance costs related to permanent administrative salary costs reduction.

Changes in Financial Condition from December 31, 2010 to December 31, 2011.

From December 31, 2010 to December 31, 2011, our total assets increased \$10.9 million and our current assets increased \$8.4 million. The depreciation in the value of Euro denominated account balances, partially offset by appreciation of Chinese Yuan account balances, relative to the U.S. Dollar caused total assets and current assets to decrease approximately \$3.0 million and \$1.0 million, respectively, from December 31, 2010.

Excluding the foreign exchange effects, accounts receivable was higher by \$3.9 million due primarily to the 6% increase in sales volume in December and November of 2011 from sales levels in December and November of 2010. Additionally, the days sales outstanding have increased 4.5 days as of December 31, 2011 due to timing of certain customer receipts and a higher mix of export customers with extended payment terms. Partially offsetting these increases was a \$3.4 million reduction from the deconsolidation of Eltmann's accounts receivable balances effective January 20, 2011. Net overdue receivables were approximately 19% and 12% of total accounts receivable at December 31, 2011 and 2010, respectively. The increase in overdue receivables in 2011 was due primarily to payments from certain customers being received in early January 2012 rather than by December 31, 2011.

Excluding the foreign exchange effects, inventories increased by \$4.6 million from December 31, 2010, primarily from increased raw material, work in process inventory and finished goods inventory due to higher production volumes in 2011.

Excluding the foreign exchange effects, property, plant and equipment increased \$3.8 million as year to date capital spending was \$3.3 million higher than depreciation. Additionally, property, plant and equipment increased for the \$1.9 million addition of land and building acquired through a 20 year capital lease at our Kunshan Plant on October 1, 2011. This was partially offset by the deconsolidation of machinery at Eltmann with a net book value of \$1.3 million effective January 20, 2011.

From December 31, 2010 to December 31, 2011, our total liabilities decreased \$10.7 million. The depreciation in the value of Euro denominated account balances, partially offset by appreciation of Chinese Yuan account balances, relative to the U.S. Dollar caused total liabilities to decrease approximately \$0.7 million from December 31, 2010. The majority of the reduction in liabilities was due to the deconsolidation of Eltmann liabilities totaling \$8.3 million the largest of which was the Eltmann accrued pension liability totaling \$5.6 million. Finally, excluding foreign exchange effects and the effects of the Eltmann deconsolidation (\$1.7 million), accounts payable decreased \$5.0 million due to the timing of payments to certain vendors and from the large capital expenditures in year end 2010 accounts payable that were paid in 2011.

Working capital, which consists principally of accounts receivable and inventories offset by accounts payable and current maturities of long-term debt, was \$51.0 million at December 31, 2011 as compared to \$32.1 million at December 31, 2010. The ratio of current assets to current liabilities increased from 1.38:1 at December 31, 2010 to 1.70:1 at December 31, 2011. The increase in working capital was due primarily to movements in accounts receivable, inventory, and accounts payable discussed above.

Cash flow provided by operations was \$15.0 million for 2011 compared with \$27.9 million for 2010. The unfavorable variance in cash flow provided by operations was principally due to the unfavorable effect from increasing net working capital at a much higher rate in 2011 versus in 2010. The working capital increases, as discussed above, were due to increased sales and production volumes experienced during 2011.

Liquidity and Capital Resources

Amounts outstanding under our \$100 million credit facility and our fixed rate senior notes as of December 31, 2011 were \$41.0 million (including \$0.8 million under our swing line of credit) and \$37.1 million, respectively. As of December 31, 2011, we can borrow up to an additional \$48.0 million under the \$100 million credit facility, including \$9.2 million under our swing line of credit, subject to limitations based on existing financial covenants. The \$48.0 million of availability is net of \$1 million of outstanding letters of credit at December 31, 2011 which are considered as usage of the facility. The \$48.0 million considers our new liquidity requirement from the September 30, 2011 amendment that the total outstanding under the revolving credit agreement shall be at least \$10 million less than the total committed amount of \$100 million during the period commencing September 30, 2011 and ending on September 30, 2012.

We were in compliance with all covenants related to the \$100 million credit facility and the fixed rate senior notes agreements as of December 31, 2011. The table below summarizes the financial covenants of the two credit agreements as of December 31, 2011:

<u>Financial Covenants</u>	<u>Required Covenant Level</u>	<u>Actual Level Achieved</u>
Interest coverage ratio	Not to be less than 3.00 to 1.00 as of the last day of any fiscal quarter	6.50 to 1.00
Fixed charge coverage	Not to be less than 1.00 to 1.00 as of the last day of any fiscal quarter	1.30 to 1.00
Leverage ratio	Not to exceed 2.50 to 1.00 for the most recently completed four fiscal quarters	1.68 to 1.00
Capital expenditures	Not to exceed 150% of Consolidated Depreciation Charges for the immediate previous fiscal year.	73%

The fixed charge coverage ratio increases to “not to be less than 1.25 to 1.00 as of the last day of any fiscal quarter” starting October 1, 2012.

On December 20, 2011, we borrowed an additional \$20 million in seven-year fixed rate notes from Prudential Capital at a rate of 4.64%. These notes, which mature on December 20, 2018, are interest-only for the first two years followed by five equal annual principal payments. The proceeds were used to repay existing revolving credit bank debt and to fund growth capital projects. Prudential Capital also agreed to reduce the rate on our existing \$17.1 million of fixed rate notes due in 2014 from 6.50% to 5.39%.

On September 30, 2011, NN amended its \$100 million revolving credit agreement agented by KeyBank and its long-term loan agreement with Prudential Capital in order to adjust the fixed charge coverage ratio covenant to better correlate current and expected levels of capital spending and other fixed charges with earnings before taxes, interest and depreciation (EBITDA). The fixed charge coverage ratio was reduced from not less than 1.10 to 1.00 and not less than 1.25 to 1.00 (for quarters ending after September 30, 2011) to not less than 1.00 to 1.00 as of the last day of any fiscal quarter for the quarters ending September 30, 2011 through September 30, 2012. The amendments also provide that the company will assure that the total outstanding under the revolving credit agreement shall be at least \$10 million less than the total committed amount of \$100 million during the period commencing September 30, 2011 and ending on September 30, 2012.

On December 21, 2010, we entered into an amended and restated revolving credit facility expiring December 21, 2014 with Key Bank as administrative agent with an initial size of \$75 million. The amended agreement was entered into to adjust our financial and non-financial covenants to more normalized measures and to provide greater ability to fund our capital investment plans. The interest rate was amended to LIBOR plus a margin of 1.5% to 3.5% (depending on the level of the ratio of debt to EBITDA) from LIBOR plus a margin of 4.75%. The facility may be expanded upon our request with approval of the lenders by up to \$60 million, under the same terms and conditions. On March 9, 2011, we exercised an option to increase the size of the facility from \$75 million to \$100 million to allow additional flexibility and to fund potential growth projects. The loan agreement 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 merger, acquisition and other fundamental changes in our business including a "material adverse change" clause, which if triggered would accelerate the maturity of the debt. The facility has a \$10 million swing line feature to meet short term cash flow needs. Any borrowings under this swing line are considered short term. Costs associated with entering into the revolving credit facility and the subsequent amendment on September 30, 2011, were capitalized and will be amortized into interest expense over the life of the facility. As of December 31, 2011 and 2010, \$1.7 million and \$2.1 million, respectively, of net capitalized loan origination costs were on the balance sheet within other non-current assets.

On December 21, 2010, our senior notes agreement with Prudential Capital was also amended. The amended agreement was entered into to adjust our financial and non-financial covenants to more normalized measures. There were no changes to the terms or availability of credit but the interest rate was reduced from 8.50% to 6.70%. The agreement 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 including a "material adverse change" clause, which if triggered would accelerate the maturity of the debt. Interest is paid semi-annually and the notes mature on April 26, 2014. We incurred costs as a result of issuing these notes and the subsequent amendments on September 30, 2011 and December 20, 2011 which have been recorded as a component of other non-current assets and are being amortized over the term of the notes. The unamortized balance at December 31, 2011 and 2010 was \$0.3 million and \$0.4 million, respectively.

Our arrangements with our domestic customers typically provide that payments are due within 30 to 60 days following the date of our shipment of goods, while arrangements with foreign customers of our domestic business (other than foreign customers that have entered into an inventory management program with us) generally provide that payments are due within 60 to 120 days following the date of shipment to allow for additional transit time and customs clearance. Under the Metal Bearing Components Segment's inventory management program with certain customers, payments typically are due within 30 days after the customer uses the product. Our arrangements with European customers regarding due dates vary from 30 to 90 days following date of sale for European based customers and 60 to 120 days from customers outside of Europe to allow for additional transit time and customs clearance. Our sales and receivables can be influenced by seasonality due to our relative percentage of European business coupled with many foreign customers slowing production during the month of August. For information concerning our quarterly results of operations for the years ended December 31, 2011 and 2010, see Note 16 of the Notes to Consolidated Financial Statements.

We invoice and receive payment from many of our customers in Euro as well as other currencies. Additionally, we are party to various third party and intercompany loans, payables and receivables denominated in currencies other than the U.S. Dollar. In 2011, the fluctuation of the Euro against the U.S. Dollar positively impacted sales and net income. As a result of these sales, loans, payables and receivables, 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 December 31, 2011, 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.

We have made planned capital expenditures totaling \$20.3 million as of December 31, 2011. During 2012, we expect to spend between \$15.0 million and \$20.0 million on capital expenditures, the majority of which relate to new or expanded business. We believe that funds generated from operations and borrowings from the credit facilities will be sufficient to finance our capital expenditures and working capital needs through December 2012. We base this assertion on our current availability for borrowing of up to \$48.0 million and our forecasted positive cash flow from operations for the year ending December 31, 2012.

The table below sets forth our contractual obligations and commercial commitments as of December 31, 2011 (in thousands):

Certain Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt including current portion	\$ 78,132	\$ 6,503	\$55,629	\$ 8,000	\$ 8,000
Expected interest payments	10,270	2,875	4,830	2,379	186
Operating leases	10,772	2,388	3,922	3,166	1,296
Capital leases	7,606	472	944	944	5,246
Total contractual cash obligations	\$106,780	\$ 12,238	\$65,325	\$14,489	\$14,728

We have approximately \$1.7 million in unrecognized tax benefits and related penalties and interest accrued within the liabilities section of our balance sheet. We are unsure when or if all these amounts might be paid to U.S. and/or foreign taxing authorities. Accordingly, these amounts have been excluded from the table above. (See Note 13 of the Notes to Consolidated Financial Statements).

Due to the impacts of the global economic recession and the resulting reduction in revenue and operating losses, our wholly owned German subsidiary Kugelfertigung Eltmann GbmH (“Eltmann” or “Eltmann Plant”) sustained a significant weakening of its financial condition. As a result, it became technically insolvent at which point it was required to file for bankruptcy under German bankruptcy law. The filing was made in the bankruptcy court in Germany on January 20, 2011. As of this date, NN lost the ability to control or manage Eltmann as a result of the bankruptcy court trustee taking over effective control and day to day management of this subsidiary. As a result of loss of control of this subsidiary, NN deconsolidated the assets and liabilities of Eltmann from our Consolidated Financial Statements effective January 20, 2011 (See Note 1 of Notes to Consolidated Financial Statements). The ultimate impact on NN of Eltmann filing for bankruptcy will depend on the findings of the bankruptcy court. However, until such court proceedings are finalized, we will not be able to determine what liabilities and contingent obligations, if any, might remain as the responsibility of NN. Under advice from legal counsel, NN does not expect any further significant impacts on our consolidated financial statements as a result of the liquidation of this subsidiary.

Functional Currencies

We currently have operations in Slovakia, Italy and The Netherlands, all of which are Euro participating countries. Each of our European facilities sell product to customers in many of the Euro participating countries. The Euro has been adopted as the functional currency at all NN locations in Europe. The functional currency of NN Asia is the Chinese Yuan.

Seasonality and Fluctuation in Quarterly Results

Our net sales historically have been seasonal in nature, due to a significant portion of our sales being to European customers that significantly slow production during the month of August. For information concerning our quarterly results of operations for the years ended December 31, 2011 and 2010. (See Note 16 of the Notes to Consolidated Financial Statements).

Inflation and Changes in Prices

The cost base of our operations has been materially affected by steel inflation during recent years. Due to the ability to pass on this steel inflation to our customers the overall financial impact has been minimized. The prices for steel, engineered resins and other raw materials which we purchase are subject to material change. Our typical pricing arrangements with steel suppliers are subject to adjustment every three to six months in the U.S. and annually in Europe for base prices but quarterly for scrap surcharge adjustments. In the past, we have been able to minimize the impact on our operations resulting from the steel price fluctuations by adjusting selling prices to our customers periodically in the event of changes in our raw material costs.

Recently Issued Accounting Standards

In June 2011, the FASB issued amended accounting guidance related to presentation of comprehensive income. The standards update is intended to help financial statement users better understand the causes of an entity's change in financial position and results of operation. It is effective for reporting periods beginning after December 15, 2011. The amendments eliminate the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance also requires that reclassification adjustments for items that are reclassified from other comprehensive income to net income be presented on the face of the financial statement where the components of net income and other comprehensive income are presented. The FASB amended this guidance in December 2011 to postpone a requirement to present items that are reclassified from other comprehensive income to net income on the face of the financial statement where the components of net income and other comprehensive income are presented and reinstate previous guidance related to such reclassifications. Upon adoption, we will continue to present components of comprehensive income in our Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). We will adopt this guidance for reporting periods beginning January 1, 2012. Since this new guidance will affect disclosure requirements only, we have concluded that it will not have a material impact on our financial position or results of operations.

In September 2011, the FASB issued a revised accounting standard, which is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a "qualitative" assessment to determine whether further impairment testing is necessary. Specifically, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. This standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. We adopted this standard in the fourth quarter of 2011 concurrent with our annual impairment test.

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, 2011 under operating leases that have initial or remaining non-cancelable lease terms in excess of one year (in thousands).

<u>Year ending December 31,</u>	
2012	\$ 2,388
2013	2,048
2014	1,874
2015	1,633
2016	1,533
Thereafter	1,296
Total minimum lease payments	<u>\$10,772</u>

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 outstanding debt balances as well as from 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, 2011, we had \$37.1 million of fixed rate senior notes outstanding and \$41 million outstanding under the variable rate revolving credit facilities. At December 31, 2011, a one-percent increase in the interest rate charged on our outstanding variable rate borrowings would result in interest expense increasing annually by approximately \$0.4 million. 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 Metal Bearing Component Segment invoices and receives payment in currencies other than the U.S. Dollar including the Euro. Additionally, we participate in various third party and intercompany loans, payables and receivables denominated in currencies other than the U.S. Dollar. In 2011, the fluctuation of the Euro against the U.S. Dollar positively impacted revenue and net income but decreased assets and liabilities. To help reduce exposure to foreign currency fluctuation, we have incurred debt in Euros in the past and have, from time to time, used foreign currency hedges to hedge currency exposures when these exposures meet certain discretionary levels. We did not use any currency hedges in 2011, nor did we hold a position in any foreign currency hedging instruments as of December 31, 2011.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of NN, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income (loss) and comprehensive income (loss), of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of NN, Inc. and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide 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, 2012

NN, Inc.
Consolidated Balance Sheets
December 31, 2011 and 2010
(In thousands, except per share data)

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,536	\$ 5,556
Accounts receivable, net	66,707	63,331
Inventories, net	46,023	41,882
Income tax receivable	949	530
Other current assets	5,810	4,371
Total current assets	124,025	115,670
Property, plant and equipment, net	120,528	118,488
Goodwill, net	8,039	8,396
Intangible assets, net	900	900
Non-current deferred tax assets	1,062	238
Other non-current assets	4,907	4,863
Total assets	<u>\$259,461</u>	<u>\$248,555</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 48,217	\$ 55,549
Accrued salaries, wages and benefits	11,697	13,548
Income taxes payable	1,858	2,560
Current maturities of long-term debt	6,503	5,714
Current portion of obligation under capital lease	472	275
Other current liabilities	4,294	5,941
Total current liabilities	73,041	83,587
Non-current deferred tax liabilities	3,810	3,954
Long-term debt, net of current portion	71,629	67,643
Accrued pension	7,705	13,438
Obligation under capital lease, net of current portion	3,600	1,826
Total liabilities	<u>159,785</u>	<u>170,448</u>
Commitments and Contingencies (Note 15)		
Stockholders' equity:		
Common stock - \$0.01 par value, authorized 45,000 shares, issued and outstanding 16,949 in 2011 and 16,620 in 2010.	169	167
Additional paid-in capital	55,071	51,863
Retained earnings	27,612	6,675
Accumulated other comprehensive income	16,824	19,402
Total stockholders' equity	<u>99,676</u>	<u>78,107</u>
Total liabilities and stockholders' equity	<u>\$259,461</u>	<u>\$248,555</u>

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
Years ended December 31, 2011, 2010 and 2009
(In thousands, except per share data)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Net sales	\$424,691	\$365,369	\$259,383
Cost of products sold (exclusive of depreciation shown separately below)	347,622	296,422	235,466
Selling, general and administrative	30,657	30,407	27,273
Depreciation and amortization	17,016	19,195	22,186
(Gain) loss on disposal of assets	(36)	808	493
Restructuring and impairment charges	—	2,289	4,977
Income (loss) from operations	29,432	16,248	(31,012)
Interest expense	4,715	6,815	6,359
Write-off of unamortized debt issuance cost	—	130	604
Other income, net	(1,388)	(1,682)	(351)
Income (loss) before provision (benefit) for income taxes	26,105	10,985	(37,624)
Provision (benefit) for income taxes	5,168	4,569	(2,290)
Net income (loss)	<u>\$ 20,937</u>	<u>\$ 6,416</u>	<u>\$ (35,334)</u>
Other comprehensive income (loss):			
Actuarial loss recognized in change of projected benefit obligation (net of tax of \$0, \$0 and \$0, respectively)	—	(392)	(315)
Foreign currency translation gain (loss)	(2,578)	(6,726)	2,356
Comprehensive income (loss)	<u>\$ 18,359</u>	<u>\$ (702)</u>	<u>\$ (33,293)</u>
Basic income (loss) per share:			
Net income (loss)	<u>\$ 1.24</u>	<u>\$ 0.39</u>	<u>\$ (2.17)</u>
Weighted average shares outstanding	<u>16,817</u>	<u>16,455</u>	<u>16,268</u>
Diluted income (loss) per share:			
Net income (loss)	<u>\$ 1.24</u>	<u>\$ 0.39</u>	<u>\$ (2.17)</u>
Weighted average shares outstanding	<u>16,953</u>	<u>16,570</u>	<u>16,268</u>

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2011, 2010 and 2009
(In thousands)

	Common Stock		Additional paid in capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
	Number of Shares	Par Value				
Balance, December 31, 2008	16,268	\$163	\$ 49,524	\$ 35,593	\$ 24,479	\$109,759
Net loss	—	—	—	(35,334)	—	(35,334)
Stock option expense	—	—	337	—	—	337
Actuarial loss recognized in change of projected benefit obligation (net of tax \$0)	—	—	—	—	(315)	(315)
Foreign currency translation gain	—	—	—	—	2,356	2,356
Balance, December 31, 2009	16,268	\$163	\$ 49,861	\$ 259	\$ 26,520	\$ 76,803
Net income	—	—	—	6,416	—	6,416
Stock option expense	—	—	152	—	—	152
Shares issued for options	103	1	752	—	—	753
Actuarial loss recognized in change of projected benefit obligation (net of tax \$0)	—	—	—	—	(392)	(392)
Stock compensation expense	249	3	1,098	—	—	1,101
Foreign currency translation loss	—	—	—	—	(6,726)	(6,726)
Balance, December 31, 2010	16,620	\$167	\$ 51,863	\$ 6,675	\$ 19,402	\$ 78,107
Net income	—	—	—	20,937	—	20,937
Stock option expense	—	—	480	—	—	480
Shares issued for options	254	2	2,380	—	—	2,382
Stock compensation expense	75	—	348	—	—	348
Foreign currency translation loss	—	—	—	—	(2,578)	(2,578)
Balance, December 31, 2011	<u>16,949</u>	<u>\$169</u>	<u>\$ 55,071</u>	<u>\$ 27,612</u>	<u>\$ 16,824</u>	<u>\$ 99,676</u>

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Cash Flows
Years ended December 31, 2011, 2010 and 2009
(In thousands)

	2011	2010	2009
Cash flows from operating activities:			
Net income (loss)	\$ 20,937	\$ 6,416	\$(35,334)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	17,016	19,195	22,186
Amortization of debt issue costs	809	1,415	1,147
(Gain) loss on disposals of property, plant and equipment	(36)	808	493
Allowance for doubtful accounts	140	97	(119)
Compensation expense from issuance of restricted stock and incentive stock options	828	1,253	337
Deferred income tax expense (benefit)	(968)	418	841
Capitalized interest and non-cash interest	(210)	—	157
Non-cash restructuring and impairment charges	—	308	2,853
Write-off of unamortized debt issue costs	—	130	604
Changes in operating assets and liabilities:			
Accounts receivable	(7,539)	(15,459)	1,481
Inventories	(7,079)	(10,253)	20,318
Income tax receivable	(419)	2,393	(631)
Other current assets	(1,658)	740	1,821
Other non-current assets	7	(1,403)	(355)
Accounts payable	(4,790)	19,165	(2,128)
Other liabilities	(2,083)	2,637	1,118
Net cash provided by operating activities	<u>14,955</u>	<u>27,860</u>	<u>14,789</u>
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(20,329)	(15,249)	(4,255)
Proceeds from disposals of property, plant and equipment	255	79	521
Cash lost in deconsolidation of Eltmann	(979)	—	—
Repayment of long-term note receivable	—	711	—
Net cash used by investing activities	<u>(21,053)</u>	<u>(14,459)</u>	<u>(3,734)</u>
Cash flows from financing activities:			
Debt issue costs paid	(453)	(1,395)	(3,293)
Proceeds of long-term debt, net	20,000	—	—
Repayment of long-term debt, net	(16,014)	(9,914)	(12,614)
Proceeds (repayment) of short-term debt, net	789	(3,691)	2,850
Proceeds from issuance of stock and exercise of stock options	2,382	753	—
Other financing activity	(66)	(57)	(51)
Net cash provided by (used by) financing activities	<u>6,638</u>	<u>(14,304)</u>	<u>(13,108)</u>
Effect of exchange rate changes on cash flows	(1,560)	(2,285)	(255)
Net change in cash and cash equivalents	(1,020)	(3,188)	(2,308)
Cash and cash equivalents at beginning of year	5,556	8,744	11,052
Cash and cash equivalents at end of year	<u>\$ 4,536</u>	<u>\$ 5,556</u>	<u>\$ 8,744</u>
Supplemental schedule of non-cash investing and financing activities:			
Compensation expense for stock awards, (\$348 in 2011, \$1,101 in 2010, and \$0 in 2009 and stock option expense (\$480 in 2011, \$152 in 2010, and \$337 in 2009) included in stockholders' equity	\$ 828	\$ 1,253	\$ 337
Acquired land and building through a 20 year capital lease not included in investing activities above	\$ 1,948	\$ —	\$ —
Reduced note payable to customer with offsetting reduction to accounts receivable	\$ —	\$ —	\$ 361
Sale of \$2,230 in property, plant and equipment for a note receivable with an aggregate carrying value of \$1,562 in 2010.	\$ —	\$ 668	\$ —
Certain amounts were deconsolidated from the Balance Sheet of NN due to the bankruptcy of a subsidiary on January 20, 2011 and are not reflected in the 2011 cash flow statement above (See Note 1 of Notes to Consolidated Financial Statements)			
Cash paid for interest and income taxes was as follows:			
Interest	\$ 3,869	\$ 4,825	\$ 4,678
Income taxes	\$ 6,516	\$ 1,419	\$ 353
Income tax refunds received from taxing authorities	\$ 149	\$ 2,393	\$ 2,653

See accompanying notes to consolidated financial statements

NN, Inc.
Notes to Consolidated Financial Statements
December 31, 2011, 2010 and 2009
(In thousands, except per share data)

1) Summary of Significant Accounting Policies and Practices

a) Description of Business

NN, Inc. ("NN", "the Company", "we", "our" or "us") is a manufacturer of precision balls, cylindrical and tapered rollers, bearing retainers, plastic injection molded products, precision bearing seals and precision metal components. Our balls, rollers, retainers, and bearing seals are used primarily in the domestic and international anti-friction bearing industry. Our plastic injection molded products are used in the bearing components, automotive components, electronic instrument cases and other molded components used in a variety of applications. The precision metal components products are used in the HVAC, automotive, fluid power and diesel engine industries.

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. Cost is determined using the first-in, first-out method. Our policy is to expense abnormal amounts of idle facility expense, freight, handling cost, and waste. In addition, we allocate fixed production overheads based on the normal production capacity of our facilities. Inventory valuations were developed using normalized production capacities for each of our manufacturing locations and the costs from excess capacity or under-utilization of fixed production overheads were expensed in the period incurred and are not included as a component of inventory valuation.

Inventories also include tools, molds and dies in progress that we are producing and will ultimately sell to our customers. This activity is principally related to our Plastic and Rubber Components and Precision Metal Components Segments. These inventories 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 to be disposed of are stated at lower of depreciated 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 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 (loss). We review 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, 2011, 2010 and 2009, we recorded impairment charges of \$0, \$308, and \$235 respectively (See Notes 2 and 6 of the Notes to Consolidated Financial Statements). Property, plant and equipment includes tools, molds and dies principally used in our Plastic and Rubber Components and Precision Metal Components Segments that are our property.

Depreciation is provided on the straight-line method over the estimated useful lives of the depreciable assets for financial reporting purposes. In the event we abandon and cease to use certain property, plant, and equipment, depreciation estimates are revised and, in most cases, depreciation expense will be accelerated to reflect the shortened useful life of the asset. During the years ended December 31, 2011, 2010 and 2009, we recognized \$0, \$1,000, and \$0 respectively in accelerated depreciation for property, plant and equipment that was abandoned. (See Note 6 of the Notes to Consolidated Financial Statements).

e) Revenue Recognition

We recognize revenues based on the stated shipping terms with customers when these terms are satisfied and the risks of ownership are transferred to the customers. We have an inventory management program for certain Metal Bearing Components Segment customers whereby revenue is recognized when products are used by customers 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 collectability is reasonably assured.

NN, Inc.
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f) 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 our accounts receivable are due primarily from the core served markets. We experienced \$140, \$97, and \$(119) of bad debt expense (income) during 2011, 2010 and 2009, respectively. In establishing allowances for doubtful accounts, we perform credit evaluations of our 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 allowances established when considered to be uncollectible or at risk of being uncollectible, respectively.

g) 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 carry forwards. 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. The Consolidated Financial Statements for each of the three years in the period ended December 31, 2011 continue to reflect full valuation allowances against the net deferred tax assets of all our U.S. operations. Based upon the negative financial performance for our combined U.S. locations during the years ended December 31, 2009 and 2010, we determined that there is a likelihood these locations would be unable to generate sufficient profits in the near future to allow realization of existing deferred tax assets.

We recognize income tax positions that meet the more likely than not threshold and accrue interest and potential penalties related to unrecognized income tax positions which are recorded as a component of the income tax provision.

h) Net Income (Loss) Per Common Share

Basic income (loss) per share reflects reported earnings divided by the weighted average number of common shares outstanding. Diluted income (loss) per share include the effect of dilutive stock options, unvested restricted stock (if any) and the respective tax benefits, unless inclusion would not be dilutive.

i) Stock Based Compensation

The cost of stock options and stock awards are expensed as compensation expense over the vesting periods based on the fair value at the grant date. (See Note 9 of the Notes to the Consolidated Financial Statements) We use a financial pricing model, the Black Scholes model, to determine the fair value of our stock options as our options are not traded in open markets.

We account for stock awards by recognizing compensation expense ratably over the vesting period as specified in the award. Compensation expense to be recognized is based on the stock price at date of grant.

j) Principles of Consolidation

Our consolidated financial statements include the accounts of NN, Inc. and its subsidiaries. All of our subsidiaries are 100% owned and all are included in the consolidated financial statements for the years end December 31, 2011, 2010, and 2009. All significant inter-company profits, transactions, and balances have been eliminated in consolidation.

Due to the impacts of the global economic recession and the resulting reduction in revenue and operating losses, our wholly owned German subsidiary, Kugelfertigung Eltmann GbmH ("Eltmann" or "Eltmann Plant"), sustained a significant weakening of its financial condition. As a result, it became insolvent at which point it

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was required to file for bankruptcy under German bankruptcy law. The filing was made in the bankruptcy court in Germany on January 20, 2011. As of this date, NN lost the ability to control or manage Eltmann as a result of the bankruptcy court trustee taking over effective control and day to day management of this subsidiary. As a result of loss of control of this subsidiary, NN deconsolidated the assets and liabilities of Eltmann from our Consolidated Financial Statements effective January 20, 2011.

We were informed that in early April 2011, the bankruptcy trustee sold the majority of the production assets of Eltmann to a non-affiliated manufacturing company. It is our understanding that the remaining assets and liabilities of Eltmann will be liquidated sometime in the future by the bankruptcy court. NN does not expect any further significant impact on our consolidated financial statements as a result of the liquidation of this subsidiary.

The following table summarizes the effects of the deconsolidation of Eltmann effective January 20, 2011 on the Consolidated Balance Sheets:

Cash	\$ (979)
Accounts receivable	(3,388)
Inventory	(2,407)
Other assets	(193)
Property, plant and equipment	(1,343)
Reduction of total assets	<u>\$ (8,310)</u>
Accounts payable	(1,738)
Accrued salaries	(1,500)
Accrued pension	(5,623)
Accumulated other comprehensive income	551
Reduction of total liabilities and stockholders' equity	<u>\$ (8,310)</u>
Net impact from deconsolidation of bankrupt subsidiary	<u>\$ —</u>

The deconsolidation of the amounts above were not reflected in the Consolidated Statements of Cash Flows for the year ended December 31, 2011. The assets and liabilities of Eltmann are included in NN's Consolidated Financial Statements for the years ended December 31, 2010 and earlier as we had effective control of this subsidiary.

k) Foreign Currency Translation

Assets and liabilities of our 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 arising from the translation of foreign subsidiary financial statements are reported as a component of other comprehensive income (loss) and accumulated other comprehensive income within stockholders' equity. In addition, transactions denominated in foreign currencies, including intercompany transactions, are initially recorded at the current exchange rate at the date of the transaction. The balances are adjusted to the current exchange rate as of each balance sheet date and as of the date when the transaction is consummated. Transaction gains or losses, excluding intercompany loan transactions, are expensed in either cost of products sold or selling, general and administrative lines in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) as incurred and were immaterial to the years ended December 31, 2011, 2010 and 2009. Transaction gains or losses on intercompany loan transactions are recognized in the other income, net line in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) as incurred.

l) Goodwill and Other Indefinite Lived Intangible Assets

We recognize 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 if a triggering event occurs. The impairment procedures are performed at the reporting unit level for the one unit that still has goodwill. In September 2011, the FASB issued a revised accounting standard, which is

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intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a “qualitative” assessment to determine whether further impairment testing is necessary. Specifically, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. This standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. We are adopting this standard in the fourth quarter of 2011 concurrent with our annual impairment test. In assessing the qualitative factors, we considered the impact of the following key factors and their effect on the reporting unit, budget to actual performance, economic, market and industry considerations, earnings multiples and cash flow from operations. Based on this qualitative assessment considering prior year results and current operating performance we determined it was more likely than not that the fair value of the reporting unit exceeded the carrying value of the reporting unit.

If the qualitative assessment indicates it is more likely than not that the fair value is less than the carrying value, U.S. GAAP prescribes a two-step process for testing for goodwill impairments. The first step is to determine if the carrying value of the reporting unit with goodwill is less than the related fair value of the reporting unit. The fair value of the reporting unit is determined through use of discounted cash flow methods and market based multiples of earning and sales methods obtained from a grouping of comparable publicly trading companies. We believe this methodology of valuation is consistent with how market participants would value reporting units. The discount rate and market based multiples used are specifically developed for the units tested regarding the level of risk and end markets served. Even though we do use other observable inputs (Level 2 inputs under the US GAAP hierarchy) the calculation of fair value for goodwill would be most consistent with Level 3 under the US GAAP hierarchy.

If the carrying value of the reporting unit is less than fair value of the reporting unit, the goodwill is not considered impaired. If the carrying value is greater than fair value then the potential for impairment of goodwill exists. The potential impairment is determined by allocating the fair value of the reporting unit among the assets and liabilities based on a purchase price allocation methodology as if the reporting unit was acquired in a business combination. The fair value of the goodwill is implied from this allocation and compared to the carrying value with an impairment loss recognized if the carrying value is greater than the implied fair value.

We base our fair value estimates, in large part, on management business plans and projected financial information which are subject to a high degree of management judgment and complexity. Actual results may differ from these projections and the differences may be material.

Our indefinite lived intangible asset is accounted for similarly to goodwill. This asset is tested for impairment at least annually by comparing the fair value to the carrying value, using the relief from royalty rate method, and if the fair value is less than the carrying value, an impairment charge is recognized for the difference.

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

Long-lived tangible and intangible assets subject to amortization are tested for recoverability when changes in circumstances indicate the carrying value of these assets may not be recoverable. A test for recoverability is also performed when management has committed to a plan to dispose of a reporting unit or asset group. Assets to be held and used are tested for recoverability when indications of impairment are evident. Recoverability of a long-lived tangible and intangible asset is evaluated by comparing its carrying value to the future estimated undiscounted cash flows expected to be generated by the asset or asset group. If the asset is not recoverable the asset is considered impaired and adjusted to fair value which is then depreciated/amortized over its remaining useful live. Assets to be disposed of are carried at the lesser of carrying value or fair value less costs of disposal. (See Notes 2, 6 and 11 of the Notes to Consolidated Financial Statements).

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n) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

o) Fair Value Measurements

On January 1, 2008, we adopted the standards of U.S. GAAP that pertains to recording financial liabilities subject to recurring fair value measurement at the price that would be paid to transfer a liability in an orderly transaction between market participants. However, at that time we elected not to adopt the option to use the fair value method of accounting for our existing financial liabilities. On January 1, 2009, we began recording all non-financial assets and liabilities (principally goodwill and long lived tangible and intangible assets) subject to fair value measurement under the same principles. These fair value principles prioritize valuation inputs across three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on our assumptions used to measure assets and liabilities at fair value. An asset or liability's classification within the various levels is determined based on the lowest level input that is significant to the fair value measurement.

p) Recently Issued Accounting Standards

In June 2011, the FASB issued amended accounting guidance related to presentation of comprehensive income. The standards update is intended to help financial statement users better understand the causes of an entity's change in financial position and results of operation. It is effective for reporting periods beginning after December 15, 2011. The amendments eliminate the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance also requires that reclassification adjustments for items that are reclassified from other comprehensive income to net income be presented on the face of the financial statement where the components of net income and other comprehensive income are presented. The FASB amended this guidance in December 2011 to postpone a requirement to present items that are reclassified from other comprehensive income to net income on the face of the financial statement where the components of net income and other comprehensive income are presented and reinstate previous guidance related to such reclassifications. Upon adoption, we will continue to present components of comprehensive income in our Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). We will adopt this guidance for reporting periods beginning January 1, 2012. Since this new guidance will affect disclosure requirements only, we have concluded that it will not have a material impact on our financial position or results of operations.

In September 2011, the FASB issued a revised accounting standard, which is intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a "qualitative" assessment to determine whether further impairment testing is necessary. Specifically, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. This standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011 with early adoption permitted. We adopted this standard in the fourth quarter of 2011 concurrent with our annual impairment test as discussed above.

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2) Restructuring and Impairment Charges

Below is a summary of all the impairment and restructuring charges reported in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) during the years ended December 31, 2011, 2010, and 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Impairment of tangible assets	\$—	\$ 308	\$ 235
Restructuring charges	—	1,981	4,742
Restructuring and impairment charges	<u>\$—</u>	<u>\$2,289</u>	<u>\$4,977</u>

The above charges are discussed in detail below.

Restructuring Activity

During the first quarter of 2010, we announced the closure of the Tempe Plant. We ceased operations at this location on August 31, 2010. This closure impacted approximately 130 employees. Current economic conditions coupled with the long-term manufacturing strategy for our Whirlaway business necessitated a consolidation of our manufacturing resources into existing facilities in Ohio. We incurred cash charges of approximately \$1,518 in severance costs during 2010. The severance costs were recognized pro-rata over the period from the announcement date until the employees' termination date as continued employment was a requirement to receive severance payments. Additionally, during the year ended December 31, 2010, we incurred \$506 of site closure and other associated costs. In the first quarter of 2010, we incurred \$1,000 of accelerated depreciation related to certain fixed assets that were expected to be abandoned due to ceasing operations at the Tempe Plant. (See Note 6 of the Notes to Consolidated Financial Statements). The majority of the fixed assets and inventory that ceased to be used were sold on August 31, 2010 in exchange for long-term notes receivables. (See Note 4 of the Notes to Consolidated Financial Statements).

On November 26, 2008, we announced the closure of our Kilkenny Plant. The closure was part of our long term strategy to rationalize our European operations. The closure affected 68 employees and was substantially completed during 2009. We incurred \$70 and \$763 in restructuring costs during the years ended December 31, 2010 and 2009, respectively, principally for site closure and other associated costs.

During the first quarter of 2009, we closed our Hamilton Plant. This closure affected 11 employees and \$130 in severance and other associated closure costs were incurred during the first quarter of 2009. Of this amount, \$108 was for employee severance cost which was paid in the second quarter of 2009.

During the third quarter of 2009, we informed our employees of the Veenendaal Plant of our intention to begin a reorganization of the plant's labor force due to the economic downturn. During the year ended December 31, 2009, we incurred severance charges of \$3,849 which covered the elimination of 53 permanent positions or 17% of the workforce at that time. The majority of the severance cost was paid out during the fourth quarter of 2009 and first quarter of 2010. During the year ended December 31, 2010, we recognized a benefit of \$113 as the total severance related costs were less than the amount accrued.

The following table summarizes the 2010 activity related to the three restructuring programs discussed above:

	<u>Reserve Balance at 1/01/10</u>	<u>Charges</u>	<u>Paid in 2010</u>	<u>Currency Impacts</u>	<u>Reserve Balance at 12/31/2010</u>
Severance and other employee costs	\$ 2,382	\$ 1,405	\$ (3,660)	\$ (127)	\$ —
Site closure and other associated cost	—	576	(576)	—	—
Total	<u>\$ 2,382</u>	<u>\$ 1,981</u>	<u>\$ (4,236)</u>	<u>\$ (127)</u>	<u>\$ —</u>

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These restructuring costs were recorded in the Restructuring and Impairment Charges line as a component of income (loss) from operations. The liability balance for severance and other employee costs were reported within the Accrued salaries, wages and benefits line of the Consolidated Balance Sheets. There were no restructuring charges incurred during the year ended December 31, 2011.

Impairments of Goodwill and Other Long-Lived Tangible and Intangible Assets

During the year ended December 31, 2009, we adjusted the fair value of the building and land of our Kilkenny Plant to its current estimated fair value resulting in a \$235 charge. This impairment charge was reported in the Restructuring and Impairment Charges line as a component of loss from operations in 2009.

For the year ended December 31, 2010, we recorded \$308 of non-cash impairment charges related to the impairment of production machinery at the Eltmann Plant as this subsidiary was legally required to file for bankruptcy in January 2011. This impairment charge was reported in the Restructuring and Impairment Charges line as a component of income from operations in 2010 (See Notes 1 and 15 of the Notes to Consolidated Financial Statements).

3) Accounts Receivable and Sales Concentrations

	December 31,	
	2011	2010
Trade	\$67,145	\$63,809
Less - allowance for doubtful accounts	438	478
Accounts receivable, net	<u>\$66,707</u>	<u>\$63,331</u>

Activity in the allowance for doubtful accounts is as follows:

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions (reductions)</u>	<u>Write- offs</u>	<u>Currency Impacts</u>	<u>Balance at End of Year</u>
December 31, 2011					
Allowance for doubtful accounts	\$ 478	\$ 140	\$(178)	\$ (2)	\$ 438
December 31, 2010					
Allowance for doubtful accounts	\$ 473	\$ 97	\$ (81)	\$ (11)	\$ 478
December 31, 2009					
Allowance for doubtful accounts	\$ 635	\$ (119)	\$ (48)	\$ 5	\$ 473

For the years ended December 31, 2011, 2010 and 2009, sales to SKF amounted to \$159,668, \$139,242, and \$93,385, respectively, or 37.6%, 38.1%, and 36.0% of consolidated revenues, respectively. None of our other customers accounted for more than 10% of our net sales in 2011, 2010 or 2009. SKF and SNR Roulements ("SNR") were the only customers with accounts receivable concentrations in excess of 10% in 2011 and 2010. Schaeffler Group had accounts receivable concentrations in excess of 10% in 2010 but not for 2011. The outstanding balance as of December 31, 2011 and 2010 for SKF was \$22,572 and \$18,739, respectively. The outstanding balance as of

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December 31, 2011 and 2010 for SNR was \$6,796 and \$7,059, respectively. The outstanding balance as of December 31, 2010 for Schaeffler Group was \$6,768. All revenues and receivables related to SKF and Schaeffler Group are in the Metal Bearing Components and Plastic and Rubber Components Segments. All revenues and receivables related to SNR are in the Metal Bearing Components Segment.

4) Long Term Note Receivable

Certain property, plant and equipment of the Tempe Plant was sold on August 31, 2010, the day the Tempe Plant ceased operations, to a newly formed company not affiliated with NN. Property, plant and equipment with a net book value of \$2,230 were sold in exchange for a promissory note with a fair value of \$1,562, as of August 31, 2010, (described below as the Tempe Fixed Asset Note).

The Tempe Fixed Asset Note had an original face value of \$2,500, a 60 month term, a 7% interest rate, interest only payments for 24 months, principal and interest payments totaling \$40 per month for the next 36 months followed by a balloon payment of \$1,525. The note is secured by a first lien on approximately \$1,000 of the assets and a second lien on the remaining assets. As of December 31, 2011, the note had an estimated fair value and carrying value of \$1,772 determined using a discounted cash flow method applying market interest rates for similar types of seller financed, partially secured promissory notes (Level 3 under the U.S. GAAP fair value hierarchy). This note is reported within other current assets for the current portion and other non-current assets for the long-term portion within the Consolidated Balance Sheets.

5) Inventories

	December 31,	
	2011	2010
Raw materials	\$13,855	\$12,882
Work in process	8,425	8,837
Finished goods	24,724	21,467
Less-inventory reserve	(981)	(1,304)
Inventories, net	<u>\$46,023</u>	<u>\$41,882</u>

Inventory on consignment at customers' sites at December 31, 2011 and 2010 was approximately \$4,156 and \$3,401, respectively.

The inventory valuations above were developed using normalized production capacities for each of our manufacturing locations. Any costs from abnormal excess capacity or under-utilization of fixed production overheads are expensed in the period incurred and are not included as a component of inventory valuation.

6) Property, Plant and Equipment

	Estimated Useful Life	December 31,	
		2011	2010
Land owned		\$ 5,851	\$ 5,985
Land under capital lease		1,378	501
Buildings and improvements owned	15-40 years	42,634	42,678
Buildings under capital lease	20 years	3,039	1,852
Machinery and equipment	3-12 years	237,051	234,153
Construction in process		8,434	14,418
		<u>298,387</u>	<u>299,587</u>
Less - accumulated depreciation		<u>177,859</u>	<u>181,099</u>
Property, plant and equipment, net		<u>\$120,528</u>	<u>\$118,488</u>

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During the first quarter of 2011, we reduced machinery and equipment by \$11,102 and accumulated depreciation by \$9,759 for a net reduction in property, plant and equipment of \$1,343 related to the Eltmann Plant deconsolidation. (See Note 1 of the Notes to Consolidated Financial Statements).

During the fourth quarter of 2011, property, plant and equipment increased for the addition of land and building totaling \$1,948 acquired through a 20 year capital lease obligation at our Kunshan Plant effective October 1, 2011.

During the first quarter of 2010, we incurred \$1,000 of accelerated depreciation to adjust certain assets that were to be abandoned as a result of NN ceasing operations at the Tempe Plant to the new estimated salvage values. (See Note 2 of the Notes to Consolidated Financial Statements).

During the third quarter of 2010, we sold machinery that ceased to be used at our Tempe Plant with a net book value of \$2,230 in exchange for promissory notes receivable with a carrying value and estimated fair value of \$1,562. (See Note 4 of the Notes to Consolidated Financial Statements).

As of December 31, 2010, the asset groups of the Wellington Plants and Eltmann Plant were tested for impairment pursuant to impairment testing relative to long-lived assets due to the losses incurred by the Wellington Plants during 2010 and the legally required bankruptcy filing on January 20, 2011 of Eltmann. The results of our analysis indicated impairment was not warranted for the Wellington Plants. The Eltmann production machinery was reduced by \$308 to its current estimated fair value.

7) Debt

Long-term debt at December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Borrowings under our \$100,000 revolving credit facility bearing interest at a floating rate equal to LIBOR (0.30% at December 31, 2011) plus an applicable margin of 3.00%, expiring December 21, 2014.	\$40,989	\$50,500
Borrowings under our \$40,000 aggregate principal amount of senior notes bearing interest at a fixed rate of 5.39% maturing on April 26, 2014. Annual principal payments of \$5,714 began on April 26, 2008 and extend through the date of maturity.	17,143	22,857
Borrowings under our \$20,000 aggregate principal amount of senior notes bearing interest at a fixed rate of 4.64% maturing on December 20, 2018. Annual principal payments of \$4,000 will begin on December 22, 2014 and extend through the date of maturity.	20,000	—
Total long-term debt	78,132	73,357
Less current maturities of long-term debt	6,503	5,714
Long-term debt, excluding current maturities	<u>\$71,629</u>	<u>\$67,643</u>

On December 20, 2011, we borrowed an additional \$20,000 in seven-year fixed rate notes from Prudential Capital at a rate of 4.64%. These notes, which mature on December 20, 2018, are interest-only for the first two years followed by five equal annual principal payments. The proceeds were used to repay existing revolving credit bank debt and to fund growth capital projects. Prudential Capital also agreed to reduce the rate on the Company's existing \$17,143 of fixed rate notes due in 2014 from 6.50% to 5.39%.

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On September 30, 2011, NN amended its \$100,000 revolving credit agreement agented by KeyBank and its long-term loan agreement with Prudential Capital in order to adjust the fixed charge coverage ratio covenant to better correlate current and expected levels of capital spending and other fixed charges with earnings before taxes, interest and depreciation (EBITDA). The fixed charge coverage ratio was reduced from not less than 1.10 to 1.00 and not less than 1.25 to 1.00 (for quarters ending after September 30, 2011) to “not to be less than 1.00 to 1.00 as of the last day of any fiscal quarter” for the quarters ending September 30, 2011 through September 30, 2012. Starting October 1, 2012, the fixed charge coverage ratio increases to “not to be less than 1.25 to 1.00 as of the last day of any fiscal quarter”. The amendments also provide that the company will assure that the total outstanding under the revolving credit agreement shall be at least \$10,000 less than the total committed amount of \$100,000 during the period commencing September 30, 2011 and ending on September 30, 2012.

On December 21, 2010, we entered into an amended and restated revolving credit facility expiring December 21, 2014 with Key Bank as administrative agent with an initial size of \$75,000. The amended agreement was entered into to adjust our financial and non-financial covenants to more normalized measures and to provide greater ability to fund our capital investment plans. The interest rate was amended to LIBOR plus a margin of 1.5% to 3.5% (depending on the level of the ratio of debt to EBITDA) from LIBOR plus a margin of 4.75%. The facility may be expanded upon our request with approval of the lenders by up to \$60,000, under the same terms and conditions. On March 9, 2011, we exercised an option to increase the size of the facility from \$75,000 to \$100,000 to allow additional flexibility and to fund potential growth projects. The loan agreement 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 merger, acquisition and other fundamental changes in our business including a “material adverse change” clause, which if triggered would accelerate the maturity of the debt. The facility has a \$10,000 swing line feature to meet short term cash flow needs. Any borrowings under this swing line are considered short term. Costs associated with entering into the revolving credit facility and the subsequent September 30, 2011 amendment were capitalized and will be amortized into interest expense over the life of the facility. As of December 31, 2011 and 2010, \$1,761 and \$1,978, respectively, of net capitalized loan origination costs related to the revolving credit facility were recorded on the consolidated balance sheet within other non-current assets.

On December 21, 2010, our senior notes agreement with Prudential Capital was also amended. The amended agreement was entered into to adjust our financial and non-financial covenants to more normalized measures. There were no changes to the terms or availability of credit but the interest rate was reduced from 8.50% to 6.70%. The agreement 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 including a “material adverse change” clause, which if triggered would accelerate the maturity of the debt. Interest is paid semi-annually and the notes mature on April 26, 2014. Annual principal payments of approximately \$5,714 began on April 26, 2008 and extend through the date of maturity. We incurred costs as a result of issuing these notes and the subsequent September 30, 2011 and December 20, 2011 amendments which have been recorded as a component of other non-current assets and are being amortized over the term of the notes. The unamortized balance at December 31, 2011 and 2010 was \$290 and \$428, respectively.

The aggregate maturities of long-term debt including current portion for each of the five years subsequent to December 31, 2011 are as follows:

Year ending December 31,	
2012	\$ 6,503
2013	5,715
2014	49,914
2015	4,000
2016	4,000
Thereafter	8,000
Total	\$ 78,132

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On June 1, 2004, our wholly owned subsidiary, NN Asia, 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 fair value of the land and building were estimated to be approximately \$520 and \$1,930 (at current exchange rates), respectively and undiscounted annual lease payments are approximately \$287 (approximately \$5,700 aggregate non-discounted lease payments over the twenty year term). The lease is cancelable after the fifth, ninth, and fourteenth years without payment or penalty by us. In addition, after the end of year five and each succeeding year we can buy the land for a preset price per square meter value and the building for actual cost less depreciation.

On October 1, 2011, our wholly owned subsidiary, NN Asia, entered into a twenty year lease agreement with Kunshan Tian Li Steel Structure Co. LTD for the lease of land and building adjacent to the current leased facility (approximately 75,000 square feet) in the Kunshan Economic and Technology Development Zone, Jiangsu, The People's Republic of China. This lease was entered into to expand the production capacity of our current leased facility. The fair value of the land and building were estimated to be approximately \$854 and \$1,107 (at current exchange rates), respectively and undiscounted annual lease payments are approximately \$185 (approximately \$3,700 aggregate non-discounted lease payments over the twenty year term). The lease is cancelable after the fifth, ninth, and fourteenth years without payment or penalty by us. In addition, after the end of year five and each succeeding year we can buy the land for a preset price per square meter value and the building for actual cost less depreciation.

Below are the minimum future lease payments under both capital leases together with the present value of the net minimum lease payments as of December 31, 2011:

Year ending December 31,	
2012	\$ 472
2013	472
2014	472
2015	472
2016	472
Thereafter	5,246
Total minimum lease payments	7,606
Less interest included in payments above	(3,534)
Present value of minimum lease payments	<u>\$ 4,072</u>

8) Employee Benefit Plans

We have defined contribution 401(k) profit sharing plans covering substantially all U.S. employees. All employees are eligible for the plans on the first day of the month following their employment date. A participant may elect to contribute between 1% and 60% of their compensation to the plans, 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. We provide a matching contribution which is determined on an individual, participating company basis. Currently, the matching contribution for U.S. employees of the Metal Bearing Components Segment is the greater of five hundred dollars or 50% of the first 4% of compensation contributed. The matching contributions for the Plastic and Rubber Components Segment locations are 25% of the first 6% of compensation contributed for the Lubbock Plant and 50% of the first 6% of compensation contributed for the Danielson Plant. The matching contribution for Precision Metal Components Segment employees is 25% of the first 5% of compensation contributed. All participant contributions are immediately vested at 100%. Contributions for the Metal Bearing Components Segment were \$144, \$117, and \$112 in 2011, 2010, and 2009, respectively. Contributions for the Plastic and Rubber Components Segment were \$94, \$90, and \$78 in 2011, 2010 and 2009, respectively. Contributions for the Precision Metal Components Segment employees were \$96, \$75, and \$12 in 2011, 2010 and 2009, respectively.

Prior to January 20, 2011, we had a defined benefit pension plan covering our Eltmann Plant. The benefits were based on the expected years of service. The plan was unfunded. Effective January 20, 2011, the defined benefit pension plan covering the employees at our Eltmann Plant is under control of the bankruptcy trustee and has been or will be taken over by the German government's pension security fund. The plan is no longer a responsibility of NN, resulting in a reduction of accrued pension liabilities of \$5,623 on January 20, 2011. We have no remaining pension obligations under this plan. (See Note 1 of the Notes to Consolidated Financial Statements).

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Following is a summary of the funded status and changes in the projected benefit obligation for the Eltmann defined benefit pension plan as of and during the years ended December 31, 2010 and 2009:

	<u>2010</u>	
Reconciliation of Funded Status:		
Benefit obligation	\$(5,574)	
Fair value of plan assets	—	
Funded status	<u>\$(5,574)</u>	
Net amount recognized under accrued pension	<u>\$(5,574)</u>	
Items not yet recognized as a component of net periodic pension cost:		
Unrecognized net actuarial loss	<u>\$546</u>	
	<u>2010</u>	
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$5,488	
Interest cost	262	
Benefits paid	(174)	
Effect of currency translation	(394)	
Actuarial loss	392	
Benefit obligation at December 31	<u>\$5,574</u>	
	<u>2010</u>	
Weighted-average assumptions as of December 31:		
Discount rate	4.75%	
Rate of compensation increase	0% - 1.5%	
Measurement date	12/31/10	
	<u>2010</u>	<u>2009</u>
Components of net periodic benefit cost:		
Interest cost on projected benefit obligation	\$262	\$276
Amortization of net loss	—	—
Net periodic pension benefit cost	<u>\$262</u>	<u>\$276</u>
	<u>2010</u>	<u>2009</u>
Amounts Recognized in Accumulated Other Comprehensive Income:		
Period actuarial loss	\$392	\$315
Net periodic pension cost	<u>\$392</u>	<u>\$315</u>

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Severance Indemnity

In accordance with Italian law, the Company has an unfunded severance plan under which all Italian employees are entitled to receive severance indemnities (Trattamento di Fine Rapporto or "TFR") upon termination of their employment.

Effective January 1, 2007, the amount payable based on salary paid is remitted to a pension fund managed by a third party. The severance indemnities paid to the pension fund accrue approximately at the rate of 1/13.5 of the gross salaries paid during the year. The amounts accrued become payable upon termination of the individual employee, for any reason, e.g., retirement, dismissal or reduction in work force. Employees are fully vested in TFR benefits after their first year of service. The amounts shown in the table below represent the actual liability at December 31, 2011 and 2010 reported under accrued pension in the Consolidated Balance Sheets.

	2011	2010
Beginning balance	\$(7,115)	\$(8,015)
Amounts accrued	(1,189)	(899)
Payments to employees	318	583
Payments to government managed plan	835	636
Foreign currency impacts	229	580
Ending balance	<u>\$(6,922)</u>	<u>\$(7,115)</u>

Service and Early Retirement Provisions

We have two plans that cover our Veenendaal Plant employees. One provides an award for employees who achieve 25 or 40 years of service and the other is an award for employees upon retirement. These plans are both unfunded and the benefits are based on years of service and rate of compensation at the time the award is paid. The table below summarizes the changes in the two plans combined for the years ended December 31, 2011 and 2010.

	2011	2010
Beginning balance	\$(749)	\$(805)
Service cost	(52)	(72)
Interest cost	(38)	(18)
Benefits paid	80	87
Foreign currency impacts	(24)	59
Ending balance	<u>\$(783)</u>	<u>\$(749)</u>

9) Stock Based Compensation

We recognize compensation expense of all employee and non-employee director share-based compensation awards in the financial statements based upon the fair value of the awards over the requisite service or vesting period, less anticipated forfeitures. We account for stock awards by recognizing the fair value of the awarded stock at the grant date as compensation expense over the vesting period, less anticipated forfeitures.

In the years ended December 31, 2011, 2010, and 2009, approximately \$828, \$1,253, and \$337, respectively of compensation expense was recognized in selling, general and administrative expense for all share-based awards. The compensation expense recognized in the years ended December 31, 2011, 2010 and 2009 related to stock options was \$480, \$152, and \$337, respectively. The compensation expense related to stock awards was \$348, \$1,101, and \$0, respectively.

During the year ended December 31, 2011, our shareholders approved a new stock based compensation plan totaling 2,500 shares that can be issued in the form of stock options, stock appreciation rights and/or other stock based awards. Any options issued count as the equivalent of one share under the plan. Any stock appreciation rights and/or other stock based awards count as the equivalent one and a half shares under the new plan. As of December 31, 2011, we have approximately 2,200 maximum shares that can be issued as options, stock appreciation rights, and/or other stock based awards. Under our previously approved plan, we still have 67 options available for issuance.

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Stock Option Awards

Option awards are typically granted to non-employee directors and key employees on an annual basis. A single option grant is typically awarded to eligible employees and non-employee directors each year if and when granted by the Compensation Committee of the Board of Directors and occasionally individual grants are awarded to eligible employees. All employee and non-employee directors are awarded options at an exercise price equal to the closing price of our stock on the date of grant. The term life of options is ten years with vesting periods of generally three years for key employees and one year for non-employee directors. The fair value of our options cannot be determined by market value as they are not traded in an open market. Accordingly, a financial pricing model is utilized to determine fair value. We utilize the Black Scholes model which relies on certain assumptions to estimate an option's fair value.

During 2011, 2010 and 2009, we granted 216, 33, and 232 options, respectively, to certain key employees and non-employee directors. The weighted average grant date fair value of the options granted during the years ended December 31, 2011, 2010 and 2009 was \$5.98, \$2.64, and \$0.77, respectively. Upon exercise of stock options, new shares of our stock are issued. The weighted average assumptions relevant to determining the fair value at the dates of grant are below:

Term	2011 6 years	2010 6 years	2009 6 years
Risk free interest rate	1.72%	2.37%	1.84%
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	42.10%	63.90%	63.90%
Expected forfeiture rate	6.20%	6.20%	0.00%

The expected volatility rate is derived from actual Company common stock historical volatility over the same time period as the expected term. The volatility rate is derived by mathematical formula utilizing daily closing price data.

The expected dividend yield is derived by mathematical formula which uses the expected Company annual dividends over the expected term divided by the fair market value of the Company's common stock at the grant date.

The average risk-free interest rate is derived from United States Department of Treasury published interest rates of daily yield curves for the same time period as the expected term.

The forfeiture rate is determined from examining the historical pre-vesting forfeiture patterns of past option issuances to key employees. The forfeiture rate is estimated to be 0% for non-employee directors. While the forfeiture rate is not an input of the Black Scholes model for determining the fair value of the options, it is an important determinant of stock option compensation expense to be recorded.

The term is derived from using the "Simplified Method" of determining stock option terms as described under the Securities and Exchange Commission's Staff Accounting Bulletin 107.

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The following table provides a reconciliation of option activity for the year ended December 31, 2011:

<u>Options</u>	<u>Shares (000's)</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value (\$000)</u>
Outstanding at January 1, 2011	1,205	\$ 9.23		
Granted	216	\$ 14.05		
Exercised	(254)	\$ 9.40		
Forfeited or expired	(26)	\$ 8.76		
Outstanding at December 31, 2011	<u>1,141</u>	<u>\$ 10.12</u>	<u>5.6</u>	<u>\$ 954(1)</u>
Exercisable at December 31, 2011	<u>892</u>	<u>\$ 9.71</u>	<u>6.7</u>	<u>\$ 730(1)</u>

(1) The intrinsic value is the amount by which the market price of our stock was greater than the exercise price of any individual option grant at December 31, 2011.

As of December 31, 2011, there was approximately \$660 of unrecognized compensation costs to be recognized over approximately two years.

Cash proceeds from the exercise of options in the year ended December 31, 2011, 2010, and 2009 totaled approximately \$2,382, \$753, and \$0, respectively. For the years ended December 31, 2011, 2010 and 2009, proceeds from stock options were presented inclusive of tax benefits of \$0, \$0, and \$0, respectively, in the Financing Activities section of the Consolidated Statements of Cash Flows. The total intrinsic value of options exercised during the years ended December 31, 2011, 2010 and 2009 was \$1,283, \$89, and \$0, respectively.

Stock Awards

During the year ended December 31, 2011 and 2010, we issued 75 and 249 shares, respectively, of our common stock. The fair value of the shares issued was determined by using the grant date price of our common stock. The recognized compensation expense for stock awards in the years ended December 31, 2011, 2010, and 2009 was approximately \$348, \$1,101, and \$0, respectively. The shares issued in 2011 vest over three years. For the 2010 grant, we incurred \$1,101 of compensation expense, which was the entire fair value of the grant, at the grant date due to the shares being fully vested at that date.

10) Goodwill, Net

As of December 31, 2011, we have recorded goodwill at only one site, the Pinerolo Plant reporting unit of the Metal Bearing Components Segment. We completed our annual goodwill impairment review during the fourth quarters of 2011, 2010, and 2009. For the year ended December 31, 2011, we concluded that there were no indicators of impairment at the Pinerolo Plant reporting unit.

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The changes in the carrying amount of goodwill for the years ended December 31, 2011, 2010 and 2009 are as follows:

<i>(In thousands)</i>	Metal Bearing Components Segment
Balance as of January 1, 2009	\$ 8,908
Currency impacts	370
Balance as of December 31, 2009	\$ 9,278
Currency impacts	(882)
Balance as of December 31, 2010	\$ 8,396
Currency impacts	(357)
Balance as of December 31, 2011	<u>\$ 8,039</u>

The cumulative accumulated impairment charges included in the reported goodwill balances at December 31, 2011, 2010 and 2009 are \$40,045.

11) Intangible Assets, Net

The Precision Metal Components Segment has an intangible asset not subject to amortization of \$900 related to the value of the trade names of Whirlaway. This indefinite lived intangible asset was tested for impairment pursuant to U.S. GAAP as of December 31, 2011 and the fair value of this intangible asset exceeded its book value.

During the year ended December 31, 2010, we fully amortized our contract intangible within the Metal Bearing Components Segment. This intangible asset was subject to amortization over approximately five years starting in 2006 and amortization expense was approximately \$550 a year. For the years ended December 31, 2010 and 2009, the amortization expense totaled \$562 and \$586, respectively, and accumulated amortization totaled \$2,733 at December 31, 2010.

12) Segment Information

We determined our reportable segments under the provisions of U.S. GAAP related to disclosures about segments of an enterprise. Our three reportable segments are based on differences in product lines and are as follows:

Metal Bearing Components Segment

- Erwin Plant
- Mountain City Plant
- Pinerolo Plant
- Veenendaal Plant
- Kysucke Plant
- Kunshan Plant

Plastic and Rubber Components Segment

- Danielson Plant
- Lubbock Plant

Precision Metal Components Segment

- Wellington Plant 1
- Wellington Plant 2

Note: The segment information below includes the following former NN facilities. The Eltmann Plant was deconsolidated from NN on January 20, 2011. The Tempe plant ceased operations August 31, 2010. The Hamilton Plant was closed during the first quarter of 2009.

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All of the facilities in the Metal Bearing Components Segment are engaged in the production of precision steel balls, steel rollers, and metal retainers and automotive specialty products used primarily in the bearing industry. The Plastic and Rubber Components Segment facilities are engaged in the production of plastic retainers for bearing components, automotive components, electronic instrument cases and other molded components used in a variety of industrial and consumer applications and precision rubber bearing seals for the bearing, automotive, industrial, agricultural, and aerospace markets. The Precision Metal Components Segment is engaged in the production of highly engineered precision metal components and subassemblies including, highly engineered shafts, mechanical components, complex precision assembled and tested parts and fluid system components for the automotive, HVAC, fluid power, and diesel engine industries.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We evaluate segment performance based on segment net income (loss) after income tax expense (benefit). We account for inter-segment sales and transfers at current market prices. We did not have any individually material inter-segment transactions during 2011, 2010, or 2009.

	Metal Bearing Components Segment	Precision Metal Components Segment	Plastic and Rubber Components Segment	Corporate and Consolidations	Total
December 31, 2011					
Net sales	\$ 308,883	\$ 72,272	\$ 43,536	\$ —	\$424,691
Interest expense	214	1,279	960	2,262	4,715
Depreciation and amortization	12,295	3,346	1,371	4	17,016
Income tax expense	4,785	—	—	383	5,168
Segment net income (loss)	30,360	(3,143)	1,919	(8,199)	20,937
Segment assets	188,872	47,027	19,740	3,822	259,461
Expenditures for long- lived assets	11,791	7,194	1,344	—	20,329
December 31, 2010					
Net sales	\$ 271,339	\$ 54,913	\$ 39,117	\$ —	\$365,369
Interest expense	660	1,629	960	3,566	6,815
Depreciation and amortization	13,522	4,230	1,439	4	19,195
Income tax expense (benefit)	4,687	—	—	(118)	4,569
Segment net income (loss)	24,910	(8,922)	2,504	(12,076)	6,416
Segment assets	190,700	34,839	18,871	4,145	248,555
Expenditures for long- lived assets	5,450	9,015	784	—	15,249
December 31, 2009					
Net sales	\$ 183,605	\$ 45,003	\$ 30,775	\$ —	\$259,383
Interest expense	959	1,359	960	3,081	6,359
Depreciation and amortization	17,002	3,573	1,607	4	22,186
Income tax expense (benefit)	(4,621)	—	—	2,331	(2,290)
Segment net loss	(16,108)	(4,391)	(2,091)	(12,744)	(35,334)
Segment assets	190,482	29,208	18,435	4,527	242,652
Expenditures for long- lived assets	3,187	993	75	—	4,255

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Due to the large number of countries in which we sell our products, sales to external customers and long-lived assets utilized by us are reported in the following geographical regions:

	December 31, 2011		December 31, 2010		December 31, 2009	
	Net Sales	Property, Plant and Equipment, Net	Net Sales	Property, Plant and Equipment, Net	Net Sales	Property, Plant and Equipment, Net
United States	\$140,492	\$ 46,959	\$120,576	\$ 41,906	\$ 91,688	\$ 40,188
Europe	193,948	56,442	162,438	61,813	118,556	74,331
Asia	42,591	17,127	41,616	14,769	27,463	15,196
Canada	6,172	—	3,909	—	1,771	—
Mexico	23,024	—	18,032	—	8,127	—
S. America	18,464	—	18,798	—	11,778	—
All foreign countries	284,199	73,569	244,793	76,582	167,695	89,527
Total	<u>\$424,691</u>	<u>\$ 120,528</u>	<u>\$365,369</u>	<u>\$ 118,488</u>	<u>\$259,383</u>	<u>\$ 129,715</u>

13) Income Taxes

During the second quarter of 2009, based on the negative financial performance of our U.S. operations during the global economic recession, we determined that it was more likely than not the U.S. locations would be unable to generate sufficient profits in the near future to allow realization of existing deferred tax assets. Consequently, during the second quarter of 2009, a valuation reserve was placed on the deferred tax assets related to the U.S. operations in the amount of \$5,478 that increased to \$7,136 as of December 31, 2009. The determination to place a valuation allowance on the tax benefits incurred by our U.S. based operations was made based upon the fact that second quarter and cumulative 2009 results of these entities were much more unfavorable than originally forecasted. Given the magnitude of the incurred and expected losses from these entities for the remainder of 2009, we determined that it was prudent not to recognize any deferred tax benefits and fully reserve the existing deferred tax assets at June 30, 2009.

During the year ended December 31, 2010, we continued to place a valuation allowance on all of the deferred tax assets of our U.S. locations, based on the incurred net loss during the year ended December 31, 2010 at the U.S. Consolidated entities due to the restructuring at the Tempe Plant and the losses from operations at the Wellington Plants.

During the year ended December 31, 2011, we continued to place a valuation allowance on all the deferred tax assets at our U.S. locations due to the uncertainty of realization of those deferred tax assets. While our U.S. entities generated pre-tax income of \$1,633 during the year ended December 31, 2011, the substantial cumulative losses in 2009 and 2010 outweigh the positive evidence of the 2011 taxable income. If the profitability of the U.S. entities continues and increases it is likely a significant portion if not all of the valuation allowances (except for the valuation allowances on the foreign tax credits) will be removed. This will result in a material credit to income taxes and net income in the period in which the valuation allowances are removed.

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Income (loss) before provision (benefit) for income taxes for the years ended December 31, 2011, 2010 and 2009 was as follows:

	Year ended December 31,		
	2011	2010	2009
Income (loss) before provision (benefit) for income taxes:			
United States	\$ 1,633	\$ (9,528)	\$ (14,671)
Foreign	24,472	20,513	(22,953)
Total	<u>\$26,105</u>	<u>\$10,985</u>	<u>\$(37,624)</u>

Total income tax expense (benefit) for the years ended December 31, 2011, 2010, and 2009 were as follows:

	Year ended December 31,		
	2011	2010	2009
Current:			
U.S. Federal	\$ —	\$ —	\$ (8)
State	113	183	55
Non-U.S.	6,023	3,968	(3,178)
Total current expense (benefit)	<u>6,136</u>	<u>4,151</u>	<u>(3,131)</u>
Deferred:			
U.S. Federal	534	(2,732)	(4,726)
State	170	(160)	(126)
U.S. deferred tax valuation allowance	(704)	2,892	7,136
Non-U.S.	(968)	418	(1,443)
Total deferred expense (benefit)	<u>(968)</u>	<u>418</u>	<u>841</u>
Total expense (benefit)	<u>\$5,168</u>	<u>\$ 4,569</u>	<u>\$(2,290)</u>

A reconciliation of taxes based on the U.S. federal statutory rate of 34% for each of the years ended December 31, 2011, 2010 and 2009 is summarized as follows:

	Year ended December 31,		
	2011	2010	2009
Income taxes (benefit) at the federal statutory rate	\$ 8,876	\$ 3,735	\$(12,792)
Impact of incentive stock options	163	52	114
Increase (decrease) in U.S. valuation allowance	(704)	2,892	7,136
Increase (decrease) in foreign valuation allowance	(1,219)	(937)	1,443
State income taxes, net of federal taxes	75	54	(86)
Non-U.S. earnings taxed at different rates	(2,116)	(1,650)	1,735
Other permanent differences, net	93	423	160
	<u>\$ 5,168</u>	<u>\$ 4,569</u>	<u>\$ (2,290)</u>

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Included in the non-U.S. earnings taxed at different rates are the effects of recognizing current and deferred tax benefits totaling \$622 related to the Eltmann deconsolidation. These benefits related to losses for write-offs of receivables owed by Eltmann to certain NN subsidiaries that will be deductible once Eltmann is finally liquidated in 2012 or 2013. Additionally, during the year ended December 31, 2011, we began to recognize tax expense at our Kunshan (China) Plant and our Kysucke (Slovakia) Plant as we have fully utilized the previous net operating losses at these foreign jurisdictions. Finally, the decrease in foreign valuation allowance was due to eliminating the valuation allowance on deferred tax assets at our Kysucke (Slovakia) Plant.

The tax effects of the temporary differences as of December 31, 2011, 2010 and 2009 are as follows:

	Year ended December 31,		
	2011	2010	2009
Deferred income tax liabilities:			
Tax in excess of book depreciation	\$ 5,099	\$ 5,208	\$ 7,401
Goodwill	1,821	2,209	1,742
Allowance for bad debts	18	62	46
Other deferred tax liabilities	341	387	155
Gross deferred income tax liabilities	<u>7,279</u>	<u>7,866</u>	<u>9,344</u>
Deferred income tax assets:			
Goodwill	4,846	5,754	6,686
Inventories	167	84	184
Pension/Personnel accruals	503	1,084	1,041
Deductions for uncollectible Eltmann receivables	310	—	—
Net operating loss carry forwards	7,526	10,150	9,181
Foreign tax credits	3,326	3,326	3,326
Other deferred tax assets	421	356	277
Gross deferred income tax assets	<u>17,099</u>	<u>20,754</u>	<u>20,695</u>
Valuation allowance on deferred tax assets	<u>(12,568)</u>	<u>(16,604)</u>	<u>(14,649)</u>
Net deferred income tax assets	<u>4,531</u>	<u>4,150</u>	<u>6,046</u>
Net deferred income tax liabilities	<u>\$ 2,748</u>	<u>\$ 3,716</u>	<u>\$ 3,298</u>

As realization of deferred tax assets is not assured, management has placed valuation allowances against deferred tax assets it believes are not recoverable. For the remainder, management believes it is more likely than not that those net deferred tax assets will be realized. However, the amount of the deferred tax assets considered realizable could be reduced based on changing conditions. Below is a summary of the activity in the total valuation allowances during the years ended December 31, 2011, 2010 and 2009:

	Total Valuation Allowance Activity				Balance at End of Year
	Balance at Beginning of Year	Additions	Recoveries	Deconsolidation of Eltmann subsidiary	
2011	\$ 16,604	\$ —	\$ (1,923)	\$ (2,113)	\$ 12,568
2010	\$ 14,649	\$ 2,892	\$ (937)	—	\$ 16,604
2009	\$ 6,070	\$ 8,579	\$ —	—	\$ 14,649

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The net operating loss carry forwards as of December 31, 2011, are composed of net operating losses at our U.S. operations during 2010, 2009 and 2008. The 2010 and 2009 balances of net operating losses above included \$2,035 and \$2,499 in 2010 and 2009, respectively, from our former Eltmann Plant which was deconsolidated on January 20, 2011. Full valuation allowances have been recorded against the U.S. companies' net operating loss carry forwards as of December 31, 2011, 2010 and 2009, as we believe the resulting tax benefits from these loss carry forwards are currently not more likely than not realizable. The losses of the U.S. based entities can be carried forward 20 years.

The foreign tax credits relate to profits of certain foreign subsidiaries that were taxed as deemed dividends. These credits represent the foreign taxes paid by these subsidiaries at higher effective rates that will be used to offset future foreign source income. A full valuation allowance was placed against these credits as of December 31, 2008, based on estimates of future levels of U.S. income tax and foreign source income to be generated that these credits can be used to offset. The valuation allowance will be periodically reviewed as our estimates of future foreign source income are revised based on actual foreign source income recognized in our tax returns and future changes in foreign source income. As of December 31, 2011, management believes it is still not likely that we would utilize these credits in the near future.

As of December 31, 2006, all of the Company's foreign earnings have been previously taxed in the U.S. due to the application of IRC Sec. 956. Accordingly, no deferred taxes have been provided for undistributed earnings up to that time. For the remainder of the foreign earnings, we expect to reinvest future earnings indefinitely in operations and expansions outside the U.S. and do not expect such earnings to become subject to U.S. taxation in the foreseeable future. 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. A deferred tax liability will be recognized when we expect we will recover these undistributed earnings in a taxable manner, such as through the receipt of dividends or sale of the investments. As we plan to permanently reinvest foreign undistributed earnings, we have not provided for U.S. income tax liability that would be payable if such earnings were not reinvested indefinitely.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits, excluding interest and penalties for the years ended December 31, 2011, 2010 and 2009 is as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Beginning balance	\$953	\$988	\$988
Additions for tax positions of prior years	35	—	—
Reductions for tax positions of prior years	—	(35)	—
Ending balance	<u>\$988</u>	<u>\$953</u>	<u>\$988</u>

As of December 31, 2011, the \$988 of unrecognized tax benefits would, if recognized, impact the Company's effective tax rate.

Interest and penalties related to federal, state, and foreign income tax matters are recorded as a component of the provision for income taxes in our statements of operations. During 2009, we accrued an additional \$40 in foreign interest and penalties resulting in an accrued balance of \$740 of interest and penalties as of December 31, 2009. During 2010, we accrued \$30 in foreign interest and penalties and removed \$15 in interest and penalties for closed tax years as the previous uncertain tax accruals are no longer required. During 2011, we had a net reduction in foreign interest and penalties of \$43 as older uncertain items were eliminated and newer uncertain items added. As of December 31, 2011, the total amount accrued for interest and penalties was \$712.

The Company or its subsidiaries file income tax returns in the U.S. federal jurisdiction, and in various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to federal, state and local income tax examinations by tax authorities for years before 2006. The Company is no longer subject to non-U.S. income tax examinations within various European Union countries for years before 2007. We do not foresee any significant changes to our unrecognized tax benefits within the next twelve months.

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14) Reconciliation of Net Income (Loss) Per Share

	Year ended December 31,		
	2011	2010	2009
Net income (loss)	\$20,937	\$ 6,416	\$ (35,334)
Weighted average shares outstanding	16,817	16,455	16,268
Effective of dilutive stock options	136	115	—
Diluted shares outstanding	<u>16,953</u>	<u>16,570</u>	<u>16,268</u>
Basic net income (loss) per share	<u>\$ 1.24</u>	<u>\$ 0.39</u>	<u>\$ (2.17)</u>
Diluted net income (loss) per share	<u>\$ 1.24</u>	<u>\$ 0.39</u>	<u>\$ (2.17)</u>

Excluded from the dilutive shares outstanding for the years ended December 31, 2011, 2010, and 2009 were 792, 962, and 1,391 anti-dilutive options, respectively, which had per share exercise prices ranging from of \$11.50 to \$14.13 for the year ended December 31, 2011, \$8.09 to \$12.62 for the year ended December 31, 2010, and \$1.30 to \$12.62 for the year ended December 31, 2009.

15) 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 2011, 2010 and 2009 was \$3,181, \$4,153, and \$4,803, respectively. The following is a schedule by year of future minimum lease payments as of December 31, 2011 under operating leases that have initial or remaining non-cancelable lease terms in excess of one year.

<u>Year ending December 31,</u>	
2012	\$ 2,388
2013	2,048
2014	1,874
2015	1,633
2016	1,533
Thereafter	1,296
Total minimum lease payments	<u>\$10,772</u>

During 2006, we received correspondence from the Environmental Protection Agency (“EPA”) requesting information regarding a former waste recycling vendor (“AER”) used by our former Walterboro, South Carolina facility. AER, located in Augusta, Georgia, ceased operations in 2000 and EPA began investigating its facility. As a result of AER’s operations, soil and groundwater became contaminated. EPA initially contacted fifty-four other companies (“Potentially Responsible Parties” or “PRPs”) who also sent waste to AER. Most of these PRPs, including us, have entered into a consent order with EPA to investigate and remediate the site proactively. To date, the PRP Group has submitted a Remedial Investigation, which has been accepted by EPA. In addition, a Feasibility Study has been tentatively approved by EPA. The costs associated with the chosen remediation are estimated to be approximately \$10,000 of which our allocated share is approximately \$143 which has been fully accrued for as of December 31, 2011. While there can be no assurances, we believe that the \$143 is the maximum amount for which we will be liable under the tentatively accepted remediation plan.

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

NN, Inc.
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Due to the impacts of the global economic recession and the resulting reduction in revenue and operating losses, our wholly owned German subsidiary Kugelfertigung Eltmann GbmH ("Eltmann" or "Eltmann Plant") sustained a significant weakening of its financial condition and as a result, became technically insolvent at which point it was required to file for bankruptcy under German bankruptcy law. The filing was made in the bankruptcy court in Germany on January 20, 2011. As of this date, NN lost the ability to control or manage Eltmann as a result of the bankruptcy court trustee taking over effective control and day to day management of this subsidiary. As a result of loss of control of this subsidiary, NN deconsolidated the assets and liabilities of Eltmann from our Consolidated Financial Statements effective January 20, 2011 (See Note 1 of Notes to Consolidated Financial Statements). The ultimate impact on NN of Eltmann filing for bankruptcy will depend on the findings of the bankruptcy court. However, until such court proceedings are finalized, we will not be able to determine what liabilities and contingent obligations, if any, might remain as the responsibility of NN. Under advice from legal counsel, NN does not expect any further significant impacts on our consolidated financial statements as a result of the liquidation of this subsidiary.

16) Quarterly Results of Operations (Unaudited)

The following summarizes the unaudited quarterly results of operations for the years ended December 31, 2011 and 2010.

	Year ended December 31, 2011			
	March 31	June 30	Sept. 30	Dec. 31
Net sales	\$ 111,307	\$ 115,922	\$ 101,143	\$ 96,319
Income from operations	9,217	9,251	5,795	5,169
Net income	5,507	5,827	4,702	4,901
Basic net income per share	0.33	0.35	0.28	0.29
Diluted net income per share	0.33	0.34	0.28	0.29
Weighted average shares outstanding:				
Basic number of shares	16,664	16,864	16,949	16,949
Effect of dilutive stock options	246	255	112	108
Diluted number of shares	<u>16,910</u>	<u>17,119</u>	<u>17,061</u>	<u>17,057</u>

	Year ended December 31, 2010			
	March 31	June 30	Sept. 30	Dec. 31
Net sales	\$ 85,340	\$ 92,693	\$ 90,996	\$ 96,340
Income from operations	1,844	6,609	2,926	4,869
Net income (loss)	225	5,123	(1,008)	2,076
Basic net income (loss) per share	0.01	0.31	(0.06)	0.12
Diluted net income (loss) per share	0.01	0.31	(0.06)	0.12
Weighted average shares outstanding:				
Basic number of shares	16,309	16,522	16,526	16,618
Effect of dilutive stock options	96	111	—	150
Diluted number of shares	<u>16,405</u>	<u>16,633</u>	<u>16,526</u>	<u>16,768</u>

NN, Inc.
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The first quarter of 2011 was negatively impacted by \$2,500 (\$2,500 after tax) of start-up costs related to new large multi-year sales programs at our Wellington Plants. Additionally, the first quarter of 2011 was favorably impacted by gains from deconsolidating Eltmann \$209 (\$840 after tax). Finally, the first quarter of 2011 was unfavorably impacted by \$851 (\$851 after tax) of foreign exchange losses on intercompany loans.

The second quarter of 2011 was negatively impacted by \$2,000 (\$2,000 after tax) of start-up costs related to new large multi-year sales programs at our Wellington Plants. Additionally, the second quarter of 2011 was unfavorably impacted by \$304 (\$304 after tax) of foreign exchange losses on intercompany loans.

The third quarter of 2011 was negatively impacted by \$1,000 (\$1,000 after tax) of start-up costs related to new large multi-year sales programs at our Wellington Plants. Additionally, the third quarter of 2011 was favorably impacted by \$1,357 (\$1,357 after tax) of foreign exchange gains on intercompany loans.

The fourth quarter of 2011 was negatively impacted by \$500 (\$500 after tax) of start-up costs related to new large multi-year sales programs at our Wellington Plants. Additionally, the fourth quarter of 2011 was favorably impacted by the elimination of valuation allowances of certain deferred tax assets in Europe (\$770 after-tax). Finally, the fourth quarter of 2011 was favorably impacted by \$854 (\$854 after tax) of foreign exchange gains on intercompany loans.

The first quarter of 2010 was impacted by the immediate vesting of stock awards totaling \$1,101 (\$1,101 after tax). Additionally, the first quarter was unfavorably impacted by \$1,000 (\$1,000 after tax) in accelerated depreciation and \$533 (\$533 after tax) of restructuring costs both related to ceasing operations at the Tempe Plant. Finally, the first quarter of 2010 was favorably impacted by \$1,140 (\$910 after tax) of foreign exchange gains on intercompany loans.

The second quarter of 2010 was favorably impacted by \$1,703 (\$1,379 after tax) in foreign exchange gains on intercompany loans. This gain was partially offset by \$667 (\$667 after tax) in restructuring costs related to ceasing operations at the Tempe Plant.

The third quarter of 2010 was impacted by \$2,171 (\$2,171 after tax) of costs related to ceasing operations at the Tempe Plant. Additionally the third quarter was impacted by \$1,634 (\$1,326 after tax) of foreign exchange losses on intercompany loans. Finally, the third quarter was impacted by \$1,023 (\$1,023 after tax) of start-up costs related to new large multi-year sales programs at our Wellington Plants.

The fourth quarter of 2010 was impacted by \$2,000 (\$2,000 after tax) of start-up costs related to new large multi-year sales programs at our Wellington Plants. Additionally, the fourth quarter of 2010 was impacted by \$865 (\$687 after tax) in severance cost related to eliminating certain senior management positions.

17) Fair Value of Financial Instruments

We believe the fair value of financial instruments with maturities of less than a year approximate their carrying value due to the short maturity of these instruments or in the case of our variable rate debt, due to the variable interest rates. We elected not to measure any of our financial instruments at fair value and as such will continue to show the fair value of our financial instruments for disclosure purposes only. The fair value of our fixed rate long-term borrowings is calculated using significant other observable inputs (Level 2 inputs under the U.S. GAAP fair value hierarchy). The fair value is calculated using a discounted cash flow analysis factoring in current market borrowing rates for similar types of borrowing arrangements under our credit profile. The carrying amounts and fair values of our long-term debt are in the table below (for disclosure purposes only):

	December 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Variable rate long-term debt	\$40,989	\$40,989	\$50,500	\$50,500
Fixed rate long-term debt	\$37,143	\$37,500	\$22,857	\$22,195

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(In thousands, except per share data)

18) Accumulated or Other Comprehensive Income (Loss)

The majority of our Accumulated Other Comprehensive Income balance relates to foreign currency translation of our foreign subsidiary balances. During the year ended December 31, 2011, we have deducted from other comprehensive income (loss) \$2,578 due to foreign currency translations. During the year ended December 31, 2010, we have deducted from other comprehensive income (loss) \$6,726 due to foreign currency translation. During the year ended December 31, 2009, we have added to other comprehensive income (loss) \$2,356 due to foreign currency translation. 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 deducted from accumulated other comprehensive income as of December 31, 2010 and 2009 were actuarial losses of, \$392, net of tax and \$315, net of tax, from our pension liability.

19) Related Party Transactions

With the acquisition of Whirlaway, we entered into operating leases covering two of the Whirlaway manufacturing facilities with a company owned by the former owner of Whirlaway who was an officer of NN until September 1, 2011. The rent payments in 2011, 2010 and 2009 to this related party were \$644 each year.

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

None.

Item 9A. Controls and Procedures

The Company's management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2011, the end of the period covered by this annual report on Form 10-K.

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). The Company's internal control over financial reporting is 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 control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2011.

The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears under Item 8 of this annual report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item of Form 10-K concerning the Company's directors is contained in the sections entitled "Information about the Directors" and "Beneficial Ownership of Common Stock" of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 2011, 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 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.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

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, except per share data)

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted – average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,141	\$ 10.12	2,260
Equity compensation plans not approved by security holders	—	—	—
Total	1,141	\$ 10.12	2,260

Item 13. Certain Relationships and Related Transactions, and Director Independence

With the acquisition of Whirlaway, we entered into operating leases covering two of the Whirlaway manufacturing facilities with a company owned by the former owner of Whirlaway, Mr. Thomas Zupan, who was an officer of NN until September 1, 2011. The rent payments in 2011, 2010 and 2009 to this related party were \$0.6 million each year.

Information regarding review, approval or ratification of transactions with related persons is contained in a section entitled “Certain Relationships and Related Transactions” 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 regarding director independence is contained in a section entitled “Information about the Directors” of the Company’s definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information required by this item of Form 10-K concerning the Company's accounting 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:

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	35
Consolidated Balance Sheets at December 31, 2011 and 2010	36
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the years ended December 31, 2011, 2010, and 2009	37
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2011, 2010, and 2009	38
Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010, and 2009	39
Notes to Consolidated Financial Statements	40

2. Financial Statement Schedules

The required information is reflected in the Notes to Consolidated Financial Statements within Item 8.

3. See Index to Exhibits (attached hereto)

(b) 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.

(c) Not Applicable

Index to Exhibits

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)
- 3.4 Amendments to the Restated By-Laws of NN, Inc. (incorporated by reference to the Company's Form 8-K filed December 18, 2008)
- 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)
- 10.1 NN, Inc. 1994 Stock Incentive Plan*
- 10.2 Amendment No. 1 to the NN, Inc. 1994 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. 1994 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 Amendment No. 3 to NN, Inc. 1994 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)*
- 10.5 NN, Inc. 2005 Stock Incentive Plan (incorporated by reference to the Company's Form S-8 filed December 16, 2005)*
- 10.6 NN, Inc. 2011 Stock Incentive Plan (incorporated by reference to the Company's Proxy Statement filed April 6, 2011)*
- 10.7 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)
- 10.8 Form of Incentive Stock Option Agreement used in connection with the 1994 Stock Incentive Plan, 2005 Stock Incentive Plan, and 2011 Stock Incentive 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)*
- 10.9 Form of Stock Option Agreement, dated December 7, 1998, between the Company and the non-employee directors of the Company, used in connection with the 1994 Stock Incentive Plan, 2005 Stock Incentive Plan, and 2011 Stock Incentive Plan (incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K filed March 31, 1999)*
- 10.10 Form of Restricted Stock Grant Agreement used in connection with the 1994 Stock Incentive Plan, 2005 Stock Incentive Plan, and 2011 Stock Incentive Plan**
- 10.11 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)*

- 10.12 Executive Employment Agreement, dated August 21, 2006, between the Company and Roderick R. Baty (incorporated by reference to the Company's Forms 8-K filed August 24, 2006 and March 18, 2010)*
- 10.13 Executive Employment Agreement, dated August 21, 2006, between the Company and James H. Dorton (incorporated by reference to the Company's Forms 8-K filed August 24, 2006 and March 18, 2010)*
- 10.14 Executive Employment Agreement, dated August 21, 2006, between the Company and Frank T. Gentry (incorporated by reference to Company's Current Report on Forms 8-K filed August 24, 2006 and March 18, 2010)*
- 10.15 Executive Employment Agreement dated August 21, 2006, between the Company and William C. Kelly, Jr. (incorporated by reference to the Company's Current Report on Forms 8-K filed August 24, 2006 and March 18, 2010)*
- 10.16 Executive Employment Agreement dated August 21, 2006, between the Company and Jeffrey H. Hodge (incorporated by reference to Exhibit 10.16 of the Company's Annual Report on Forms 10-K filed March 31, 2010)*
- 10.17 Amended and Restated Executive Employment Agreement dated September 1, 2011, between the Company and Thomas C. Burwell, Jr.* #
- 10.18 Executive Employment Agreement dated July 21, 2011, between Whirlaway and James R. Widders *#
- 10.19 NN Euroball, ApS Shareholder Agreement dated April 6, 2000 among NN, Inc., AB SKF and FAG Kugelfischer Georg ShaferAG (incorporated by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K filed March 29, 2002)
- 10.20 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)
- 10.21 Second Amended and Restated Credit Agreement among NN, Inc. as U.S. Borrower and its subsidiaries and the Lenders named therein Key Bank National Association as lead arranger, book runner and administrative agent, and Branch Bank and Trust Company as documentation agent and Wells Fargo Bank, N.A. as Foreign Swing line Lender and Regions Bank as Domestic Swing line Lender dated as of December 21, 2010 (incorporated by reference to the Company's Current Report on Form 8-K filed December 27, 2010).
- 10.22 Amendment No.1 to Second Amended and Restated Credit Agreement, dated March 9, 2011 (incorporated by reference to the Company's Current Report on Form 8-K filed December 22, 2011)
- 10.23 Amendment No.2 to Second Amended and Restated Credit Agreement, dated December 20, 2011 (incorporated by reference to the Company's Current Report on Form 8-K filed December 22, 2011)
- 10.24 Third Amended and Restated Note Purchase and Shelf Agreement dated December 21, 2010 among NN, Inc. and certain Series A Note Purchasers as defined therein (incorporated by reference to the Company's Current Report on Form 8-K filed December 27, 2010)
- 10.25 Amendment No.1 to Third Amended and Restated Note Purchase and Shelf Agreement, dated September 30, 2011 (incorporated by reference to the Company's Current Report on Form 8-K filed December 22, 2011)

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- 10.26 Amendment No. 2 to Third Amended and Restated Note Purchase and Shelf Agreement, dated December 20, 2011 (incorporated by reference to the Company's Current Report on Form 8-K filed December 22, 2011)
 - 21.1 List of Subsidiaries of the Company#
 - 23.1 Consent of PricewaterhouseCoopers 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#

* Management contract or compensatory plan or arrangement.

Filed herewith

**RESTRICTED STOCK GRANT AGREEMENT
PURSUANT TO THE NN, INC.
2011 STOCK INCENTIVE PLAN**

This Restricted Stock Grant Agreement (“Agreement”) is made as of _____ by NN, Inc. (the “Company”) and _____ (“Grantee”) to effect an award of restricted stock by Company to Grantee on the terms and conditions set forth below:

1. Award of Restricted Stock. As of the above-entered date, subject to the terms, conditions and restrictions set forth herein, the Company grants and issues to Grantee _____ shares of the Company’s common stock (the “Granted Stock”).

2. Governing Plan. The Granted Stock shall be granted pursuant to and (except as specifically set forth herein) subject in all respects to the applicable provisions of the NN, Inc. 2011 Stock Incentive Plan (“Plan”), which are incorporated herein by reference. Terms not otherwise defined in this Agreement have the meanings ascribed to them in the Plan.

3. Restrictions on the Granted Stock.

(a) **No Transfer.** The shares of Granted Stock (including any shares received by Grantee with respect to shares of Granted Stock as a result of stock dividends, stock splits or any other form of recapitalization or a similar transaction affecting the Company’s securities without receipt of consideration) may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, alienated or encumbered during the Restricted Period.

(b) **Vesting.** The restrictions imposed under Section 3(a) will be removed from the Granted Stock as set forth on the Vesting Schedule attached hereto as Exhibit “A”. Removal of the restrictions imposed under Section 3(a) from particular shares of Granted Stock is referred to as “vesting” of those shares and shares from which the restrictions have been removed are referred to as “vested.”

4. Voting and Other Rights. During the period prior to vesting, except as otherwise provided herein, Grantee will have all of the rights of a shareholder with respect to all of the Granted Stock, including without limitation the right to vote such Granted Stock and the right to receive all dividends or other distributions with respect to such Granted Stock. In connection with the payment of such dividends or other distributions, the Company will be entitled to deduct from any amounts otherwise payable by the Company to Grantee (including without limitation salary or other compensation) any taxes or other amounts required by any governmental authority to be withheld and paid over to such authority for Grantee’s account.

5. Certification, Escrow and Delivery of Shares.

(a) **Certificates.** Each certificate representing any unvested portion of the Granted Stock will be endorsed with a legend substantially as set forth below, as well as such other legends as the Company may deem appropriate to comply with applicable laws and regulations:

The securities evidenced by this certificate are subject to certain limitations on transfer and other restrictions as set forth in that certain Restricted Stock Agreement, dated as of _____, between the Company and the holder of such securities, pursuant to the NN, Inc. 2011 Stock Incentive Plan (copies of which are available for inspection at the offices of the Company).

(b) Escrow. With respect to each unvested share of Granted Stock (including any shares received by Grantee with respect to shares of Granted Stock that have not yet vested as a result of stock dividends, stock splits or any other form of recapitalization or a similar transaction affecting the Company's securities without receipt of consideration), the Secretary of the Company, or such other escrow holder as the Secretary may appoint, will retain physical custody of the certificate representing such share until such share vests.

(c) Delivery of Certificates. As soon as reasonably practicable after the vesting of any Granted Stock, the Company will release the certificate(s) representing such vested Granted Stock to Grantee. If other still unvested shares of Granted Stock are also represented by the same stock certificate as vested shares, then such certificate will be retired and new certificates representing the vested and unvested portions of the Granted Stock will be issued in place of the existing certificate. The certificate representing the vested Granted Stock will be delivered to Grantee and the certificate representing the still unvested shares of Granted Stock will be retained by the escrow holder.

6. Additional Agreements.

(a) Tax Matters. The Granted Stock is subject to appropriate income tax withholding and other deductions required by applicable laws or regulations, and Grantee and his successors will be responsible for all income and other taxes payable as a result of grant or vesting of the Granted Stock or otherwise in connection with this Agreement. The Company is not required to provide any gross-up or other tax assistance. Grantee understands that Grantee may make an election pursuant to Section 83(b) of the Internal Revenue Code (the "Code") within thirty (30) days after the date Grantee acquired the Granted Stock hereunder, or comparable provisions of any state tax law, to include in Grantee's gross income the fair market value (as of the date of acquisition) of the Granted Stock. Grantee may make such an election *only if*, prior to making any such election, Grantee (a) notifies the Company of Grantee's intention to make such election, by delivering to the Company a copy of the fully-executed Section 83(b) Election Form attached hereto as Exhibit "B", and (b) pays to the Company an amount sufficient to satisfy any taxes or other amounts required by any governmental authority to be withheld or paid over to such authority for Grantee's account, or otherwise makes arrangements satisfactory to the Company for the payment of such amounts through withholding or otherwise. Grantee understands that if Grantee does not make a proper and timely Section 83(b) election, generally under Section 83 of the Code, at the time the forfeiture restrictions applicable to the Granted Stock lapse, Grantee will recognize ordinary income and be taxed in an amount equal to the fair market value (as of the date the forfeiture restrictions lapse) of the Granted Stock less the Acquisition Consideration paid

for the Granted Stock. **Grantee acknowledges that it is Grantee's sole responsibility, and not the Company's, to file a timely election under Section 83(b), even if Grantee requests the Company or its representative to make this filing on Grantee's behalf. Grantee is relying solely on Grantee's advisors with respect to the decision as to whether or not to file a Section 83(b) election.**

(b) Independent Advice; No Representations. Grantee acknowledges that (i) (s)he was free to use professional advisors of his choice in connection with this Agreement, has received advice from her/his professional advisors in connection with this Agreement, understands its meaning and import, and is entering into this Agreement freely and without coercion or duress; and (ii) (s)he has not received and is not relying upon any advice, representations or assurances made by or on behalf of the Company or any Company affiliate or any employee of or counsel to the Company regarding any tax or other effects or implications of the Granted Stock or other matters contemplated by this Agreement.

(c) Value of Granted Stock. No representations or promises are made to Grantee regarding the value of the Granted Stock or Company's business prospects. Grantee acknowledges that information about investment in Company stock, including financial information and related risks, is contained in Company's SEC reports which have been made available for Grantee's review at any time before Grantee's acceptance of this Agreement. Further, Grantee understands that the Company does not provide tax or investment advice and acknowledges Company's recommendation that Grantee consult with independent specialists regarding such matters. Sale or other transfer of the Company stock may be limited by and subject to Company policies as well as applicable securities laws and regulations.

(d) Adjustment in Capitalization. In the event of an Adjustment Event that is a merger, consolidation, reorganization, liquidation, dissolution or other similar transaction, then the Award pursuant to Section 1 of this Agreement shall be deemed to pertain to the securities and other property, including cash, to which a holder of the number of shares equal to the Granted Stock would have been entitled to receive in connection with such Adjustment Event; provided, that any securities issued to Grantee in respect of unvested Granted Shares will be subject to the same restrictions and vesting provisions that were applicable to the Granted Stock for which they were issued.

(e) Change of Control. Upon a Change of Control, vesting shall occur, if at all, with respect to the Granted Stock in accordance with Article 15 of the Plan.

(f) Termination of Employment. Upon a Termination of Employment, any unvested Granted Stock shall be forfeited.

(g) No Right to Continued Employment. This Agreement does not confer upon Grantee any right to continue as an employee of the Company or its affiliate or to any particular employment tenure, nor does it limit in any way the right of Company or its affiliate to terminate Grantee's services to the Company or its affiliate at any time, with or without cause.

7. General.

(a) Successors and Assigns. This Agreement is personal in its nature and Grantee may not assign or transfer his/her rights under this Agreement.

(b) Notices. Any notices, demands or other communications required or desired to be given by any party shall be in writing and shall be validly given to another party if served either personally or if deposited in the United States mail, certified or registered, postage prepaid, return receipt requested. If such notice, demand or other communication shall be served personally, service shall be conclusively deemed made at the time of such personal service. If such notice, demand or other communication is given by mail, such notice shall be conclusively deemed given forty-eight (48) hours after the deposit thereof in the United States mail addressed to the party to whom such notice, demand or other communication is to be given as hereinafter set forth:

To the Company:

NN, Inc.
2000 Waters Edge Drive, Suite 12
Johnson City, TN 37604
Attention: William C. Kelly, Jr.

To Grantee: At his/her address of record as maintained in the Company's files

Any party may change its address for the purpose of receiving notices, demands and other communications by providing written notice to the other party in the manner described in this paragraph.

(c) Entire Agreement. Except as this Agreement may expressly provide otherwise, this Agreement, the Addendum and the Plan constitute the entire agreement and understanding of the Company and Grantee with respect to the subject matter hereof and thereof, and supersede all prior written or verbal agreements and understandings between Grantee and the Company relating to such subject matter. This Agreement may only be amended by written instrument signed by Grantee and an authorized officer of the Company.

(d) Governing Law; Severability. This Agreement will be construed and interpreted under the laws of the State of Delaware applicable to agreements executed and to be wholly performed within the State of Delaware. If any provision of this Agreement as applied to any party or to any circumstance is adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the invalidity of that provision shall in no way affect (to the maximum extent permissible by law) the application of such provision under circumstances different from those adjudicated by the court, the application of any other provision of this Agreement, or the enforceability or invalidity of this Agreement as a whole. If any provision of this Agreement becomes or is deemed invalid, illegal or unenforceable in any jurisdiction by reason of the scope, extent or duration of its coverage, then such provision shall be deemed amended to the extent necessary to conform to applicable law so as to be valid and enforceable or, if such provision cannot be so amended without materially altering the intention of the parties, then such provision will be stricken and the remainder of this Agreement shall continue in full force and effect.

(e) Remedies. All rights and remedies provided pursuant to this Agreement or by law shall be cumulative, and no such right or remedy shall be exclusive of any other. A party may pursue any one or more rights or remedies hereunder or may seek damages or specific performance in the event of another party's breach hereunder or may pursue any other remedy by law or equity, whether or not stated in this Agreement.

(f) Interpretation. Headings herein are for convenience of reference only, do not constitute a part of this Agreement, and will not affect the meaning or interpretation of this Agreement. References herein to Sections are references to the referenced Section hereof, unless otherwise specified.

(g) Waivers; Amendments. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any later breach of that provision. This Agreement may be modified only by written agreement signed by Grantee and the Company.

(h) Counterparts. This Agreement may be executed in more than one counterpart, each of which shall be deemed an original, but all of which together shall constitute but one and the same instrument. Facsimile or photographic copies of originally signed copies of this Agreement will be deemed to be originals.

NN, INC.

By:

Name: William C. Kelly, Jr.

Title Vice President

EXHIBIT "A"

VESTING SCHEDULE

The restrictions imposed in Section 3(a) of the Agreement shall be removed from the Granted Stock according to the following table:

Amount of Granted Stock

Date Restrictions Removed

- 1st anniversary of the Agreement
- 2nd anniversary of the Agreement
- 3rd anniversary of the Agreement

EXHIBIT "B"
TO RESTRICTED STOCK GRANT AGREEMENT
PURSUANT TO THE
NN, INC., 2011 STOCK INCENTIVE PLAN
ELECTION TO INCLUDE VALUE OF RESTRICTED PROPERTY
IN GROSS INCOME IN YEAR OF TRANSFER
INTERNAL REVENUE CODE § 83(b)

The undersigned hereby elects pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below, and supplies the following information in accordance with the regulations promulgated thereunder:

1. Name, address and taxpayer identification number of the undersigned:

Taxpayer SSN.:

2. Description of property with respect to which the election is being made:

shares of common stock ("Common Stock") of NN, Inc., a Delaware corporation ("the Company")

3. Date on which property was transferred:

4. Taxable year to which this election relates:

5. Nature of the restrictions to which the property is subject:

The Common Stock vests according to the following schedule:

The Common Stock is non-transferable in the taxpayer's hands, prior to vesting and payment of any required consideration and tax-related amounts.

6. Fair market value of the property:

The fair market value at the time of transfer (determined without regard to any restrictions other than restrictions that by their terms will never lapse) of the property with respect to which this election is being made is \$_____per share.

7. Amount paid for the property:

The amount paid by the taxpayer for said property is \$ _____ per share.

8. Furnishing statement to employer:

A copy of this statement has been furnished to the Company.

Date:

Signature

Printed Name

This election must be filed with the Internal Revenue Service Center with which taxpayer files his or her Federal income tax returns and must be made within thirty (30) days after the execution date of the Grant. This filing should be made by registered or certified mail, return receipt requested. The taxpayer must retain two (2) copies of the completed form for filing with his or her Federal and state tax returns for the current tax year and an additional copy for his or her records.

**AMENDED AND RESTATED
EXECUTIVE EMPLOYMENT AGREEMENT**

THIS AGREEMENT is made as of this 1st day of September, 2011 by and between **NN, Inc.**, a Delaware Corporation with its principal place of business in Johnson City, Tennessee (the "Company"), and **Thomas C. Burwell, Jr.** (the "Executive").

WITNESSETH:

WHEREAS, in recognition of the value of the Executive's experience and expertise and desire to continue Executive's employment as Vice President, Chief Accounting Officer and Corporate Controller of the Company, the Company and Executive previously entered into an Executive Employment Agreement (the "Prior Agreement"); and

WHEREAS, the parties wish to revise the Prior Agreement; and

WHEREAS, the Company and the Executive mutually desire that their employment relationship be set forth under the terms of this written amended and restated Employment Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the promises, covenants and mutual agreements set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree that the Prior Agreement is null and void and that the terms of their employment relationship are as follows:

1. **Employment.** The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, on the terms and conditions set forth herein.
2. **Term of Employment.** The employment of the Executive by the Company as provided herein shall commence on September 1, 2011, and end on September 1, 2012 unless further extended or sooner terminated as hereinafter provided. On September 1, 2012 and on September 1 of each year thereafter, the term of the Executive's employment hereunder shall be extended automatically one (1) additional year, unless at least six (6) months prior to the date of such automatic extension the Company shall have delivered to the Executive or the Executive shall have delivered to the Company written notice that the term of the Executive's employment hereunder shall not be extended.
3. **Position and Duties.** The Executive shall serve as the Corporate Controller of the Company with responsibilities and authority as may from time to time be assigned by the Chief Executive Officer and/or the Board of Directors of the Company. Executive agrees to perform faithfully and industriously the duties which the Company may assign to him. The Executive shall devote substantially all of his working time and efforts to the business affairs of the Company, to the exclusion of all other employment or business interest other than passive personal investments, charitable, religious or civic activities. Executive may not engage, directly or indirectly, in any other business or businesses, whether or not similar to that of the Company, except with the consent of the Chief Executive Officer and the Board of Directors of the Company.

4. Compensation and Benefits. In consideration of the Executive's performance of his duties hereunder, the Company shall provide the Executive with the following compensation and benefits during the term of his employment hereunder.
- (a) Base Salary. The Company shall pay to the Executive an aggregate base salary at a rate of 160,000 Dollars (\$160,000) per annum, payable in accordance with the Company's normal payroll practices. Such base salary may be increased from time to time by the Board of Directors in accordance with the normal business practices of the Company.
 - (b) Expenses. The Company, as applicable, shall promptly reimburse the Executive for all reasonable out-of-pocket expenses incurred by the Executive in his performance of services hereunder, including all such expenses of travel and entertainment, provided that such expenses are incurred, accounted for and documented in accordance with the Company's regular policies and in compliance with IRS Guidelines. The Company reserves the right to establish limits on the types or amounts of business expenses that the Executive may incur.
 - (c) Employee Benefits. The Executive shall be entitled to continue to participate in all Company employee benefit plans for which he is eligible, subject to the rules and regulations applicable thereto, which were in effect on the date hereof (including, but not limited to, life, disability, and health insurance plans and programs and savings plans and programs) as such plans may continue or be altered by the Company Board of Directors from time to time at the Board's discretion.
 - (d) Vacation and Other Absences. The Executive shall receive reasonable and customary vacation in each calendar year during the term of this Agreement, in accordance with the Company's present policies. The Executive shall also receive all paid absences for holidays or illnesses in accordance with the Company's applicable plans, policies or provisions.
5. Termination. Except for the provisions of Paragraphs 7, 8, 9, 10, and 11, which shall continue in full force and effect, this Agreement shall terminate upon the first to occur of the following:
- (a) The death of Executive;
 - (b) The permanent Disability of Executive, as defined in Paragraph 6(a)(iv);
 - (c) Termination of Executive's employment by Company "For Cause" as defined in Paragraph 6(a)(i);
 - (d) Separation From Service with the Company other than For Cause or Separation From Service with the Company by Executive with "Good Reason" as defined in Paragraph 6(a)(ii). The Company reserves the right to terminate the Executive at any time, subject to the Company's obligation to pay the Executive compensation as otherwise provided for herein; or

- (e) Separation From Service with the Company following a “Change in Control” as defined in Paragraph 6(a)(iii) and as provided in Paragraph 6(d)(i); or
 - (f) Termination of employment with the Company by Executive without Good Reason, provided that Executive shall give written notice of his voluntary termination in accordance with Paragraph 6(a)(v). Upon receipt of notice of intended termination given by Executive, the Company reserves the right to terminate the Executive’s employment, effective immediately.
6. Compensation and Benefits in the Event of Termination or Separation From Service. In the event of the termination of the Executive’s employment or a Separation From Service, as applicable, during the term of this Agreement or any renewal thereof, compensation and benefits shall be paid as set forth below.
- (a) Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated:
 - (i) The term “For Cause” shall include, but shall not be limited to (A) the failure of the Executive to perform the Executive’s duties under this Agreement (other than as a result of physical or mental illness or injury), which failure, if correctable, and provided it does not constitute willful misconduct or gross negligence described in Subsection B below, remains uncorrected for 10 days following written notice to Executive by the President or the Board of Directors of the Company of such breach; (B) willful misconduct or gross negligence by the Executive, in either case that results in material damage to the business or reputation of the Company; (C) a material breach by Executive of this Agreement which, if correctable, remains uncorrected for 10 days following written notice to Executive by the Board of Directors of the Company of such breach; or (D) the Executive is convicted of a felony or any other crime involving moral turpitude (whether or not in connection with the performance by Executive of his duties under this Agreement).
 - (ii) The term “Good Reason” shall mean either:
 - (A) assignment to the Executive of any duties inconsistent with Executive’s position duties, responsibilities, title or office, or any other action by the Company that results in a material diminution in the Executive’s position, authority, duties or responsibilities, excluding in each case any assignment or action that is remedied by the Company within 10 days after receipt of notice thereof from the Executive; or
 - (B) any material failure by the Company to comply with this Agreement, other than a failure that is remedied by the Company within 10 days after receipt of notice thereof from the Executive.

(iii) The term “Change in Control” shall mean either:

- (A) A person, corporation, entity or group (1) makes a tender or exchange offer for the issued and outstanding voting stock of the Company’s parent, NN, Inc., (“NN”) and beneficially owns fifty percent (50%) or more of the issued and outstanding voting stock of NN after such tender or exchange offer, or (2) acquires, directly or indirectly, the beneficial ownership of fifty percent (50%) or more of the issued and outstanding voting stock of NN in a single transaction or a series of transactions (other than any person, corporation, entity or group for which a Schedule 13G is on file with the Securities and Exchange Commission, so long as such person, corporation, entity or group has beneficial ownership of less than fifty percent (50%) of the issued and outstanding voting stock of NN); or
- (B) NN is a party to a merger, consolidation or similar transaction and following such transaction, fifty percent (50%) or more of the issued and outstanding voting stock of the resulting entity is not beneficially owned by those persons, corporations or entities that constituted the stockholders of NN immediately prior to the transaction; or
- (C) NN sells fifty percent (50%) or more of its assets to any other person or persons (other than an affiliate or affiliates of the NN); or
- (D) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least seventy-five percent (75%) of the Board of Directors of NN; provided, however, that any individual becoming a director subsequent to the date hereof, whose election or nomination was approved by a majority of the directors than comprising the Incumbent Board, shall be considered a member of the Incumbent Board, but not including any individual whose initial board membership is a result of an actual or threatened election contest (as that term is used in Rule 14a-11 promulgated under the Securities Act of 1934, as amended) or an actual or threatened solicitation of proxies or consents by or on behalf of a party other than the Board.

It is not intended that a Change in Control will serve as an event which entitles Executive to any payment hereunder.

- (iv) The term “Disability” shall mean the Executive: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees or directors of the Company. Medical determination of Disability may be made by either the Social Security Administration or by the provider of an accident or health plan covering employees or directors of the Company provided that the definition of “disability” applied under such disability insurance program complies with the requirements of the preceding sentence. Upon the request of the plan administrator, the Executive must submit proof to the plan administrator of the Social Security Administration’s or the provider’s determination.
- (v) The term “Notice of Termination” shall mean a written notice which shall include the specific termination provision under this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive’s employment. Any purported termination of the Executive’s employment hereunder by action of either party shall be communicated by delivery of a Notice of Termination to the other party. Any termination by Executive of his employment without Good Reason shall be made on not less than 14 days’ notice.
- (vi) The term “Separation From Service” shall mean the termination of the Executive’s employment with the Company for reasons other than death or Disability. Whether a Separation from Service takes place is determined based on the facts and circumstances surrounding the termination of the Employee’s employment and whether the Company and the Executive intended for the Executive to provide significant services for the Company following such termination. A change in the Executive’s employment status will not be considered a Separation from Service if:
 - (A) the Executive continues to provide services as an employee of the Company at an annual rate that is twenty percent (20%) or more of the services rendered, on average, during the immediately preceding three full calendar years of employment (or, if employed less than three years, such lesser period) and the annual remuneration for such services is twenty percent (20%) or more of the average annual remuneration earned during the final three full calendar years of employment (or, if less, such lesser period), or

- (B) the Executive continues to provide services to the Company in a capacity other than as an employee of the Company at an annual rate that is fifty percent (50%) or more of the services rendered, on average, during the immediately preceding three full calendar years of employment (or if employed less than three years, such lesser period) and the annual remuneration for such services is fifty percent (50%) or more of the average annual remuneration earned during the final three full calendar years of employment (or if less, such lesser period).
- (vii) The term “Specified Employee” shall mean a key employee (as defined in Section 416(i) of the Code without regard to paragraph 5 thereof) of the Company if any stock of the Company is publicly traded on an established securities market or otherwise.
- (b) Separation From Service By Company Not For Cause Or By Executive With Good Reason Prior To A Change In Control. In the event Executive incurs a termination of employment by action of the Company without Cause prior to a Change in Control, or by the Executive with Good Reason prior to a Change in Control, then upon a Separation From Service the Executive shall be entitled to receive: (1) The annual salary due to him through the date of termination of his employment which occurs in connection with the Separation From Service. In addition, Executive shall be entitled to receive an amount equal to one year of his Annual Salary in effect on the date of termination of his employment which occurs in connection with the Separation From Service, payable (except as provided in Paragraph 6(e)) in accordance with the Company’s regular payroll procedures over the 12-month period following the Executive’s Separation From Service. (2) Any vested rights of Executive shall be paid to Executive in accordance with the Company’s plans, programs or policies. (3) The Company shall promptly reimburse Executive for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive’s properly accounting for the same. (4) The Company shall pay to Executive an additional amount of \$12,000 payable in installments in accordance with the Company’s normal payroll practices to assist with the Executive’s transition from employment.
- (c) Termination By The Company For Cause Or By The Executive Without Good Reason. In the event the Executive’s employment hereunder is terminated (A) by action of the Company for Cause; (B) by action of the Executive without Good Reason; or (C) by reason of the Executive’s death, Disability or retirement, the following compensation and benefits shall be paid and provided the Executive (or his beneficiary):
- (1) The Executive’s annual salary provided under Paragraph 5(a) through the date of termination, at the annual rate in effect at the time the Notice of Termination is given (or death occurs), to the extent unpaid prior to such Date of Termination;

- (2) Any vested rights of Executive shall be paid to Executive or in accordance with the Company's plans, programs or policies. Without limiting the foregoing, in the event of the termination of Executive's employment due to death or disability, the rights and benefits of Executive (or his designated beneficiary or representatives, as applicable) under any Company life, health and long-term disability plans and policies shall be determined in accordance with the terms and provisions of such plans and policies; and
 - (3) The Company shall promptly reimburse Executive for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.
- (d) Separation From Service Following a Change in Control
- (i) Severance Benefits. In the event that Executive incurs a termination of employment coincident with or followed by a Separation From Service, in either event within two (2) years following a "Change in Control" (as defined in Paragraph 6(a)(iii)) and such termination or Separation From Service is either (i) Without Cause (as defined below), or (ii) is a Constructive Termination (as defined below), Executive shall receive, in addition to all compensation due and payable to or accrued for the benefit of Executive:
 - (A) a lump sum payment equal to an amount set forth on Schedule A to this Agreement ("Severance Payment"). The Severance payment shall be made by wire transfer or immediately available funds to an account designated by Executive within seven (7) business days following the date of the Separation From Service, except as provided in Paragraph 6(e) with respect to payments to Specified Employees;
 - (B) a payment equal to the annual bonus to which Executive would have been entitled but for Executive's termination of employment in connection with the Separation From Service, for the year of Executive's termination; pro-rated for the portion of the year during which he was employed by the Company ("Pro-rated Bonus"). The Pro-rated Bonus shall be payable to Executive within seventy-five (75) days following Executive's Separation From Service, except as provided in Paragraph 6(e); and
 - (C) an additional lump sum amount of \$12,000 to assist with the Executive's transition from employment.

The Severance Payment, Pro-rated Bonus and Insurance Benefits are collectively referred to in this Agreement as the "Severance Benefit."

(ii) Termination or Separation From Service Without Cause. For purposes of this subparagraph 6(d), “Without Cause” shall mean termination of Executive by the Company for reasons other than: (i) the willful, persistent failure of Executive (after ten (10) days written notice and a reasonable opportunity to cure) to perform his material duties for reasons other than death or disability; (ii) the breach by Executive of any material provision of this Agreement; or (iii) Executive’s conviction of a felony involving dishonesty, deceit or moral turpitude by a trial court of competent jurisdiction, whether or not appeal is taken.

(iii) Constructive Termination. For purposes of this subparagraph 6(d) “Constructive Termination” shall mean: (1) a material, adverse change of Executive’s responsibilities, authority, status, position, offices, titles, duties or reporting requirements (including directorships); (2) an adverse change in Executive’s annual compensation and benefits; (3) a requirement to relocate in excess of fifty (50) miles from the Executive’s then current place of employment; or (4) the breach by the Company of any material provision of this Agreement, other than a breach that is remedied by the Company within 10 days after receipt of notice thereof from Executive. For purposes of this definition, Executive’s responsibilities, authority, status, position, offices, titles, duties and reporting requirements are to be determined as of the date of this Agreement.

(iv) Other Severance Benefits. The Severance Benefit payable to Executive pursuant to this subparagraph 6(d) shall be reduced by any severance benefits to which Executive is entitled under the Company’s severance policies for terminated employees generally or any termination payments otherwise payable under this Agreement.

(v) Excise Tax.

- (A) Notwithstanding anything to the contrary set forth in this Agreement, in no event shall a Severance Benefit payable pursuant to this Paragraph 6(d) exceed an amount equal to the lesser of (i) 2.99 times the “base amount” (as defined in Section 280G(b)(3) of the Internal Revenue Code) of Executive’s compensation, or (ii) such other amount which would constitute a “parachute payment” (as defined in Section 280G of the Code). In the event that it shall be determined that any Severance Benefit to Executive (whether paid or payable or distributed or distributable) would be subject to the excise tax imposed by Section 4999 of the Code, or any successor provision thereto (the “Excise Tax”), then Executive shall be entitled to receive from the Company an additional payment (the “Gross-Up Payment”) in an amount such that the net amount of the Severance Benefit and the Gross-Up Payment retained by the Executive after calculation and deduction of all Excise Taxes (including any interest or penalties imposed with respect to such taxes) or the Gross-Up Payment provided for in this Section, and taking into account any lost or reduced tax deductions on account of the Gross-Up payment, shall be equal to the Severance Benefit.

- (B) Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable after Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes, interest and/or penalties with respect to such claim is due). If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:
- (1) give the Company any information reasonably requested by the Company relating to such claim;
 - (2) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;
 - (3) cooperate with the Company in good faith in order to effectively contest such claim; and
 - (4) permit the Company to participate in any proceedings relating to such claims;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify Executive for and hold Executive harmless from, on an after-tax basis, any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of all related costs and expenses. Without limiting the foregoing provisions of this section, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; *provided, however*, that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis, and shall

indemnify Executive for and hold Executive harmless from, on an after-tax basis, any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance (including as a result of any forgiveness by the Company of such advance); *provided, further*, that any extension of the statute of limitations relating to the payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

- (e) Payments to Specified Employees. Notwithstanding the foregoing provisions which normally require payment of certain elements of compensation within a stated period after a Separation From Service, in no event shall any payment to a Specified Employee of compensation which is subject to Internal Revenue Code Section 409A be made prior to the date which is six (6) months and one (1) day after the date of such Separation From Service. Any amount otherwise required to be paid within such payment suspension period shall be paid in a lump sum on the date the suspension period lapses or, if such date is not a regular business day of the Company, on the first regular business day of the Company which follows the expiration of the payment suspension period.
 - (f) Continuation of Benefits. Following the termination of Executive's employment hereunder, the Executive shall have the right to continue in the Company's group health insurance plan or other Company benefit program as may be required by COBRA or any other federal or state law or regulation.
 - (g) Limit on Company Liability. Except as expressly set forth in this Paragraph 6, the Company shall have no obligation to Executive under this Agreement following a termination of Executive's employment with the Company. Without limiting the generality of the provision of the foregoing sentence, the Company shall not, following a termination of Executive's employment with the Company, have any obligation to provide any further benefit to Executive or make any further contribution for Executive's benefit except as provided in this paragraph 6.
7. Disclosure of Confidential Information. The Company has developed confidential information, strategies and programs, which include customer lists, prospects, lists, expansion and acquisition plans, market research, sales systems, marketing programs, computer systems and programs, product development strategies, manufacturing strategies and techniques, budgets, pricing strategies, identity and requirements of national accounts, customer lists, methods of operating, service systems, training programs and methods, other trade secrets and information about the business in which the Company is engaged that is not known to the public and gives the Company an opportunity to obtain an advantage over competitors who do not know of such

information (collectively, "Confidential Information"). In performing duties for the Company, Executive regularly will be exposed to and work with Confidential Information. Executive acknowledges that such Confidential Information is critical to the Company's success and that the Company has invested substantial sums of money in developing the Confidential Information. While Executive is employed by the Company and after such employment ends for any reason, Executive will never reproduce, publish, disclose, use, reveal, show or otherwise communicate to any person or entity any Confidential Information unless specifically directed by the Company to do so in writing. Executive agrees that whenever Executive's employment with the Company ends for any reason, all documents containing or referring to Confidential Information as may be in Executive's possession or control will be delivered by Executive to the Company immediately, with no request being required.

8. Non-Interference with Personnel Relations. While Executive is employed by the Company and for twenty-four (24) months after such employment ends for any reason, Executive acting either directly or indirectly, or through any other person, firm, or corporation, will not hire contract with or employ any employee of the Company or induce or attempt to induce or influence any employee of the Company to terminate employment with the Company. However, this provision shall not apply to Executive in the case of the solicitation of his or her immediate family members.
9. Non-Competition. While Executive is employed by the Company and for twenty-four (24) months after such employment ends for any reason, Executive will not, directly or indirectly, or through any other person, firm or corporation (i) be employed by, consult for, have any ownership interest in or engage in any activity on behalf of any competing business, or (ii) call on, solicit or communicate with any of the Company's customers (whether actual or potential) for the purpose of selling precision steel balls and rollers and other related items to such customer other than for the benefit of the Company. As used in this Agreement, the term "competing business" means a business that is a manufacturer and supplier of precision steel balls and rollers to anti-friction bearing manufacturers (excluding any ball and roller manufacturers who manufacture such products for use in their business or the business of their affiliates and do not supply such products to third parties) and the term "customer" means any customer (whether actual or potential) with whom Executive or any other employee of the Company had business contact on behalf of the Company during the eighteen (18) months immediately before Executive's employment with the Company ended. Notwithstanding the foregoing, this paragraph shall not be construed to prohibit Executive from owning less than five percent (5%) of the outstanding securities of a corporation which is publicly traded on a securities exchange or over-the-counter.
10. Notification to Subsequent Employers. Executive grants the Company the right to notify any future employer or prospective employer of Executive concerning the existence of and terms of this Agreement and grants the Company the right to provide a copy of this Agreement to any such subsequent employer or prospective employer.

11. Company Proprietary Rights.
 - (a) Company to Retain Rights. Executive agrees that all right, title and interest of every kind and nature whatsoever in and to copyrights, patents, ideas, business or strategic plans and concepts, studies, presentations, creations, inventions, writings, properties, discoveries and all other intellectual property conceived by Executive during the term of this Agreement and pertaining to or useful in or to (directly or indirectly) the activities of the Company (collectively, "Company Intellectual Property") shall become and remain the exclusive property of the Company, and Executive shall have no interest therein.
 - (b) Further Assurances. At the request of the Company, Executive shall, at the Company's expense but without additional consideration, execute such documents and perform such other acts as the Company may deem necessary or appropriate to vest in the Company or its designee such title as Executive may have to all Company Intellectual Property in which Executive may be able to claim any rights by virtue of his employment under this Agreement.
 - (c) Return of Material. Upon the termination of the Executive's employment under this Agreement, the Executive will promptly return to the Company all copies of information protected by Paragraph 11(a) hereof which are in his possession, custody or control, whether prepared by him or others, and the Executive agrees that he shall not retain any of same.
12. Representation and Warranty of Executive. Executive represents and warrants to the Company that he is not now under any obligation, of a contractual nature or otherwise, to any person, partnership, company or corporation that is inconsistent or in conflict with this Agreement or which would prevent, limit or impair in any way the performance by him of his obligations hereunder.
13. Withholding. Any provision of this Agreement to the contrary notwithstanding, all payments made by the Company hereunder to the Executive or his estate or beneficiaries shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Company may reasonably determine should be withheld pursuant to any applicable law or regulation. In lieu of withholding such amounts, the Company may accept other provisions, provided that it has sufficient funds to pay all taxes required by law to be withheld in respect of any or all such payments.
14. Mitigation. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this agreement and such amounts shall not be reduced whether or not Executive obtains other employment.
15. Notices. All notices, requests, demands and other communications provided for by this Agreement shall be in writing and shall be sufficiently given if and when mailed in the continental United States by registered or certified mail, or personally delivered to the party entitled thereto, at the address stated below or to such changed address as the addressee may have given by a similar notice:

To the Company: William C. Kelly, Jr.
NN, Inc.
2000 Waters Edge Drive
Johnson City, TN 37604

To the Executive: Thomas C. Burwell, Jr.
NN, Inc.
2000 Waters Edge Drive
Johnson City, TN 37604

16. Successors: Binding Agreement. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in the form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. For purposes of this Agreement, "Company" shall include any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to him hereunder if he had continued to live, all such amounts, except to the extent otherwise provided under this Agreement, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee, or if there be no such designee, to the Executive's estate.

17. Modification, Waiver or Discharge. No provision of this Agreement may be modified or discharged unless such modification or discharge is authorized by the Board of Directors of the Company and is agreed to in writing, signed by the Executive and by an officer of the Company duly authorized by the Board. However, the Company may unilaterally revise the provisions of this Agreement governed by the provisions of Internal Revenue Code Section 409A in order to make the Agreement compliant therewith, and as necessary under any provision of the Internal Revenue Code or any other federal or state statute or regulation to prevent the imposition of any federal or state fine, tax, or penalty upon Company or Executive that would result from the performance of any provisions of this Agreement. No waiver by either party hereto of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any time or at any prior or subsequent time.

18. Entire Agreement. This Agreement constitutes the entire understanding of the parties hereto with respect to its subject matter and supersedes all prior agreements between the parties hereto with respect to its subject matter, including, but not limited to, all employment agreements, change of control agreements, non-competition agreements or any other agreement related to Executive's employment with the Company; provided, however, nothing herein shall affect the terms of the Indemnification Agreement entered into between the Company and Executive dated July 21, 2011, which shall continue and remain in full force and effect.
19. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Tennessee to the extent federal law does not apply.
20. Resolution of Disputes. Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in Johnson City, Tennessee in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The fees and expenses of the arbitration panel shall be equally borne by the Company and Executive. Each party shall be liable for its own costs and expenses as a result of any dispute related to this Agreement.
21. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which latter provisions shall remain in full force and effect.
22. Compliance with Internal Revenue Code and Section 409A. This Agreement shall at all times be administered and the provisions of this Agreement shall be interpreted consistent with the requirements of the Internal Revenue Code, including but not limited to Section 409A of the Code, and any and all regulations thereunder, including such regulations as may be promulgated after the effective date of this Agreement.
23. No Adequate Remedy At Law; Costs to Prevailing Party. The Company and the Executive recognize that each party may have no adequate remedy at law for breach by the other of any of the agreements contained herein, and particularly a breach of Paragraphs 7, 8, 9, or 11, and, in the event of any such breach, the Company and the Executive hereby agree and consent that the other shall be entitled to injunctive relief or other appropriate remedy to enforce performance of such agreements.
24. Non-Assignability. This Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party; provided, however, that the Company may assign this Agreement in connection with a merger or consolidation involving the Company or a sale of substantially all of its assets to the surviving corporation or purchaser, as the case may be, so long as such assignee assumes the Company's obligations hereunder.

25. Headings. The section headings contained in this Agreement are for convenience of reference only and will not be deemed to control or affect the meaning or construction of any provision of this Agreement. Reference to Paragraphs are to Paragraphs in this Agreement.
26. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but of which together will constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Executive and the Company (by action of its duly authorized officers) have executed this Agreement as of the date first above written.

NN, Inc.

By: _____
Roderick R. Baty, Chairman, Chief
Executive Officer, and President

Attest:

EXECUTIVE:

Thomas C. Burwell, Jr.

Schedule A

Executive's Severance Payment subsequent to a Change in Control as provided in Paragraph 6(d)(i) shall be a lump sum payment equal to:

1. 2.0 times Executive's base salary (as of the date of Executive's termination); plus
2. 1.0 times Executive's median bonus available at the following bonus target percentage: 45%.

EXECUTIVE EMPLOYMENT AGREEMENT

THIS AGREEMENT is made as of this 21st day of July, 2011 by and between **Whirlaway Corporation**, an Ohio Corporation with its principal place of business in Ohio (the "Company"), and **James R. Widders** (the "Executive").

WITNESSETH:

WHEREAS, Executive has agreed to serve and the Company has agreed to employ Executive as Vice President/General Manager Precision Metal Components of the Company; and

WHEREAS, the Company and the Executive mutually desire that their employment relationship be set forth under the terms of this written Employment Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the promises, covenants and mutual agreements set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree that the terms of their employment relationship are as follows:

1. **Employment.** The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, on the terms and conditions set forth herein.
2. **Term of Employment.** The employment of the Executive by the Company as provided herein shall commence on July 21, 2011, and end on July 21, 2012 unless further extended or sooner terminated as hereinafter provided. On July 21, 2012 and on July 21 of each year thereafter, the term of the Executive's employment hereunder shall be extended automatically one (1) additional year, unless at least six (6) months prior to the date of such automatic extension the Company shall have delivered to the Executive or the Executive shall have delivered to the Company written notice that the term of the Executive's employment hereunder shall not be extended.
3. **Position and Duties.** The Executive shall serve as the Vice President/General Manager, Precision Metal Components of the Company with responsibilities and authority as may from time to time be assigned by the Chief Executive Officer and/or the Board of Directors of the Company. Executive agrees to perform faithfully and industriously the duties which the Company may assign to him. The Executive shall devote substantially all of his working time and efforts to the business affairs of the Company, to the exclusion of all other employment or business interest other than passive personal investments, charitable, religious or civic activities. Executive may not engage, directly or indirectly, in any other business or businesses, whether or not similar to that of the Company, except with the consent of the Chief Executive Officer and the Board of Directors of the Company.
4. **Compensation and Benefits.** In consideration of the Executive's performance of his duties hereunder, the Company shall provide the Executive with the following compensation and benefits during the term of his employment hereunder.

- (a) Base Salary. The Company shall pay to the Executive an aggregate base salary at a rate of 210,000 Dollars (\$210,000) per annum, payable in accordance with the Company's normal payroll practices. Such base salary may be increased from time to time by the Board of Directors in accordance with the normal business practices of the Company.
 - (b) Expenses. The Company, as applicable, shall promptly reimburse the Executive for all reasonable out-of-pocket expenses incurred by the Executive in his performance of services hereunder, including all such expenses of travel and entertainment, provided that such expenses are incurred, accounted for and documented in accordance with the Company's regular policies and in compliance with IRS Guidelines. The Company reserves the right to establish limits on the types or amounts of business expenses that the Executive may incur.
 - (c) Employee Benefits. The Executive shall be entitled to continue to participate in all Company employee benefit plans for which he is eligible, subject to the rules and regulations applicable thereto, which were in effect on the date hereof (including, but not limited to, life, disability, and health insurance plans and programs and savings plans and programs) as such plans may continue or be altered by the Company Board of Directors from time to time at the Board's discretion.
 - (d) Vacation and Other Absences. The Executive shall receive reasonable and customary vacation in each calendar year during the term of this Agreement, in accordance with the Company's present policies. The Executive shall also receive all paid absences for holidays or illnesses in accordance with the Company's applicable plans, policies or provisions.
5. Termination. Except for the provisions of Paragraphs 7, 8, 9, 10, and 11, which shall continue in full force and effect, this Agreement shall terminate upon the first to occur of the following:
- (a) The death of Executive;
 - (b) The permanent Disability of Executive, as defined in Paragraph 6(a)(iv);
 - (c) Termination of Executive's employment by Company "For Cause" as defined in Paragraph 6(a)(i);
 - (d) Separation From Service with the Company other than For Cause or Separation From Service with the Company by Executive with "Good Reason" as defined in Paragraph 6(a)(ii). The Company reserves the right to terminate the Executive at any time, subject to the Company's obligation to pay the Executive compensation as otherwise provided for herein; or
 - (e) Separation From Service with the Company following a "Change in Control" as defined in Paragraph 6(a)(iii) and as provided in Paragraph 6(d)(i);
or

- (f) Termination of employment with the Company by Executive without Good Reason, provided that Executive shall give written notice of his voluntary termination in accordance with Paragraph 6(a)(v). Upon receipt of notice of intended termination given by Executive, the Company reserves the right to terminate the Executive's employment, effective immediately.
6. Compensation and Benefits in the Event of Termination or Separation From Service. In the event of the termination of the Executive's employment or a Separation From Service, as applicable, during the term of this Agreement or any renewal thereof, compensation and benefits shall be paid as set forth below.
- (a) Definitions. For purposes of this Agreement, the following terms shall have the meanings indicated:
 - (i) The term "For Cause" shall include, but shall not be limited to (A) the failure of the Executive to perform the Executive's duties under this Agreement (other than as a result of physical or mental illness or injury), which failure, if correctable, and provided it does not constitute willful misconduct or gross negligence described in Subsection B below, remains uncorrected for 10 days following written notice to Executive by the President or the Board of Directors of the Company of such breach; (B) willful misconduct or gross negligence by the Executive, in either case that results in material damage to the business or reputation of the Company; (C) a material breach by Executive of this Agreement which, if correctable, remains uncorrected for 10 days following written notice to Executive by the Board of Directors of the Company of such breach; or (D) the Executive is convicted of a felony or any other crime involving moral turpitude (whether or not in connection with the performance by Executive of his duties under this Agreement).
 - (ii) The term "Good Reason" shall mean either:
 - (A) assignment to the Executive of any duties inconsistent with Executive's position duties, responsibilities, title or office, or any other action by the Company that results in a material diminution in the Executive's position, authority, duties or responsibilities, excluding in each case any assignment or action that is remedied by the Company within 10 days after receipt of notice thereof from the Executive; or
 - (B) any material failure by the Company to comply with this Agreement, other than a failure that is remedied by the Company within 10 days after receipt of notice thereof from the Executive.

- (iii) The term “Change in Control” shall mean either:
- (A) A person, corporation, entity or group (1) makes a tender or exchange offer for the issued and outstanding voting stock of the Company’s parent, NN, Inc., (“NN”) and beneficially owns fifty percent (50%) or more of the issued and outstanding voting stock of NN after such tender or exchange offer, or (2) acquires, directly or indirectly, the beneficial ownership of fifty percent (50%) or more of the issued and outstanding voting stock of NN in a single transaction or a series of transactions (other than any person, corporation, entity or group for which a Schedule 13G is on file with the Securities and Exchange Commission, so long as such person, corporation, entity or group has beneficial ownership of less than fifty percent (50%) of the issued and outstanding voting stock of NN); or
 - (B) NN is a party to a merger, consolidation or similar transaction and following such transaction, fifty percent (50%) or more of the issued and outstanding voting stock of the resulting entity is not beneficially owned by those persons, corporations or entities that constituted the stockholders of NN immediately prior to the transaction; or
 - (C) NN sells fifty percent (50%) or more of its assets to any other person or persons (other than an affiliate or affiliates of the NN); or
 - (D) Individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least seventy-five percent (75%) of the Board of Directors of NN; provided, however, that any individual becoming a director subsequent to the date hereof, whose election or nomination was approved by a majority of the directors than comprising the Incumbent Board, shall be considered a member of the Incumbent Board, but not including any individual whose initial board membership is a result of an actual or threatened election contest (as that term is used in Rule 14a-11 promulgated under the Securities Act of 1934, as amended) or an actual or threatened solicitation of proxies or consents by or on behalf of a party other than the Board.

It is not intended that a Change in Control will serve as an event which entitles Executive to any payment hereunder.

- (iv) The term “Disability” shall mean the Executive: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less

than three (3) months under an accident and health plan covering employees or directors of the Company. Medical determination of Disability may be made by either the Social Security Administration or by the provider of an accident or health plan covering employees or directors of the Company provided that the definition of "disability" applied under such disability insurance program complies with the requirements of the preceding sentence. Upon the request of the plan administrator, the Executive must submit proof to the plan administrator of the Social Security Administration's or the provider's determination.

- (v) The term "Notice of Termination" shall mean a written notice which shall include the specific termination provision under this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment. Any purported termination of the Executive's employment hereunder by action of either party shall be communicated by delivery of a Notice of Termination to the other party. Any termination by Executive of his employment without Good Reason shall be made on not less than 14 days' notice.
- (vi) The term "Separation From Service" shall mean the termination of the Executive's employment with the Company for reasons other than death or Disability. Whether a Separation from Service takes place is determined based on the facts and circumstances surrounding the termination of the Employee's employment and whether the Company and the Executive intended for the Executive to provide significant services for the Company following such termination. A change in the Executive's employment status will not be considered a Separation from Service if:
 - (A) the Executive continues to provide services as an employee of the Company at an annual rate that is twenty percent (20%) or more of the services rendered, on average, during the immediately preceding three full calendar years of employment (or, if employed less than three years, such lesser period) and the annual remuneration for such services is twenty percent (20%) or more of the average annual remuneration earned during the final three full calendar years of employment (or, if less, such lesser period), or
 - (B) the Executive continues to provide services to the Company in a capacity other than as an employee of the Company at an annual rate that is fifty percent (50%) or more of the services rendered, on average, during the immediately preceding three full calendar years of employment (or if employed less than three years, such lesser period) and the annual remuneration for such services is fifty percent (50%) or more of the average annual remuneration earned during the final three full calendar years of employment (or if less, such lesser period).

- (vii) The term “Specified Employee” shall mean a key employee (as defined in Section 416(i) of the Code without regard to paragraph 5 thereof) of the Company if any stock of the Company is publicly traded on an established securities market or otherwise.
- (b) Separation From Service By Company Not For Cause Or By Executive With Good Reason Prior To A Change In Control. In the event Executive incurs a termination of employment by action of the Company without Cause prior to a Change in Control, or by the Executive with Good Reason prior to a Change in Control, then upon a Separation From Service the Executive shall be entitled to receive: (1) The annual salary due to him through the date of termination of his employment which occurs in connection with the Separation From Service. In addition, Executive shall be entitled to receive an amount equal to one year of his Annual Salary in effect on the date of termination of his employment which occurs in connection with the Separation From Service, payable (except as provided in Paragraph 6(e)) in accordance with the Company’s regular payroll procedures over the 12-month period following the Executive’s Separation From Service. (2) Any vested rights of Executive shall be paid to Executive in accordance with the Company’s plans, programs or policies. (3) The Company shall promptly reimburse Executive for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive’s properly accounting for the same. (4) The Company shall pay to Executive an additional amount of \$12,000 payable in installments in accordance with the Company’s normal payroll practices to assist with the Executive’s transition from employment.
- (c) Termination By The Company For Cause Or By The Executive Without Good Reason. In the event the Executive’s employment hereunder is terminated (A) by action of the Company for Cause; (B) by action of the Executive without Good Reason; or (C) by reason of the Executive’s death, Disability or retirement, the following compensation and benefits shall be paid and provided the Executive (or his beneficiary):
- (1) The Executive’s annual salary provided under Paragraph 5(a) through the date of termination, at the annual rate in effect at the time the Notice of Termination is given (or death occurs), to the extent unpaid prior to such Date of Termination;
 - (2) Any vested rights of Executive shall be paid to Executive or in accordance with the Company’s plans, programs or policies. Without limiting the foregoing, in the event of the termination of Executive’s employment due to death or disability, the rights and benefits of Executive (or his designated beneficiary or representatives, as applicable) under any Company life, health and long-term disability plans and policies shall be determined in accordance with the terms and provisions of such plans and policies; and

- (3) The Company shall promptly reimburse Executive for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.
- (d) Separation From Service Following a Change in Control
- (i) Severance Benefits. In the event that Executive incurs a termination of employment coincident with or followed by a Separation From Service, in either event within two (2) years following a "Change in Control" (as defined in Paragraph 6(a)(iii)) and such termination or Separation From Service is either (i) Without Cause (as defined below), or (ii) is a Constructive Termination (as defined below), Executive shall receive, in addition to all compensation due and payable to or accrued for the benefit of Executive:
- (A) a lump sum payment equal to an amount set forth on Schedule A to this Agreement ("Severance Payment"). The Severance payment shall be made by wire transfer or immediately available funds to an account designated by Executive within seven (7) business days following the date of the Separation From Service, except as provided in Paragraph 6(e) with respect to payments to Specified Employees;
- (B) a payment equal to the annual bonus to which Executive would have been entitled but for Executive's termination of employment in connection with the Separation From Service, for the year of Executive's termination; pro-rated for the portion of the year during which he was employed by the Company ("Pro-rated Bonus"). The Pro-rated Bonus shall be payable to Executive within seventy-five (75) days following Executive's Separation From Service, except as provided in Paragraph 6(e); and
- (C) an additional lump sum amount of \$12,000 to assist with the Executive's transition from employment.

The Severance Payment, Pro-rated Bonus and Insurance Benefits are collectively referred to in this Agreement as the "Severance Benefit."

(ii) Termination or Separation From Service Without Cause. For purposes of this subparagraph 6(d), "Without Cause" shall mean termination of Executive by the Company for reasons other than: (i) the willful, persistent failure of Executive (after ten (10) days written notice and a reasonable opportunity to cure) to perform his material duties for reasons other than death or disability; (ii) the breach by Executive of any material provision of this Agreement; or (iii) Executive's conviction of a felony involving dishonesty, deceit or moral turpitude by a trial court of competent jurisdiction, whether or not appeal is taken.

(iii) Constructive Termination. For purposes of this subparagraph 6(d) “Constructive Termination” shall mean: (1) a material, adverse change of Executive’s responsibilities, authority, status, position, offices, titles, duties or reporting requirements (including directorships); (2) an adverse change in Executive’s annual compensation and benefits; (3) a requirement to relocate in excess of fifty (50) miles from the Executive’s then current place of employment; or (4) the breach by the Company of any material provision of this Agreement, other than a breach that is remedied by the Company within 10 days after receipt of notice thereof from Executive. For purposes of this definition, Executive’s responsibilities, authority, status, position, offices, titles, duties and reporting requirements are to be determined as of the date of this Agreement.

(iv) Other Severance Benefits. The Severance Benefit payable to Executive pursuant to this subparagraph 6(d) shall be reduced by any severance benefits to which Executive is entitled under the Company’s severance policies for terminated employees generally or any termination payments otherwise payable under this Agreement.

(v) Excise Tax.

- (A) Notwithstanding anything to the contrary set forth in this Agreement, in no event shall a Severance Benefit payable pursuant to this Paragraph 6(d) exceed an amount equal to the lesser of (i) 2.99 times the “base amount” (as defined in Section 280G(b)(3) of the Internal Revenue Code) of Executive’s compensation, or (ii) such other amount which would constitute a “parachute payment” (as defined in Section 280G of the Code). In the event that it shall be determined that any Severance Benefit to Executive (whether paid or payable or distributed or distributable) would be subject to the excise tax imposed by Section 4999 of the Code, or any successor provision thereto (the “Excise Tax”), then Executive shall be entitled to receive from the Company an additional payment (the “Gross-Up Payment”) in an amount such that the net amount of the Severance Benefit and the Gross-Up Payment retained by the Executive after calculation and deduction of all Excise Taxes (including any interest or penalties imposed with respect to such taxes) or the Gross-Up Payment provided for in this Section, and taking into account any lost or reduced tax deductions on account of the Gross-Up payment, shall be equal to the Severance Benefit.
- (B) Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable after Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which

Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes, interest and/or penalties with respect to such claim is due). If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

- (1) give the Company any information reasonably requested by the Company relating to such claim;
- (2) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;
- (3) cooperate with the Company in good faith in order to effectively contest such claim; and
- (4) permit the Company to participate in any proceedings relating to such claims;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify Executive for and hold Executive harmless from, on an after-tax basis, any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of all related costs and expenses. Without limiting the foregoing provisions of this section, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; *provided, however,* that if the Company directs Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Executive, on an interest-free basis, and shall indemnify Executive for and hold Executive harmless from, on an after-tax basis, any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance (including as a result of any forgiveness by the Company of such advance); *provided, further,* that any extension of the statute of limitations relating to the payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested

amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

- (e) Payments to Specified Employees. Notwithstanding the foregoing provisions which normally require payment of certain elements of compensation within a stated period after a Separation From Service, in no event shall any payment to a Specified Employee of compensation which is subject to Internal Revenue Code Section 409A be made prior to the date which is six (6) months and one (1) day after the date of such Separation From Service. Any amount otherwise required to be paid within such payment suspension period shall be paid in a lump sum on the date the suspension period lapses or, if such date is not a regular business day of the Company, on the first regular business day of the Company which follows the expiration of the payment suspension period.
- (f) Continuation of Benefits. Following the termination of Executive's employment hereunder, the Executive shall have the right to continue in the Company's group health insurance plan or other Company benefit program as may be required by COBRA or any other federal or state law or regulation.
- (g) Limit on Company Liability. Except as expressly set forth in this Paragraph 6, the Company shall have no obligation to Executive under this Agreement following a termination of Executive's employment with the Company. Without limiting the generality of the provision of the foregoing sentence, the Company shall not, following a termination of Executive's employment with the Company, have any obligation to provide any further benefit to Executive or make any further contribution for Executive's benefit except as provided in this paragraph 6.

- 7. Disclosure of Confidential Information. The Company has developed confidential information, strategies and programs, which include customer lists, prospects, lists, expansion and acquisition plans, market research, sales systems, marketing programs, computer systems and programs, product development strategies, manufacturing strategies and techniques, budgets, pricing strategies, identity and requirements of national accounts, customer lists, methods of operating, service systems, training programs and methods, other trade secrets and information about the business in which the Company is engaged that is not known to the public and gives the Company an opportunity to obtain an advantage over competitors who do not know of such information (collectively, "Confidential Information"). In performing duties for the Company, Executive regularly will be exposed to and work with Confidential Information. Executive acknowledges that such Confidential Information is critical to the Company's success and that the Company has invested substantial sums of money in developing the Confidential Information. While Executive is employed by the Company and after such employment ends for any reason, Executive will never reproduce, publish, disclose, use, reveal, show or otherwise communicate to any person or entity any Confidential Information unless specifically directed by the Company to do so in writing.

Executive agrees that whenever Executive's employment with the Company ends for any reason, all documents containing or referring to Confidential Information as may be in Executive's possession or control will be delivered by Executive to the Company immediately, with no request being required.

8. Non-Interference with Personnel Relations. While Executive is employed by the Company and for twenty-four (24) months after such employment ends for any reason, Executive acting either directly or indirectly, or through any other person, firm, or corporation, will not hire contract with or employ any employee of the Company or induce or attempt to induce or influence any employee of the Company to terminate employment with the Company. However, this provision shall not apply to Executive in the case of the solicitation of his or her immediate family members.
9. Non-Competition. While Executive is employed by the Company and for twenty-four (24) months after such employment ends for any reason, Executive will not, directly or indirectly, or through any other person, firm or corporation (i) be employed by, consult for, have any ownership interest in or engage in any activity on behalf of any competing business, or (ii) call on, solicit or communicate with any of the Company's customers (whether actual or potential) for the purpose of selling precision steel balls and rollers and other related items to such customer other than for the benefit of the Company. As used in this Agreement, the term "competing business" means a business that is a manufacturer and supplier of precision steel balls and rollers to anti-friction bearing manufacturers (excluding and ball and roller manufacturers who manufacture such products to third parties) and the term "customer" means any customer (whether actual or potential) with whom Executive or any other employee of the Company had business contact on behalf of the Company during the eighteen (18) months immediately before Executive's employment with the Company ended. Notwithstanding the foregoing, this paragraph shall not be construed to prohibit Executive from owning less than five percent (5%) of the outstanding securities of a corporation which is publicly traded on a securities exchange or over-the-counter.
10. Notification to Subsequent Employers. Executive grants the Company the right to notify any future employer or prospective employer of Executive concerning the existence of and terms of this Agreement and grants the Company the right to provide a copy of this Agreement to any such subsequent employer or prospective employer.
11. Company Proprietary Rights.
 - (a) Company to Retain Rights. Executive agrees that all right, title and interest of every kind and nature whatsoever in and to copyrights, patents, ideas, business or strategic plans and concepts, studies, presentations, creations, inventions, writings, properties, discoveries and all other intellectual property conceived by Executive during the term of this Agreement and pertaining to or useful in or to (directly or indirectly) the activities of the Company (collectively, "Company Intellectual Property") shall become and remain the exclusive property of the Company, and Executive shall have no interest therein.

- (b) Further Assurances. At the request of the Company, Executive shall, at the Company's expense but without additional consideration, execute such documents and perform such other acts as the Company may deem necessary or appropriate to vest in the Company or its designee such title as Executive may have to all Company Intellectual Property in which Executive may be able to claim any rights by virtue of his employment under this Agreement.
 - (c) Return of Material. Upon the termination of the Executive's employment under this Agreement, the Executive will promptly return to the Company all copies of information protected by Paragraph 11(a) hereof which are in his possession, custody or control, whether prepared by him or others, and the Executive agrees that he shall not retain any of same.
12. Representation and Warranty of Executive. Executive represents and warrants to the Company that he is not now under any obligation, of a contractual nature or otherwise, to any person, partnership, company or corporation that is inconsistent or in conflict with this Agreement or which would prevent, limit or impair in any way the performance by him of his obligations hereunder.
 13. Withholding. Any provision of this Agreement to the contrary notwithstanding, all payments made by the Company hereunder to the Executive or his estate or beneficiaries shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Company may reasonably determine should be withheld pursuant to any applicable law or regulation. In lieu of withholding such amounts, the Company may accept other provisions, provided that it has sufficient funds to pay all taxes required by law to be withheld in respect of any or all such payments.
 14. Mitigation. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this agreement and such amounts shall not be reduced whether or not Executive obtains other employment.
 15. Notices. All notices, requests, demands and other communications provided for by this Agreement shall be in writing and shall be sufficiently given if and when mailed in the continental United States by registered or certified mail, or personally delivered to the party entitled thereto, at the address stated below or to such changed address as the addressee may have given by a similar notice:

To the Company: NN, Inc.
 Attn: William C. Kelly, Jr.
 2000 Waters Edge Drive, Suite 12
 Johnson City, TN 37604

To the Executive: James R. Widders
Whirlaway Corporation
720 Shiloh Ave.
Wellington, OH 44090

16. Successors: Binding Agreement. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in the form and substance satisfactory to the Executive, to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. For purposes of this Agreement, "Company" shall include any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this Section or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.
- This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to him hereunder if he had continued to live, all such amounts, except to the extent otherwise provided under this Agreement, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee, or if there be no such designee, to the Executive's estate.
17. Modification, Waiver or Discharge. No provision of this Agreement may be modified or discharged unless such modification or discharge is authorized by the Board of Directors of the Company and is agreed to in writing, signed by the Executive and by an officer of the Company duly authorized by the Board. However, the Company may unilaterally revise the provisions of this Agreement governed by the provisions of Internal Revenue Code Section 409A in order to make the Agreement compliant therewith, and as necessary under any provision of the Internal Revenue Code or any other federal or state statute or regulation to prevent the imposition of any federal or state fine, tax, or penalty upon Company or Executive that would result from the performance of any provisions of this Agreement. No waiver by either party hereto of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any time or at any prior or subsequent time.
18. Entire Agreement. This Agreement constitutes the entire understanding of the parties hereto with respect to its subject matter and supersedes all prior agreements between the parties hereto with respect to its subject matter, including, but not limited to, all employment agreements, change of control agreements, non-competition agreements or any other agreement related to Executive's employment with the Company; provided, however, nothing herein shall affect the terms of the Indemnification Agreement entered into between the Company and Executive dated June , 2011 which shall continue and remain in full force and effect.

19. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Tennessee to the extent federal law does not apply.
20. Resolution of Disputes. Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in Johnson City, Tennessee in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The fees and expenses of the arbitration panel shall be equally borne by the Company and Executive. Each party shall be liable for its own costs and expenses as a result of any dispute related to this Agreement.
21. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which latter provisions shall remain in full force and effect.
22. Compliance with Internal Revenue Code and Section 409A. This Agreement shall at all times be administered and the provisions of this Agreement shall be interpreted consistent with the requirements of the Internal Revenue Code, including but not limited to Section 409A of the Code, and any and all regulations thereunder, including such regulations as may be promulgated after the effective date of this Agreement.
23. No Adequate Remedy At Law; Costs to Prevailing Party. The Company and the Executive recognize that each party may have no adequate remedy at law for breach by the other of any of the agreements contained herein, and particularly a breach of Paragraphs 7, 8, 9, or 11, and, in the event of any such breach, the Company and the Executive hereby agree and consent that the other shall be entitled to injunctive relief or other appropriate remedy to enforce performance of such agreements.
24. Non-Assignability. This Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party; provided, however, that the Company may assign this Agreement in connection with a merger or consolidation involving the Company or a sale of substantially all of its assets to the surviving corporation or purchaser, as the case may be, so long as such assignee assumes the Company's obligations hereunder.
25. Headings. The section headings contained in this Agreement are for convenience of reference only and will not be deemed to control or affect the meaning or construction of any provision of this Agreement. Reference to Paragraphs are to Paragraphs in this Agreement.
26. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but of which together will constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Executive and the Company (by action of its duly authorized officers) have executed this Agreement as of the date first above written.

NN, Inc.

By: _____
Roderick R. Baty, CEO and Chairman

Attest: _____

EXECUTIVE:

James R. Widders

Amended Schedule A

Executive's Severance Payment shall be a lump sum payment equal to:

1. 2.0 times Executive's base salary (as of the date of Executive's termination); plus
2. 1.0 times Executive's median bonus available at the following bonus target percentage: 45%.

Subsidiaries of the Registrant

Subsidiaries of NN, Inc.	Jurisdiction of Incorporation or Organization
The Delta Rubber Company	Connecticut
Industrial Molding Corp.	Tennessee
Kugelfertigung Eltmann GmbH	Germany
NN Europe, S.p.a.	Italy
NN Euroball Ireland, Ltd.	Ireland
NN Netherlands B.V.	The Netherlands
NN Holdings B.V.	The Netherlands
NN Slovakia, s.r.o.	Slovak Republic
NN Precision Bearing Products Company Ltd.	The People's Republic of China
Whirlaway Corporation	Ohio
Triumph, LLC	Arizona
NN International B.V.	The Netherlands

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-174519, No. 333-130395, No. 333-69588, No. 333-50934) and Form S-3 (No. 333-100119) of NN, Inc. of our report dated March 15, 2012 related to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Charlotte, North Carolina
March 15, 2012

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Roderick R. Baty, certify that:

- 1) I have reviewed this annual report on Form 10-K 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 officer 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 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 15, 2012

Signature: /s/ RODERICK R. BATY
Roderick R. Baty
Chairman, Chief Executive Officer, and President

CERTIFICATION PURSUANT TO RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, James H. Dorton, certify that:

- 1) I have reviewed this annual report on Form 10-K 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 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 report.;
- 4) The registrant's other certifying officer 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 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 15, 2012

Signature: /s/ JAMES H. DORTON

James H. Dorton
Senior Vice President – Corporate Development
and Chief Financial 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, 2011, 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. §1350, as adopted pursuant to §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 as amended; 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 15, 2012

/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.]

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, 2011, 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. §1350, as adopted pursuant to §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 as amended; 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 15, 2012

/s/ James H. Dorton

James H. Dorton

Senior Vice President – Corporate Development and 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.]