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

FORM 10-K

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

For the fiscal year ended December 31, 2009

OR

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

For the transition period from to

Commission file number 0-23486

NN, INC.

(Exact name of registrant as specified in its charter)

Delaware	**62-1096725**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2000 Waters Edge Drive **Johnson City, Tennessee**	**37604**
(Address of principal executive offices)	(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01	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 x

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 x

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 x 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 o 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. x

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 o Non-accelerated filer x Smaller reporting company ☐
(Do not check if a 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 x

The aggregate market value of the voting stock held by non-affiliates of the registrant at June 30, 2009, based on the closing price on the NASDAQ Stock Market LLC on that date was approximately $27,138,908.

The number of shares of the registrant's common stock outstanding on March 26, 2010 was 16,516,924.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement with respect to the 2010 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.

PART I

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 2009, Metal Bearing Components accounted for 71% of total NN, Inc. sales. Sales of balls and rollers accounted for approximately 66% of our total net sales with 52% of sales from balls and 14% 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 among the industry's most complete line of commercially available bearing components. We emphasize engineered products that take advantage of our competencies in product design and tight tolerance manufacturing processes. Our bearing customers use our components in fully assembled ball and roller bearings, which serve a wide variety of industrial applications in the transportation, electrical, agricultural, construction, machinery, mining and aerospace markets.

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 applications. We also manufacture rubber seals for use in various automotive and industrial applications. In 2009, plastic products accounted for 7% of net sales and rubber seals accounted for 5% of net sales.

In 2006, we began to execute on a new five year strategic business plan to leverage our competencies in precision metal products by creating an adjacent platform to the Metal Bearing Components Segment which would broaden our reach into attractive end markets. As part of this new strategy, on November 30, 2006, we added a Precision Metal Components Segment through the acquisition of Whirlaway Corporation ("Whirlaway"). Whirlaway is a high precision metal components and assemblies manufacturer that supplies customers serving the HVAC, appliance and automotive industries. Our entry into the precision metal components market 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 2009.

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

<u>Metal Bearing Components Segment</u>

- Erwin, Tennessee Ball and Roller Plant ("Erwin Plant")
- Mountain City, Tennessee Ball Plant ("Mountain City Plant")
- Eltmann, Germany Ball Plant ("Eltmann 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")

Note: The Kilkenny Plant ceased operations in Q1 2009 and was in the process of being closed during 2009.

<u>Plastic and Rubber Components Segment</u>

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

<u>Precision Metal Components Segment</u>

- Whirlaway Corporation, Wellington, Ohio Metal Components Plant 1 ("Wellington Plant 1")
- Whirlaway Corporation, Wellington, Ohio Metal Components Plant 2 ("Wellington Plant 2")
- Whirlaway Corporation, Tempe, Arizona Metal Components Plant, formerly known as Triumph LLC ("Tempe Plant")

Note: The closure of the Tempe Plant was announced during Q1 of 2010. This closure is expected to be completed during 2010. The Hamilton Plant was closed during the first quarter of 2009.

Financial information about the segments is set forth in Note 11 of the Notes to Consolidated Financial Statements.

Recent Developments

During the first quarter of 2010, we amended both our previously amended and restated $90 million revolving credit facility with Key Bank as administrative agent and our previously amended and restated $40 million senior notes with Prudential Capital. The primary purpose of these amendments was to re-establish covenant levels for both agreements through the expiration of the revolving credit facility in September, 2011 to reflect our current business outlook. The primary financial covenants are the same for both credit agreements through September 2011. As a result of the amendments, the $90 million revolving credit facility was reduced to $85 million as of the amendment date, and it will reduce further by $1.0 million at the end of each of the three fiscal quarters beginning with the December 31, 2010 quarter end and ending with the June 30, 2011 quarter end, after which the total commitment will be $82 million. Neither the commitment amount nor the payment terms of the senior notes were changed. The amendments provided a restriction on restructuring of foreign subsidiaries and removed certain subsidiaries from participation in the credit agreement. Also as a result of the amendments, the interest rate was amended to LIBOR plus an applicable margin of 4.75% from an applicable margin of 4.00%. The interest rate on the senior notes was not changed and remains at 8.5%.

During the first quarter of 2010**,** we announced the closure of the Tempe Plant. The Tempe Plant was acquired in the 2006 acquisition of Whirlaway and had sales of approximately $12.0 million for calendar year 2009. The closing will impact approximately 130 employees. Current economic conditions coupled with the long-term manufacturing strategy for our Whirlaway business necessitated a consolidation of our manufacturing resources in Ohio. We expect to incur cash charges of approximately $2.5 million in severance, equipment relocation and other closing costs during 2010 related to this closure. In addition, we expect to incur up to $3.0 million in accelerated depreciation during 2010 related to machinery that will be abandoned as part of the closure.

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 $3.8 million ($2.9 million after tax) which covers the elimination of 53 permanent positions or 17% of the workforce. The majority of the severance costs were or will be paid out during the fourth quarter of 2009 and first quarter of 2010. During the first quarter of 2010, a number of these employees were rehired under temporary contracts to meet a surge in customer demand.

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 web site address is www.nnbr.com. Information contained on our web site is not part of this Annual Report. Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and related amendments are available via a link to "SEC.gov" on our web site under "Investor Relations."

Products

Metal Bearing Components Segment

Precision Steel Balls. At our Metal Bearing Components Segment facilities, 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 ½ inches (63.5 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 73%, 68%, and 67% of net Metal Bearing Component Segment sales in 2009, 2008, and 2007, respectively.

Steel Rollers. We manufacture tapered rollers at our Veenendaal Plant 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 our used in a variety of industrial applications. Tapered rollers accounted for approximately 10%, 14% and 14% of consolidated net sales in 2009, 2008 and 2007, respectively. Cylindrical rollers accounted for approximately 4% of consolidated net sales in each year of 2009, 2008, and 2007, 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 parts.

Precision Metal Components Segment

Precision Metal Components. We sell a wide range of precision metal components. These components are manufactured at the two Wellington, Ohio plants and the Tempe Plant (closure of the Tempe Plant was announced in the first quarter of 2010). The precision metal components offered include mechanical components and assemblies, fluid control components, fluid control assemblies, shafts, and other precision metal parts. The components are used in the following end markets: automotive brake/chassis, thermal air conditioning systems, automotive engine, other automotive, and other industrial applications.

Research and Development

The amounts spent on research and development activities by us during each of the last three fiscal years are not material. We expensed amounts 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 transportation, electrical, agricultural, construction, machinery, mining and aerospace. 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 10 customers account for approximately 76% of our revenue. Only one of these customers, AB SKF (“SKF”), had sales levels that were 10% or greater of total net sales. In 2009, 39% of our products were sold to customers in North America, 46% to customers in Europe, 11% to customers in Asia and the remaining 4% to customers in South America. Sales to various U.S. and foreign divisions of SKF accounted for approximately 36% of net sales in 2009.

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 to our customers in the form of changes in selling price. 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 Bearings Component Segment, we maintain a computerized, bar coded inventory management system with many 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.

Certain long-term supply agreements with Schaeffler Group (INA), with SKF to supply precision balls in Europe, and with SKF providing for the purchase of steel rollers and metal retainers manufactured at our Veenendaal Plant have all expired at December 31, 2009. We are currently supplying product at agreed upon commercial terms, similar to the expired contracts, and anticipate continuing to do so for the foreseeable future.

During 2009, the Metal Bearing Components Segment sold products to approximately 300 customers located in 30 different countries. Approximately 87% of the net sales in 2009 were to customers outside the United States. Approximately 64% of net sales in 2009 were to customers within Europe. Sales to our top ten customers accounted for approximately 81% of the net sales in 2009. Sales to SKF accounted for approximately 50% of net sales of the segment in 2009.

During 2009, the Plastic and Rubber Components Segment sold its products to over 80 customers located principally in North America. Approximately 14% of the Plastic and Rubber Components Segment's net sales were to customers outside the United States, with the vast majority to customers in Mexico and Canada. Sales to the segment's top ten customers accounted for approximately 80% of the segment's net sales in 2009.

During 2009, the Precision Metal Components Segment sold its products to 24 customers located in five countries. Approximately 91% of all sales were to customers located within the United States. Sales to the segment's top ten customers accounted for approximately 98% of the segment's net sales in 2009.

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 11 of the Notes to Consolidated Financial Statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations" for additional Segment financial information.

The following table presents a breakdown of our net sales for fiscal years 2009, 2008 and 2007:

(In Thousands)	2009	2008	2007
Metal Bearing Components Segment	$ 183,605	$ 321,660	$ 303,059
Percentage of Total Sales	70.7%	75.7%	72.0%
Precision Metal Components Segment	45,003	64,235	67,384
Percentage of Total Sales	17.4%	15.1%	16.0%
Plastic and Rubber Components Segment	30,775	38,942	50,851
Percentage of Total Sales	11.9%	9.2%	12.0%
Total	$ 259,383	$ 424,837	$ 421,294
Percentage of Total Sales	100%	100%	100%

The change in value of Euro denominated sales resulted in net sales decreasing $8.3 million in 2009, increasing $17.6 million in 2008 and increasing $19.6 million in 2007 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, the current sales structure consists of utilizing manufacturers' representatives at key accounts supported by senior segment management and engineering involvement.

Our Metal Bearing Components Segment marketing strategy focuses on increasing our outsourcing relationships with global bearing manufacturers that maintain captive 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 parts to niche markets with high value-added characteristics at competitive price levels. This strategy focuses on relationships with key customers that require the production of technically difficult parts and assemblies, enabling us to take advantage of our strengths in custom product development, tool design, component assembly, and precision molding 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 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 competency and experience with a broad range of engineered resins. 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 place by virtue of our focus on critical components and assemblies for highly engineered mechanical systems used in various durable goods.

Employees

Due to the global recession that impacted us starting in the fourth quarter of 2008 through the year ended December 31, 2009, our average employment level for 2009 decreased by 462 employees, or 21%, from the 2008 average employment level. As of December 31, 2009, we employed a total of 1,776 full-time employees. Our Metal Bearing Components Segment employed 217 in the U.S., 803 in Europe, and 108 in China; our Plastic and Rubber Components Segment employed 260, all in the U.S.; and our Precision Metal Components Segment employed 382, all in the U.S. In addition, there were six employees at our corporate headquarters. Of our total employment, 19% are management/staff employees and 81% 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 in the Eltmann Plant, Pinerolo Plant and Veenendaal Plant are unionized. We have good labor relations, and we have never experienced any significant involuntary work stoppages.

During February 2009, production ceased at the Kilkenny Plant. The entire work force of the manufacturing location, 68 employees, was permanently laid-off due to the closure of this plant. During the first quarter of 2009, the Hamilton Plant ceased production and was closed, which resulted in the permanent lay-off of 11 employees. During the third quarter of 2009, a reduction in force occurred at our Veenendaal Plant which resulted in the elimination of 53 full-time employees. During the first quarter of 2010, the closure of the Tempe Plant was announced. Production is scheduled to cease at this location during 2010, reducing our full-time employees by approximately 130.

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 owed division of NSK LTD., Tsubakimoto Precision Products Co. Ltd (Japan) and Jingsu General Ball and Roller (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, 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 UFE are among the main competitors in the automotive market.

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 outside competitors in the U.S. bearing seal market are Freudenburg-NOK, Chicago Rawhide Industries (an SKF subsidiary), 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 competitors are Linamar, Stanadyne, A. Berger, C&A Tool, American Turned Products 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. During 2009, approximately 90% of the steel used by the segment was 52100 Steel in rod and wire form. Our other steel requirements include metal strip, chrome rod and wire, and type S2 rock bit steel.

The Metal Bearing Components Segment businesses purchase substantially all of their 52100 Steel requirements from mills in Europe and Japan and all of their metal strip requirements from European mills and traders. The principal suppliers of 52100 Steel in the U.S. are Daido Steel Inc., Kobe Steel, Lucchini (affiliate of Ascometal France) and Ohio Star Forge Co. The principal supplier of 52100 Steel in Europe is Ascometal France (See Note 14 of the Notes to Consolidated Financial Statements), 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 are unable to provide assurances that we would not face higher costs or production interruptions as a result of obtaining 52100 Steel from alternate sources.

We purchase steel on the basis of price and, more significantly, composition and quality. The pricing arrangements with our suppliers are typically subject to adjustment 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 for precision steel balls. In general, we do not enter into written supply agreements with suppliers or commit to maintain minimum monthly purchases of steel except for the supply arrangements between Ascometal and the European operations of our Metal Bearing Components Segment (see Note 14 of the Notes to Consolidated Financial Statements).

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. During 2009, steel price increases abated on the basis of reduced scrap prices and overall reduction in global demand for steel products. 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 price, quality and service. Generally, we do not enter into written supply contracts with our suppliers or commit to maintain minimum monthly purchases of resins or rubber compounds.

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 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, 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 Eltmann Plant, the Kysucke Plant, the Veenendaal Plant, and Pinerolo Plant are ISO 14000 certified and all received the EPD (Environmental Product Declaration), except for the Veenendaal Plant's stamp 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 would 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 you, however, that currently unknown matters, new laws and regulations, or stricter interpretations of existing laws and regulations will not materially affect our business or operations in the future. More specifically, although we believe that we dispose of waste in material compliance with applicable environmental laws and regulations, we cannot assure you 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. 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 14 of the Notes to Consolidated Financial Statements.

Executive Officers of the Registrant

Our executive officers are:

Name	Age	Position
Roderick R. Baty	56	Chairman of the Board, Chief Executive Officer and President
Frank T. Gentry, III	54	Vice President – Managing Director, Metal Bearing Components
Robert R. Sams	52	Vice President – Sales
James H. Dorton	53	Vice President – Corporate Development and Chief Financial Officer
William C. Kelly, Jr.	51	Vice President – Chief Administrative Officer, Secretary, and Treasurer
Nicola Trombetti	49	Vice President – General Manager of NN Europe
Thomas G. Zupan	54	Vice President – Precision Metal Components Division
James O. Anderson	45	Vice President – Plastic and Rubber Components Division
Jeffrey H. Hodge	48	Vice President – General Manager, U.S. Ball and Roller 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. 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.

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

James H. Dorton joined NN as Vice President of Corporate Development and Chief Financial Officer in June 2005. 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.

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 Price Waterhouse, LLP.

Nicola Trombetti was elected NN Europe General Manager in June 2004 and was elected a Corporate Vice President in June 2005. Prior to being named NN Europe General Manager he was Vice President and Director of Operations, NN Europe. He joined NN in September 2000 as Pinerolo Italy Plant Manager. Prior to joining NN Europe, Mr. Trombetti was Plant Director for Tekfor - Neumaier GmbH Group, a European-based steel component manufacturer for the auto industry. From 1996 to 1999 he was Manufacturing Manager and Plant Manager for SKF Group. He also spent seven years as a manufacturing manager for Pininfarina, an Italian-based car design, engineering, development and manufacturing company.

Thomas G. Zupan co-founded Whirlaway in 1973 with his father and began his career as a toolmaker. He gained further experience in every line business function including Engineering, Production Operations, Quality Assurance, H/R, Sales, Material Control, IS, and Finance as the company grew from owner operator to professionally managed. In 1991, Mr. Zupan became CEO and sole shareholder of Whirlaway. Upon the sale of Whirlaway to NN on November 30, 2006, Mr. Zupan was appointed Vice President – Precision Metal Components Division.

James O. Anderson was appointed Vice President-Plastics and Rubber Division in October 2006. Mr. Anderson joined NN in January 2005 and served as the General Manager of Industrial Molding in Lubbock, Texas. Prior to joining NN, Mr. Anderson served for six years in the U.S. Army as an artillery officer and worked in various manufacturing roles with Dana Corporation and Accuma Corporation from 1996 to 2005.

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 – 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 Inc., Mr. Hodge was a member of the US military from 1985 – 1989.

Item 1A. Risk Factors

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

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, but not limited to, the risk factors described below.

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

If we cannot meet revised covenant levels under our current credit agreements, we could potentially be in default under our long-term debt; and, accordingly, risk insolvency.

The Company has experienced a significant loss of revenue and has sustained significant losses of income during the global economic recession that began to impact the Company in the fourth quarter of 2008 and is continuing as of the date of this report. As a result, the Company has sustained a significant weakening of its financial condition. Additionally, the Company is dependent on the continued provision of financing from its revolving credit lenders and its senior notes lender in order to remain solvent. The lenders have set revised covenant levels that provide little flexibility in the case that the Company's projections are not met. We believe that it is unlikely that new lenders could be found to replace the existing lenders in case of an uncured default. In such situation, the Company would be technically insolvent and would need to seek a recapitalization of the Company. If such transaction could not be successfully completed, the Company would most likely have to file for protection under bankruptcy laws in the U.S. and other jurisdictions. Although management believes that fundamental business prospects for the Company are positive, there can be no assurance that the current financial projections can be met or that recapitalization could be achieved.

The recession impacting both U.S. and Europe automotive and industrial markets 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. It now appears we have weathered the worst of the global recession of 2008 and 2009. However, if the recession were to continue or demand for our products remain weak, this could materially reduce our operating results due to the profits lost on reduced sales levels plus the inability in the short term to reduce our variable and fixed cost of operations. A continued recession 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.

World wide availability of credit continues to be limited.

The availability of credit from financial institutions to businesses has diminished during the course of 2008 and 2009. The reduction in available credit is due to many factors including the global economic recession and financial institutions being impacted by subprime mortgage defaults and various other types of credit defaults. In addition to the limits on availability, the interest rates charged by financial institutions have increased to reflect the greater level of inherent risk in the debt markets. If the limitation on the availability of credit continues or worsens, our ability and the ability of our customers and vendors to obtain credit in the future may be adversely impacted resulting in a potential adverse impact on our business and that of our customers and vendors.

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.

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 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 customer's 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, which is one of the largest bearing manufacturers in the world, accounted for approximately 36% of consolidated net sales in 2009. No other customers accounted for more than 10% of sales. During 2009, 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 related risks.

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

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

We do not have a hedging program in place associated with consolidating the operating results of our foreign businesses into U.S. Dollars. An increase in the value of the U.S. Dollar and/or the Euro relative to other currencies may adversely affect our ability to compete with our foreign-based competitors for international, as well as domestic, sales. Also, a 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 reflect lower sales 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 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 significant portion of our future growth objectives, with the remainder resulting from internal 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 amended and restated credit facility entered into on March 13, 2009, and subsequently amended on March 5, 2010, prohibits acquisitions without prior approval of the participants of the credit facility and our senior notes lender and until such time as we meet certain earnings and financial covenant levels.

Our growth strategy depends in part on outsourcing, and if the industry trend toward 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 bearing components, precision metal and precision plastic parts 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 do we. Our competitors are continuously exploring and implementing improvements in technology and manufacturing processes in order to improve product quality, and our ability to remain competitive will depend, among other things, on whether we are able to keep pace with such quality improvements in a cost effective manner.

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

We have expanded our metal bearing components production facilities and capacity over the last several years. Our metal bearing component production facilities have not always operated at full capacity, and from time to time our results of operations have been adversely affected by the under-utilization of our production facilities. Under-utilization or inefficient utilization of our production facilities could be a risk in the future. We have recently undertaken steps to address a portion of the capacity risk including closing of plants and downsizing employment levels at others. See Note 2 of the Notes to the Consolidated Financial Statements.

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 you from receiving a takeover premium for your shares. These provisions include, for example, a classified board of directors and the authorization of our board of directors to issue up to 5.0 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 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 gives existing shareholders the right to purchase Junior Participating Preferred Stock of the company once and only if the acquirer obtains 15% of our common stock.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The manufacturing plants for each of the company's segments are listed below. In addition, the company leases a portion of a small office building in Johnson City, Tennessee which serves as our corporate headquarters.

Metal Bearing Components Segment

Manufacturing Operation	Country	Sq. Feet	Owned or Leased
Erwin Plant	U.S.A.	125,000	Owned
Mountain City Plant	U.S.A.	86,400	Owned
Kilkenny Plant (non-operating)	Ireland	125,000	Owned
Eltmann Plant	Germany	175,000	Leased
Pinerolo Plant	Italy	330,000	Owned
Kysucke Plant	Slovakia	135,000	Owned
Veenendaal Plant	The Netherlands	159,000	Owned
Kunshan Plant	China	110,000	Leased

The Eltmann Plant is leased from the Schaeffler Group, which is also a customer. The Kunshan Plant lease is accounted for as a capital lease and we have an option to purchase the facility 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. As such, the property is still considered to be held and used.

Plastic and Rubber Components Segment

Manufacturing Operation	Country	Sq. Feet	Owned or Leased
Danielson Plant	U.S.A.	50,000	Owned
Lubbock Plant	U.S.A.	228,000	Owned

Precision Metal Components Segment

Manufacturing Operation	Country	Sq. Feet	Owned or Leased
Wellington Plant 1	U.S.A.	86,000	Leased
Wellington Plant 2	U.S.A.	132,000	Leased
Tempe Plant	U.S.A.	140,000	Leased

The Wellington Plants are leased from a company controlled by the former owner of Whirlaway Corporation, who is currently an officer of NN, Inc. (see Note 19 of the Notes to Consolidated Financial Statements). During the first quarter of 2010, we announced the closure of the Tempe Plant to be accomplished during 2010. Production will be moved to the Wellington plants.

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. Besides us, 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 substantially approved by EPA. Once approved, costs associated with the chosen remediation can be assessed and the PRPs can discuss allocation of the overall cost. As of the date hereof, we do not know the amount of our allocated share.

Part II

Item 4. **Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

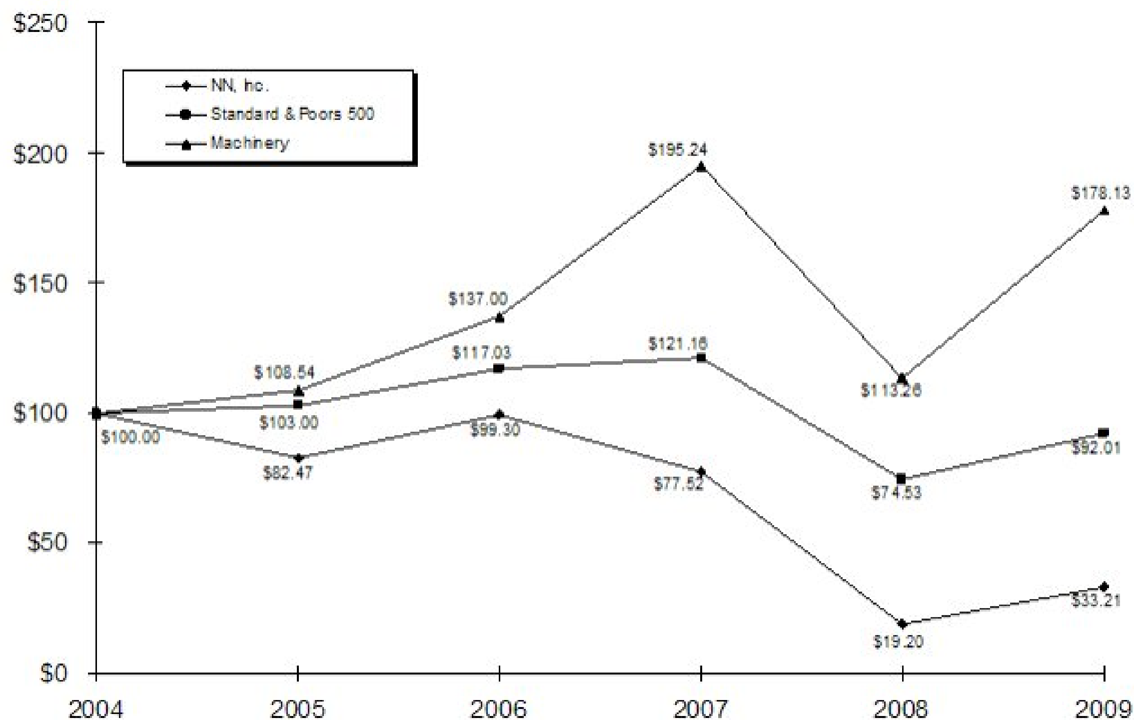
Since our initial public offering in 1994, the common stock has been traded on The NASDAQ Stock Market LLC (“NASDAQ”) under the trading symbol “NNBR.” Prior to such time there was no established market for the common stock. As of March 26, 2010, there were approximately 2,000 holders of the Common Stock and the closing per share stock price as reported by NASDAQ was $4.78.

The following table sets forth the high and low closing sales prices of the common stock, as reported by NASDAQ, and the dividends paid per share on the common stock during each calendar quarter of 2009 and 2008.

	Close Price		
	High	**Low**	**Dividend**
2009			
First Quarter	$ 3.10	$ 0.83	$ 0.00
Second Quarter	1.82	1.17	0.00
Third Quarter	4.82	1.30	0.00
Fourth Quarter	5.25	3.82	0.00
2008			
First Quarter	$ 10.28	$ 7.65	$ 0.08
Second Quarter	13.94	9.60	0.08
Third Quarter	16.98	12.57	0.08
Fourth Quarter	13.11	0.97	0.00

The following graph compares the cumulative total shareholder return on our common stock (consisting of stock price performance and reinvested dividends) from December 31, 2004 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, 2004 through December 31, 2009. 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, 2004. 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 12/31/09)



Assumes $100 invested at the close of trading on December 31, 2004 in NN, Inc. common stock, Standard & Poors 500 and Value Line Machinery Index.

*Cumulative total return assumes reinvestment of dividends.

	Cumulative Return				
	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009
NN, Inc.	82.47	99.30	77.52	19.20	33.21
Standard & Poors 500	103.00	117.03	121.16	74.53	92.01
Machinery	108.54	137.00	195.24	113.26	178.13

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 three month period ended December 31, 2008 and the year ended December 31, 2009, we suspended our regular quarterly dividend in order to enhance our liquidity due to the global recession.

The terms of our revolving credit facility and senior notes amended and restated on March 13, 2009, and subsequently amended on March 5, 2010, prohibit the payment of dividends. For further description of our revolving credit facility, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources".

See Part III, Item 12 – "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this 2009 Annual Report on Form 10-K for information required by Item 201 (d) of regulation S-K.

Item 5. Selected Financial Data

The following selected financial data has been derived from the audited financial statements of the Company. 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,				
	2009	**2008**	**2007**	**2006**	**2005**
Statement of Income Data:					
Net sales	$ 259,383	$ 424,837	$ 421,294	$ 330,325	$ 321,387
Cost of products sold (exclusive of depreciation shown separately below)	235,466	344,685	337,024	257,703	248,828
Selling, general and administrative expenses	27,273	36,068	36,473	30,008	29,073
Depreciation and amortization	22,186	27,981	22,996	17,492	16,331
(Gain) loss on disposal of assets	493	(4,138)	(71)	(705)	(391)
Impairment of goodwill	--	30,029	10,016	--	--
Restructuring and impairment charges (income), excluding goodwill impairments	4,977	12,036	3,620	(65)	(342)
Income (loss) from operations	(31,012)	(21,824)	11,236	25,892	27,888
Interest expense	6,359	5,203	6,373	3,983	3,777
Other (income) expense	253	(850)	(386)	(1,048)	(653)
Income (loss) before provision (benefit) for income taxes	(37,624)	(26,177)	5,249	22,957	24,764
Provision (benefit) for income taxes	(2,290)	(8,535)	6,422	8,522	9,752
Net income (loss)	$ (35,334)	$ (17,642)	$ (1,173)	$ 14,435	$ 15,012
Basic income (loss) per share:					
Net income (loss)	$ (2.17)	$ (1.11)	$ (0.07)	$ 0.84	$ 0.88
Diluted income (loss) per share:					
Net income (loss)	$ (2.17)	$ (1.11)	$ (0.07)	$ 0.83	$ 0.87
Dividends declared	$ 0.00	$ 0.24	$ 0.32	$ 0.32	$ 0.32
Weighted average number of shares outstanding - Basic	16,268	15,895	16,749	17,125	17,004
Weighted average number of shares outstanding – Diluted	16,268	15,895	16,749	17,351	17,193

(In Thousands)	As of December 31, 2009	2008	2007	2006	2005
Balance Sheet Data:					
Current assets	$ 98,283	$ 124,621	$ 138,024	$ 125,864	$ 105,950
Current liabilities	68,489	63,355	84,256	74,869	64,839
Total assets	242,652	284,040	350,078	342,701	269,655
Long-term debt	77,558	90,172	100,193	80,711	57,900
Stockholders' equity	76,803	109,759	130,043	133,169	116,074

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.

For the year ended December 31, 2006, Whirlaway added $4,722 in sales; $4,706 in cost of products sold (exclusive of depreciation and amortization); $363 in selling, general and administrative expenses; $345 in depreciation and amortization; $240 in interest expense and $598 in net loss.

On November 30, 2006, we purchased 100% of the stock of Whirlaway and incorporated its assets and liabilities into our consolidated financial statements. Included in the December 31, 2006 balance sheet data are acquired total current assets of $19,276, assets of $55,673 and current liabilities of $7,475. In addition, we incurred third party debt of $24,700 related to the acquisition.

Item 6. 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:

- Recovery from the global recession of 2008-2009 and rationalization of our manufacturing capacity

- Growth by taking over the in-house production of components from our global customers, 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 levels

- Selling, general and administrative expense levels

- 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, business combination accounting and pension and post-retirement benefits. Due to the estimation processes involved, management considers the following summarized accounting policies and their application to be critical to understanding 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: bearing manufacturers, automotive industry, electronics, industrial, and aerospace. We recorded $(0.1) million, $0.2 million and $0.5 million of bad debt expense (income) during 2009, 2008 and 2007, 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 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, 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 assesses 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, the Company also stocks products for certain customers in order to meet delivery schedules. While management believes that adequate write-downs for inventory obsolescence have been made in the Consolidated Financial Statements, 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 tests are required to be performed to assess whether recorded goodwill is impaired. The annual tests require management to make estimates and assumptions with regard to the future operations of its reporting units, and the expected cash flows that they will generate. These estimates and assumptions therefore impact the recorded value of assets acquired in a business combination, including goodwill, and whether or not there is any subsequent impairment of the recorded goodwill and the amount of such impairment.

Goodwill is tested for impairment on an annual basis as of October 1 and between annual tests if a triggering event occurs . The impairment test is performed at the reporting unit level for the one unit that still has goodwill. U.S. Generally Accepted Accounting Principles ("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. As of December 31, 2009, the only location where we have a recorded balance of goodwill is at the Pinerolo Plant of the Metal Bearing Components Segment. There was no impairment to the goodwill balance as the fair value of this reporting unit was estimated as $47,000 which exceeded the carrying value of the reporting unit of $35,900 by $11,100.

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. Financial statements for the year ended December 31, 2009, reflect full valuation allowances against the deferred tax assets of most of the jurisdictions in which we operate. During 2009, we recognized tax benefits at only two jurisdictions, the Pinerolo Plant and the Veenendaal Plant. (See Note 12 of the Notes to Consolidated Financial Statements.)

Impairment of Long-Lived Assets. Our long-lived assets include property, plant and equipment and certain intangible assets subject to amortization. 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 Notes 5 and 10 of the Notes to Consolidated Financial Statements.)

Pension Obligations. We use several assumptions in determining our periodic pension and post-retirement expense and obligations which are included in the Consolidated Financial Statements. These assumptions include determining an appropriate discount rate, rate of benefit increase as well as the remaining service period of active employees. (See Note 7 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,		
	2009	2008	2007
Net sales	100.0 %	100.0 %	100.0 %
Cost of product sold (exclusive of depreciation shown separately below)	90.8	81.1	80.0
Selling, general and administrative expenses	10.5	8.5	8.7
Depreciation and amortization	8.6	6.6	5.4
(Gain) loss on disposal of assets	0.2	(1.0)	0.0
Impairment of goodwill	--	7.1	2.4
Restructuring and impairment charges, excluding goodwill impairments	1.9	2.8	0.8
Income (loss) from operations	(12.0)	(5.1)	2.7
Interest expense	2.4	1.2	1.5
Other (income) expense	0.1	(0.2)	(0.0)
Income (loss) before provision (benefit) for income taxes	(14.5)	(6.1)	1.2
Provision (benefit) for income taxes	(0.9)	(2.0)	1.5
Net loss	(13.6) %	(4.1) %	(0.3) %

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, 2009 under operating leases that have initial or remaining non-cancelable lease terms in excess of one year (in thousands).

Year ending December 31,	
2010	$ 4,390
2011	3,033
2012	1,594
2013	1,278
2014	1,180
Thereafter	6,245
Total minimum lease payments	$ 17,720

Sales Concentration

Sales to various U.S. and foreign divisions of SKF, which is one of the largest bearing manufacturers in the world, accounted for approximately 36% of consolidated net sales in 2009. During 2009, 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 2009. 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 operation 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 change suppliers in the short term.

Certain long-term supply agreements with Schaeffler Group (INA), with SKF to supply precision balls in Europe, and with SKF providing for the purchase of steel rollers and metal retainers manufactured at our Veenendaal Plant have all expired at December 31, 2009. We are currently supplying product at agreed upon commercial terms, similar to the expired contracts, and anticipate continuing to do so for the foreseeable future.

Economic Impacts on the three and twelve month periods ended December 31, 2009

For the year ended December 31, 2009, our sales decreased approximately 37% due to the effects of the 2008/2009 global recession and related reductions in inventory balances throughout the automotive and industrial supply chains we serve. During the second half of 2009, we experienced somewhat of a rebound with an approximately 21% increase in sales from the first half of 2009 due primarily to increased order levels by our customers. In particular, the fourth quarter of 2009 sales levels were 31% higher, excluding foreign exchange effects, than the second quarter of 2009 sales levels, which were the low point of 2009. During the first half of 2009, sales were down approximately 50% from the corresponding prior year period.

We believe the increase in sales that occurred during the second half of 2009, compared to the level during the first half of 2009 discussed above, was due both to customers adopting more normalized ordering patterns and increased demand in the end markets we serve. It is unclear what portion of the increase was due to ordering patterns versus demand. We believe that during 2009, demand for our products has decreased more than actual demand in the end markets we serve. We refer to this as the “de-stocking effect” and believe it is due to reduction in overall inventory levels throughout the supply chain. In most cases, we are several tiers down the supply chain from the ultimate consumer. Thus, we are affected by our customers’ and their customers’ order patterns. We believe during 2009 that those companies that were higher in the supply chain reduced production and order levels to control their inventory balances. We are not certain how long this current de-stocking process within the supply chain will last or even if, during the second half of 2009, it has begun to be replaced by more normalized ordering patterns.

The reduction in sales volume was the main cause of the net loss of $35.3 million for the year ended December 31, 2009. In response to the sales decrease, we focused aggressively on reducing costs and expenses. However, a significant portion of our cost structure cannot be reduced in the short term. In particular, at our manufacturing locations in Western Europe, it is very difficult to reduce employment levels in line with reductions in sales and production volumes. In these locations, we limited production costs by scheduling the production facilities on rolling shutdowns and by temporarily allowing workers to not report to work under existing government programs. In addition to the reduction in sales volume, the net income of the year ended December 31, 2009 was further impacted by a $7.1 million valuation allowance placed on, and effectively eliminating, all U.S. based deferred tax assets and related current year tax benefits from incurred losses. Finally, the year ended December 31, 2009 was negatively impacted by the restructuring charges totaling $5.0 million ($4.0 million after tax) related to two plant closures and reduction in labor force at another manufacturing location, as part of our response to reduce fixed cost due to the global recession.

During the year ended December 31, 2009, cost of products sold was 91% of sales. This is a much higher percentage of sales than in prior years due to the volume losses discussed above. Returning to a historically normal profitability range wherein cost of products sold is approximately 78% to 80% of sales will depend mostly upon sales volumes returning to normalized levels. As sales increase, we will be better able to leverage our existing fixed cost base, as discussed above, thus reducing cost of products sold as a percentage of sales.

Additionally, pricing pressures from our customers and competitors and non-material inflation will have, and has had, a negative impact on the relationship of sales to cost of products sold with either selling prices decreasing and/or product cost increasing. Over the last few years we have combated these negative effects with price increases to selected customers and/or in selected markets and through our formal cost reduction and productivity enhancement program which has more than offset non-material inflation since adoption in 2004.

Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008.

OVERALL RESULTS

	Consolidated NN, Inc.			
(In Thousands of Dollars)	**2009**	**2008**	**Change**	
Net sales	**$ 259,383**	**$ 424,837**	**$ (165,454)**	
Foreign exchange effects				*(8,297)*
Volume				*(155,759)*
Price				*112*
Mix				*(179)*
Material inflation pass-through				*(1,331)*
Cost of products sold (exclusive of depreciation and amortization shown separately below)	**235,466**	**344,685**	**(109,219)**	
Foreign exchange effects				*(7,037)*
Volume				*(96,608)*
Cost reduction				*(9,224)*
Mix				*470*
Inflation				*3,180*
Selling, general, and administrative	**27,273**	**36,068**	**(8,795)**	
Foreign exchange effects				*(835)*
Reductions in spending				*(7,960)*
Depreciation and amortization	**22,186**	**27,981**	**(5,795)**	
Foreign exchange effects				*(423)*
Reduction in expense				*(5,372)*
Restructuring and impairment charges	**4,977**	**42,065**	**(37,088)**	
Interest expense, net	**6,359**	**5,203**	**1,156**	
(Gain) loss on disposal of assets	**493**	**(4,138)**	**4,631**	
Reduction of unamortized debt issue cost	**604**	**--**	**604**	
Other income, net	**(351)**	**(850)**	**499**	
Loss before benefit for income taxes	**(37,624)**	**(26,177)**	**(11,447)**	
Benefit for income taxes	**(2,290)**	**(8,535)**	**6,245**	
Net loss	**$ (35,334)**	**$ (17,642)**	**$ (17,692)**	

Net Sales. The volume losses were due to reductions in end market demand in the markets we serve and due to a reduction in overall inventory within the supply chain as discussed above. In addition, sales were lower as the value of the Euro relative to the U.S. Dollar has decreased 6% from 2008. Changes related to price/mix were all normal in nature although such changes had less of an impact given the depressed sales levels. The impact on sales from material pass through was negative as material prices have decreased since 2008 and these reductions are being passed to our customers.

Cost of Products Sold (exclusive of depreciation and amortization). The majority of the decreases were due to the same sales volume reductions mentioned above. In addition, the aforementioned reduction in value of the Euro reduced Euro based production costs relative to the U.S. Dollar.

While many of our production costs adjust with reductions in sales and production, a portion of our production costs are fixed in nature or cannot be reduced without incurring additional significant restructuring costs. Additionally, current production levels are much lower than our capacity. Any abnormal costs from under-utilization of capacity and fixed production costs are expensed in the period incurred. The main driver of the fixed component of costs was labor cost at our Western European manufacturing locations. We actively reduced labor costs where possible considering local and national labor rules and regulations of the countries in which we operate. Production costs were further reduced by the effects of planned cost reduction projects. Despite the lower sales and production levels, we continue to achieve results from planned cost reduction projects at levels consistent with management expectations.

Selling, General and Administrative Expenses. The majority of the reduction was from wage cost reductions. The wage cost reductions were achieved through a combination of salary cuts ranging from 10% to 20% for a portion of 2009, elimination of all bonus opportunities for 2009 and headcount reductions. In addition, discretionary expenses were reduced company wide.

Depreciation and Amortization. Depreciation and amortization in 2009 was lower than 2008 as 2008 included accelerated depreciation on certain abandoned assets totaling $3.5 million that was a one-time effect to 2008. Additionally, 2009 depreciation expense was lower from the carry-over effects of the year end 2008 impairments and accelerated depreciation of fixed assets mentioned above. Finally, 2009 depreciation expense was lower due to reduced levels of spending on capital expenditures in 2009.

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 amendment to our credit facilities on March 13, 2009. In addition, we amortized $0.9 million of additional capitalized loan costs, due to the amended credit facilities, into interest expense during 2009.

Restructuring and impairment charges. 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 Footnote 2 of the Notes to Consolidated Financial Statements). During the year ended December 31, 2008, goodwill, certain intangible assets, and certain long lived tangible assets were subject to impairment charges of $38.4 million. In addition, restructuring charges of $2.2 million and impairment charges of $1.4 million on long lived assets were recorded related to the closure of the Kilkenny plant.

Gain on disposal of assets: During 2008, the Veenendaal Plant (part of the Metal Bearing Components Segment) sold excess land with a book value of $1.6 million for proceeds of $5.6 million and a resulting gain of $4.0 million.

Provision for income taxes. For the year ended December 31, 2009, the difference between the 2008 effective tax rate of 33% and our 2009 effective tax rate of 6% was mainly due to not recognizing the tax benefits incurred during 2009 at our U.S. locations and three of our foreign locations. We have placed valuation allowances on these deferred tax benefits as the recoverability of these tax benefits in the near future is not certain. (See Footnote 12 of the Notes to Consolidated Financial Statements).

RESULTS BY SEGMENT

METAL BEARING COMPONENTS SEGMENT

(In Thousands of Dollars)	**Year ended December 31,**			
	2009	**2008**	**Change**	
Net sales	$ 183,605	$ 321,660	$ (138,055)	
Foreign exchange effects				*(8,297)*
Volume				*(128,097)*
Price				*(150)*
Mix				*(490)*
Material inflation pass-through				*(1,021)*
Segment net income (loss)	$ (16,108)	$ 14,647	$ (30,755)	

The largest sales decrease during 2009 was in our European operations of the segment with a 44% decrease in sales compared to 2008. The U.S. operations experienced sales reductions averaging 40% compared to 2008 and at our Asia operation sales increased 30% as compared to 2008. Sales were down in part due to reduced demand in the end markets served by the segment from the global recession. Additionally, the segment's sales were reduced due to de-stocking within the supply chain. The reduction in value of the Euro relative to the U.S. Dollar of 6% further negatively impacted sales by reducing the value of Euro denominated sales at our European operations. The reduction in sales related to the decrease in cost of material had little impact on segment net loss as these savings were passed on in the form of price decreases to our customers under existing agreements.

The 2008 segment net income includes restructuring and impairment charges, net of tax, of $3.7 million. Additionally, 2008 segment net income was impacted by a favorable net gain of $1.6 million in non-operating items, including a $3.0 million after tax gain on sale of excess land and a $1.1 million tax benefit related to reducing certain deferred tax liabilities at our Italian operation under a new Italian tax law. Partially offsetting these favorable impacts was the accelerated depreciation of certain long-lived tangible assets that were abandoned in the fourth quarter of 2008 totaling $2.5 million after tax. The 2009 segment net loss was increased by after tax restructuring charges of $4.0 million related to the Kilkenny Plant closure and the reduction in force at our Veenendaal Plant. Eliminating these restructuring charges and non-operating items, the 2009 segment net loss was $28.9 million unfavorable to the 2008 net income.

The unfavorable impact on segment net income in 2009 was primarily caused by the 40% reduction in sales volume experienced in 2009 and the related production inefficiencies and under-utilization of fixed production costs. During the second half of 2009, these impacts were not as pronounced given increased sales and production volumes experienced during the second half and due to higher levels of savings from planned cost reduction projects. The negative effects from the lost sales income and production inefficiencies were partially offset by reductions in salaries, elimination of 2009 bonus opportunities, and reductions in travel and other discretionary costs.

PRECISION METAL COMPONENTS SEGMENT

(In Thousands of Dollars)	Year ended December 31, 2009	2008	Change	
Net sales	$ 45,003	$ 64,235	$ (19,232)	
Volume				*$ (19,232)*
Segment net loss	$ (4,391)	$ (7,353)	$ 2,962	

The majority of the decrease in sales was due to much lower U.S. automotive and industrial market demand experienced during 2009. In addition, sales were negatively impacted by de-stocking within the supply chain.

The 2008 segment net loss included $7.8 million of impairment charges, net of tax. Factoring out the impairment charges, the segment had a net income of $0.4 million. The reduced sales volume and related production inefficiencies and under-utilization of fixed production costs were the main causes of the segment loss in 2009. Planned cost reduction projects, net of inflation, and reductions in selling and administration cost partially offset the volume impacts. Additionally, the segment net loss was increased by $1.5 million as tax benefits from losses incurred in 2009 were not recognized due to valuation allowances being placed on the related deferred tax assets.

PLASTIC AND RUBBER COMPONENTS SEGMENT

(In Thousands of Dollars)	Year ended December 31,		
	2009	**2008**	**Change**
Net sales	$ 30,775	$ 38,942	$ (8,167)
Volume			*(8,429)*
Price/Mix			*262*
Segment net loss	$ (2,091)	$ (17,223)	$ 15,132

The volume reduction for this segment was also related to lower U.S. automotive and industrial end market demand and lower customer orders from supply chain de-stocking.

The 2008 segment net loss included $16.6 million of impairment charges, net of tax. Factoring out the impairment charges, the segment incurred a loss of $0.6 million in 2008. Segment net loss in 2009 was negatively affected by the volume decreases and related costs from under-utilization of fixed production cost and manufacturing inefficiencies. Additionally, the segment net loss was increased by $0.7 million as tax benefits from losses incurred in 2009 were not recognized due to valuation allowances being placed on the related deferred tax assets.

Year Ended December 31, 2008 Compared to the Year Ended December 31, 2007.

Overview of the Three and Twelve Month Periods Ended December 31, 2008

The three month period ended December 31, 2008 was affected by the sudden and significant reduction in demand for our products in all geographic markets served. During the fourth quarter of 2008, overall demand was down approximately 30% from 2007 sales levels in the two main geographic markets served, the U.S. and Europe. Demand was down in both automotive and industrial end markets served by us due to the global economic downturn. As a result, our total sales were down 29% compared to the same three month period of 2007.

In order to minimize the impact of this unprecedented sales volume reduction, we took actions to reduce costs and conserve cash. The actions included the reduction of capital expenditures, elimination of discretionary spending, suspension of our regular quarterly dividend, closure of two production facilities, wage and salary reductions and employee layoffs.

For the three month period ended December 31, 2008, sales decreased $30.8 million from the equivalent period of 2007. Of this reduction, $30.1 million was directly related to lower sales volume from the depressed automotive and industrial end market demand experienced in the period.

For the three month period ended December 31, 2008, we had a loss from operations, excluding non-operating charges and benefits, of $2.6 million versus net income of $4.0 for the three month period ended December 31, 2007. The majority of the variance between the years was directly related to lower sales volume from the economic downturn.

Prior to the three month period ended December 31, 2008, we had reported record revenues and earnings for the nine month period ended September 30, 2008. Thus, the results of the year ended December 31, 2008 were significantly impacted by the aforementioned 30% reductions in sales volume directly related to the economic downturn and depressed demand for automotive and industrial products experienced during the three month period ended December 31, 2008.

OVERALL RESULTS

(In Thousands of Dollars)	Consolidated NN, Inc.			
	2008	**2007**	**Change**	
Net sales	$ 424,837	$ 421,294	$ 3,543	
Foreign exchange effects				*17,575*
Volume				*(22,536)*
Price				*1,518*
Mix				*539*
Material inflation pass-through				*6,447*
Cost of products sold (exclusive of depreciation and amortization shown separately below)	344,685	337,024	7,661	
Foreign exchange effects				*14,440*
Volume				*(7,205)*
Cost reduction				*(12,994)*
Mix				*687*
Inflation				12,733
Selling, general, and administrative	36,068	36,473	(405)	
Foreign exchange effects				*1,012*
Reductions in wage related cost and discretionary spending				*(1,417)*
Depreciation and amortization	27,981	22,996	4,985	
Foreign exchange effects				*1,148*
Additional depreciation				*3,837*
Restructuring and impairment charges	42,065	13,636	28,429	
Interest expense, net	5,203	6,373	(1,170)	
Gain on disposal of assets	(4,138)	(71)	(4,067)	
Other income, net	(850)	(386)	(464)	
Income (loss) before provision (benefit) for income taxes	(26,177)	5,249	(31,426)	
Provision (benefit)for income taxes	(8,535)	6,422	(14,957)	
Net loss	$ (17,642)	$ (1,173)	$ (16,469)	

Net Sales. As discussed above, the significant sales volume decrease experienced in the three month period ended December 31, 2008 had a major impact on the full year 2008 sales levels. There was $30.1 million in volume lost in the fourth quarter of 2008 due to the economic downturn and related reduction in demand for automotive and industrial end market products. Prior to the fourth quarter, sales volume had increased by $7.5 million year to date primarily in our Metal Bearings Components Segment from market share gains and strong levels of industrial end market demand in North America and in Europe to a lesser extent.

Partially offsetting the negative volume was the positive effect due to the appreciation in value of Euro denominated sales relative to the U.S. Dollar. Finally, sales were positively affected by price increases from passing through raw material inflation to customers, price increases given to certain non-contractual customers and favorable product mix to existing customers.

Cost of Products Sold (exclusive of depreciation and amortization). As discussed above, the significant sales volume reduction experienced in the three month period ended December 31, 2008 had a major impact on cost of products sold. The magnitude of the reductions and short period in which the reductions occurred limited our ability to reduce fixed production costs. We took aggressive actions to reduce costs including drastically reducing plant operating days. The reduction in cost of products sold directly related to the economic downturn was $14.6 million. Prior to the fourth quarter, cost of product sold had increased by $7.3 million due to higher sales volume mentioned above.

Apart from the volume impacts, cost of products sold increased due to the increase in value of Euro denominated costs relative to the U.S. Dollar. In addition, raw material, labor and utility inflation experienced during 2008 increased cost of products sold. Offsetting these increases were favorable impacts from our Level 3 cost reduction program and other planned projects focused on reducing manufacturing costs at all locations and from operating improvements at our three newest operations: Whirlaway, China, and Slovakia.

Selling, General and Administrative Expenses. Spending on wage related costs was substantially reduced in the three month period ended December 31, 2008. Costs for management bonuses and stock based compensation were reduced due to the fourth quarter 2008 operating performance. In addition, during the fourth quarter of 2008, most discretionary spending was eliminated. The increase in the value of Euro denominated costs relative to the U.S. Dollar partially offset the reductions.

Depreciation and Amortization. We accelerated depreciation during the three month period ended December 31, 2008, on certain assets to adjust to their new estimated useful lives. The accelerated depreciation totaled $3.5 million and was related to assets that were abandoned and ceased to be used on or before December 31, 2008. Additionally, depreciation expense was higher due to the increase in the value of the Euro based depreciation and amortization relative to the U.S. Dollar. Finally, depreciation expense increased for assets placed in service at our new plants in China and Slovakia.

Restructuring and impairment charges. During 2008, goodwill, certain intangible assets, and certain long lived tangible assets were subject to impairment charges of $38.4 million. In addition, restructuring charges of $2.2 million and impairment charges of $1.4 million on long lived assets were recorded related to the closure of the Kilkenny plant. During 2007, we impaired certain goodwill and fixed asset balances related to the Metal Bearing Components Segment totaling $13.4 million.

Interest expense. Interest expense was lower in 2008 versus 2007 primarily due to decreases in the base LIBOR interest rate which reduced the cost of borrowing under our variable rate credit agreement and due to debt repayments made in 2008.

Gain on disposal of assets. During 2008, the Veenendaal Plant (part of the Metal Bearing Components Segment) sold excess land with a book value of $1.6 million for proceeds of $5.6 million and a resulting gain of $4.0 million.

Provision for income taxes. The year ended December 31, 2008 effective rate of 33% was lower than the year ended December 31, 2007 effective rate of 122%. The majority of the difference between the 2008 and 2007 rates was with the 2008 impairment losses. We did not apply valuation reserves to the deferred tax benefits as management believed, at that time, those benefits would be recognized either through realized deferred tax liabilities or from expected future tax deductions. The 2007 impairment charges had minimal tax benefits due to valuation reserves placed on the deferred tax benefits related to the impairment and severance charges and other related tax benefits as the locations incurring these benefits were not expected to generate significant future taxable income.

RESULTS BY SEGMENT

METAL BEARING COMPONENTS SEGMENT

(In Thousands of Dollars)	Year ended December 31,			
	2008	2007	Change	
Net sales	$ 321,660	$ 303,059	$ 18,601	
Foreign exchange effects				*17,575*
Volume				*(7,677)*
Price				*672*
Mix				*539*
Material inflation pass-through				*7,492*
Segment net income	$ 14,647	$ 4,958	$ 9,689	

The fourth quarter economic downturn led to a reduction in sales volume of $21.5 million. Prior to the fourth quarter, sales volume had increased in the Metal Bearing Components Segment $13.8 million due to higher demand in North America, Europe and Asia from new programs, market share gains, and strong European and North American industrial end market demand compared to 2007. Sales were positively affected by the favorable impacts from the rise in value of Euro based sales relative to the U.S. dollar, primarily in the first nine months of the year. Finally, sales increased due to price increases related to passing through raw material inflation to customers, from price increases given to certain non-contractual customers and favorable product and customer mix.

The 2008 and 2007 segment net incomes include restructuring and impairment charges, net of tax, of $3.7 million and $13.5 million, respectively. Additionally, 2008 segment net income was impacted by a favorable net $1.6 million in non-operating items. The first was a $3.0 million after tax gain on sale of excess land. The second was a $1.1 million tax benefit related to reducing certain deferred tax liabilities at our Italian operation under a new Italian tax law. Partially offsetting these favorable impacts was the accelerated depreciation of certain long-lived tangible assets that were abandoned in the fourth quarter of 2008 totaling $2.5 million after tax.

Factoring out the non-operating benefits and restructuring charges above, 2008 segment net income was $1.7 million lower than the prior year. The 2008 results were negatively impacted by the fourth quarter economic downturn. As much of the segment's manufacturing cost base is in Western Europe, we have less ability to proactively reduce labor and labor related costs there than in other geographic areas in which we operate due to country and plant specific labor rules. Partially offsetting the fourth quarter decline were planned cost reduction initiatives at all locations, in particular at our Asia and Slovakia operations, which had a positive impact, net of inflation, to segment income.

The 2008 restructuring and impairment charges for the segment, net of tax are $2.2 million of severance and other employment related cost and non-cash impairment charges of $1.4 million on long lived assets both related to the closure of the segment’s Kilkenny Plant. The 2007 restructuring and impairment charges, net of tax included $13.5 million in non-cash charges related to impairment of goodwill and fixed assets to levels supported by projected cash flows after restructuring activity within the segment.

PRECISION METAL COMPONENTS SEGMENT

(In Thousands of Dollars)	**Year ended December 31,**			
	2008	2007	Change	
Net sales	$ 64,235	$ 67,384	$ (3,149)	
Volume				*(3,149)*
Segment net loss	$ (7,353)	$ (1,450)	$ (5,903)	

The reduction in sales volume to customers that serve the U.S. automotive market, particularly light trucks, began for this segment during the second and third quarters of 2008. The sales reduction intensified in the fourth quarter with the more than 30% reduction in automotive build rates in the U.S. As a result, sales volume was $3.9 million less in the fourth quarter of 2008 compared to the fourth quarter of 2007 primarily due to the economic downturn.

The 2008 segment net loss included $7.8 million of impairment charges, net of tax. Factoring out the impairment charges, segment net income was favorable to the prior year by $1.9 million. Despite lower sales volumes, the segment’s net loss decreased primarily due to production efficiencies in labor and manufacturing supplies experienced in 2008 through the application of our Level 3 and other cost improvement programs. In addition, interest cost was lower for the segment due to positive cash flow and lower base interest rates.

The 2008 impairment charges, net of tax are from the impairment of all of the segment’s goodwill, the full impairment of the customer relationship intangible asset, and the impairment of certain long lived tangible assets.

PLASTIC AND RUBBER COMPONENTS SEGMENT

(In Thousands of Dollars)	Year ended December 31,			
	2008	2007	Change	
Net sales	$ 38,942	$ 50,851	$ (11,909)	
Volume				*(11,710)*
Price				*(199)*
Segment net income (loss)	$ (17,223)	$ 2,242	$ (19,465)	

Revenues in the Plastic and Rubber Components Segment were down due to lower sales volume to customers that sell products to U.S. automotive manufacturers. The lower sales were due to a general downturn in that market and due to the effects of a strike at a major U.S. automotive supplier that occurred earlier in the year, which affected several of our customers' sales volumes. While the lower sales volumes were occurring during most of 2008 for the segment, the reduction intensified in the fourth quarter of 2008 due to impact from the global recession. During the fourth quarter, we experienced sales volumes $4.7 million less than the fourth quarter of 2007.

The 2008 segment net loss included $16.6 million of impairment charges, net of tax. Factoring out the impairment charges, the segment incurred a loss of $0.6 million in 2008. The segment net loss was negatively affected by the volume decreases in sales. Planned cost reduction projects, net of inflation, partially offset the volume impacts. The 2008 impairment charges, net of tax are from the impairment of all of the segment's goodwill.

Changes in Financial Condition from December 31, 2008 to December 31, 2009

From December 31, 2008 to December 31, 2009, our total assets and current assets decreased $41.4 million and $26.3 million, respectively. The appreciation in the value of Euro denominated account balances relative to the U.S. Dollar caused total assets and current assets to increase approximately $4.0 million and $1.3 million, respectively, from December 31, 2008. Excluding the foreign exchange effects, accounts receivable was lower by $1.8 million due to a five day decrease in days sales outstanding at December 31, 2009 from timing of customers collections and reduction in overdue receivables. Even though sales for 2009 were 37% lower than 2008, fourth quarter 2009 sales levels were slightly higher than fourth quarter 2008 sales levels. Thus, the large reduction sales volume experienced for the full year of 2009 had little overall effect on the 2009 receivable balance. The net overdue receivables have fallen from approximately 12% of total accounts receivable at December 31, 2008 to approximately 10% of total accounts receivable at December 31, 2009 due to focused collection activity during 2009 to maximize cash flow and liquidity. Inventories were lower by $20.3 million from planned reductions in inventory levels in response to the reductions in sales and production volumes and to maximize cash flow and liquidity. Factoring out foreign exchange effects, property, plant and equipment decreased $18.2 million as year to date capital spending was lower than depreciation and a building and certain machinery with net book values of $1.0 million were disposed of during 2009.

From December 31, 2008 to December 31, 2009, our total liabilities decreased $8.4 million. The appreciation in the value of Euro denominated account balances relative to the U.S. Dollar caused total liabilities to increase approximately $2.4 million from December 31, 2008. The main driver of the decrease in liabilities was the $10.1 million decrease in total debt from December 31, 2008. This reduction in debt was achieved by focusing on reductions in working capital, especially inventory, reductions in capital spending, and temporarily eliminating our dividend among other activities to insure liquidity during the global recession. Excluding the foreign exchange effects, accounts payable was down $2.1 due to timing of payments to certain vendors. The reductions in total debt and accounts payable were partially offset by the addition of the accrual for restructuring charges at our Veneendaal plant totaling $2.5 million.

Working capital, which consists principally of accounts receivable and inventories offset by accounts payable and current maturities of long-term debt, was $29.8 million at December 31, 2009 as compared to a $61.3 million at December 31, 2008. The ratio of current assets to current liabilities deceased from 1.97:1 at December 31, 2008 to 1.44:1 at December 31, 2009. Excluding the current maturities of long-term debt and cash and cash equivalents, working capital decreased by $26.6 million due primarily to the $1.8 million decrease in accounts receivable balances and the $20.3 million decrease in inventory levels offset by the $2.1 million decrease in accounts payable (all discussed above).

Cash flow provided by operations was $14.8 million for 2009 compared with cash flow provided by operations of $27.5 million for 2008. The unfavorable variance in cash flow provided by operations was due to the large loss incurred in 2009 from the approximately 37% reduction in sales volume. Partially offsetting this impact were the favorable effects from reducing net working capital in 2009 versus increasing net working capital in 2008. The working capital reductions, as discussed above, were in response to the approximately 37% reduction in sales volume and for the purpose of maintaining liquidity during the global recession.

During the fourth quarter of 2008, we recorded approximately $39.8 million ($25.8 million after tax) of non-cash impairment costs. These charges included the full impairment of goodwill at our Precision Metal Components Segment and at our Plastic and Rubber Components Segment, full impairment of the customer relationship intangible in our Precision Metal Components Segment, and the impairment of certain long lived tangible assets at our Precision Metal Components Segment and our Kilkenny Plant.

Liquidity and Capital Resources

During the year ended December 31, 2009, in consideration of the weak overall economic environment, particularly in the automotive and industrial end markets in which we operate, and the resulting significant decline in sales in all operating segments and reduced projected results for future periods, we implemented certain actions to manage our liquidity position. These actions included: obtaining amendments to our existing credit agreements to align covenant levels with the expected weaker operating performance in 2009 and 2010, suspending our quarterly dividend to shareholders, reducing capital spending, establishing programs to reduce working capital needs, reducing or eliminating discretionary spending where possible, reducing permanent employment levels, reducing working hours for many facilities, downsizing plant operations and accelerating plant closures. In addition, we temporarily reduced, for a portion of 2009, the compensation of the Board of Directors and the Chief Executive Officer by 20% and compensation of other managers and employees where legally and contractually possible by 10% to 15%. We also eliminated any bonus opportunities for 2009.

Amounts outstanding under our $90.0 million credit facility and our $40.0 million senior notes as of December 31, 2009 were $58.4 million and $28.6 million, respectively. See Note 6 of the Notes to Consolidated Financial Statements. We were in compliance with all covenants related to the amended and restated $90 million credit facility and the amended and restated $40 million senior notes as of December 31, 2009.

The table below summarizes the financial covenants of the two amended and restated credit agreements applicable to the Company as of December 31, 2009:

Financial Covenants	**Required Covenant Level**	**Actual Covenant Level**
Funded indebtedness to capitalization ratio	Not to exceed 0.60 to 1.00	0.54 to 1.00
Minimum EBITDA	EBITDA shall not be less than ($7,842) for the most recently completed four fiscal quarters	(3,993)
Capital expenditures	Not to exceed $3,500 (excluding $935 of capital projects funded by customer advances)	3,320

During the first quarter of 2009, we entered into an amended and restated $90 million revolving credit facility expiring September 2011 with Key Bank as administrative agent. In addition, we entered into a June 30, 2009 amendment to exclude $0.9 million of capital projects funded by customer advances and to waive a technicality related to a weekly reporting requirement. The amended agreement was entered into to conform the covenants to our then current outlook for the twelve months from March 31, 2009 through March 31, 2010 in a difficult economic cycle. In addition to the reduction in availability from $135 million to $90 million, the interest rate was amended to LIBOR plus an applicable margin of 4.0%. The financial and nonfinancial covenants were also amended to relax certain financial covenants and to secure the facility with assets of the Company in addition to pledges of stock of certain foreign and domestic subsidiaries and guarantees of certain domestic subsidiaries. Finally, the new agreement placed greater restrictions on our usage of cash flows including prohibiting share repurchases, dividends and investments and/or acquisitions without the approval of credit facility participants and until such time as we meet certain earnings and financial covenant levels. In addition to these amendments, the loan agreement also contains customary restrictions on, among other things, additional indebtedness, liens on our assets, sales or transfers of assets, investments, restricted payments (including payment of dividends and stock repurchases), issuance of equity securities, and 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 are capitalized and amortized into interest expense over the life of the facility. As of December 31, 2009 and 2008, $2.1 million and $0.5 million respectively, of net capitalized loan origination costs were on the balance sheet within other non-current assets. In addition, $0.1 million in unamortized debt issuance cost from the original facility was eliminated during the first quarter of 2009.

During the first quarter of 2009, the senior note agreement was also amended. The amended agreement was entered into to conform the covenants to our then current outlook for the twelve months from March 31, 2009 through March 31, 2010 in a difficult economic cycle. The term, principal balance, and principal payment schedule all remain the same as the original agreement. The interest rate was increased from 4.89% to 8.50%. In addition, the financial and non-financial covenants were amended and additional collateralization and restrictions on usage of cash flows were added to the agreement in line with the amended $90 million revolving credit facility. In addition to the amendments, the agreement also contains customary restrictions on, among other things, additional indebtedness, liens on our assets, sales or transfers of assets, investments, restricted payments (including payment of dividends and stock repurchases), issuance of equity securities, and mergers, acquisitions and other fundamental changes in our business including a “material adverse change” clause, which if triggered would accelerate the maturity of the debt. Interest is paid semi-annually and the note matures on April 26, 2014. As of December 31, 2009, $28.6 million remained outstanding. Annual principal payments of approximately $5.7 million began on April 26, 2008 and extend through the date of maturity. We incurred costs as a result of issuing these notes which have been recorded as a component of other non-current assets and are being amortized over the term of the notes. The unamortized balance at December 31, 2009 and 2008 was $0.4 million and $0.5 million respectively. Additionally, $0.5 million in unamortized debt issuance cost from the original issuance was written off in 2009.

During the first quarter of 2010, we amended both the $90 million revolving credit facility and the $40 million senior notes. The primary purpose of these amendments was to re-establish covenant levels through the expiration of the revolving credit facility in September 2011 to reflect our current business outlook. The primary financial covenants are the same for both credit agreements through September 2011, the expiration of the revolving credit facility. After September 2011, the covenants for the senior note agreement revert back the covenants in the original agreement. It is likely the covenant levels of the senior note agreement for 2012 through 2014 may no longer be appropriate for our business at that time and these covenant levels may need to be renegotiated in the future.

As a result of the amendments, the $90 million revolving credit facility was reduced to $85 million as of the amendment date, and it will reduce further by $1 million at the end of each of the three fiscal quarters beginning with the December 31, 2010 quarter end and ending with the June 30, 2011 quarter end, after which the total commitment will be $82 million. Neither the commitment amount nor the payment terms of the senior notes were changed. The amendments provided a restriction on restructuring of foreign subsidiaries and removed certain subsidiaries from participation in the credit agreement. Also as a result of the amendments, the interest rate was amended to LIBOR plus an applicable margin of 4.75%. The interest rate on the senior notes was not changed and remains at 8.5%.

The amended financial covenants for both credit facilities for the periods ending March 31, 2010 through September 20, 2011, computed on a “trailing twelve month” basis where applicable, are as follows:

Financial Covenants	Required Covenant Level
Interest coverage ratio	0.42 to 1.00 for the period ending March 31, 2010; 0.95 to 1.00 for the period ending June 30, 2010; 1.57 to 1.00 for the period ending September 30, 2010; 1.71 to 1.00 for the period ending December 31, 2010; 2.23 to 1.00 for the period ending March 31, 2011 and 2.76 for each period ending June 30, 2011 and thereafter.
Funded indebtedness to capitalization ratio	0.60 to 1.00 through June 29, 2010; 0.61 to 1.00 on June 30, 2010 through September 29, 2010; 0.62 to 1.00 on September 30, 2010 through March 30, 2011; 0.61 to 1.00 on March 31, 2011 through June 29, 2011 and 0.60 to 1.00 on June 30, 2011 and thereafter.
Leverage ratio	6.50 to 1.00 for the period ending September 30, 2010; 5.57 to 1.00 for the period ending December 31, 2010; 3.94 to 1.00 for the period ending March 31, 2011; and 2.77 to 1.00 for the period ending June 30, 2011.
Minimum EBITDA	$603 for the most recently completed four fiscal quarters ending March 31, 2010; $7,245 for the most recently completed four fiscal quarters ending June 30, 2010; $15,106 for the most recently completed four fiscal quarters ending September 30, 2010; $17,623 for the most recently completed four fiscal quarters ending December 31, 2010; $24,904 for the most recently completed four fiscal quarters ending March 31, 2011; and $32,077 for the most recently completed four fiscal quarters ending June 30, 2011 and thereafter.

Capital expenditures	$5,015 for the fiscal quarter ending March 31, 2010; $8,178 on a cumulative basis for the two fiscal quarter period ending June 30, 2010; $12,867 on a cumulative basis for the three fiscal quarter period ending September 30, 2010; $16,705 on a cumulative basis for the four fiscal quarter period ending December 31, 2010; $2,637 for the fiscal quarter ending March 31, 2011 and $5,274 on a cumulative basis for the two fiscal quarter period ending June 30, 2011.
Minimum asset coverage ratio	The company shall not suffer or permit as of the last day of any fiscal quarter the minimum asset coverage ratio to be less than 1.05 to 1.00

*These covenant levels are not applicable at December 31, 2009, but are presented here for informational purposes.

In relation to entering into the amended and restated credit agreements mentioned above, we forecasted improved levels of revenue and cash flow from 2009 based on our recent sales levels, current economic conditions, published economic forecasts and input from our major customers. However, the forecasted sales levels are below sales levels achieved during 2008. These forecasts were used to set new financial and operating covenants in our amended credit facilities through the end of the credit agreement in September 2011. However, further deterioration of market conditions and sales levels beyond those reflected on our forecasts for revenue and cash flow could result in us failing to meet these covenants, which could cause a material adverse impact on our liquidity and financial position. We can provide no assurances we will be in compliance with the covenants, as amended March 5, 2010, during future periods.

Even though we have sufficient availability to borrow under our existing credit agreements at this time, we have experienced a significant loss of revenue and have sustained significant losses of income during the global economic recession that began to impact us in the fourth quarter of 2008 and is continuing as of the date of this report. As a result, we have sustained a significant weakening of our financial condition. Additionally, we are dependent on the continued provision of financing from our revolving credit lenders and our fixed rate lender in order to remain solvent. The lenders have set revised covenant levels, through September 2011, that provide little flexibility in the case we do not meet our projections (although at the date of this report we are in compliance with all such covenants). Failure to achieve results in line with our projections could limit the amount we can borrow under the agreements even if we are not in default. There is a substantial risk that if projections are not achieved, the lenders may not amend the credit agreements, which would accelerate the due date of the loans, putting us in default. We believe that it is unlikely that new lenders could be found to replace the existing lenders in case of an uncured default. In such situation, we would be technically insolvent and would need to seek a recapitalization of the Company. If such transaction could not be successfully completed, we would most likely have to file for protection under bankruptcy laws in the U.S. and other jurisdictions. Although we believe that fundamental business prospects for the Company are positive, there can be no assurance that the current financial projections can be met or that recapitalization could be achieved.

Prior to the first quarter 2009 credit agreement amendments , cash generated by foreign subsidiaries had been used primarily for general purposes including investments in property, plant and equipment and prepayment of the former Euro term loan. With the 2009 credit amendments, discussed above, the majority of the foreign subsidiaries are now direct borrowers under the credit facilities. As such, it is anticipated that a portion of future foreign earnings will be used to repay the existing loans. The remaining undistributed foreign earnings are deemed to be permanently reinvested.

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. Under the Metal Bearing Components Segment's inventory management program with certain European 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 with an average of approximately 55 days outstanding. 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, 2009 and 2008, see Note 15 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 2009, the fluctuation of the Euro against the U.S. Dollar negatively impacted sales and net loss. 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, 2009, 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.

Sales to various U.S. and foreign divisions of SKF, which is one of the largest bearing manufacturers in the world, accounted for approximately 36% of consolidated net sales in 2009. During 2009, 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 2009. 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 operation leverage these customers provide. This could lead to sales volumes not being high enough to cover our current cost structure or provide adequate operating cash flows or cause us to incur additional restructuring and impairment cost. Due to a limit on the amount of excess bearing component capacity, in the markets we serve, we believe it would be difficult for any of our top ten customers to change suppliers in the short term.

During 2009, we spent approximately $4.3 million on capital expenditures. During 2010, we plan to spend approximately $16.7 million on capital expenditures, the majority of which is related to new or expanded business. We believe that funds generated from operations and borrowings will be sufficient to finance our working capital needs and projected capital expenditure requirements through the next twelve months.

Due to the impacts of the global economic recession and the resulting reduction in revenue and operating losses, our Eltmann Plant could reach a point of technical insolvency or illiquidity within the next 12 to 24 months. If this occurs, local laws could require the subsidiary to file for bankruptcy unless the Company provides additional support in the form of financial guarantees or additional funding of operations. During the first quarter of 2010, the company took certain actions in this regard including subordination of certain intercompany obligations and committing to additional equity contributions under certain circumstances. If in the future the Eltmann Plant should be required to file for bankruptcy, the Company could potentially lose the value of the net assets of Eltmann of approximately $0.1 million at December 31, 2009. The Company believes that in the event of bankruptcy, there could be a temporary disruption of normal product flow to customers, but that it is unlikely that such an event would have a long-term significant impact given the current level of excess capacity within the Company's European plants.

During the first quarter of 2010**,** we announced the closure of the Tempe Plant. The Tempe Plant was acquired in the 2006 acquisition of Whirlaway and had sales of approximately $12.0 million for calendar year 2009. The closing will impact approximately 130 employees. Current economic conditions coupled with the long-term manufacturing strategy for our Whirlaway business necessitated a consolidation of our manufacturing resources in Ohio. We expect to incur cash charges of approximately $2.5 million in severance, equipment relocation and other closing costs during 2010 related to this closure. In addition, we expect to incur up to $3.0 million in accelerated depreciation during 2010 related to machinery that will be abandoned as part of the closure. As of December 31, 2009, the total net assets of this location were $7.9 million. We do not anticipate any other potential impairment of the remaining fixed assets which will be relocated to our other plants.

The table below sets forth our contractual obligations and commercial commitments as of December 31, 2009 (in thousands):

	Payments Due by Period				
Certain Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt including current portion	$ 86,963	$ 9,405	$ 66,128	$ 11,430	$ --
Expected interest payments	10,350	4,834	4,717	799	--
Operating leases	17,720	4,390	4,627	2,458	6,245
Capital leases	4,181	266	531	531	2,853
Expected pension contributions and benefit payments	2,831	198	460	534	1,639
Other long-term obligations (1)	38,000	38,000	--	--	--
Total contractual cash obligations	$ 160,045	$ 57,093	$ 76,463	$ 15,752	$ 10,737

(1) Other Long-Term Obligations consists of steel purchase commitments at our European operations (See Note 14 of the Notes to Consolidated Financial Statements.)

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 at 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 12 in the Notes to Consolidated Financial Statements for additional details.

Functional Currencies

We currently have operations in Slovakia, Germany, 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 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, 2009 and 2008, see Note 15 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, but 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 six months. We typically reserve the right to adjust product prices periodically in the event of changes in our raw material costs. In the past, we have been able to minimize the impact on our operations resulting from the steel price fluctuations by taking such measures.

Recently Issued Accounting Standards

The FASB issued guidance on business combinations, effective January 1, 2009, which retains the fundamental requirements that the acquisition method of accounting be used for all business combinations. However, the new guidance provides for the following: an acquirer will record 100% of assets and liabilities of an acquired business, including goodwill, at fair value, regardless of the level of interest acquired; certain contingent assets and liabilities will be recognized at fair value at the acquisition date; contingent consideration will be recognized at fair value on the acquisition date with changes in fair value to be recognized in earnings upon settlement; acquisition-related transaction and restructuring costs will be expensed as incurred; reversals of valuation allowances related to acquired deferred tax assets and changes to acquired income tax uncertainties will be recognized in earnings; and when making adjustments to finalize preliminary accounting, acquirers will revise any previously issued post-acquisition financial information in future financial statements to reflect any adjustments as if they occurred on the acquisition date. This new guidance applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009.

Item 6A. 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 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, 2009, we had $28.6 million of fixed rate senior notes outstanding and $58.4 million outstanding under the variable rate revolving credit facilities. At December 31, 2009, a one-percent increase in the interest rate charged on our outstanding variable rate borrowings would result in interest expense increasing annually by approximately $0.6 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 2009, the fluctuation of the Euro against the U.S. Dollar negatively impacted revenue and net loss but positively impacted 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 2009, nor did we hold a position in any foreign currency hedging instruments as of December 31, 2009.

Item 7. 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 operations 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, 2009 and December 31, 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 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, 2009, 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
Raleigh, North Carolina
March 31, 2010

NN, Inc.
Consolidated Balance Sheets
December 31, 2009 and 2008
(In thousands)

Assets	**2009**	**2008**
Current assets:		
Cash and cash equivalents	$ 8,744	$ 11,052
Accounts receivable, net	49,412	50,484
Inventories, net	33,275	53,173
Income tax receivable	3,196	2,565
Other current assets	3,656	5,858
Current deferred tax asset	--	1,489
Total current assets	98,283	124,621
Property, plant and equipment, net	129,715	145,690
Goodwill, net	9,278	8,908
Intangible assets, net	1,506	2,098
Non current deferred tax assets	260	993
Other non-current assets	3,610	1,730
Total assets	$ 242,652	$ 284,040
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 38,048	$ 39,415
Accrued salaries, wages and benefits	14,469	12,745
Current maturities of long-term debt	9,405	6,916
Current portion of obligation under capital lease	266	266
Other liabilities	6,301	4,013
Total current liabilities	68,489	63,355
Non-current deferred tax liability	3,558	4,939
Long-term debt, net of current portion	77,558	90,172
Accrued pension	14,308	13,826
Obligation under capital lease, net of current portion	1,820	1,872
Other non-current liabilities	116	117
Total liabilities	165,849	174,281
Commitments and Contingencies (Note 14)		
Stockholders' equity:		
Common stock - $0.01 par value, authorized 45,000 shares, issued and outstanding 16,268 in 2009 and 2008.	163	163
Additional paid-in capital	49,861	49,524
Retained earnings	259	35,593
Accumulated other comprehensive income	26,520	24,479
Total stockholders' equity	76,803	109,759
Total liabilities and stockholders' equity	$ 242,652	$ 284,040

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)
Years ended December 31, 2009, 2008 and 2007
(In thousands, except per share data)

	2009	2008	2007
Net sales	$ 259,383	$ 424,837	$ 421,294
Cost of products sold (exclusive of depreciation shown separately below)	235,466	344,685	337,024
Selling, general and administrative	27,273	36,068	36,473
Depreciation and amortization	22,186	27,981	22,996
(Gain) loss on disposal of assets	493	(4,138)	(71)
Impairment of goodwill	--	30,029	10,016
Restructuring and impairment charges, excluding goodwill impairments	4,977	12,036	3,620
Income (loss) from operations	(31,012)	(21,824)	11,236
Interest expense	6,359	5,203	6,373
Reduction of unamortized debt issue cost	604	--	--
Other income	(351)	(850)	(386)
Income (loss) before provision (benefit) for income taxes	(37,624)	(26,177)	5,249
Provision (benefit) for income taxes	(2,290)	(8,535)	6,422
Net loss	$ (35,334)	$ (17,642)	$ (1,173)
Other comprehensive income (loss):			
Actuarial gain (loss) recognized in change of projected benefit obligation (net of tax of $0, $0 and 248, respectively)	(315)	(58)	656
Foreign currency translation gain (loss)	2,356	(3,232)	11,764
Comprehensive income (loss)	$ (33,293)	$ (20,932)	$ 11,247
Basic loss per share:			
Net loss	$ (2.17)	$ (1.11)	$ (0.07)
Weighted average shares outstanding	16,268	15,895	16,749
Diluted loss per share:			
Net loss	$ (2.17)	$ (1.11)	$ (0.07)
Weighted average shares outstanding	16,268	15,895	16,749
Cash dividends per common share	$ 0.00	$ 0.24	$ 0.32

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2009, 2008 and 2007
(In thousands)

	Common Stock					
	Number of Shares	Par Value	Additional paid in capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2006	16,842	$ 169	$ 53,473	$ 64,178	$ 15,349	$ 133,169
Shares issued	24	--	292	--	--	292
Net loss	--	--	--	(1,173)	--	(1,173)
Amortization of restricted stock awards	--	--	309	--	--	309
Forfeiture of restricted stock	(3)	--	--	--	--	--
Repurchase of outstanding shares	(1,008)	(10)	(9,712)	--	--	(9,722)
Stock option expense	--	--	670	--	--	670
Dividends declared	--	--	--	(5,322)	--	(5,322)
Effect of adoption of FIN 48	--	--	--	(600)	--	(600)
Actuarial gain recognized in change of projected benefit obligation (net of tax $248)	--	--	--	--	656	656
Financial statement translation gain	--	--	--	--	11,764	11,764
Balance, December 31, 2007	15,855	$ 159	$ 45,032	$ 57,083	$ 27,769	$ 130,043
Shares issued	498	5	3,857	--	--	3,862
Tax benefit on options exercised	--	--	1,197	--	--	1,197
Net loss	--	--	--	(17,642)	--	(17,642)
Restricted stock awards expense	--	--	(196)	--	--	(196)
Stock option expense	--	--	647	--	--	647
Dividends declared	--	--	--	(3,848)	--	(3,848)
Financial statement translation loss	--	--	--	--	(3,232)	(3,232)
Actuarial loss recognized in change of projected benefit obligation (net of tax $0)	--	--	--	--	(58)	(58)
Repurchase of shares	(85)	(1)	(1,013)	--	--	(1,014)
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)
Financial statement translation gain	--	--	--	--	2,356	2,356
Balance, December 31, 2009	16,268	$ 163	$ 49,861	$ 259	$ 26,520	$ 76,803

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2009, 2008 and 2007
(In thousands)

	2009	2008	2007
Cash flows from operating activities:			
Net loss	$ (35,334)	$ (17,642)	$ (1,173)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	22,186	27,981	22,996
Amortization of debt issue costs	1,147	244	219
(Gain) loss on disposals of property, plant and equipment	493	(4,138)	(71)
Allowance for doubtful accounts	(119)	239	496
Compensation expense from issuance of restricted stock and incentive stock options	337	451	979
Deferred income tax expense (benefit)	841	(14,558)	(1,183)
Capitalized interest and non cash interest and other expenses	157	176	66
Non-cash restructuring and impairment charges	2,853	41,784	13,426
Write-off of unamortized debt issue costs	604	--	--
Changes in operating assets and liabilities:			
Accounts receivable	1,481	12,521	(837)
Inventories	20,318	(2,095)	(5,974)
Income tax receivable	(631)	(2,565)	--
Other current assets	1,821	578	260
Other assets	(355)	(123)	801
Accounts payable	(2,128)	(10,875)	(5,533)
Other liabilities	1,118	(4,467)	(2,878)
Net cash provided by operating activities	14,789	27,511	21,594
Cash flows from investing activities:			
Cash paid to acquire business, net of cash received	--	--	(94)
Acquisition of property, plant and equipment	(4,255)	(18,498)	(18,856)
Proceeds from disposals of property, plant and equipment	521	5,778	74
Acquisition of intangible asset	--	--	(173)
Net cash used by investing activities	(3,734)	(12,720)	(19,049)
Cash flows from financing activities:			
Proceeds from long-term debt	--	--	26,400
Debt issue costs paid	(3,293)	(35)	(251)
Proceeds from bank overdrafts	--	--	612
Repayment of long-term debt	(12,614)	(9,714)	--
Proceeds (repayment) of short-term debt, net	2,850	(4,034)	4,610
Proceeds from issuance of stock and exercise of stock options	--	3,862	292
Cash dividends paid	--	(3,848)	(5,322)
Other financing activity	(51)	(46)	(38)
Payment of related party debt	--	--	(18,638)
Repurchase of common stock	--	(1,014)	(9,722)
Net cash used by financing activities	(13,108)	(14,829)	(2,057)
Effect of exchange rate changes on cash flows	(255)	(1,939)	860
Net change in cash and cash equivalents	(2,308)	(1,977)	1,348
Cash and cash equivalents at beginning of period	11,052	13,029	11,681
Cash and cash equivalents at end of period	$ 8,744	$ 11,052	$ 13,029
Supplemental schedule of non-cash investing and financing activities:			
Restricted stock expense (income) ($0 in 2009, $(196) in 2008, and $309 in 2007) and stock option expense ($337 in 2009, $647 in 2008, and $670 in 2007) included in stockholders' equity	$ 337	$ 451	$ 979
Windfall tax benefits on incentive stock options	$ --	$ 1,216	$ 8
Reduced note payable to customer with offsetting reduction to accounts receivable ($411 in 2009, $1,384 in 2008 and $1,390 in 2007) and an increase to interest expense ($50 in 2009, $176 in 2008 and $186 in 2007)	$ 361	$ 1,208	$ 1,204
Adjusted the goodwill balance related to Whirlaway acquisition for final fair value of assets and liabilities acquired.	--	--	$ 1,828
Increase in unrecognized tax benefits upon the adoption of FIN 48 charged to beginning retained earnings	--	--	$ 600
Cash paid for interest and income taxes was as follows:			
Interest	$ 4,678	$ 4,937	$ 6,174
Income taxes	$ 353	$ 8,024	$ 8,404
Income tax refunds received from taxing authorities	$ 2,653	$ --	$ --

See accompanying notes to consolidated financial statements

1) Summary of Significant Accounting Policies and Practices

(a) Description of Business

NN, Inc. (the "Company") is a manufacturer of precision balls, cylindrical and tapered rollers, bearing retainers, plastic injection molded products, precision bearing seals and precision metal components. The Company's balls, rollers, retainers, and bearing seals are used primarily in the domestic and international anti-friction bearing industry. The Company's plastic injection molded products are used in the bearing 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, and appliance industries.

Beginning in the fourth quarter of 2008 and continuing during the year ended December 31, 2009, in consideration of the weak overall economic environment (particularly in the automotive and industrial end markets in which the Company operates) and the resulting significant decline in sales in all operating segments and reduced projected results for future periods, we implemented certain actions to manage our liquidity position. These actions included: obtaining amendments to our existing credit agreements to align covenant levels with the expected weaker operating performance over 2009 and 2010, suspending our quarterly dividend to shareholders, reducing capital spending, establishing programs to reduce working capital needs, reducing or eliminating discretionary spending where possible, reducing permanent employment levels, reducing working hours for many facilities, downsizing plant operations and accelerating plant closures. In addition, for a portion of 2009, we reduced the compensation of the Board of Directors and the Chief Executive Officer by 20% and the compensation of other managers and employees where legally and contractually possible by 10% to 15%. We also eliminated any bonus opportunities for 2009.

We have experienced a significant loss of revenue and have sustained significant losses of income during the global economic recession that began to impact the Company in the fourth quarter of 2008 and is continuing as of the date of this report. As a result, we have sustained a significant weakening of our financial condition. Additionally, we are dependent on the continued provision of financing from our revolving credit lenders and our fixed rate lender in order to remain solvent. The lenders have set revised covenant levels, through September 2011, that provide little flexibility in the case that our projections are not met (although at the date of this report we are in compliance with all such covenants). There is a substantial risk that if projections are not achieved, the lenders may not amend the credit agreements, which would accelerate the due date of the loans, putting the Company in default. We believe that it is unlikely that new lenders could be found to replace the existing lenders in case of an uncured default. In such situation, the Company would be technically insolvent and would need to seek a recapitalization of the Company. If such transaction could not be successfully completed, the Company would most likely have to file for protection under bankruptcy laws in the U.S. and other jurisdictions. Although management believes that fundamental business prospects for the Company are positive, there can be no assurance that the current financial projections can be met or that recapitalization could be achieved.

(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 capacity of our facilities. During 2009, the 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 operations. The Company reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. During the years ended December 31, 2009, 2008 and 2007, the Company recorded impairment charges of $235, $4,197, and $3,410, respectively (See Notes 2 and 5 for further details). Property, plant and equipment includes tools, molds and dies principally used in our Plastic and Rubber Components and Precision Metal Components Segments that are the property of the Company.

Depreciation is provided on the straight-line method over the estimated useful lives of the depreciable assets for financial reporting purposes. Accelerated depreciation methods are used for income tax purposes. 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 shorten useful live of the asset. During the year ended December 31, 2008, we recognized $3,509 in accelerated depreciation for property, plant and equipment that was abandoned and ceased to be used. (See Note 5).

(e) Revenue Recognition

The Company recognizes 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. The Company has an inventory management program for certain 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.

(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 the Company's accounts receivable are due primarily from the core served markets: bearing manufacturers, automotive industry, electronics, industrial, agricultural and aerospace. We experienced $(0.1) million, $0.2 million, and $0.5 million of bad debt expense (income) during 2009, 2008 and 2007, 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 reserves established when considered to be uncollectible or at risk of being uncollectible.

(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 year ended December 31, 2009 financial statements reflect full valuation allowances against the net deferred tax assets of all our U.S. operations, and our German, Slovakian, and Chinese operations. Based on recent negative financial performance at these locations, we determined that there is a likelihood these locations. We would be unable to generate sufficient profits in the near future to allow realization of existing deferred tax assets.

(h) Net Income (Loss) Per Common Share

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

(i) Stock Incentive Plan

The cost of the options and restricted stock awards are expensed as compensation expense over the vesting periods based on the fair value at the grant date. (See Note 8) We use a financial pricing model, the Black Sholes model, to determine the fair value of our stock options as our options are not traded in open markets.

The Company accounts for restricted 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

The Company's consolidated financial statements include the accounts of NN, Inc. and its subsidiaries. All of the Company's subsidiaries are 100% owned and all are included in the consolidated financial statements for the years end December 31, 2009, 2008, and 2007. All significant inter-company profits, transactions, and balances have been eliminated in consolidation.

(k) *Foreign Currency Translation*

Assets and liabilities of the Company's foreign subsidiaries are translated at current exchange rates, while revenue, costs and expenses are translated at average rates prevailing during each reporting period. Translation adjustments arising from the translation of foreign subsidiary financial statements are reported as a component of other comprehensive income and accumulated other comprehensive income within stockholders' equity. In addition, transactions denominated in foreign currencies 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. Any transaction gains or losses are expensed in either cost of products sold or selling, general and administrative lines in the Consolidated Statement of Operations and Comprehensive Income (Loss) as incurred.

(l) Goodwill and Other Indefinite Lived Intangible Assets

The Company recognizes 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 test is performed at the reporting unit level for the one unit that still has goodwill. 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) Definite Lived Intangible Assets

The Company recognizes an acquired intangible asset apart from goodwill whenever the asset arises from contractual or other legal rights, or whenever it is capable of being divided or separated from the acquired entity or sold, transferred, licensed, rented, or exchanged, whether individually or in combination with a related contract, asset or liability. An intangible asset other than goodwill is amortized over its estimated useful life unless that life is determined to be indefinite. The Company reviews the lives of intangible assets each reporting period and, if necessary, recognizes impairment losses if the carrying amount of an intangible asset is not recoverable from expected future cash flows and its carrying amount exceeds its fair value. (See Notes 2 and 10).

(n) 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, 5 and 10).

(o) 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.

(p) Fair Value Measurements

On January 1, 2008, we adopted the provision 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 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 1inputs 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 the Company's 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.

(q) Recently Issued Accounting Standards

The FASB issued guidance on business combinations, effective January 1, 2009, which retains the fundamental requirements that the acquisition method of accounting be used for all business combinations. However, the new guidance provides for the following: an acquirer will record 100% of assets and liabilities of acquired business, including goodwill, at fair value, regardless of the level of interest acquired; certain contingent assets and liabilities will be recognized at fair value at the acquisition date; contingent consideration will be recognized at fair value on the acquisition date with changes in fair value to be recognized in earnings upon settlement; acquisition-related transaction and restructuring costs will be expensed as incurred; reversals of valuation allowances related to acquired deferred tax assets and changes to acquired income tax uncertainties will be recognized in earnings; and when making adjustments to finalize preliminary accounting, acquirers will revise any previously issued post-acquisition financial information in future financial statements to reflect any adjustments as if they occurred on the acquisition date. This new guidance applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009.

2) Impairment of Goodwill and Restructuring and Impairment Charges, excluding Goodwill Impairments

Below is a summary of all the impairment and restructuring charges reported in the Consolidated Statement of Operations and Comprehensive Income (Loss) during the years ended December 31, 2009, 2008, and 2007:

(In Thousands of Dollars)	2009	2008	2007
Impairment of goodwill	$ --	$ 30,029	$ 10,016
Impairment of intangible assets	$ --	$ 5,592	$ --
Impairment of tangible assets	235	4,197	3,410
Restructuring charges	4,742	2,247	210
Restructuring and impairment charges, excluding goodwill impairment	$ 4,977	$ 12,036	$ 3,620

The above charges are discussed in detail below.

Restructuring Activity

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. We view the rationalization of manufacturing operations in Europe as a necessary action to adjust our global manufacturing capacity to current and long term market requirements. The closure affected 68 employees and was completed during 2009. We recorded restructuring charges during the fourth quarter of 2008 of $2,247 related to severance and other employment cost for the 68 employees. Additionally, we incurred $763 in restructuring cost during the year ended December 31, 2009 principally for site closure and other associated cost.

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 covers the elimination of 53 permanent positions or 17% of the workforce. The majority of the severance cost was or will be paid out during the fourth quarter of 2009 and first quarter of 2010.

The following table summarizes the 2009 and 2008 activity related to the three restructuring programs discussed above:

(In Thousands of Dollars)	Reserve Balance at 1/01/09	Charges	Paid in 2009	Currency Impacts	Reserve Balance at 12/31/2009
Severance and other employee costs	$ 2,058	$ 4,008	$ (3,448)	$ (236)	$ 2,382
Site closure and other associated cost	--	734	(734)	--	--
Total	$ 2,058	$ 4,742	$ (4,182)	$ (236)	$ 2,382

	Reserve Balance at 1/01/08	Charges	Paid in 2008	Currency Impacts	Reserve Balance at 12/31/08
Severance and other employee costs	$ --	$ 2,247	$ (281)	$ 92	$ 2,058
Total	$ --	$ 2,247	$ (281)	$ 92	$ 2,058

These severance cost were recorded in the Restructuring and Impairment Charges, Excluding Goodwill Impairments line as a component of loss from operations. The reserve balance for severance and other employee cost are reported within the Accrued salaries, wages and benefits line of the Consolidated Balance Sheets.

As a result of the decision to close the Kilkenny facility, we performed a test of recoverability, during the year ended December 31, 2008, of the long-lived assets associated with that facility. This test was pursuant to the provisions of U.S. GAAP which require that interim tests of asset recoverability be performed under certain circumstances. As a result of the test, we concluded that $1,447 of production equipment was impaired and we adjusted these assets to the estimated fair market value. Additionally, during the year ended December 31, 2009, we further adjusted the fair value of the building and land to its current estimated fair value resulting in a $235 charge. These impairment charges were reported in the Restructuring and Impairment Charges, Excluding Goodwill Impairments line as a component of loss from operations in both 2009 and 2008.

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

During the fourth quarter of 2008, we recorded $30,029 of non-cash impairment charges related to the impairment of goodwill. Goodwill was impaired at our Precision Metal Components reporting unit and at both reporting units of our Plastic and Rubber Components Segment (see Note 9). In addition, we recorded approximately $5,592 of non-cash impairment charges related to the full impairment of the customer relationship intangible at our Precision Metal Components reporting unit (see Note 10). Finally, we recorded $2,750 of non-cash impairment charges related to the impairment of property, plant and equipment at our Precision Metal Components reporting unit (see Note 5).

These impairments were triggered by the significant financial impact the global economic recession had on these segments during the three month period ended December 31, 2008 and expected impact in future periods.

During the second quarter of 2007, we knew the excess capacity at four of our six ball precision steel ball plants would lead to a reduction in cash flow in certain plants. As such, we performed tests of the recoverability of the goodwill and long-lived assets associated with the affected facilities. As a result, we recorded approximately $13,336 of non-cash impairment costs. These charges include the write-down to estimated fair market value of certain excess production equipment of $3,320 and the full impairment of goodwill at one European reporting unit of $10,016 to levels supported by projected cash flows after the realignment of production. These impairments were calculated using present value of expected future cash flows methods pursuant to U.S. GAAP for the goodwill and estimates of fair value pursuant to U.S. GAAP for the fixed assets.

During the third quarter of 2007, we recorded approximately $210 of cash restructuring charges and approximately $90 of non-cash impairment charges related to the write-down to estimated fair value of certain excess production equipment as part of the Metal Bearings Components Segment restructuring.

3) Accounts Receivable and Sales Concentrations

	December 31, 2009	December 31, 2008
Trade	$ 49,885	$ 51,119
Less - allowance for doubtful accounts	473	635
Accounts receivable, net	$ 49,412	$ 50,484

Activity in the allowance for doubtful accounts is as follows:

Description	Balance at beginning of year	Additions (reductions)	Write-offs	Currency Impacts	Balance at end of year
December 31, 2009					
Allowance for doubtful accounts	$ 635	$ (119)	$ (48)	$ 5	$ 473
December 31, 2008					
Allowance for doubtful accounts	$ 1,412	$ 239	$ (1,004)	$ (12)	$ 635
December 31, 2007					
Allowance for doubtful accounts	$ 1,001	$ 496	$ (102)	$ 17	$ 1,412

For the years ended December 31, 2009, 2008 and 2007, sales to SKF amounted to $93,385, $172,958, and $169,765, respectively, or 36.0%, 40.7%, and 40.3% of consolidated revenues, respectively. None of the Company’s other customers accounted for more than 10% of our net sales in 2009, 2008 or 2007. SKF and SNR Roulements (“SNR”) were the only customers with an Accounts Receivable concentration in excess of 10%. The outstanding balance as of December 31, 2009, 2008 and 2007 for SKF was $16,154, $15,588 and $23,535, respectively. The outstanding balance as of December 31, 2009 for SNR was $6,719. All revenues and receivables related to SKF are in the Metal Bearing Components and Plastics and Rubber Components Segments. All revenues and receivables related to SNR are in the Metal Bearing Components Segment. The write-off of $1,004 during 2008 was mostly for receivable balances that were fully reserved at December 31, 2007.

4) Inventories

	December 31, 2009	December 31, 2008
Raw materials	$ 9,742	$ 15,599
Work in process	7,234	10,186
Finished goods	17,963	29,729
Less-inventory reserve	(1,664)	(2,341)
Inventories, net	$ 33,275	$ 53,173

Inventory on consignment at customers' sites at December 31, 2009 and 2008 was approximately $3,018 and $5,878, respectively.

5) Property, Plant and Equipment

	Estimated Useful Life	December 31, 2009	December 31, 2008
Land owned		$ 6,336	$ 6,314
Land under capital lease		484	484
Buildings and improvements owned	15-40 years	44,079	44,035
Building under capital lease	20 years	1,789	1,789
Machinery and equipment	3-12 years	244,516	245,578
Construction in process		7,112	9,759
		304,316	307,959
Less - accumulated depreciation		174,601	162,269
Property, plant and equipment, net		$ 129,715	$ 145,690

As of December 31, 2009, the asset groups of all of our reporting units were tested for impairment pursuant to impairment testing relative to long-lived assets due to the losses incurred by the reporting units during 2009. The results of our analysis indicated impairment was not warranted except for the Kilkenny Plant building and land which was further reduced by $235 to its current estimated fair value.

During the first quarter of 2009, the land and building of the former Hamilton, Ohio Plant of the Precision Metal Components Segment was sold for proceeds of $508, which resulted in no gain or loss from sale. Additionally, certain machines with a cumulative net book value of $484 were disposed of during 2009.

During the fourth quarter of 2008, the asset groups of our reporting units were tested for impairment pursuant to impairment testing relative to long-lived assets due to the losses incurred by the reporting units during the fourth quarter of 2008 and expected losses in 2009. The asset groups in which there was an impairment are discussed below.

During the fourth quarter of 2008, fixed assets at the Kilkenny Plant of the Metal Bearing Components Segment were impaired, as a result of the closure of this facility (see Note 2). The total reduction in fixed assets from the impairment charge was $1,447 and was reported in the Restructuring and Impairment Charges, Excluding Goodwill Impairments in the Consolidated Statements of Operations and Comprehensive Income (Loss).

During the fourth quarter of 2008, fixed assets at the Precision Metal Components Segment were impaired. The impairment was determined pursuant to impairment testing relative to long-lived assets. The key component of the impairment was the impact the global economic downturn had and was expected to have on the segment. The total reduction in fixed assets from the impairment charge was $2,750 and was reported in the Restructuring and Impairment Charges, Excluding Goodwill Impairments on the Consolidated Statements of Operations and Comprehensive Income (Loss).

During the fourth quarter of 2008, as a result of the closure of the Kilkenny Plant and the fourth quarter global economic downturn, we abandoned and ceased to use certain excess production equipment at two of our European Metal Bearing Components Segment production facilities. Depreciation was accelerated on these assets as the useful lives of these assets were now diminished. The additional depreciation equaled $1,768 during 2008.

In addition, during the fourth quarter of 2008, we decided to abandon the system integration cost of an enterprise resource software system used in a portion of the U.S. facilities that cannot be configured properly to support our business. Depreciation was accelerated as the useful live of the majority of the cost expended to implement the software was now diminished. The additional depreciation equaled $1,741.

During the three month period ended June 30, 2008, the Veenendaal Plant disposed of excess land with a book value of $1,610 for proceeds of $5,628 and a resulting gain of $4,018.

6) Debt

Long-term debt at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Borrowings under our $90,000 revolving credit facility bearing interest at a floating rate equal to LIBOR (0.25% at December 31, 2009) plus an applicable margin of 4.0, expiring September 20, 2011	$ 58,392	$ 62,441
Borrowings under our $40,000 aggregate principal amount of senior notes bearing interest at a fixed rate of 8.50% maturing on April 26, 2014. Annual principal payments of $5,714 began on April 26, 2008 and extend through the date of maturity.	28,571	34,286
Long-term note payable with customer.	--	361
Total long-term debt	86,963	97,088
Less current maturities of long-term debt	9,405	6,916
Long-term debt, excluding current maturities	$ 77,558	$ 90,172

During the first quarter of 2009, we entered into an amended and restated $90,000 revolving credit facility expiring September 2011 with Key Bank as administrative agent. In addition, we entered into a June 30, 2009 amendment to exclude $935 of capital projects funded by customer advances and to waive a technicality related to a weekly reporting requirement. The amended agreement was entered into to conform the covenants to our then current outlook for the twelve months from March 31, 2009 through March 31, 2010 in a difficult economic cycle. In addition to the reduction in availability from 135,000 to 90,000, the interest rate was amended to LIBOR plus an applicable margin of 4.0%. The financial and nonfinancial covenants were also amended to relax certain financial covenants and to secure the facility with assets of the Company in addition to pledges of stock of certain foreign and domestic subsidiaries and guarantees of certain domestic subsidiaries. Finally, the new agreement placed greater restrictions on our usage of cash flows including prohibiting share repurchases, dividends and investments and/or acquisitions without the approval of credit facility participants and until such time as we meet certain earnings and financial covenant levels. In addition to these amendments, the loan agreement also contains customary restrictions on, among other things, additional indebtedness, liens on our assets, sales or transfers of assets, investments, restricted payments (including payment of dividends and stock repurchases), issuance of equity securities, and merger, acquisition and other fundamental changes in the Company's 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 are capitalized and amortized into interest expense over the life of the facility. As of December 31, 2009 and 2008, $2,151 and $470 respectively, of net capitalized loan origination cost was on the balance sheet within other non-current assets. In addition, $143 in unamortized debt issuance cost from the original facility was eliminated during the first quarter of 2009.

During the first quarter of 2009, the senior note agreement was also amended. The amended agreement was entered into to conform the covenants to our then current outlook for the twelve months from March 31, 2009 through March 31, 2010 in a difficult economic cycle. The term, principal balance, and principal payment schedule all remain the same as the original agreement. The interest rate was increased from 4.89% to 8.50%. In addition, the financial and non-financial covenants were amended and additional collateralization and restrictions on usage of cash flows were added to the agreement in line with the amended $90,000 revolving credit facility. In addition to the amendments, the agreement also contains customary restrictions on, among other things, additional indebtedness, liens on our assets, sales or transfers of assets, investments, restricted payments (including payment of dividends and stock repurchases), issuance of equity securities, and mergers, acquisitions and other fundamental changes in our business including a “material adverse change” clause, which if triggered would accelerate the maturity of the debt. Interest is paid semi-annually and the note matures on April 26, 2014. As of December 31, 2009, $28,571 remained outstanding. 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 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, 2009 and 2008 was $404 and $483 respectively. Additionally, $461 in unamortized debt issuance cost from the original issuance was written off in 2009.

The table below summarizes the financial covenants of the two amended and restated credit agreements applicable to the Company as of December 31, 2009:

Financial Covenants	**Required Covenant Level**	**Actual Covenant Level**
Funded indebtedness to capitalization ratio	Not to exceed 0.60 to 1.00	0.54 to 1.00
Minimum EBITDA	EBITDA shall not be less than ($7,842) for the most recently completed four fiscal quarters	(3,993)
Capital expenditures	Not to exceed $3,500 (excluding $935 of capital projects funded by customer advances)	3,320

During the first quarter of 2010, we amended both the $90,000 revolving credit facility and the $40,000 senior notes. The primary purpose of these amendments was to re-establish covenant levels through the expiration of the revolving credit facility in September, 2011 to reflect our current business outlook. The primary financial covenants are the same for both credit agreements through September 2011, the expiration of the revolving credit facility. After September 2011, the covenants for the senior note agreement revert back the covenants in the original agreement. It is likely the covenant levels of the senior note agreement in 2012 through 2014 may no longer be appropriate for our business at that time and these covenant levels may need to be renegotiated in the future.

As a result of the amendments, the $90,000 revolving credit facility was reduced to $85,000 as of the amendment date, and it will reduce further by $1,000 at the end of each of the three fiscal quarters beginning with the December 31, 2010 quarter end and ending with the June 30, 2011 quarter end, after which the total commitment will be $82,000. Neither the commitment amount nor the payment terms of the senior notes were changed. The amendments provided a restriction on restructuring of foreign subsidiaries and removed certain subsidiaries from participation in the credit agreement. Also as a result of the amendments, the interest rate was amended to LIBOR plus an applicable margin of 4.75%. The interest rate on the senior notes was not changed and remains at 8.5%.

The aggregate maturities of long-term debt including current portion for each of the five years subsequent to December 31, 2009 are as follows:

Year ending December 31		
2010	$	9,405
2011		60,414
2012		5,714
2013		5,715
2014		5,715
Total	$	86,963

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 are estimated to be approximately $484 and $1,789, respectively and undiscounted annual lease payments are approximately $265 (approximately $5,300 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 the Company. In addition, after the end of year five we can buy the land for its ascribed fair value and the building for actual cost less depreciation.

Below are the minimum future lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2009:

Year ending December 31		
2010	$	266
2011		265
2012		266
2013		266
2014		265
Thereafter		2,853
Total minimum lease payments		4,181
Less interest included in payments above		(2,095)
Present value of minimum lease payments	$	2,086

7) Employee Benefit Plans

We have two 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. The Company provides 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 contribution for IMC employees is 25% of the first 6% of compensation contributed and the matching contribution for Delta employees is 50% of the first 6% of compensation contributed. 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 by the Company for the Metal Bearing Components Segment were $112, $175, and $171 in 2009, 2008, and 2007, respectively. Contributions by the Company for the Plastic and Rubber Components Segment were $78, $108, and $123 in 2009, 2008 and 2007, respectively. Contributions by the Company for the Precision Metal Components Segment employees were $12, $127 and $121 in 2009, 2008 and 2007, respectively.

We have a defined benefit pension plan covering our Eltmann Plant. The benefits are based on the expected years of service. The plan is unfunded.

Following is a summary of the funded status and changes in the projected benefit obligation for the defined benefit pension plan during 2009 and 2008:

	2009	2008
Reconciliation of Funded Status:		
Benefit obligation	$ (5,488)	$ (4,901)
Fair value of plan assets	--	--
Funded status	$ (5,488)	$ (4,901)
Net amount recognized under accrued pension	$ (5,488)	$ (4,901)
Items not yet recognized as a component of net periodic pension cost:		
Unrecognized net actuarial (gain) loss	$ 163	$ (157)

	2009	2008
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 4,901	$ 4,947
Interest cost	276	281
Benefits paid	(172)	(161)
Effect of currency translation	168	(224)
Actuarial loss	315	58
Benefit obligation at December 31	$ 5,488	$ 4,901

	2009	2008
Weighted-average assumptions as of December 31:		
Discount rate	5.28%	5.75%
Rate of compensation increase	0% - 1.5%	0% - 1.5%
Measurement date	12/31/09	12/31/08

In determining the pension discount rate to be used for our German defined benefit plan, we utilize the German Federal Reserve Bank yield curve for high quality corporate bonds with maturities that are consistent with the projected future benefit obligations of the plan.

During the year ended December 31, 2006, the plan benefits were curtailed by not allowing new employees to join the plan and by eliminating any effects of future wage increases. The rate of compensation increase of 1.5% only applies to current retirees during the years ended December 31, 2009, 2008 and 2007.

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

	Pension Benefits
2010	198
2011	221
2012	239
2013	257
2014	277
2015-2019	1,639

	2009	2008	2007
Components of net periodic benefit cost:			
Interest cost on projected benefit obligation	$ 276	$ 281	$ 239
Amortization of net loss	--	--	6
Net periodic pension benefit cost	$ 276	$ 281	$ 245

	2009	2008	2007
Amounts Recognized in Accumulated Other Comprehensive Income:			
Period actuarial (gain) loss	$ 315	$ 58	$ (904)
Net periodic pension (benefit) cost	$ 315	$ 58	$ (904)

The amount of actuarial gain expected to be a component of net pension cost in 2010 is $0.

We do not expect to make any contributions to the plan in 2010 or thereafter in excess of the pension benefit payments listed above.

Severance Indemnity

In accordance with Italian law, the Company has an unfunded severance plan under which all 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, 2009 and 2008 reported under accrued pension.

The following table details the changes in Italian severance indemnity for the years ended December 31, 2009 and 2008:

	2009	2008
Beginning balance	$ (8,073)	$ (8,551)
Amounts accrued	(1,129)	(1,061)
Payments to employees	454	458
Payments to government managed plan	974	718
Foreign currency impacts	(241)	363
Ending balance	$ (8,015)	$ (8,073)

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, 2009 and 2008:

	2009	2008
Beginning balance	$ (852)	$ (897)
Service cost	(71)	(50)
Interest cost	13	(81)
Benefits paid	129	137
Foreign currency impacts	(24)	39
Ending balance	$ (805)	$ (852)

8) Stock 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 restricted share 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, 2009, 2008, and 2007 approximately $337, $451, and $979, respectively of compensation expense was recognized in selling, general and administrative expense for all share-based awards. The cost recognized in the years ended December 31, 2009, 2008 and 2007 related to stock options was $337, $647, and $670, respectively. The cost related to restricted stock awards was $0, $30, and $83. The cost related to our long-term incentive plan was $0, ($226), and $226, respectively.

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. The Company utilizes the Black Scholes model which relies on certain assumptions to estimate an option's fair value.

During 2009, 2008 and 2007, the Company granted 232, 160, and 192 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, 2009, 2008 and 2007 was $0.77, $2.73, and $4.32, respectively. The total fair value of shares vested during the years ended December 31, 2009, 2008, and 2007 was $616, $560, and $336, respectively. The number of options available for future issuance under the current plan is 24. Upon exercise of stock options, new shares of the Company’s stock are issued. The weighted average assumptions relevant to determining the fair value at the dates of grant are below:

	2009	2008	2007
Term	6 years	6 years	6 years
Risk free interest rate	1.84%	2.50%	4.75%
Dividend yield	0.00%	3.42%	2.66%
Expected volatility	63.9%	40.75%	41.23%
Expected forfeiture rate	0.00%	6.20%	6.20%

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 Commissions Staff Accounting Bulletin 107.

The following table provides a reconciliation of option activity for the year ended December 31, 2009:

Options	Shares (000's)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value ($000)	
Outstanding at January 1, 2009	1,184	$ 10.76			
Granted	232	$ 1.30			
Exercised	--	$ --			
Forfeited or expired	(25)	$ 7.76			
Outstanding at December 31, 2009	1,391	$ 9.23	5.9	$ (7,329)	(1)
Exercisable at December 31, 2009	1,034	$ 10.88	4.9	$ (7,148)	(1)

[1] Intrinsic value is the amount by which the December 31, 2009 market price of the stock, $3.96, is less than the exercise price of the options outstanding at December 31, 2009.

As of December 31, 2009, there was approximately $149 of unrecognized compensation cost to be recognized over approximately two years.

Cash proceeds from the exercise of options in the year ended December 31, 2009, 2008, and 2007 totaled approximately $0, $3,862, and $292, respectively. For the years ended December 31, 2009, 2008 and 2007, proceeds from stock options were presented inclusive of tax benefits of $0, $1,216, and $8, 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, 2009, 2008 and 2007 was $0, $3,576, and $23, respectively.

Restricted Stock Awards

The recognized compensation costs before tax for restricted stock awards in the years ended December 31, 2009, 2008, and 2007 were approximately $0, $30, and $83, respectively. The number of restricted stock, restricted stock units, performance shares or stock awards available for future issue is 255.

Long-Term Incentive Plan

On June 29, 2007, the Company granted certain directors and other key employees an award of 151,500 performance units pursuant to the NN, Inc. 2005 Incentive Plan. Based on the economic downturn experienced during the fourth quarter of 2008 and the impact it was expected to have on 2009 results, the performance targets were deemed unachievable and the plan was terminated by the board of directors. As such, the $226 in compensation expense recognized in 2007 was eliminated in 2008 and there was no unrecognized compensation cost, before tax, to be recognized at December 31, 2008. Additionally, there were no grants under the Long-Term Incentive Plan during 2009.

9) Goodwill, Net

We completed our annual goodwill impairment review during the fourth quarters of 2009, 2008, and 2007. For the year ended December 31, 2009, we found Step One testing did not indicate impairment at the one reporting unit that still has goodwill.

As of December 31, 2009, we only have recorded goodwill at the Pinerolo Plant of the Metal Bearing Components Segment. There was no impairment to the goodwill balance as the fair value of this reporting unit was estimated as $47,000 which exceeded the carrying value of the reporting unit of $35,900 by $11,100.

We were in the process of finalizing our October 1, 2008 goodwill impairment testing during the fourth quarter when our business was adversely affected by the global economic downturn. Our sales for the fourth quarter of 2008 were down 29% from the prior year period. In addition, during this time frame the price of our common stock decreased approximately 80% and our market capitalization became lower than our net carrying value of stockholders' equity. Given the dramatic impact the global economic downturn had on our 2008 financial results and expected impact in future periods, we determined a triggering event had occurred in the fourth quarter of 2008 and as such finalized our impairment testing for the year ended December 31, 2008 as of that date.

Based on the results of the fourth quarter impairment tests, we determined the carrying amount of the goodwill reported in the Plastic and Rubber Components and Precision Metal Components reporting units was impaired. As such, during the fourth quarter of 2008, we recorded $30,029 for the full impairment of goodwill in our Precision Metal Components Segment and at both reporting units of our Plastic and Rubber Components Segment. These impairments were calculated using an equal weighting of a present value of expected future cash flows method and a market based multiples of sales and earnings method. The main cause of the impairments was the significant reductions in future expected cash flows at each of the reporting units for the periods examined due to the current and expected sales declines in the automotive and industrial end markets and from general market weakness caused by the global economic downturn.

The changes in the carrying amount of goodwill for the years ended December 31, 2009 and 2008 are as follows:

(In thousands)	**Plastic and Rubber Components Segment**	**Metal Bearing Components Segment**	**Precision Metal Components Segment**	**Total**
Balance as of January 1, 2007	$ 25,755	$ 18,040	$ 2,352	$ 46,147
Adjustments to purchase price allocation	--	--	1,922	1,922
Impairment of goodwill	--	(10,016)	--	(10,016)
Currency impacts	--	1,418	--	1,418
Balance as of December 31, 2007	$ 25,755	$ 9,442	$ 4,274	$ 39,471
Impairment of goodwill	(25,755)	--	(4,274)	(30,029)
Currency impacts	--	(534)	--	(534)
Balance as of December 31, 2008	$ --	$ 8,908	$ --	$ 8,908
Currency impacts	--	370	--	370
Balance as of December 31, 2009	$ --	$ 9,278	$ --	$ 9,278

The cumulative accumulated impairment charges included in the reported goodwill balances at December 31, 2009 and 2008 are $40,045.

10) Intangible Assets, Net

The changes in the carrying amount of intangible assets subject to amortization, net of amortization, for the years ended December 31, 2009 and 2008 are as follows:

Intangible assets subject to amortization, net of amortization

(In Thousands)	Precision Metal Components Segment	Metal Bearing Components Segment	Total
Balance as of January 1, 2008	$ 6,484	$ 1,895	$ 8,379
Impairment of intangibles	(5,592)	--	(5,592)
Amortization	(869)	(626)	(1,495)
Currency impacts	--	(94)	(94)
Balance as of December 31, 2008	$ 23	$ 1,175	$ 1,198
Amortization	(23)	(586)	(609)
Currency impacts	--	17	17
Balance as of December 31, 2009	$ --	$ 606	$ 606

The intangible asset within the Metal Bearing Components Segment is a contract intangible related to the SNR purchase agreement and related supply agreement. This intangible asset is subject to amortization over approximately 5 years, from 2006 to 2010, and amortization expense will approximate $550 for each of the five years, depending on Euro to US Dollar exchange rates. For the year ended December 31, 2009, the amortization expense totaled $586 and accumulated amortization totaled $2,171.

The intangible assets within the Precision Metal Components segment were acquired on November 30, 2006 with the purchase of Whirlaway. The majority of the acquired value was a customer relationship intangible with an acquisition date fair value of $6,900. During the fourth quarter of 2008, based on the impairment testing in the Precision Metal Components Segment, there were indications that the intangible assets of the segment were impaired. The intangible assets were tested using expected future cash flows from the asset group tested to determine if impairment was indicated. The result was that the customer relationship intangible asset was fully impaired and an impairment charge was recorded with in the Restructuring and Impairment Charges, Excluding Goodwill Impairments line on the Consolidated Statement of Operations and Comprehensive Income (Loss). The impairment was due to the reduction in segment sales during the fourth quarter of 2008, lower expected sales levels in future periods and the significant reductions in future expected cash flows for the periods examined due to the current and expected declines in the automotive and industrial end markets and from general market weakness caused by the global economic downturn. The accumulated amortization related to all of the intangible assets of the Precision Metal Components Segment at December 31, 2009 is $1,588. In addition, as part of the Whirlaway acquisition we acquired an intangible asset not subject to amortization of $900 related to the value of the trade names of Whirlaway. This intangible asset has an indefinite life and as such is not amortized but is subject to an annual impairment test. As of December 31, 2009, based on testing pursuant to U.S. GAAP, the fair value of this intangible asset exceeded its book value.

11) Segment Information

The Company determined its reportable segments under the provisions of U.S. GAAP related to disclosures about segments of an enterprise. The Company’s three reportable segments are based on differences in product lines and are as follows:

Metal Bearing Components Segment

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

Note: The Kilkenny Plant ceased operations in Q1 2009 and was in the process of being closed during 2009.

Plastic and Rubber Components Segment

- Danielson Plant
- Lubbock Plant

Precision Metal Components Segment

- Wellington Plant 1
- Wellington Plant 2
- Tempe Plant

Note: The closure of the Tempe plant was announced during the first quarter of 2010 and is expected to be completed during 2010. The Hamilton Plant was closed during the first quarter of 2009.

All of the facilities in the Metal Bearing Components Segment are engaged in the production of precision balls, 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 injection molded products for the bearing components, automotive components, electronic instrument cases and other molded components used in a variety of 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 fluid control components and assemblies, shafts, and prismatic machined parts for the HVAC, appliance, and automotive industries.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates segment performance based on segment net income (loss) after income tax expense (benefit). The Company accounts for inter-segment sales and transfers at current market prices. The Company did not have any individually material inter-segment transactions during 2009, 2008, or 2007

	Metal Bearing Components Segment	Precision Metal Components Segment	Plastic and Rubber Components Segment	Corporate and Consolidations	Total
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
December 31, 2008					
Net sales	$ 321,660	$ 64,235	$ 38,942	$ --	$ 424,837
Interest expense	215	1,678	955	2,355	5,203
Depreciation and amortization	21,005	4,685	2,287	4	27,981
Income tax expense (benefit)	6,896	(4,547)	(9,495)	(1,389)	(8,535)
Segment net income (loss)	14,647	(7,353)	(17,223)	(7,713)	(17,642)
Segment assets	218,551	36,806	21,153	7,530	284,040
Expenditures for long- lived assets	15,677	1,737	1,084	--	18,498
December 31, 2007					
Net sales	$ 303,059	$ 67,384	$ 50,851	$ --	$ 421,294
Interest expense	67	2,646	960	2,700	6,373
Depreciation and amortization	16,393	4,337	2,262	4	22,996
Income tax expense (benefit)	9,452	(820)	1,255	(3,465)	6,422
Segment net income (loss)	4,958	(1,450)	2,242	(6,923)	(1,173)
Segment assets	238,276	53,422	51,997	6,383	350,078
Expenditures for long- lived assets	15,634	1,541	1,681	--	18,856

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, 2009		December 31, 2008		December 31, 2007	
	Net Sales	Property, Plant and Equipment, Net	Net Sales	Property, Plant and Equipment, Net	Net Sales	Property, Plant and Equipment, Net
United States	$ 91,688	$ 40,188	$ 131,877	$ 44,441	$ 137,140	$ 51,363
Europe	118,556	74,331	219,391	84,520	215,209	97,238
Asia	27,463	15,196	36,648	16,729	31,879	12,407
Canada	1,771	--	5,041	--	5,089	--
Mexico	8,127	--	14,444	--	15,065	--
S. America	11,778	--	17,436	--	16,912	--
All foreign countries	167,695	89,527	292,960	101,249	284,154	109,645
Total	$ 259,383	$ 129,715	$ 424,837	$ 145,690	$ 421,294	$ 161,008

12) Income Taxes

During the second quarter of 2009, based on the recent 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, 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. If U.S. operations return to a level of profitability sufficient to utilize these deferred tax assets, they will be used to offset future U.S. based taxable income. If we determine that this is more likely than not, a deferred tax benefit will be recognized.

Income (loss) before provision (benefit) for income taxes for the years ended December 31, 2009, 2008 and 2007 was as follows:

	Year ended December 31,		
	2009	2008	2007
Income (loss) before provision (benefit) for income taxes:			
United States	$ (14,671)	$ (38,649)	$ 630
Foreign	(22,953)	12,472	4,619
Total	$ (37,624)	$ (26,177)	$ 5,249

Total income tax expense (benefit) for the years ended December 31, 2009, 2008, and 2007 were as follows:

	Year ended December 31,		
	2009	2008	2007
Current:			
U.S. Federal	$ (8)	$ 305	$ --
State	55	218	(18)
Non-U.S.	(3,178)	5,500	7,623
Total current expense (benefit)	$ (3,131)	$ 6,023	$ 7,605
Deferred:			
U.S. Federal	$ (4,726)	$ (13,094)	$ 176
State	(126)	(1,260)	271
U.S. deferred tax valuation allowance	7,136	(593)	5,082
Non-U.S.	(1,443)	389	(6,712)
Total deferred expense (benefit)	841	(14,558)	(1,183)
Total expense (benefits)	$ (2,290)	$ (8,535)	$ 6,422

A reconciliation of taxes based on the U.S. federal statutory rate of 34% for each of the years ended December 31, 2009, 2008, and 2007 is summarized as follows:

	Year ended December 31,		
	2009	2008	2007
Income taxes (benefit) at the federal statutory rate	$ (12,792)	$ (8,900)	$ 1,785
Impact of incentive stock options	114	220	228
Increase in U.S. valuation allowance	7,136	1,663	--
Increase (decrease) in foreign valuation allowance	1,443	(2,256)	5,082
Reduction in net deferred tax liabilities in Italy due to changes in tax laws	--	(1,142)	(1,050)
State income taxes, net of federal taxes	(86)	(1,115)	(12)
Non-U.S. earnings taxed at different rates	1,735	2,786	390
Other permanent differences, net	160	209	(1)
	$ (2,290)	$ (8,535)	$ 6,422

The tax effects of the temporary differences are as follows:

	Year ended December 31,	
	2009	2008
Deferred income tax liability		
Tax in excess of book depreciation	$ 7,401	$ 9,508
Goodwill	1,742	1,549
Allowance for bad debts	46	9
Other deferred tax liabilities	155	545
Gross deferred income tax liability	9,344	11,611
Deferred income tax assets		
Goodwill	6,686	7,947
Inventories	184	492
Pension/Personnel accruals	1,041	1,067
Net operating loss carry forwards	9,181	2,240
Foreign tax credits	3,326	3,326
Other deferred tax assets	277	152
Gross deferred income tax assets	20,695	15,224
Valuation allowance on deferred tax assets	(14,649)	(6,070)
Net deferred income tax assets	6,046	9,154
Net deferred income tax liability	$ 3,298	$ 2,457

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 as of the years ended December 31, 2009, 2008, and 2007:

	Total Valuation Allowance Activity			
	Balance at Beginning of Year	Additions	Recoveries	Balance at End of Year
2009	$ 6,070	$ 8,579	$ --	$ 14,649
2008	$ 6,663	$ 1,663	$ (2,256)	$ 6,070
2007	$ 1,581	$ 5,082	$ --	$ 6,663

The net operating loss carry forwards are composed of net operating losses during 2009 at our U.S. operations and Italian operation and at our German, Slovakian, and Chinese operations for multiple years. During the year ended December 31, 2009, we only recognized tax benefits totaling $720 from net operating losses at our Italian operation. Full valuation allowances have been recorded against the remaining net operating loss carry forwards for the year ended December 31, 2009, as we believe the resulting tax benefits from these loss carry forwards are not currently realizable. The losses of the U.S. based entities can be carried forward 20 years. According to German law, there are not any time limitations on carrying forward of the $9,369 in net operating losses of our German subsidiary. Slovakian net operating losses of $322 expire by 2012. The China net operating losses of $113, $2,584, and $2,366 expire in 2010, 2011, and 2012, respectively.

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, 2009, management believes it is still more unlikely than likely 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.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a $600 increase in our income tax liabilities and a corresponding reduction in beginning retained earnings.

As of the date of adoption, the total unrecognized benefits were approximately $879, all of which, if recognized, would affect the effective tax rate. A reconciliation of the beginning and ending amounts of unrecognized tax benefits, excluding interest and penalties for the years ended December 31, 2009, 2008 and 2007 is as follows:

	2009	2008	2007
Beginning Balance	$ 988	$ 1,045	$ 879
Additions for tax positions of prior years	--	--	386
Reductions for tax positions of prior years	--	(57)	(220)
Ending Balance	$ 988	$ 988	$ 1,045

As of December 31, 2009, 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. As of January 1, 2007, we had accrued $609 in both U.S. and foreign interest and penalties. During 2007, we accrued an additional $48 in foreign interest and penalties resulting in an accrued balance of $657 of interest and penalties as of December 31, 2007. During 2008, we accrued an additional $43 in foreign interest and penalties resulting in an accrued balance of $700 of interest and penalties as of December 31, 2008. 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.

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 2005. The Company is no longer subject to non-U.S. income tax examinations within various European Union countries for years before 2005. We do not foresee any significant changes to our unrecognized tax benefits within the next twelve months.

13) Reconciliation of Net Loss Per Share

	Year ended December 31,		
	2009	2008	2007
Net loss	$ (35,334)	$ (17,642)	$ (1,173)
Weighted average shares outstanding	16,268	15,895	16,749
Effective of dilutive stock options	--	--	--
Dilutive shares outstanding	16,268	15,895	16,749
Basic net loss per share	$ (2.17)	$ (1.11)	$ (0.07)
Diluted net loss per share	$ (2.17)	$ (1.11)	$ (0.07)

Excluded from the shares outstanding for the years ended December 31, 2009, 2008, and 2007 were 1,391, 1,184, and 821 anti-dilutive options, respectively, which had exercise prices ranging from of $1.30 to $12.62 for the year ended December 31, 2009, $5.94 to $12.62 for the year ended December 31, 2008, and $11.19 and $12.62 for the year ended December 31, 2007.

14) 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 2009, 2008, and 2007 was $4,803, $4,844, and $4,908, respectively. The following is a schedule by year of future minimum lease payments as of December 31, 2009 under operating leases that have initial or remaining non cancelable lease terms in excess of one year.

Year ending December 31,	
2010	$ 4,390
2011	3,033
2012	1,594
2013	1,278
2014	1,180
Thereafter	6,245
Total minimum lease payments	$ 17,720

The Metal Bearing Components Segment had a supply contract with Ascometal France ("Ascometal") for the purchase of steel in Europe that covered the years 2007 through 2009. The contract is in the process of being renewed for 2010 under essentially the same terms and conditions. The percentage of steel purchased for European operations granted to Ascometal under the contract is approximately 70% or $38,000 based on the average of 2009 and 2008 purchase levels. The contract, among other things, stipulates that Ascometal achieve certain performance targets related to quality, reliability and service and the percentage granted can be reduced if those targets are not met by the vendor. The contract provisions include annual price adjustments based upon published steel scrap indexes.

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. Besides us, 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 substantially approved by EPA. Once approved, costs associated with the chosen remediation can be assessed and the PRPs can discuss allocation of the overall cost. As of the date hereof, we do not know the amount of our allocated share.

Due to the impacts of the global economic recession and the resulting reduction in revenue and operating losses, our Eltmann, Germany Plant could reach a point of technical insolvency or illiquidity within the next 12 to 24 months. If this occurs, local laws could require the subsidiary to file for bankruptcy unless we provide additional support in the form of financial guarantees or additional funding of operations. During the first quarter of 2010, we took certain actions in this regard including subordination of certain intercompany obligations and committing to additional equity contributions under certain circumstances. If in the future the Eltmann Plant should be required to file for bankruptcy, we could potentially lose the value of the net assets of Eltmann of approximately $50 at December 31, 2009. We believe that in the event of bankruptcy, there could be a temporary disruption of normal product flow to customers, but that it is unlikely that such an event would have a long-term significant impact given the current level of excess capacity within our European plants.

15) Quarterly Results of Operations (Unaudited)

The following summarizes the unaudited quarterly results of operations for the years ended December 31, 2009 and 2008.

	Year ended December 31, 2009			
	March 31	June 30	Sept. 30	Dec. 31
Net sales	$ 57,921	$ 57,088	$ 66,110	$ 78,264
Loss from operations	(10,953)	(8,717)	(8,648)	(2,694)
Net loss	(9,525)	(13,466)	(8,983)	(3,360)
Basic net loss per share	(0.59)	(0.83)	(0.55)	(0.21)
Dilutive net loss per share	(0.59)	(0.83)	(0.55)	(0.21)
Weighted average shares outstanding:				
Basic number of shares	16,268	16,268	16,268	16,268
Effect of dilutive stock options	--	--	--	--
Diluted number of shares	16,268	16,268	16,268	16,268

	Year ended December 31, 2008			
	March 31	June 30	Sept. 30	Dec. 31
Net sales	$ 121,542	$ 122,240	$ 104,866	$ 76,189
Income (loss) from operations	8,717	12,612	5,110	(48,263)
Net income (loss)	5,102	9,173	2,947	(34,864)
Basic net income (loss) per share	0.32	0.58	0.18	(2.14)
Dilutive net income (loss) per share	0.32	0.57	0.18	(2.14)
Weighted average shares outstanding:				
Basic number of shares	15,855	15,899	16,222	16,268
Effect of dilutive stock options	107	155	169	--
Diluted number of shares	15,962	16,054	16,391	16,268

The first quarter of 2009 was impacted by $604 ($386 after tax) of write off of unamortized debt issuance cost related to the amended credit agreements. (See Note 6).

The second quarter of 2009 was impacted by the valuation allowance placed on the deferred tax assets of all U.S. entities totaling $5,478 after-tax. (See Note 12).

The third quarter of 2009 was impacted by the $3,849 ($2,868 after tax) in restructuring expense related to the reduction in force at our Veenendaal Plant. (See Note 2).

The fourth quarter of 2008 was impacted by impairments of goodwill, fixed assets and other intangible assets totaling $38,371 ($24,402 after tax). In addition, we recorded restructuring charges of $2,247 ($2,247 after tax) and related fixed asset impairments of $1,447 ($1,447 after tax) from the Kilkenny Plant closure. (See Notes 2, 5, 9 and 10).

In the second quarter of 2008, we benefited from a sale of excess land in our Metal Bearing Components Segment that resulted in a gain of $4,018 ($2,995 after tax). In addition, the second quarter was impacted by a $1,142 deferred tax benefit at the Italian operations of our Metal Bearing Components Segment related to a change in Italian tax law.

16) Fair Value of Financial Instruments

Management believes 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, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Variable rate long-term debt	$ 58,392	$ 58,392	$ 62,441	$ 62,441
Fixed rate long-term debt	$ 28,571	$ 27,787	$ 34,647	$ 30,188

17) Accumulated Other Comprehensive Income

The majority of our Accumulated Other Comprehensive Income balance relates to foreign currency translation of our foreign subsidiary balances. At December 31, 2009, we have added to accumulated other comprehensive income $2,356 due to foreign currency translation. At December 31, 2008, we have deducted from accumulated other comprehensive income $3,232 due to foreign currency translation. At December 31, 2007, we have added to accumulated other comprehensive income $11,764 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 added to accumulated other comprehensive income as of December 31, 2009, 2008 and 2007 were actuarial losses of $315, net of tax and $58, net of tax, and an actuarial gain of $656, net of tax, respectively, from our pension liability.

18) Common Stock Repurchase

During the year ended December 31, 2009, we did not repurchase any of our shares under our share repurchase programs or any other program. Our amended and restated credit facility entered into on March 16, 2009, and subsequently amended on March 5, 2010, prohibits the repurchase of our shares until such time as we meet certain earnings and financial covenant levels.

On September 12, 2008, our Board of Directors authorized a new share repurchase program in effect for a period of one year beginning September 15, 2008 with a maximum approved amount of $20 million worth of shares to be repurchased on the open market from time to time in accordance with market regulations. The new plan replaced an existing $25 million share repurchase program initiated on September 13, 2007 that expired on September 13, 2008. During the year ended December 31, 2008, we repurchased 85,171 shares at approximately $11.91 per share for a total value of approximately $1.0 million under this new plan. During 2008, we did not purchase shares under any other program.

During the year ended December 31, 2007, the Company repurchased, under a 2006 approved repurchase program, approximately 211 shares at an approximate average cost of $10.26 a share for a total of $2,166. This program expired September 13, 2007 with a total of approximately 674 shares being purchased totaling $7,441.

A new share repurchase program was established for a period of one year beginning on September 13, 2007, and the amount approved for purchase, from this date until the expiration of the program, was $25 million worth of shares to be purchased in the open market from time to time in accordance with applicable laws and market regulations. During the year ended December 31, 2007, the Company repurchased approximately 797 shares under this program at an average cost of $9.53 per share for a total of $7,556. The total of all share repurchases during the year ended December 31, 2007 was approximately 1,008 shares for $9,722.

19) Related Party Transactions

During the year ended December 31, 2007, we remitted $18,638 to the former sole shareholder of Whirlaway to repay the related party note payable from the November 2006 acquisition. With the acquisition of Whirlaway, we entered into operating leases covering two of the Whirlaway manufacturing facilities with a company owned by the former shareholder of Whirlaway who is now an officer of the Company. The rent payments in 2009, 2008 and 2007 to this related party were $644 each year. The total future rent payments will be $1,288 over 2 years or $644 per year.

20) Subsequent Events

During the first quarter of 2010**,** we announced the closure of the Tempe Plant. The Tempe Plant was acquired in the 2006 acquisition of Whirlaway and had sales of approximately $12.0 million for calendar year 2009. The closing will impact approximately 130 employees. Current economic conditions coupled with the long-term manufacturing strategy for our Whirlaway business necessitated a consolidation of our manufacturing resources in Ohio. We expect to incur cash charges of approximately $2,500 in severance, equipment relocation and other closing costs during 2010 related to this closure. In addition, we expect to incur up to $3,000 in accelerated depreciation during 2010 related to machinery that will be abandoned as part of the closure. As of December 31, 2009, the total net assets of this location were $7,862. We do not anticipate any other potential impairment of assets including the remaining fixed assets which will be relocated to other Whirlaway plants.

On March 16, 2010, we granted 249 stock awards to the non-employee directors and certain key employees at a grant date price of $4.42 per share. We will incur $1,100 of compensation cost in the first quarter of 2010 related to these grants.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 8A. 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 l3a-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, 2009, 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). 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, 2009.

The effectiveness of our internal control over financial reporting as of December 31, 2009 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears under item 8 of this filing.

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, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 8B. Other Information

None

Part III

Item 9. 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, 2009, 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 10. 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 11. 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)

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted – average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,391	$ 9.23	279
Equity compensation plans not approved by security holders	--	--	--
Total	1,391	$ 9.23	279

Item 12. Certain Relationships and Related Transactions, and Director Independence

During 2007, we paid $18.6 million to the former shareholder of Whirlaway, Thomas Zupan, who is now Vice President – Precision Metal Components Division. Additionally, on November 30, 2006, the company entered into operating leases covering two of the Whirlaway manufacturing facilities with a company owed by Mr. Zupan. The rent payments in 2009, 2008 and 2007 to this related party were $ 0.6 million each year. The total future rent payments as of December 31, 2008 will be $1.2 million over 2 years or approximately $0.6 million per 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 13. 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 14. 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 begins on the following pages hereof:

	Page
Report of Independent Registered Public Accounting Firm	38
Consolidated Balance Sheets at December 31, 2009 and 2008	39
Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2009, 2008, and 2007	40
Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2009, 2008, and 2007	41
Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2008, and 2007	42
Notes to Consolidated Financial Statements	43

2. Financial Statement Schedules

The required information is reflected in the Notes to Consolidated Financial Statements within Item 7.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

By: /s/ RODERICK R. BATY
Roderick R. Baty
Chairman of the Board,
Chief Executive Officer and President

Dated: March 31, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Name and Signature	Title	Date
/S/ RODERICK R. BATY Roderick R. Baty	Chairman of the Board, Chief Executive Officer and President	March 31, 2010
/S/ JAMES H. DORTON James H. Dorton	Vice President-Corporate Development and Chief Financial Officer	March 31, 2010
/S/ WILLIAM C. KELLY, JR. William C. Kelly, Jr.	Vice President-Chief Administrative Officer, Secretary and Treasurer	March 31, 2010
/S/ THOMAS C. BURWELL, JR. Thomas C. Burwell, Jr.	Corporate Controller	March 31, 2010
/S/ G. RONALD MORRIS G. Ronald Morris	Director	March 31, 2010
/S/ MICHAEL E. WERNER Michael E. Werner	Director	March 31, 2010
/S/ STEVEN T. WARSHAW Steven T. Warshaw	Director	March 31, 2010
/S/ RICHARD G. FANELLI Richard G. Fanelli	Director	March 31, 2010
/S/ ROBERT M. AIKEN, JR. Robert M. Aiken, Jr.	Director	March 31, 2010

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)
3.3	Form of Certificate of Designation of Series A Junior Participating Preferred Stock on NN, Inc., as filed with the Secretary of the State of Delaware on December 15, 2008 (incorporated by reference to the Company's Form 8-K filed December 18, 2008)
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)
4.2	Article IV, Article V (Sections 3 through 6), Article VI (Section 2) and Article VII (Sections 1 and 3) of the Restated Certificate of Incorporation of the Company (included in Exhibit 3.1)
4.3	Article II (Sections 7 and 12), Article III (Sections 2 and 15) and Article VI of the Restated By-Laws of the Company (included in Exhibit 3.2)
4.4	Rights Agreement, dated as of December 16, 2008, by and between NN, Inc. and Computershare Trust Company, N.A. including the form of Certificate of Designation, the Form of Rights Certificate and the Summary of Rights to Purchase attached thereto as Exhibits A, B, and C respectively (incorporated by reference to the Company's Form 8-K filed December 18, 2008)
10.1	NN, Inc. Stock Incentive Plan and Form of Incentive Stock Option Agreement pursuant to the Plan (incorporated by reference to Exhibit 10.1 of the Company's Registration Statement No. 333-89950 on Form S-3/A filed July 15, 2002)*
10.2	Amendment No. 1 to the NN, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 4.6 of the Company's Registration Statement No. 333-50934 on Form S-8 filed on November 30, 2000)*
10.3	Amendment No. 2 to the NN, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 4.7 of the Company's Registration Statement No. 333-69588 on Form S-8 filed on September 18, 2001)*
10.4	Amendment No. 3 to NN, Inc. Stock Incentive Plan as ratified by the shareholders on May 15, 2003 amending the Plan to permit the issuance of awards under the Plan to directors of the Company (incorporated by reference to Exhibit 10-1 of the Company's Quarterly Report on Form 10-Q filed August 14, 2003)*
10.5	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.6 of the Company's Registration Statement No. 333-89950 on Form S-3/A filed July 15, 2002)
10.6	Form of Stock Option Agreement, dated December 7, 1998, between the Company and the non-employee directors of the Company (incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K filed March 31, 1999)*
10.7	Elective Deferred Compensation Plan, dated February 26, 1999 (incorporated by reference to Exhibit 10.16 of the Company's Annual Report on Form 10-K filed March 31, 1999)*

10.8 NN, Inc. 2005 Stock Incentive Plan (incorporated by reference to the Company's Form S-8 filed December 16, 2005)*

10.9 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)*

10.10 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)*

10.11 Executive Employment Agreement, dated August 21, 2006, between the Company and James Anderson (incorporated by reference to the Company's Forms 8-K filed August 24, 2006 and March 18, 2010)*

10.12 Executive Employment Agreement, dated August 21, 2006, between the Company and Thomas G. Zupan (incorporated by reference to the Company's Forms 8-K filed December 6, 2006 and March 18, 2010)*

10.13 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)*

10.14 Executive Employment Agreement, dated August 21, 2006, between the Company and Robert R. Sams (incorporated by reference to the Company's Current Report on Forms 8-K filed August 21, 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*

10.17 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)

10.18 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)

10.19 Supply Agreement between NN Euroball ApS and AB SKF dated April 6, 2000. (We have omitted certain information from the Agreement and filed it separately with the Securities and Exchange Commission pursuant to our request for confidential treatment under Rule 24b-2. We have identified the omitted confidential information by the following statement, "Confidential portions of material have been omitted and filed separately with the Securities and Exchange Commission, " as indicated throughout the document with a n asterisk in brackets([*]) (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q filed August 14, 2003)

10.20 Global Supply Agreement among NN, Inc., NN Netherlands B.V. and SKF Holding Maatschappij Holland B.V. dated April 14, 2003. (We have omitted certain information from the Agreement and filed it separately with the Securities and Exchange Commission pursuant to our request for confidential treatment under Rule 24b-2. We have identified the omitted confidential information by the following statement, "Confidential portions of material have been omitted and filed separately with the Securities and Exchange Commission, " as indicated throughout the document with a n asterisk in brackets([*])(incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed August 14, 2003)

10.21 Note Purchase Agreement dated April 22, 2004 among NN, Inc. as the Borrower and its Subsidiary Guarantors and the Prudential Insurance Company of America as Agent for the Purchase. (incorporated by reference to Exhibit 10.28 of the Company's Annual Report on Form 10-K filed March 16, 2005)

10.22 First Amendment to Note Purchase Agreement dated as of September 1, 2006, among NN, Inc. and The Prudential Insurance and Annuity Company, American Bankers Life Assurance Company of Florida, Inc., Farmers New World Life Insurance Company and Times Insurance Company as amended March 5, 2010(incorporated by reference to the Company's Forms 8-K filed September 27, 2006 and March 10, 2010)*

10.23 Credit Agreement dated as of September 1, 2006 among NN, Inc., and the Lenders as named therein, KeyBank National Association as Lead Arranger, Book Runner and Administrative Agent, and AmSouth Bank, as Swing Line Lender as amended on March 5, 2010 (incorporated by reference to the Company's Current Report on Forms 8-K filed September 27, 2006 and March 10, 2010)

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

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* Management contract or compensatory plan or arrangement.

EXHIBIT 10.16

EXECUTIVE EMPLOYMENT AGREEMENT

THIS AGREEMENT is made as of this 21st day of August, 2006, by and between **NN, Inc.**, a Delaware Corporation with its principal place of business in Johnson City, Tennessee (the "Company"), and **Jeffrey H. Hodge** (the "Executive").

WITNESSETH:

WHEREAS, the Company recognizes the value of the Executive's experience and expertise and desires to continue in its employment of the Executive as Level 3 Manager of the Company; and

WHEREAS, the Executive wishes to continue to be employed by the Company in such capacity; 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 as follows:

1. Employment. The Company agrees to continue to employ the Executive, and the Executive agrees to continue 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 August 21, 2006, and end on August 20, 2007 unless further extended or sooner terminated as hereinafter provided. On August 20, 2007 and on August 20 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 Level 3 Manager 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 155,000 Dollars ($155,000) 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 and beneficially owns fifty percent (50%) or more of the issued and outstanding voting stock of the Company 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 the Company 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 the Company); or

(B) The Company 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 the Company immediately prior to the transaction; or

(C) The Company sells fifty percent (50%) or more of its assets to any other person or persons (other than an affiliate or affiliates of the Company); 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 the Company; 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 of Control will serve as an event which entitles Executive to any payment hereunder.

(iv) The term “Disability” shall mean the Executive’s failure to satisfactorily perform his regular duties on behalf of the Company on a full-time basis for one hundred and twenty (120) days during any three hundred and sixty (360) day period, by reason of the Executive’s incapacity due to physical or mental illness.

(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 have the meaning contemplated in guidance issued by the U. S. Department of the Treasury for purposes of applying the provisions of Section 409A of the Internal Revenue Code.

(vii) The term “Specified Employee” shall have the meaning contemplated by Section 409A(a)(2)(B)(i) of the Internal Revenue Code and guidance issued thereunder by the U. S. Department of the Treasury.

(b) Separation From Service By Company Not For Cause Or By Executive With Good Reason Prior To A Change Of Control. In the event Executive incurs a termination of employment by action of the Company without Cause prior to a Change of 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 a lump sum amount equal to 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)) within seventy-five (75) days of said 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 (except as provided in Paragraph 6(e)) promptly reimburse Executive for Executive's payment of the COBRA premium required in order to continue coverage for Executive and his family under the Company's existing benefit plans until the first anniversary of the date the COBRA continuation period begins or until Executive becomes eligible for similar coverage under the terms of new employment undertaken by Executive, whichever first occurs; and provided further, that the terms of the Company's benefit plans shall be subject to amendment during such period, to the extent that such amendments are applicable to the executive officers of the Company generally.

(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 of 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 of 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) for a period of twelve months after such termination (the "Coverage Period"), medical, dental, prescription drug, life, accidental death and disability insurance coverage substantially similar to the coverage which Executive was receiving or entitled to receive immediately prior to the date of the termination of Executive's employment ("Insurance Benefits”), to the extent permitted by the terms of each particular existing benefit plan and, if not so permitted, the Company shall, except as provided in Paragraph 6(e), promptly reimburse Executive for Executive's payment of the COBRA premium required in order to continue coverage for Executive and his family under the Company's existing benefit plans. Notwithstanding the foregoing, Executive shall not be entitled to receive the Insurance Benefits (or a portion thereof) to the extent that Executive obtains other employment that provides equal or greater benefits during the Coverage Period.

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 thirty (30) 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:	President NN, Inc. 2000 Waters Edge Drive Johnson City, TN 37604
To the Executive:	Jeffrey H. Hodge ________________ ________________

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. 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 May 15, 2006, 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. 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.

23. 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.

24. 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.

25. 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.

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: /s/Roderick R. Baty
Roderick R. Baty, Chairman/CEO

Attest:

EXECUTIVE:

/s/Jeffrey H. Hodge
Jeffrey H. Hodge

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: 40%.

EXHIBIT 21.1

Subsidiaries of the Registrant

Subsidiaries of NN, Inc.	Jurisdiction of Incorporation or Organization
The Delta Rubber Company	Connecticut
Industrial Molding Corp.	Tennessee
NN Europe ApS	Denmark
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

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-130395, No. 333-50934, No. 33-87572, and No. 333-69588) of NN, Inc. of our report dated March 31, 2010 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP
Raleigh, North Carolina
March 31, 2010

Exhibit 31.1

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 31, 2010

Signature: /s/ RODERICK R. BATY

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

Exhibit 31.2

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 31, 2010

Signature: /s/ JAMES H. DORTON

James H. Dorton
Vice President – Corporate Development and Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report of NN, Inc. (the "Company") on Form 10-K for the year ended December 31, 2009, 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 31, 2010

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

[A signed original of this written statement required by Section 906 has been provided to NN, Inc. and will be retained by NN, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.]

Exhibit 32.2

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

In connection with the Annual Report of NN, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2009, 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 31, 2010

/s/ James H. Dorton
James H. Dorton
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.]