
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, 2003
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
None	None

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

Common Stock, par value $.01
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| 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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes |X| No |_|

The number of shares of the registrant's common stock outstanding on March 11, 2004 was 16,711,958.

The aggregate market value of the voting stock held by non-affiliates of the registrant at March 11, 2004, based on the closing price on the NASDAQ National Market System on that date was approximately $125,809,512.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement with respect to the 2004 Annual Meeting of Stockholders are incorporated by reference in Part III of this Form 10-K.

PART I

Item 1. Business Overview

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

For managerial and financial analysis purposes, management views the Company's operation in three segments: the domestic ball and roller operations of Erwin, Tennessee and Mountain City, Tennessee ("Domestic Ball and Roller Segment"), the European facilities of Kilkenny, Ireland, Eltmann, Germany and Pinerolo, Italy, Veenendaal, The Netherlands and Kysucke Nove Mesto, Slovakia ("NN Europe Segment" or "NN Europe") and the operations of Industrial Molding Corporation ("IMC"), The Delta Rubber Company ("Delta") and NN Arte ("Plastic and Rubber Components Segment"). Financial information about the Domestic Ball and Roller Segment, the NN Europe Segment and the Plastic and Rubber Components Segment is set forth in Note 11 of the Notes to Consolidated Financial Statements.

Recent Developments

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

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

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

Corporate Information

NN, originally organized in October 1980, is incorporated in Delaware, with our principal executive offices located at 2000 Water's Edge Drive, Johnson City, Tennessee 37604 and our telephone number is (423) 743-9151. Our web site address is www.nnbr.com. Information contained on our web site is not part of this Annual Report. Our annual report on Form 10-K, as amended, quarterly reports on Form 10-Q, as amended, current reports on Form 8-K and amendments thereto are available on our web site under "SEC Reports." Prior to February 5, 2003, these reports were available through a hyperlink to a third-party service which provided limited free access to such reports. We believed that such hyperlink

provided unlimited free access to our filings with the Commission; however, this hyperlink did not provide unlimited free access to the reports. Therefore, the amendments to our Form 10-Q and Form 10-K filed on November 22, 2002 and our Forms 8-K filed December 9, 2002 and December 20, 2002 were not available free of charge to all viewers through our web site. After February 5, 2003, our hyperlink provides unlimited free access to our filings with the Commission on our web site under "SEC Reports".

Products

Precision Steel Balls. At our Domestic Ball and Roller Segment facilities and our NN Europe Segment facilities, we manufacture and sell high quality, precision steel balls in sizes ranging in diameter from 1/8 of an inch to 12 1/2 inches. We produce and sell balls in grades ranging from grade 3 to grade 1000, as established by the American Bearing Manufacturers Association. The grade number for a ball or a roller indicates the degree of spherical or cylindrical precision of the ball or roller; for example, grade 3 balls are manufactured to within three-millionths of an inch of roundness and grade 50 rollers are manufactured to within fifty-millionths of an inch of roundness. Our steel balls are used primarily by manufacturers of anti-friction bearings where precise spherical, tolerance and surface finish accuracies are required. At our Domestic Ball and Roller Segment, sales of steel balls accounted for approximately 86%, 88% and 89% of the segment's net sales in 2003, 2002 and 2001, respectively. At our NN Europe Segment, sales of steel balls accounted for approximately 76%, 100% and 100% of the segment's net sales in 2003, 2002 and 2001, respectively.

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

Bearing Seals. We manufacture and sell a wide range of precision bearing seals produced through a variety of compression and injection molding processes and adhesion technologies to create rubber-to-metal bonded bearing seals. The seals are used in applications for automotive, industrial, agricultural, mining and aerospace markets.

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

Precision Plastic Components. We also manufacture and sell a wide range of specialized plastic products including automotive under-the-hood components, electronic instrument cases and precision electronic connectors and lenses, as well as a variety of other specialized parts.

Research and Development. The amount spent on research and development activities by us during each of the last three fiscal years are not material.

Customers

Our bearing component products are supplied primarily to bearing manufacturers for use in a broad range of industrial applications, including transportation, electrical, agricultural, construction, machinery, mining and aerospace. We supply over 500 customers; however, our top 10 customers account for approximately 77% of our revenue. These top 10 customers include SKF, INA/FAG, Timken, Torrington, GKN, SNR, Iljin, NTN, Delphi, Automotive Products and NSK. In 2003, 34% of our products were sold to customers in North America, 53% to customers in Europe, and the remaining 13% to customers located throughout the rest of the world, primarily Asia. Sales to various U.S. and foreign divisions of SKF accounted for approximately 42% of net sales in 2003 and sales to INA/FAG accounted for approximately 16% of net sales in 2003, demonstrating our long-term, strategic relationships with these key customers. Historically, we have increased our supply to SKF and INA/FAG on an annual basis and we have more than tripled our sales to these two companies since 1999. These gains are directly attributed to the success of Euroball, Veenendaal and our efforts to develop a closer partnering relationship with our global bearing customers. None of our other customers accounted for more than 5% of our net sales in 2003.

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

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

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

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

During 2003, the Domestic Ball and Roller Segment sold its products to more than 250 customers located in more than 25 different countries. Approximately 54% of the Domestic Ball and Roller Segments net sales in 2003 were to customers outside the United States. Sales to the Domestic Ball & Roller Segment's top ten customers accounted for approximately 72% of the segment's net sales in 2003. Sales to SKF and INA/FAG accounted for approximately 26% and 14% of the segment's net sales in 2003, respectively.

During 2003, the NN Europe Segment sold its products to more than 70 customers located in more than 30 different countries. Approximately 87% of its net sales in 2003 were to customers within Europe. Sales to the segment's top ten customers accounted for approximately 95% of the segment's net sales in 2003. Sales to SKF and INA/FAG accounted for approximately 63% and 18% of the segment's net sales in 2003, respectively. Sales to SKF and INA/FAG are made pursuant to the terms of supply agreements which expire in 2006 and 2008.

During 2003, the Plastic and Rubber Components Segment sold its products to more than 100 customers located in more than 10 different countries. Approximately 20% of the Plastics Segment's net sales were to customers outside the United States. Sales to the segment's top ten customers accounted for approximately 67% of the Plastics Segment's net sales in 2003.

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

The following table presents a breakdown of our net sales for fiscal years 2001 through 2003:

(In Thousands)

	2003	**2002**	**2001**
Domestic Ball and Roller Segment	$ 55,437 21.9%	$ 52,634 27.3%	$ 52,692 29.3%
NN Europe Segment	147,127 58.0%	90,653 47.0%	86,719 48.1%
Plastic and Rubber Components Segment	50,898 20.1%	49,569 25.7%	40,740 22.6%
Total	$253,462	$ 192,856	$ 180,151
	100%	100%	100%

Sales and Marketing

A primary emphasis of our marketing strategy is to expand key customer relationships by offering them the value of a single supply chain partner for a wide variety of components. As a result, we have progressed toward integrating our sales organization on a global basis across all of our product lines. Our sales organization includes eight direct sales and 12 customer service representatives. Due to the technical nature of many of our products, our engineers and manufacturing management personnel also provide technical sales support functions, while internal sales employees handle customer orders and other general sales support activities.

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

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

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

Our arrangements with our domestic customers typically provide that payments are due within 30 days following the date of shipment of goods. With respect to foreign customers, payments generally are due within 90 to 120 days following the date of shipment in order to allow for additional freight time and customs clearance. For customers that participate in our Domestic Ball and Roller Segment's inventory management program, sales are recorded when the customer uses the product. See "Business -- Customers" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Manufacturing Process

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

The key to our low-cost, high quality production of seals and retainers is the incorporation of customized engineering into our manufacturing processes, metal to rubber bonding competency and experience with a broad range of engineered resins. We employ 20 skilled engineers who design and customize the tooling necessary to meet the needs of each customer's product. This design process includes the testing and quality assessment of each product.

Employees

As of December 31, 2003, we employed a total of 1,715 full-time employees. Our Domestic Ball and Roller Segment employed 257 workers, the NN Europe Segment employed 1,023 workers, our Plastic and Rubber Components Segment employed 428 workers, and there were 7 employees at the Company's corporate headquarters. Of our total employment, 17% are management/staff employees and 83% are production employees. We believe we are able to attract and retain high quality employees because of our quality reputation, technical expertise, history of financial and operating stability, attractive employee benefit programs, and our progressive, employee-friendly working environment. Only the employees in the Eltmann, Germany, Pinerolo, Italy, and Veenendaal, The Netherlands plants are unionized and we have never experienced any involuntary work stoppages. We consider our relations with our employees to be excellent.

Competition

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

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

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

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

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

Raw Materials

The primary raw material used in our Domestic Ball and Roller Segment and NN Europe Segment is 52100 Steel. During 2003, approximately 98% and 99% of the steel used by these two segments, respectively, was 52100 Steel in rod and wire form. Our other steel requirements include type 440C stainless steel and type S2 rock bit steel.

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

We allocate steel purchases among suppliers on the basis of price and, more significantly, composition and quality. The pricing arrangements with our suppliers are typically subject to adjustment once every six months for the Domestic Ball and Roller Segment. Steel pricing is contractually adjusted on an annual basis within the NN Europe Segment. Scrap surcharges are adjusted quarterly based upon market activity in the preceding quarter. In general, we do not enter into written supply agreements with suppliers or commit to maintain minimum monthly purchases of steel except for the supply arrangements between Ascometal and Euroball (see Note 14 of the Notes to Consolidated Financial Statements). For the Domestic Ball and Roller and NN Europe Segments, the average price of 52100 Steel increased approximately 3.2% in 2003, decreased approximately 2.5% in 2002, and increased approximately 1.9% in 2001.

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

In 2001, we established a supply alliance with The Torrington Company, which was acquired by the Timken Company in February 2003, to leverage our combined supply requirements. The purchasing entity is empowered to negotiate and execute supply agreements for both companies. Because we both use similar raw materials from many common sources, we believe the potential synergies in raw material procurement will be of value.

The primary raw materials used by IMC are engineered resins. Injection grade nylon is utilized in bearing retainers, gears, automotive and other industrial products. We purchase substantially all of our resin requirements from domestic manufacturers and suppliers. The majority of these suppliers are international companies with resin manufacturing facilities located throughout the world. We experienced price decreases for engineered resins of approximately 1.0% in 2003, price decreases of approximately 2.5% in 2002, and price increases of approximately 4.3% in 2001.

Delta uses certified vendors to provide a custom mix of proprietary rubber compounds. Delta also procures metal stampings from several domestic suppliers. We experienced price decreases for Delta's raw materials of approximately 2.5% in 2003 and 0% in 2002 and 2001.

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

Patents, Trademarks and Licenses

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

Seasonal Nature of Business

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

Environmental Compliance

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

Executive Officers of the Registrant

Our executive officers are:

Name	Age	Position
Roderick R. Baty	50	Chairman of the Board, Chief Executive Officer, President and Director
Frank T. Gentry, III	48	Vice President - Manufacturing
Robert R. Sams	46	Vice President - Market Services
David L. Dyckman	39	Vice President - Corporate Development and Chief Financial Officer
William C. Kelly, Jr.	45	Treasurer, Secretary and Chief Administrative Officer
Charles C. Leach	46	Vice President/General Manager - Industrial Molding Corporation
Paul N. Fortier	42	Vice President/General Manager - Delta Rubber Company
Dario E. Galetti	49	Managing Director - NN Europe

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

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

Frank T. Gentry, III, was originally appointed Vice President - Manufacturing in August 1995. Mr. Gentry is responsible for the global operations of the Ball and Roller and NN Europe Segments. Mr. Gentry's responsibilities include purchasing, inventory control and transportation. Mr. Gentry joined NN in 1981 and held various production control positions within NN from 1981 to August 1995.

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

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

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

Charles C. Leach was named Vice President and General Manager - IMC in January of 2002. Prior to being named Vice President and General Manager, from 1989 to 2002 Mr. Leach held increasingly responsible positions in materials, manufacturing, and operations management at IMC.

Paul N. Fortier was appointed Vice President and General Manager - Delta in May 2001 shortly after the Company's acquisition of Delta in February 2001. Prior to joining the Company, from 1988 to 2001, Mr. Fortier held a variety of quality, manufacturing, marketing, and general management positions with Siemens in its precision materials and general lighting divisions.

Dario Galetti was named Managing Director - Euroball in August 2000. From 1993 to 2000, he served as the Factory Manager Director of SKF's Pinerolo, Italy ball facility. From 1990 to 1993 he was Factory Manager of the SKF Bari Bearing Factory.

Item 2. Properties

The Company has two operating domestic ball manufacturing facilities located in Erwin, Tennessee and Mountain City, Tennessee. Rollers are produced only at the Erwin, Tennessee facility. Production began in early 1996 at the Mountain City facility. During December 2001, we ceased production and closed our facility in Walterboro, South Carolina. The Walterboro, South Carolina facility is classified as held for sale at December 31, 2003 and 2002.

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

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

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

Our Kysucke Nove Mesto, Slovakia operation, expected to begin production in 2004, will be engaged in the production of precision steel balls. The facility, owned by the Company, has approximately 135,000 square feet of manufacturing space.

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

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

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

Item 3. Legal Proceedings

From time to time the Company is subject to legal actions related to its operations, most of which are of an ordinary and routine nature and are incidental to the operations of the Company. Management believes that such proceedings should not, individually or in the aggregate, have a material adverse effect on the Company's business or financial condition or on the results of operations.

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

No matters were submitted for a vote of stockholders during the fourth quarter of 2003.

Part II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

Since the Company's initial public offering in 1994, the Common Stock has been traded on the Nasdaq National Market under the trading symbol "NNBR." Prior to such time there was no established market for the Common Stock. As of March 11, 2004, there were approximately 4,500 holders of the Common Stock.

The following table sets forth the high and low closing sales prices of the Common Stock, as reported by Nasdaq, and the dividends paid per share on the Common Stock during each calendar quarter of 2003, 2002 and 2001.

	Close Price		
	High	Low	Dividend
2003			
First Quarter	$10.00	$8.01	$0.08
Second Quarter	12.66	9.35	0.08
Third Quarter	13.75	11.12	0.08
Fourth Quarter	12.90	10.70	0.08
2002			
First Quarter	$11.00	$9.15	$0.08
Second Quarter	12.80	9.68	0.08
Third Quarter	12.45	8.08	0.08
Fourth Quarter	10.10	6.98	0.08
2001			
First Quarter	$ 9.17	$6.53	$0.08
Second Quarter	10.81	6.50	0.08

Third Quarter	10.84	7.25	0.08
Fourth Quarter	11.30	7.75	0.08

The declaration and payment of dividends are subject to the sole discretion of the Board of Directors of the Company and depend upon the Company's profitability, financial condition, capital needs, future prospects and other factors deemed relevant by the Board of Directors. The terms of the Company's revolving credit facility restrict the payment of dividends by prohibiting the Company from declaring or paying any dividend if an event of default exists at the time of, or would occur as a result of, such declaration or payment. Additionally, the terms of the Company's revolving credit facility restrict the declaration and payment of dividends in excess of certain amounts specified in the credit agreement in any fiscal year. The amount of consolidated retained earnings which represents undistributed earnings of 50 percent or less owned persons accounted for by the equity method is zero at December 31, 2003, 2002 and 2001. For further description of the Company's revolving credit facility, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" herein.

Item 6. Selected Financial Data

The following selected financial data of the Company are qualified by reference to and should be read in conjunction with the Consolidated Financial Statements and the Notes thereto included as Item 8. The data set forth below as of December 31, 2003 and for the year then ended has been derived from the Consolidated Financial Statements of the Company which have been audited by PricewaterhouseCoopers LLP, independent auditors, whose report thereon is included as part of Item 8. The data below as of December 31, 2002, 2001 and 2000 and for the periods then ended has been derived from the Consolidated Financial Statements of the Company, which have been audited by KPMG LLP, independent auditors. The data below as of December 31, 1999 and for the year then ended has been derived from the Consolidated Financial Statements of the Company, which have been audited by PricewaterhouseCoopers LLP, independent auditors. These historical results are not necessarily indicative of the results to be expected in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

(In Thousands, Except Per Share Data)	Year Ended December 31,				
	2003	2002	2001	2000	1999
Statement of Income Data:					
Net sales	$253,462	$192,856	$180,151	$132,129	$85,294
Cost of products sold (exclusive of depreciation shown separately below)	195,650	144,274	137,221	93,926	59,967
Selling, general and administrative expenses	21,700	17,134	16,752	11,571	6,854
Depreciation and amortization	13,836	11,212	13,150	9,165	6,131
Restructuring and impairment costs	2,498	1,277	2,312	--	--
Income from operations	19,778	18,959	10,716	17,467	12,342
Interest expense	3,247	2,451	4,196	1,773	523
Equity in earnings of unconsolidated affiliate	--	--	--	(48)	--
Net gain on involuntary conversion	--	--	(3,901)	(728)	--
Other income	(48)	(487)	(186)	(136)	--
Income before provision for income taxes	16,579	16,995	10,607	16,606	11,819
Provision for income taxes	5,726	6,457	4,094	5,959	4,060
Minority interest in income of consolidated subsidiary	675	2,778	1,753	660	--
Income before cumulative effect of change in accounting principle	10,178	7,760	4,760	9,987	7,759
Cumulative effect of change in accounting principle, net of income tax benefit of $112 and related minority interest impact of $84	--	--	98	--	--
Net income	$ 10,178	$ 7,760	$ 4,662	$ 9,987	$ 7,759
Basic income per share:					
Income before cumulative effect of change in accounting principle	$ 0.64	$ 0.51	$ 0.31	$ 0.66	$ 0.52
Cumulative effect of change in accounting principle	--	--	(0.01)	--	--
Net income	$ 0.64	$ 0.51	$ 0.31	$ 0.66	$ 0.52
Diluted income per share:					
Income before cumulative effect of change in accounting principle	$ 0.62	$ 0.49	$ 0.31	$ 0.64	$ 0.52
Cumulative effect of change in accounting principle	--	--	(0.01)	--	--
Net income	$ 0.62	$ 0.49	$ 0.30	$ 0.64	$ 0.52
Dividends declared	$ 0.32	$ 0.32	$ 0.32	$ 0.32	$ 0.32
Weighted average number of shares outstanding - Basic	15,973	15,343	15,259	15,247	15,021
Weighted average number of shares					

outstanding - Diluted	16,379	15,714	15,540	15,531	15,038

(In Thousands, Except Per Share Data)

	Year Ended December 31,				
	2003	2002	2001	2000	1999
Balance Sheet Data:					
Current assets	$ 88,419	$ 61,412	$ 55,617	$ 63,866	$ 34,397
Current liabilities	62,694	40,234	32,534	33,840	10,478
Total assets	266,417	195,215	184,477	183,951	91,363
Long-term debt	69,752	46,135	47,661	50,515	17,151
Stockholders' equity	106,468	77,908	70,982	74,675	60,128

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

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

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

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

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

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

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

On July 4, 1999 we acquired all of the assets and assumed certain liabilities of Earsley Capital Corporation, formerly known as Industrial Molding Corporation.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Consolidated Financial Statements and the Notes thereto and Selected Financial Data included elsewhere in this Form 10-K. Historical operating results and percentage relationships among any amounts included in the Consolidated Financial Statements are not necessarily indicative of trends in operating results for any future period.

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

The Company wishes to caution readers that this report contains, and future filings by the Company, press releases and oral statements made by the Company's authorized representatives may contain, forward-looking statements that involve certain risks and uncertainties. Readers can identify these forward-looking statements by the use of such verbs as expects, anticipates, believes or similar verbs or conjugations of such verbs. The Company's actual results could differ materially from those expressed in such forward-looking statements due to important factors bearing on the Company's business, many of which already have been discussed in this filing and in the Company's prior filings. The differences could be caused by a number of factors or combination of factors including, but not limited to, the risk factors described below.

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

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

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

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

The steel that we use to manufacture precision balls and rollers is of an extremely high quality and is available from a limited number of producers on a global basis. Due to quality constraints in the U.S. steel industry, we obtain substantially all of the steel used in our U.S. ball and roller production from overseas suppliers. In addition, we obtain substantially all of the steel used in our European ball production from a single European source. If we had to obtain steel from sources other than our current suppliers, particularly in the case of our European operations, we could face higher prices and transportation costs, increased duties or taxes, and shortages of steel. Problems in obtaining steel, and particularly 52100 chrome steel, in the quantities that we require and on commercially reasonable terms, could increase our costs, adversely impacting our ability to operate our business efficiently and have a material adverse effect on the operating and financial results of our Company.

We depend heavily on a relatively limited number of customers, and the loss of any major customer would have a material adverse effect on our business.

Sales to various U.S. and foreign divisions of SKF, which is one of the largest bearing manufacturers in the world, accounted for approximately 42% of consolidated net sales in 2003, and sales to INA/FAG accounted for approximately 16% of consolidated net sales in 2003. During 2003, our ten largest customers accounted for approximately 77% of our consolidated net sales. None of our other customers individually accounted for more than 5% of our consolidated net sales for 2003. 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 decline in the value of the Euro relative to the U.S. dollar will negatively impact our consolidated financial results, which are denominated in U.S. dollars.

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

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

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

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

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

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

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

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

The global market for bearing components is highly competitive, with a majority of production represented by the captive production operations of certain large bearing manufacturers and the balance represented by independent manufacturers. Captive manufacturers make components for internal use and for sale to third parties. All of the captive manufacturers, and many independent manufacturers, are significantly larger and have greater resources than do we. Our competitors are continuously exploring and implementing improvements in technology and manufacturing processes in order to improve product quality, and our ability to remain competitive will depend, among other things, on whether we are able to keep pace with such quality improvements in a cost effective manner.

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

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

The price of our common stock may be volatile.

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

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

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

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

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

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

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

Overview and Management Focus

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

- Captive growth, providing a competitive and attractive alternative to the operations of our global customers

---

- Expansion of our bearing product offering, and
- Global expansion of our manufacturing base to better address the global requirements of our customers

Management generally focuses on these trends and relevant market indicators:

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

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

- Sales growth
- Cost of products sold levels
- Selling, general and administrative expense levels
- Net income
- Cash flow from operations and capital spending

Our core business is the manufacture and sale of high quality, precision steel balls and rollers. In 2003, sales of balls and rollers accounted for approximately 76% of the Company's total net sales with 63% and 13% of sales from balls and rollers, respectively. Sales of metal bearing retainers accounted for 4% and sales of precision molded plastic and rubber parts accounted for the remaining 20%. See Note 11 of the Notes to Consolidated Financial Statements.

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

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

On July 4, 1999, we acquired substantially all of the assets of Earsley

Capital Corporation, formerly known as Industrial Molding Corporation ("IMC") for consideration of approximately $30.0 million. Formed in 1947, IMC provides full-service design and manufacture of plastic injection molded components to the bearing, automotive, electronic, leisure and consumer markets with an emphasis on value-added products that take advantage of its capabilities in product

---

development, tool design and tight tolerance molding processes. IMC operates two manufacturing facilities in Lubbock, Texas. During 2003, IMC sold its products to more than 60 customers in 12 different countries.

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

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

On September 11, 2001, we announced the closing of our Walterboro, South Carolina ball manufacturing facility effective December 2001. The closing was made as part of our strategy to redistribute our global production in order to better utilize capacity and serve the needs of our worldwide customers. The precision ball production of the Walterboro facility has been fully absorbed by our remaining U.S. ball & roller manufacturing facilities located in Erwin and Mountain City, Tennessee. In 2002 and 2001 we recorded before tax charges associated with the closing of $1.3 million and $1.9 million, respectively. In 2001, this amount includes a $1.1 million before-tax charge for the recording of impairment on our manufacturing facility located in Walterboro, South Carolina and $0.8 million related to employee severance costs. In 2002, this amount includes a $0.6 million before-tax charge for the recording of an additional impairment on the facility, a $0.6 million before-tax charge for the recording of impairment on the machinery and equipment and a $0.1 million charge related to employee severance costs. There were no impairment charges related to these assets recorded in 2003. These amounts are reflected as restructuring and impairment costs in the accompanying Consolidated Statements of Income. The building along with certain machinery and equipment are held for sale as of December 31, 2003. These assets have an aggregate carrying value of $1.8 million. The financial results of this operation have been reflected in the Domestic Ball and Roller Segment. See Note 11 of the Notes to Consolidated Financial Statements.

Effective December 21, 2001, we sold our minority interest in Jiangsu General Ball & Roller Company, LTD, a Chinese ball and roller manufacturer located in Rugao City, Jiangsu Province, China. To effect the transaction, we sold our 50% ownership in NN General, LLC, which owns a 60% interest in the Jiangsu joint venture to our partner, General Bearing Corporation for cash of $0.6 million and notes of $3.3 million. In 2001, we recorded a non-cash after-tax loss on sale of the investments in this joint venture of $0.2 million.

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

On October 9, 2003, we acquired certain assets comprised of land, building and machinery and equipment of the precision ball operations of KLF - Gulickaren ("KLF"), based in Kysucke Nove Mesto, Slovakia. We paid consideration of approximately 1.7 million Euros ($2.0 million). The assets will be utilized by our newly established subsidiary NN Slovakia

based in Kysucke Nove Mesto, Slovakia, which will begin production in 2004. The financial results of the operations are included in our NN Europe Segment.

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

Critical Accounting Policies

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

Accounts Receivable. Accounts receivable are recorded upon recognition of a sale of goods and ownership 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. Due to the Chapter 7 voluntary bankruptcy of one IMC customer and other write-offs, the Company experienced $1.7 million of bad debt expense during 2001, $0.1 million during 2002 and $0.1 million during 2003. In establishing allowances for doubtful accounts, the Company continuously performs credit evaluations of its customers, considering numerous inputs when available including the customers' financial position, past payment history, relevant industry trends, cash flows, management capability, historical loss experience and economic conditions and prospects. Accounts receivable are written off when considered to be uncollectible. While management believes that adequate allowances for doubtful accounts have been provided in the Consolidated Financial Statements, it is possible that the Company could experience additional unexpected credit losses.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. The Company's inventories are not generally subject to obsolescence due to spoilage or expiring product life cycles. The Company operates generally as a make-to-order business; however, the Company also stocks products for certain customers in order to meet delivery schedules. While management believes that adequate write-downs for inventory obsolescence have been made in the Consolidated Financial Statements, the Company could experience additional inventory write-downs in the future.

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

Impairment of Long-Lived Assets. The Company's long-lived assets include property, plant and equipment. The recoverability of the long-term assets is dependent on the performance of the companies which the Company has acquired, as well as volatility inherent in the external markets for these acquisitions. In assessing potential impairment for these assets the Company will consider these factors as well as forecasted financial performance. For assets held for sale, appraisals are relied upon to assess the fair market value of those assets. The Company estimates that if the assets held for sale were classified as held and used, depreciation expense would have increased approximately $0.1 million during 2003. Future adverse changes in market conditions or adverse operating results of the underlying assets could result in the Company having to record additional impairment charges not previously recognized.

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

Results of Operations

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

	As a percentage of Net Sales Year Ended December 31,		
	2003	**2002**	**2001**
Net sales	100.0%	100.0%	100.0%
Cost of product sold (exclusive of depreciation shown separately below)	77.2	74.8	76.2
Selling, general and administrative expenses	8.6	8.9	9.3
Depreciation and amortization	5.4	5.8	7.3
Restructuring and impairment costs	1.0	0.7	1.3
Income from operations	7.8	9.8	5.9
Interest expense	1.3	1.3	2.3
Net gain on involuntary conversion	--	--	(2.2)
Other income	--	(0.3)	(0.1)
Income before provision for income taxes	6.5	8.8	5.9
Provision for income taxes	2.2	3.4	2.3
Minority interest in income of consolidated subsidiary	0.3	1.4	1.0
Income before cumulative effect of change in accounting principle	4.0	4.0	2.6
Cumulative effect of change in accounting principle, net of income tax benefit of $112 and related minority interest impact of $84	--	--	--
Net income	4.0%	4.0%	2.6%

Off Balance Sheet Arrangements

We have operating lease commitments for machinery, office equipment, 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, 2003 under operating leases that have initial or remaining non-cancelable lease terms in excess of one year.

Year ended December 31,	
2004	$ 2,354
2005	2,086
2006	1,806
2007	1,770
2008	1,768
Thereafter	17,263
Total minimum lease payments	$ 27,046

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

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

Cost of Products Sold. Our cost of products sold increased by $51.3 million or 35.6% from $144.3 million in 2002 to $195.7 million in 2003. Cost of products sold of the NN Europe Segment increased $46.4 million or 68.4% from $67.9 million in 2002 to $114.3 million in 2003. Cost of products sold from our Veenendaal, The Netherlands operation accounted for $29.2 million of the increase and impacts of foreign currency translation accounted for $14.7 million of the increase. The remaining increase of $2.5 million within the NN Europe segment is principally attributed to increased product demands and material cost increases. Cost of products sold of the Domestic Ball and Roller Segment increased by $2.6 million due to production costs associated with increased product demand of approximately $1.9 million and increases in material costs and export costs of approximately $0.7 million. Cost of products sold of the Plastics and Rubber Components Segment increased $2.3 million due to production costs associated with increased product demand of approximately $1.0 million, $0.1 million related to inventory impairment charges due to the closing of our NN Arte business in Guadalajara, Mexico, and $1.2 million due to product mix and insurance expense increases. As a percentage of sales, cost of products sold increased from 74.8% in 2002 to 77.2% in 2003.

The price of steel has risen over the last twelve to eighteen months with 2004 prices expected to reflect even greater increases. Prior to that time, steel prices had gradually declined since approximately 1997. The increase is principally due to general increases in global demand and, more recently, due to China's increased consumption of steel. This has had the impact of increasing scrap surcharges we pay in procuring our steel. Our contracts with key customers allow us to pass a majority of the steel price increases we incur on to those customers. However, by contract, material price changes in any given year are passed along with price adjustments in January of the following year. Until the current increases are able to be passed through to our customers, income from operations, net income and cash flow from operations will be adversely affected.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by $4.6 million or 26.7% from $17.1 million during 2002 to $21.7 million during 2003. Selling, general and administrative expenses of the NN Europe Segment increased $3.8 million principally due to the acquisition of Veenendaal on May 2, 2003 contributing $2.6 million of the increase and impacts of foreign currency translation accounting for $1.5 million of the increase, offset by decreased spending of $0.2 million. Selling, general and administrative expenses of the Domestic Ball and Roller Segment increased by $0.9 million over 2002 spending levels. The increase is attributed to non-cash compensation charges associated with a portion of employee stock options accounted for under the variable accounting method of $0.4 million, certain audit and legal charges of $0.3 million and corporate development initiatives of $0.2 million. Selling, general and administrative expenses decreased by $0.1 million within the Plastic and Rubber Components Segment. As a percentage of net sales, selling, general and administrative costs decreased from 8.9% in 2002 to 8.6% in 2003.

Depreciation and Amortization. Depreciation and amortization expense increased $2.6 million or 23.4% from $11.2 million in 2002 to $13.8 million in 2003. Depreciation and amortization expense of the NN Europe Segment increased $2.8 million. Of this amount, $1.5 million is related to the acquisition of Veenendaal on May 2, 2003 and impacts of foreign currency translation accounting for $1.0 million of the increase. The other $0.1 million is related to capital spending increases. Offsetting this amount was a decrease in depreciation and amortization expense in the Plastic and Rubber Components Segment of $0.2 million related to decreased capital spending within this segment. There was no change to depreciation and amortization expense within the Domestic Ball and Roller Segment.

Interest Expense. Interest expense increased $0.8 million or 32.5% from $2.5 million in 2002 to $3.3 million in 2003. Interest expense increased $0.9 million related to additional borrowings necessary to fund the May 2, 2003 acquisition of Veenendaal and $0.8 million related to the purchase of the minority interests in Euroball held by INA/FAG and SKF on December 20, 2002 and May 2, 2003, respectively. Offsetting these increases was a decrease interest expense of $0.9 million due to debt principal payments and decreased interest rates.

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

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

Year Ended December 31, 2002 Compared to the Year Ended December 31, 2001

Net Sales. The Company's net sales increased $12.7 million or 7.1% from $180.2 million in 2001 to $192.9 million in 2002. The inclusion of a full year of Delta contributed $2.5 million of the increase. Increased demand and new programs within the Plastic and Rubber Components Segment contributed $6.3 million of the increase. Additionally, the impact of foreign currency translation within the NN Europe Segment contributed $4.5 million of the increase. In addition to these increases were contractual price decreases and modest volume improvements in the NN Europe Segment resulting in a net decrease of $0.6 million.

Cost of Products Sold. Cost of products sold increased by $7.1 million, or 5.1%, from $137.2 million in 2001 to $144.3 million in 2002. The inclusion of a full year of Delta, acquired in February, 2001, contributed $5.1 million of the increase. Additionally, increases in demand within the Plastics and Rubber Components Segment, offset by cost reduction efforts, increased cost of products sold by $1.4 million. Impacts related to foreign currency translation increased cost of products sold in the NN Europe Segment by $3.3 million which was offset, in part, by cost reduction programs of $2.2 million. Additionally, within the Domestic Ball and Roller Segment principally related to the closing of our Walterboro, South Carolina ball production facility cost of products sold decreased $0.5 million. As a percentage of net sales, cost of products sold decreased from 76.2% in 2001 to 74.8% in 2002.

Selling, General and Administrative Expenses. Selling, general and administrative costs increased by $0.4 million, or 2.3%, from $16.8 million in 2001 to $17.1 million in 2002. The inclusion of a full year of Delta contributed $0.1 million of the increase. Advisory services principally associated with the previously announced desire of certain original founders of the Company to liquidate their holdings in the Company's stock contributed $0.3 million of the increase. Other increases totaling $0.5 million are primarily attributable to incentive based compensation throughout the Company and initiatives at Euroball. Offsetting these increases were decreased spending of approximately $0.8 million related to bad debt expense primarily related to the bankruptcy filing of a major Plastics Segment customer in 2001. As a percentage of net sales, selling, general and administrative expenses decreased from 9.3% in 2001 to 8.9% in 2002.

Depreciation and Amortization. Depreciation and amortization expenses decreased by $2.0 million from $13.2 million in 2001 to $11.2 million in 2002. The adoption of FASB Statement No. 142 eliminated the amortization of goodwill and contributed $1.8 million of the decrease. The assets held for sale as a result of the closing of the Walterboro, South Carolina ball production facility, which are no longer depreciated, contributed $0.9 million of the decrease. Offsetting these decreases, were a full year of depreciation of Delta assets contributing $0.3 million and currency impacts at Euroball contributing $0.3 million. As a percentage of sales, depreciation and amortization decreased from 7.3% in 2001 to 5.8% in 2002.

Restructuring and Impairment Costs. Restructuring and impairment costs decreased by $1.0 million from $2.3 million in 2001 to $1.3 million in 2002. The Company incurred a charge for the recording of impairment on the Company's manufacturing facility and equipment in Walterboro, South Carolina of $1.2 million and $1.1 million in 2002 and 2001, respectively. A charge of $0.1 million and $0.8 million was recorded in 2002 and 2001, respectively, associated with employee severance costs related to the closing of the Walterboro, South Carolina facility. Additionally, charges related to Euroball of $0 million and $0.4 million were recorded in 2002 and 2001, respectively. Restructuring and impairment charges were 0.7% of sales in 2002 and 1.3% of sales in 2001.

Interest Expense. Interest expense decreased by $1.7 million from $4.2 million in 2001 to $2.5 million in 2002. The decrease is principally attributed to the decrease in interest rates and decreased average debt levels in 2002. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

Net Gain on Involuntary Conversion. The Company had a gain on involuntary conversion of $3.9 million in 2001 related to insurance proceeds as a result of the March 12, 2000 fire at the Erwin production facility.

Minority Interest in Consolidated Subsidiary. Minority interest of consolidated subsidiary increased $1.0 million from $1.8 million in 2001 to $2.8 million in 2002. This increase is due entirely to the Euroball joint venture which has been consolidated since its formation, August 1, 2000. The Company is required to consolidate Euroball in its Consolidated Financial Statements due to its majority ownership. At December 31, 2002, the Company owned 77% of the shares of the joint venture with the remaining minority partner owning the remaining 23%. Minority interest in consolidated subsidiary represents the combined interest in Euroball's earnings of the minority partners and the 49% interest in NN Arte's earnings of the minority partner (the 49% interest in NN Arte's earning is zero in 2002 and 2001). See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview".

Net Income. Net income increased $3.0 million, or 66.5% from $4.8 million in 2001 to $7.8 million in 2002. As a percentage of net sales, net income increased from 2.6% in 2001 to 4.0% in 2002.

Liquidity and Capital Resources

On May 1, 2003 in connection with the purchase of SKF's Veenendaal component manufacturing operations and SKF's 23 percent interest in Euroball, we entered into a new $90 million syndicated credit facility with AmSouth Bank ("AmSouth") as the administrative agent and Suntrust Bank as the Euro loan agent for the lenders under which we borrowed $60.4 million and 26.3 million Euros ($29.6 million). This new financing arrangement replaces our prior credit facility with AmSouth and Hypo Vereinsbank Luxembourg, S.A. The credit facility consists of a $30.0 million revolver expiring on March 1, 2005, bearing interest at a floating rate equal to LIBOR (1.15% at December 31, 2003) plus an applicable margin of 1.25 to 2.0, a $30.4 million term loan expiring on May 1, 2008, bearing interest at a floating rate equal to LIBOR (1.15% at December 31, 2003) plus an applicable margin of 1.25 to 2.0 and a 26.3 million ($29.6 million) Euros term loan expiring on May 1, 2008 which bears interest at a floating rate equal to Euro LIBOR (2.12% at December 31, 2003) plus an applicable margin of 1.25 to 2.0. The loan agreement contains customary financial and non-financial covenants. Such covenants specify that we must maintain a minimum fixed charge coverage ratio, must not exceed a maximum funded indebtedness to EBITDA ratio as well as a maximum funded indebtedness to capitalization ratio and limits the amount of capital expenditures we may make in any fiscal year. The loan agreement also contains customary restrictions on, among other things, additional indebtedness, liens on our assets, sales or transfers of assets, investments, restricted payments (including payment of dividends and stock repurchases), issuance of equity securities, and mergers, acquisitions and other fundamental changes in our business. The credit agreement is un-collateralized except for the pledge of stock of certain foreign subsidiaries. Additionally, the terms of our revolving credit facility restrict the declaration and payment of dividends in excess of certain amounts specified in the credit agreement. As of December 31, 2003, we were not in compliance with certain technical, non-financial covenants. Subsequently, the necessary waivers, effective as of December 31, 2003, have been received from the participating banks. Except for certain technical, non-financial covenants, we were in compliance with all such covenants as of December 31, 2003. In connection with this refinancing, capitalized costs in the amount of approximately $0.5 million associated with the paid-off credit facilities were written-off and are included as a component of other (income) expense. We incurred approximately $0.9 million of debt issue costs as a result of entering into this credit facility.

During May 2003, we completed a public offering of 3.6 million shares of our stock by a group of selling shareholders. We did not receive any proceeds from the sale of the shares previously held by the group of selling shareholders, however, the underwriters did exercise their over-allotment option of 533,600 shares, which were offered by us. Net proceeds received by us in connection with the exercise of the over-allotment option were approximately $5.1 million, net of issue costs. Per the terms of our credit facility, we repaid a portion of our credit facility with these proceeds.

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

The Company's arrangements with its domestic customers typically provide that payments are due within 30 days following the date of the Company's shipment of goods, while arrangements with foreign customers (other than foreign customers that have entered into an inventory management program with the Company) generally provide that payments are due within 90 or 120 days following the date of shipment. Under the Domestic Ball and Roller Segments inventory management program with certain European customers, payments typically are due within 30 days after the customer uses the product. The Company's sales and receivables can be influenced by seasonality due to the Company's relative percentage of European business coupled with many foreign customers ceasing production during the month of August. For information concerning the Company's quarterly results of operations for the years ended December 31, 2003 and 2002, see Note 15 of the Notes to Consolidated Financial Statements.

The Company bills and receives payment from some of its foreign customers in Euro as well as other currencies. To date, the Company has not been materially adversely affected by currency fluctuations or foreign exchange restrictions. Nonetheless, as a result of these sales, the Company's foreign exchange transaction and translation risk has increased. Various strategies to manage this risk are available to management including producing and selling in local currencies and hedging programs. As of December 31, 2003, no currency hedges were in place. In addition, a strengthening of the U.S. dollar and/or Euro against foreign currencies could impair the ability of the Company to compete with international competitors for foreign as well as domestic sales.

Working capital, which consists principally of accounts receivable and inventories, was $25.7 million at December 31, 2003 as compared to $21.2 million at December 31, 2002 and $23.1 million at December 31, 2001. The ratio of current assets to current liabilities decreased from 1.71:1 at December 31, 2001 to 1.53:1 at December 31, 2002 and to 1.41:1 at December 31, 2003. Cash flow from operations decreased to $19.6 million during 2003 from $31.1 million during 2002 and $24.6 million during 2001. Contributing to this change were initial working capital requirements at our Veenendaal operation acquired in May 2003 of approximately $2.7 million, increased working capital requirements, principally inventory and accounts receivable, due to the geographic expansion of the customer base, principally within the Domestic Ball and Roller Segment of approximately $5.6 million and increased working capital requirements within NN Europe and Plastics and Rubber Components Segment of approximately $0.9 million and $2.3 million, respectively.

During 2004, we plan to spend approximately $9.0 million on capital expenditures related primarily to equipment and process upgrades and replacements and approximately $5.0 million principally related to geographic expansion of our manufacturing base. We intend to finance these activities with cash generated from operations and funds available under our credit facilities. The Company believes that funds generated from operations and borrowings will be sufficient to finance the Company's working capital needs and projected capital expenditure requirements through December 2004.

The table below sets forth certain of the Company's contractual obligations and commercial commitments as of December 31, 2003:

Certain Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-Term Debt	$ 82,477	$ 12,725	$ 55,450	$ 14,302	--
Short-Term Debt	2,000	2,000	--	--	--
Operating Leases	27,047	2,354	3,892	3,538	17,263
Other Long-Term Obligations	47,751	23,639	24,112	--	--
Total Contractual Cash Obligations	$159,275	$ 40,718	$ 83,454	$ 17,840	$ 17,263

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

The Euro

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

Seasonality and Fluctuation in Quarterly Results

The Company's net sales historically have been seasonal in nature, due to a significant portion of the Company's sales being to European customers that cease or significantly slow production during the month of August. For information concerning the Company's quarterly results of operations for the years ended December 31, 2003 and 2002, see Note 15 of the Notes to Consolidated Financial Statements.

Inflation and Changes in Prices

While the Company's operations have not been materially affected by inflation during recent years, prices for 52100 Steel, engineered resins and other raw materials purchased by the Company are subject to material change, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview and Management Focus". For example, during 1995, due to an increase in worldwide demand for 52100 Steel and the decrease in the value of the United States dollar relative to foreign currencies, the Company experienced an increase in the price of 52100 Steel and some difficulty in obtaining an adequate supply of 52100 Steel from its existing suppliers. In our U.S. operations our typical pricing arrangements with steel suppliers are subject to adjustment once every six months. The Company's NN Europe Segment has entered into long term agreements with its primary steel supplier which provide for standard terms and conditions and annual pricing adjustments to offset material price fluctuations in steel and quarterly scrap surcharge adjustments. The Company typically reserves the right to increase product prices periodically in the event of increases in its raw material costs. In the past, the Company has been able to minimize the impact on its operations resulting from the 52100 Steel price fluctuations by taking such measures. However, by contract, material price changes in any given year are passed along with price adjustments in January of the following year. Certain sales agreements are in effect with SKF and INA/FAG, which provide for minimum purchase quantities and specified, annual sales price adjustments that may be modified up or down for changes in material costs. These agreements expire during 2006 and 2008.

Recently Issued Accounting Standards

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (Statement No. 141), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (Statement No. 142). Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Statement No. 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but rather, periodically tested for impairment. The effective date of Statement No. 142 is January 1, 2002. As of the date of adoption, the Company had unamortized goodwill of approximately $36.6 million, which is subject to the provisions of Statement No. 142.

As a result of adopting these standards in the first quarter of 2002, the Company no longer amortizes goodwill. The Company estimates that amortization expense for goodwill would have been approximately $1.6 million ($0.9 million net of tax and minority interest) and $1.9 million ($1.1 million net of tax and minority interest) for the twelve-month period ended December 31, 2002 and 2003, respectively.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting For Asset Retirement Obligations." This Statement requires capitalizing any retirement costs as part of the total cost of the related long-lived asset and subsequently allocating the total expense to future periods using a systematic and rational method. Adoption of the Statement is required for fiscal years beginning after June 15, 2002. The adoption of SFAS 143 did not have a material impact on the Company's financial condition.

In October 2001, The FASB issued Statement of Financial Accounting Standards No. 144, "Accounting For The Impairment or Disposal of Long-lived Assets." This Statement supercedes Statement No. 121 but retains many of its fundamental provisions. Additionally, this Statement expands the scope of discontinued operations to include more disposal transactions. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. The adoption of SFAS 144 did not have a material impact on the Company's financial condition.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS No. 4 had required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. SFAS No. 145 rescinds SFAS No. 4 and the related required classifications gains and losses from extinguishment of debt as extraordinary items. Additionally, the SFAS No. 145 amends SFAS No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. SFAS No. 145 is applicable for the Company at the beginning of fiscal year 2003, with the provisions related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. The adoption of SFAS 145 did not have a material impact on the Company's financial condition or results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 requires costs associated with exit or disposal activities to be recognized when they are incurred rather than at

---

the date of a commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123". SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has adopted the provisions of SFAS 123, which encourages but does not require a fair value based method of accounting for stock compensation plans. The Company has elected to continue accounting for its stock compensation plan using the intrinsic value based method under APB Opinion No. 25. See Note 10 of the Notes to Consolidated Financial Statements.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34. This interpretation elaborates the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002 did not have a material effect on the Company's consolidated results of operations, financial position or cash flows.

In December 2003, the FASB issued Financial Interpretation No. 46(R), "Consolidation of Variable Interest Entities," ("FIN 46(R)"). This interpretation addresses consolidation by business enterprises of variable interest entities with certain defined characteristics and replaces Financial Interpretation No. 46. We do not expect FIN 46(R) to have a significant impact on the Company's consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, "Derivative Instruments and Hedging Activities". SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 149 requires that contracts with comparable characteristics be accounted for similarly and is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this standard has not had a material impact on the Company's financial condition.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 is otherwise generally effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted SFAS No. 150 on July 1, 2003 and this adoption did not have a material impact on the Company's financial condition.

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to changes in financial market conditions in the normal course of our business due to our use of certain financial instruments as well as transacting in various foreign currencies. To mitigate our exposure to these market risks, we have established policies, procedures and internal processes governing our management of financial market risks. We are exposed to changes in interest rates primarily as a result of our borrowing activities. At December 31, 2003, these

---

borrowings included a $30.4 million term loan, a $30 million revolving credit facility, and a 26.3 million Euro ($29.6 million) term loan which was used to maintain liquidity and fund our business operations. At December 31, 2003, we had $54.3 million outstanding under the domestic credit facilities and Euroball had 22.3 million Euro ($28.2 million) outstanding under the Euro term loan. Additionally, at December 31, 2003, we had $2.0 million outstanding under short term borrowings. At December 31, 2003, a one-percent increase in the interest rate charged on our outstanding borrowings under both credit facilities would result in interest expense increasing annually by approximately $0.8 million. In connection with a variable EURIBOR rate debt financing in July 2000 our majority owned subsidiary, Euroball entered into an interest rate swap with a notional amount of Euro 12.5 million for the purpose of fixing the interest rate on a portion of their debt financing. The interest rate swap provides for us to receive variable Euribor interest payments and pay 5.51% fixed interest. The interest rate swap agreement expires in July 2006 and the notional amount amortizes in relation to principal payments on the underlying debt over the life of the swap. This original debt was repaid in May 2003, however, the swap remains pursuant to its original terms. On May 1, 2003, we entered into a new $90 million syndicated credit facility. This new financing arrangement replaces our prior credit facility with AmSouth and Euroball's credit facility with Hypo Vereinsbank Luxembourg, S.A., see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources". The nature and amount of our borrowings may vary as a result of future business requirements, market conditions and other factors.

Translation of the Company's operating cash flows denominated in foreign currencies is impacted by changes in foreign exchange rates. Our NN Europe Segment bills and receives payment from some of its foreign customers in their own currency. To date, the Company has not been materially adversely affected by currency fluctuations of foreign exchange restrictions. However, to help reduce exposure to foreign currency fluctuation, management has incurred debt in Euros and periodically used foreign currency hedges. These currency hedging programs allow management to hedge currency exposures when these exposures meet certain discretionary levels. The Company did not hold a position in any foreign currency hedging instruments as of December 31, 2003.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements

Financial Statements Page

Report of Independent Auditors for the year ended December 31, 2003....29

Report of Independent Auditors for the years ended December 31, 2002 and 2001....30

Consolidated Balance Sheets at December 31, 2003 and 2002....31

Consolidated Statements of Income and Comprehensive Income for the three years ended December 31, 2003....32

Consolidated Statements of Changes in Stockholders' Equity for the three years ended December 31, 2003....33

Consolidated Statements of Cash Flows for the three years ended December 31, 2003....34

Notes to Consolidated Financial Statements....35

Report of Independent Auditors

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of NN, Inc. and its subsidiaries at December 31, 2003, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP
Greensboro, North Carolina
February 26, 2004

Independent Auditors' Report

The Board of Directors
NN, Inc.:

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NN, Inc. as of December 31, 2002 and the results of their operations and their cash flows for each of the years in the two year period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for goodwill and other intangible assets in 2002 and changed its method of accounting for derivative instruments and hedging activities in 2001.

/s/ KPMG LLP

Charlotte, North Carolina
February 24, 2003

NN, Inc.
Consolidated Balance Sheets
December 31, 2003 and 2002
(In thousands, except per share data)

Assets	**2003**	**2002**
Current assets:		
Cash and cash equivalents	$ 4,978	$ 5,144
Accounts receivable, net	40,864	28,965
Inventories, net	36,278	23,402
Other current assets	4,698	2,501
Current deferred tax asset	1,601	1,400
Total current assets	88,419	61,412
Property, plant and equipment, net	128,996	88,199
Assets held for sale	1,805	2,214

Gooddwill	42,893	39,374
Other non-current assets	4,304	4,016
Total assets	$ 266,417	$ 195,215
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 32,867	$ 22,983
Bank overdraft	--	37
Accrued salaries, wages and benefits	12,032	6,354
Payable to affiliates	--	566
Short term loans	2,000	--
Current maturities of long-term debt	12,725	7,000
Other liabilities	3,070	3,294
Total current liabilities	62,694	40,234
Non-current deferred tax liability	13,423	9,334
Long-term debt	69,752	46,135
Accrued pension and other	14,080	9,319
Total liabilities	159,949	105,022
Minority interest in consolidated subsidiaries	--	12,285
Commitments and Contingencies (Note 14)		
Stockholders' equity:		
Common stock - $0.01 par value, authorized 45,000 shares, issued and outstanding 16,712 shares in 2003 and, 15,370 shares in 2002	168	154
Additional paid-in capital	52,960	40,457
Retained earnings	43,931	38,984
Accumulated other comprehensive income (loss)	9,409	(1,687)
Total stockholders' equity	106,468	77,908
Total liabilities and stockholders' equity	$ 266,417	$ 195,215

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Income and Comprehensive Income
Years ended December 31, 2003, 2002 and 2001
(In thousands, except per share data)

	2003	**2002**	**2001**
Net sales	$ 253,462	$ 192,856	$ 180,151
Cost of products sold (exclusive of depreciation shown separately below)	195,658	144,274	137,221
Selling, general and administrative	21,700	17,134	16,752
Depreciation and amortization	13,836	11,212	13,150
Restructuring and impairment costs	2,490	1,277	2,312
Income from operations	19,778	18,959	10,716
Interest expense	3,247	2,451	4,196
Net gain on involuntary conversion	--	--	(3,901)
Other income	(48)	(487)	(186)
Income before provision for income taxes	16,579	16,995	10,607
Provision for income taxes	5,726	6,457	4,094
Minority interest in consolidated subsidiaries	675	2,778	1,753
Income before cumulative effect of change in accounting principle	10,178	7,760	4,760
Cumulative effect of change in accounting principle, net of income tax benefit of $112 and related minority interest impact of $84	--	--	98
Net income	10,178	7,760	4,662
Other comprehensive income (loss):			
Additional minimum pension liability, net of tax	(177)	(28)	(53)
Foreign currency translation	11,273	3,763	(3,843)
Comprehensive income	$ 21,274	$ 11,495	$ 766
Basic income per share:			
Income before cumulative effect of change in accounting principle	$ 0.64	$ 0.51	$ 0.31
Cumulative effect of change in accounting principle	--	--	(0.01)

Net income	$ 0.64	$ 0.51	$ 0.31
Weighted average shares outstanding	15,973	15,343	15,259
Diluted income per share:			
Income before cumulative effect of change in accounting principle	$ 0.62	$ 0.49	$ 0.31
Cumulative effect of change in accounting principal	--	--	(0.01)
Net income	$ 0.62	$ 0.49	$ 0.30
Weighted average shares outstanding	16,379	15,714	15,540
Cash dividends per common share	$ 0.32	$ 0.32	$ 0.32

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2003, 2002 and 2001
(In thousands)

	Common Stock					
	Number of shares	Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2000	15,247	$ 153	$ 39,684	$ 36,364	$ (1,526)	$ 74,675
Shares issued	70	1	427	--	--	428
Net income	--	--	--	4,662	--	4,662
Dividends declared	--	--	--	(4,887)	--	(4,887)
Additional minimum pension liability	--	--	--	--	(53)	(53)
Cumulative translation loss	--	--	--	--	(3,843)	(3,843)
Balance, December 31, 2001	15,317	$ 154	$ 40,111	$ 36,139	$ (5,422)	$ 70,982
Shares issued	53	--	346	--	--	346
Net income	--	--	--	7,760	--	7,760
Dividends declared	--	--	--	(4,915)	--	(4,915)
Additional minimum pension liability	--	--	--	--	(28)	(28)
Cumulative translation gain	--	--	--	--	3,763	3,763
Balance, December 31, 2002	15,370	$ 154	$ 40,457	$ 38,984	$ (1,687)	$ 77,908
Shares issued	1,342	14	12,503	--	--	12,517
Net income	--	--	--	10,178	--	10,178
Dividends declared	--	--	--	(5,231)	--	(5,231)
Additional minimum pension liability	--	--	--	--	(177)	(177)
Cumulative translation gain	--	--	--	--	11,273	11,273
Balance, December 31, 2003	16,712	$ 168	$ 52,960	$ 43,931	$ 9,409	$106,468

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2003, 2002 and 2001
(In Thousands)

	2003	2002	2001

Cash flows from operating activities:			
Net Income	$ 10,178	$ 7,760	$ 4,662
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,836	11,212	13,150
Cumulative effect of change in accounting principle	--	--	98
Gain on disposals of property, plant and equipment	(147)	(25)	--
Loss on sale of NNG	--	--	222
Allowance for doubtful accounts	183	138	1,668
Write-off of unamortized debt issue costs	455	--	--
Deferred income taxes	3,888	2,564	433
Interest income on receivable from unconsolidated affiliates	--	--	(104)
Minority interest in consolidated subsidiary	675	2,778	1,753
Restructuring costs and impairment costs	2,328	1,199	1,083
Changes in operating assets and liabilities:			
Accounts receivable	(9,352)	(3,728)	5,170
Inventories	(3,711)	1,479	1,175
Other current assets	(1,047)	4,795	(1,461)
Other assets	(1,281)	35	(618)
Accounts payable	5,118	5,535	(2,846)
Other liabilities	(1,517)	(2,655)	232
Net cash provided by operating activities	19,606	31,087	24,617
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	(21,435)	--	(23,496)
Purchase of minority interest	(15,586)	(13,802)	--
Acquisition of property, plant and equipmen	(11,574)	(7,591)	(6,314)
Sale of NNG	--	--	622
Long-term note receivable	200	200	--
Proceeds from disposals of property, plant and equipment	212	65	106
Net cash used by investing activities	(48,183)	(21,128)	(29,082)
Cash flows from financing activities:			
Proceeds from long-term debt	90,332	13,802	71,430
Debt issue costs paid	(939)	--	--
Bank overdrafts	37	(1,103)	687
Repayment of long-term debt	(64,196)	16,708)	(65,946)
Proceeds (repayment) of short-term debt	2,000	--	(2,000)
Proceeds from issuance of stock and exercise of stock options	5,579	346	428
Cash dividends	(5,231)	(4,915)	(4,887)
Net cash provided (used) by financing activities	27,582	(8,578)	(288)
Effect of exchange rate changes	829	739	(496)
Net change in cash and cash equivalents	(166)	2,120	(5,249)
Cash and cash equivalents at beginning of period	5,144	3,024	8,273
Cash and cash equivalents at end of period	$ 4,978	$ 5,144	$ 3,024
Supplemental schedule of non-cash investing and financing activities:			
Note received related to sale of NNG	$ --	$ --	$ 3,300
Stock issued related to acquisition of Veenendaal	$ 6,938	$ --	$ --
Cash paid for interest and income taxes was as follows:			
Interest	$ 2,496	$ 1,965	$ 3,596
Income taxes	4,371	4,774	2,845

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, and precision bearing seals. The Company's balls, rollers, retainers, and bearing seals are used primarily in the domestic and international anti-friction bearing industry. The Company's plastic injection molded products are used in the bearing, automotive, instrumentation and fiber optic industries. The Domestic Ball and Roller Segment is comprised of two manufacturing facilities located in the eastern United States. The Company's NN Europe Segment is comprised of manufacturing facilities located in Kilkenny, Ireland, Eltmann, Germany, Pinerolo, Italy, Veenendaal, The Netherlands and Kysucke Nove Mesto, Slovakia. The facilities in the NN Europe Segment are engaged in the production of precision balls, tapered rollers and metal retainers. The Plastic and Rubber Components Segment consists of Industrial Molding Corporation ("IMC"), acquired in July 1999 and Delta Rubber, acquired in February 2001. IMC has two production facilities in Texas and Delta Rubber has two production facilities in Connecticut (see Note 2). All of the Company's Segments sell to foreign and domestic customers.

(b) Cash and Cash Equivalents

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

(c) Inventories

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

Inventories include tools, molds and dies in progress that the Company is producing and will ultimately sell to its customers. This activity is principally related to our Plastic and Rubber Components Segment. They are carried at the lower of cost or market. Any progress billings related to these inventory assets are recorded as a component of other current assets.

(d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Assets held for sale are stated at lower of cost or fair market value less selling cost. Expenditures for maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized. When a major property item is retired, its cost and related accumulated depreciation are removed from the property accounts and any gain or loss is recorded in the statement of income. The Company reviews the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. During the years ended December 31, 2003, 2002 and 2001, the Company recorded an impairment charge of $0, $1,199 and $1,083 respectively, to write-down the land, building and equipment at the Walterboro, SC production facility to its net realizable value, which was principally based upon fair market value appraisals and valuations. As of December 31, 2003, 2002 and 2001, the carrying value of this land, building and equipment was classified as a component of assets held for sale in the accompanying financial statements at $1,805, $2,214 and $4,348, respectively. During 2003, assets held for sale decreased principally as a result of transferring certain machinery and equipment assets to other NN locations.

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

Depreciation is provided principally on the straight-line method over the estimated useful lives of the depreciable assets for financial reporting purposes. Accelerated depreciation methods are used for income tax purposes.

(e) Revenue Recognition

The Company generally recognizes a sale when goods are shipped and the risks of ownership are transferred to the customer. The Company has an inventory management program for certain major ball and roller customers

whereby sales are recognized when products are used by the customer from consigned stock, rather than at the time of shipment. Under both circumstances, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sellers' price is determinable and collectibility is reasonably assured.

(f) Income Taxes

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

(g) Net Income Per Common Share

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

(h) Stock Incentive Plan

(In thousands, except per share data)

The Company applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations including Financial Accounting Standards Board (FASB) Interpretation No. 44, "Accounting for Certain Transactions involving Stock Compensation (an interpretation of APB Opinion No. 25)" issued in March 2000, to account for its fixed plan stock options. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. The Company also applies the provision of APB Opinion No. 25 to its variable stock options. Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation," established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123 and SFAS No. 148.

We have elected to continue accounting for our stock compensation plan using the intrinsic value based method under APB Opinion No. 25 and, accordingly, have not recorded compensation expense for each of the three years ended December 31, 2003, except as related to stock options accounted for under the variable method of accounting. Had compensation cost for the Company's stock compensation plan been determined based on the fair value at the option grant dates, the Company's net income and earnings per share would have been reduced to the proforma amounts indicated below:

 Continued

	Year ended December 31, 2003	2002	2001
Net income - as reported	$ 10,178	$ 7,760	$ 4,662
Stock based compensation costs, net of income tax, included in net income as reported	160	(69)	69
Stock based compensation costs, net of income tax, that would have been included in net income if the fair value method had been applied	(1,001)	(488)	(315)
Net income - proforma	$ 9,337	$ 7,203	$ 4,416
Earnings per share - as reported	$ 0.64	$ 0.51	$ 0.31
Stock based compensation costs, net of income tax, included in net income as reported	0.01	(0.01)	--
Stock based compensation costs, net of income tax, that would have been included in net income if the fair value method had been applied	(0.06)	(0.03)	(0.02)
Earnings per share - proforma	$0.59	$ 0.47	$ 0.29
Earnings per share-assuming dilution - as reported	$ 0.62	$ 0. 49	$ 0.30
Stock based compensation costs, net of income tax, included in net income as reported	0.01	--	--
Stock based compensation costs, net of income tax, that would have been included in net income if the fair value method had been applied	(0.06)	(0.03)	(0.02)
Earnings per share - assuming dilution-proforma	$ 0.57	$ 0.46	$ 0.28

The fair value of each option grant was estimated based on actual information available through December 31, 2003, 2002 and 2001 using the Black Scholes option-pricing model with the following assumptions:

Term	Vesting period
Risk free interest rate	3.38%, 3.28% and 4.75% for 2003, 2002 and 2001, respectively
Dividend yield	3.7%, 3.2%, and 2.8% annually for 2003, 2002 and 2001, respectively
Volatility	49.8%, 50.1% and 40.7% for 2003, 2002 and 2001, respectively

(i) Principles of Consolidation

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

(j) Foreign Currency Translation

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

(k) Goodwill

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations" (Statement No. 141), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (Statement No. 142). Statement No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Statement No. 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but rather, periodically tested for impairment. The effective date of Statement No. 142 was January 1, 2002. As of the date of adoption, the Company had unamortized goodwill of approximately $36.6 million, which is subject to the provisions of Statement No. 142.

As a result of adopting these new standards, the Company's accounting policies for goodwill and other intangibles changed on January 1, 2002, as described below:

Goodwill: The Company recognized the excess of the purchase price of an acquired entity over the fair value of the net identifiable assets as goodwill. Goodwill is tested for impairment on an annual basis and between annual tests in certain circumstances. Impairment losses are recognized whenever the implied fair value of goodwill is less than its carrying value. Prior to January 1, 2002, goodwill was amortized over a twenty-year period using the straight-line method. Beginning January 1, 2002, goodwill is no longer amortized.

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

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

As of December 31, 2003, the carrying amounts of goodwill by reporting units are as follows: $25,755 for the Plastic and Rubber Components Segment and $17,138 for the NN Europe Segment. Since the transition date, January 1, 2002, approximately $3,558 of the increase in goodwill is due to foreign currency translation adjustments at the NN Europe Segment.

The changes in the carrying amount of goodwill for the years ended December 31, 2002 and 2003 are as follows:

In thousands	Plastic and Rubber Components Segment	NN Europe Segment	Total
Balance as of January 1, 2002	$26,712	$ 9,912	$ 36,624
Goodwill acquired	--	1,517	1,517
Impairment losses	--	--	--
Currency impacts/reclassification	--	1,233	1,233
Balance as of January 1, 2003	$ 26,712	$ 12,662	$ 39,374
Goodwill acquired	--	2,151	2,151
Impairment losses	(1,285)	--	(1,285)
Currency impacts/reclassification	328	2,325	2,653
Balance as of December 31, 2003	$ 25,755	$ 17,138	$ 42,893

The table below describes the impact of the amortization of goodwill for the years ended December 31, 2003, 2002 and 2001:

	For the Twelve Months Ended December 31,		
	2003	2002	2001(1)
Reported net income	$ 10,178	$ 7,760	$ 4,662
Add back: Goodwill amortization, net of tax and minority interest	--	--	983
Pro-forma net income	$ 10,178	$ 7,760	$ 5,645
Basic earnings per share:			
Reported net income	$ 0.64	$ 0.51	$ 0.31
Goodwill amortization	--	--	0.06
Pro-forma net income	$ 0.64	$ 0.51	$ 0.37
Diluted earnings per share:			
Reported net income	$ 0.62	$ 0.49	$ 0.30
Goodwill amortization	--	--	0.06
Pro-forma net income	$ 0.62	$ 0.49	$ 0.36

(1) For the twelve months ended December 31, 2001, income before cumulative effect of change in accounting principle was $4,760 and basic earnings per share and diluted earnings per share were $0.31 and $0.31, respectively. Adjusting for the impact of the amortization of goodwill during 2001, pro-forma net income was $5,743, pro-forma basic earnings per share and pro-forma diluted earnings per share were $0.38 and $0.37, respectively.

 Continued

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

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment of or Disposal of Long-Lived Assets." This Statement superceded Statement No. 121 but retains many of its fundamental provisions. Additionally, this Statement expanded the scope of discontinued operations to include more disposal transactions. The provisions of this Statement are effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company adopted Statement No. 144 effective January 1, 2002. Assets to be held and used are tested for recoverability when indications of impairment are evident. If the reviewed carrying value of the asset is not recoverable based on underlying cash flows related to specific groups of acquired long-lived assets, the asset is written down to the lesser of recoverable value or carrying value. Assets held for sale are carried at the lesser of carrying value or fair value less costs of disposal. The fair value of impaired assets is generally determined by independent appraisals and valuations, when available.

(m) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Reclassifications

Certain 2002 and 2001 amounts have been reclassified to conform with the 2003 presentation.

(o) Derivative Financial Instruments

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

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

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

The cumulative effect of a change in accounting principle for the adoption of SFAS No. 133 effective January 1, 2001 resulted in a transition adjustment net loss of $98 which is net of an income tax benefit of $112 and the related minority interest impact of $84. The interest rate swap does not qualify for hedge accounting under the provisions of SFAS No. 133; therefore, the transition adjustment for adoption of SFAS No. 133 and any subsequent periodic changes in fair value of the interest rate swap are recorded in earnings as a component of other income.

 Continued

As of December 31, 2003 and 2002, the fair value of the swap is a liability of approximately $360 and $485, respectively, which is recorded in other non-current liabilities. The change in fair value during the year ended December 31, 2003 was a gain of approximately $125 and for the years ended December 31, 2002 and 2001 the change in fair value was a loss of approximately $51 and $80 (excluding the impact of foreign currency), respectively, which has been included as a component of other income.

(p) Recently Issued Accounting Standards

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting For Asset Retirement Obligations." This Statement requires capitalizing any retirement costs as part of the total cost of the related long-lived asset and subsequently allocating the total expense to future periods using a systematic and rational method. Adoption of the Statement is required for fiscal years beginning after June 15, 2002. The adoption of SFAS 143 did not have a material impact on the Company's financial condition.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and

Technical Corrections". SFAS No. 4 had required all gains and losses from extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. SFAS No. 145 rescinds SFAS No. 4 and the related required classifications gains and losses from extinguishment of debt as extraordinary items. Additionally, the SFAS No. 145 amends SFAS No. 13 to require that certain lease modifications that have economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. SFAS No. 145 was applicable for the Company at the beginning of fiscal year 2003, with the provisions related to SFAS No. 13 for transactions occurring after May 15, 2002. The adoption of SFAS 145 did not have a material impact on the Company's financial condition or results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 requires costs associated with exit or disposal activities to be recognized when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34. This interpretation elaborates the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this interpretation were applicable on a prospective basis to guarantees issued or modified after December 31, 2002 and did not have a material effect on the Company's consolidated results of operations, financial position or cash flows.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123". SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. We have adopted the provisions of SFAS 123, which encourages but does not require a fair value based method of accounting for stock compensation plans. We have elected to continue accounting for its stock compensation plan using the intrinsic value based method under Auditing Practice Board ("APB") Opinion No. 25.

In December 2003, the FASB issued Financial Interpretation No. 46(R), "Consolidation of Variable Interest Entities," ("FIN 46(R)"). This interpretation addresses consolidation by business enterprises of

 Continued

---

variable interest entities with certain defined characteristics and replaces Financial Interpretation No. 46. We do not expect FIN 46(R) to have a significant impact on the Company's consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, "Derivative Instruments and Hedging Activities". SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 149 requires that contracts with comparable characteristics be accounted for similarly and is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of this standard has not had a material impact on the Company's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 is otherwise generally effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted SFAS No. 150 on July 1, 2003 and this adoption did not have a material impact on the financial statements.

In December 2003 the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits". SFAS No. 132 revises employers' disclosures about pension plans and other postretirement benefit plans. It does not change the measurement or recognition of those plans required by FASB Statements

No. 87, "Employers' Accounting for Pensions", No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pensions Plans and for Termination Benefits, and No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". SFAS No. 132 requires additional disclosures to those in the original Statement 132 about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. With certain exceptions, principally related to disclosure requirements of foreign plans, SFAS No. 132 is effective for financial statements with fiscal years ending after December 15, 2003. As of December 31, 2003, we have complied with the requirements of SFAS No. 132.

2) Acquisitions and Purchase of Minority Interest

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

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

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

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

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

	(In thousands) At May 2, 2003
Current assets	$ 6,611
Property, plant and equipment	27,690
Total assets acquired	34,301
Total liabilities	7,608
Total purchase price	$ 26,693

The following unaudited proforma summary presents the financial information for the twelve month periods ended December 31, 2003 and 2002 as if our Veenendaal acquisition had occurred as of the beginning of each of the periods presented. These pro forma results have been prepared for comparative purposes and do not purport to be indicative of what would have occurred had the acquisition been made as of the beginning of each of the periods presented, nor are they indicative of future results.

(In thousands, except per share data)

	Twelve months ended December 31, 2003 (unaudited)
Net sales	$ 270,989
Net income	10,478
Basic earnings per share	0.66
Diluted earnings per share	0.64

	Twelve months ended December 31, 2002 (unaudited)
Net sales	$ 245,437
Net income	8,658
Basic earnings per share	0.56
Diluted earnings per share	0.55

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

On February 16, 2001, the Company completed the acquisition of all of the outstanding stock of The Delta Rubber Company, ("Delta") a Connecticut corporation for $22,500 in cash, of which $500 was to be held in escrow for one year from the date of closing. Delta provides high quality engineered bearing seals and other precision-molded rubber products to original equipment manufacturers. The excess of the purchase price over the fair value of the net identifiable assets acquired of $14,107 was recorded as goodwill.

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

3) Restructuring and Impairment Charges

NN Arte Plant Closing in Guadalajara, Mexico

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

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

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

We have decided to sell much of the machinery and equipment with certain pieces of machinery and equipment to be transferred and utilized by our Industrial Molding facility in Lubbock, Texas. Pursuant to the provisions of Statement of Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-lived Assets" we recorded an impairment charge of approximately $1,049 during 2003 to write-down the machinery and equipment to its estimated fair market value. During the three months ended September 30, 2003 we recorded a gain of $145 related to the disposition of certain pieces of the machinery and equipment assets that were previously assessed as impaired. During the twelve months ended December 31, 2003, we recorded a total impairment charge related to the machinery and equipment of approximately $904.

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

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

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

<u>Walterboro, South Carolina Plant Closing</u>

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

Prior to December 31, 2001, production capacity and certain machinery and equipment was transferred from the Walterboro facility to the Company's two domestic ball facilities in Erwin, Tennessee and Mountain City, Tennessee. The plant closing resulted in the termination of approximately 80 full time hourly and salaried employees located at the Walterboro facility. The Company recorded restructuring costs of $62 and $750 during the years ended December 31, 2002 and 2001, respectively, for the related severance payments. Additionally, prior to December 31, 2001, the Company decided to sell the Walterboro land, building and certain machinery. The Company incurred an impairment charge of $564 and $1,083 during 2002 and 2001,

respectively, to write-down the land and building at the Walterboro facility to its net realizable value of $1,128 at December 31, 2002 and $1,692 at December 31, 2001, which were based upon fair market value appraisals. Additionally, the Company incurred an impairment charge of $635 during 2002 to write down the equipment to its net realizable value of $1,086. The amounts the Company will ultimately realize upon disposition of these assets could differ materially from the amounts assumed in arriving at the 2002 and 2001 impairment losses. The land, building, and equipment assets with a recorded book value of $1,805 are held for sale. In arriving at the carrying value of the assets held for sale, we have principally relied upon independent, third party fair value appraisals and valuations. These appraisals and valuations are as of December 31, 2002 and December 31, 2003 for the land and building, and machinery, respectively. The Company is attempting to sell the land, building and machinery. All of the severance payments were paid in 2002 and 2001.

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

<u>Euroball Restructuring</u>

In addition to this restructuring charge, the Company's Euroball subsidiary incurred restructuring charges of $16 and $479 for severance payments as a result of the termination of 15 hourly employees and 3 salaried employees at its Italy production facility during 2002 and 2001, respectively. All of the severance payments were paid during 2002 and 2001.

The following summarizes the 2002 restructurings (related to the Walterboro closing and the Euroball restructuring):

(In thousands, except per share data)

	Charges	Non-Cash Writedowns	Paid in 2002	Reserve Balance at 12/31/02
Asset impairments	$ 1,199	$ 1,199	$ --	$ --
Severance and other employee costs	78	--	591	--
Total	$ 1,277	$ 1,199	$ 591	$ --

The following summarizes the 2001 restructurings (related to the Walterboro closing and the Euroball restructuring):

	Charges	Non-Cash Writedowns	Paid in 2001	Reserve Balance at 12/31/01
Asset impairments	$ 1,083	$ 1,083	$ --	$ --
Severance and other employee costs	1,229	--	716	513
Total	$ 2,312	$ 1,083	$ 716	$ 513

4) Investments in Affiliated Companies

Effective December 21, 2001, the Company sold its 50% ownership in NN General, LLC to its partner, General Bearing Corporation for cash of $622 and notes of $3,305. The notes are due in annual installments of $200 with the balance due on December 21, 2006. The notes bear interest at an average LIBOR (1.15% at December 31, 2003) plus 1.5%. In 2001, the Company recorded a non-cash loss on the sale of its investment in this joint venture of $144. Interest income on this note of $85 and $109 was recorded during 2003 and 2002, respectively, and has been included as a component of other income in the accompanying consolidated statement of income. Payments totaling $285 and $309 were received during 2003 and 2002, respectively which include $200 of principal and $85 and $109 of interest payments, respectively. At December 31, 2003, the note receivable balance is $2,905 and is included as a component of other non-current assets.

5) Accounts Receivable

	December 31, 2003	2002
Trade	$ 42,644	$ 30,631
Less - Allowance for doubtful accounts	1,780	1,666
Accounts receivable, net	$ 40,864	$ 28,965

Activity in the allowance for doubtful accounts is as follows:

Description	**Balance at beginning of year**	**Additions**	**Write-offs**	**Balance at end of year**
December 31, 2002				
Allowance for doubtful accounts	$ 1,791	$ 138	$ 263	$ 1,666
December 31, 2003				
Allowance for doubtful accounts	$ 1,666	$ 183	$ 69	$ 1,780

On November 6, 2001, a customer of IMC filed for voluntary Chapter 7 bankruptcy. As of December 31, 2003 and 2002, we had a trade accounts receivable balance of approximately $829 with this customer. For the years ended December 31, 2003, 2002 and 2001, the Company recorded sales of approximately $0, $0 and $1,900 to this customer. As of December 31, 2001, the Company increased its allowance for doubtful accounts by approximately $829 as a result of this bankruptcy filing. This receivable is fully reserved as of December 31, 2001, 2002 and 2003.

6) Inventories

	December 31, 2003	**2002**

Raw materials	$ 8,492	$ 5,400
Work in process	6,808	5,139
Finished goods	22,128	13,065
Less-inventory reserve	(1,150)	(202)
Inventories, net	$36,278	$ 23,402

Inventory on consignment at December 31, 2003 and 2002 was approximately $3,046 and $3,093, respectively.

7) Property, Plant and Equipment

	Estimated Useful Life	December 31, 2003	2002
Land		$ 7,940	$ 2,058
Buildings and improvements	10-40 years	31,415	23,877
Machinery and equipment	3-10 years	156,263	113,197
Construction in process		4,681	3,958
		200,299	143,090
Less - accumulated depreciation		71,303	54,891
Property, plant and equipment, net		$128,996	$ 88,199

On September 11, 2001, the Company announced the closing of its Walterboro, South Carolina ball manufacturing facility effective December 2001. As a result of that closing, land and building was classified as a component of assets held for sale in the accompanying consolidated financial statements with a carrying value of $1,128 as of December 31, 2003 and 2002. Certain machinery and equipment assets are also held for sale with a carrying value of $677 and $1,086 as of December 31, 2003 and 2002, respectively.

8) Debt

a) Short-term

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

b) Long-term debt at December 31, 2003 and 2002 consists of the following:

	2003	2002
Borrowings under our $30,000 revolving credit facility bearing interest at a floating rate equal to LIBOR (1.15% at December 31, 2003) plus an applicable margin of 1.25 to 2.0, expiring on March 1, 2005	$27,104	--
Borrowings under our $30,400 term loan expiring on May 1, 2008, bearing interest at a floating rate equal to LIBOR (1.15% at December 31, 2003) plus an applicable margin of 1.25 to 2.0 payable in quarterly installments of $1,520 beginning July 1, 2003 through April 1, 2008	27,152	--
Borrowings under our 26,300 Euro term loan expiring on May 1, 2008, bearing interest at a floating rate equal to Euro LIBOR (2.12% at December 31, 2003) plus an applicable margin of 1.25 to 2.0 payable in quarterly installments of Euro 1,314 beginning July 1, 2003 through April 1, 2008	28,221	--
Borrowings under a revolving credit facility bearing interest at variable rates (2.92% - 4.25% at December 31, 2002) paid during 2003	--	$ 24,270

Reducing, revolving credit facility bearing interest at variable rates (2.92% at December 31, 2002) paid during 2003	--	23,878
Euro term loans bearing interest at variable rates (3.75% at December 31, 2002) paid during 2003	--	4,987
Total long-term debt	82,477	53,135
Less current maturities of long-term debt	12,725	7,000
Long-term debt, excluding current maturities of long-term debt	$ 69,752	$ 46,135

On May 1, 2003, we entered into a new $90,000 syndicated credit facility with AmSouth Bank ("AmSouth") as the administrative agent and Suntrust Bank as the Euro loan agent for the lenders under which we borrowed $60,400 and 26,300 Euros ($29,600). This new financing arrangement replaces our prior credit facilities with AmSouth and Hypo Vereinsbank Luxembourg, S.A. The credit facility consists of a $30,000 revolver expiring on March 1, 2005, bearing interest at a floating rate equal to LIBOR (1.15% at December 31, 2003) plus an applicable margin of 1.25 to 2.0, a $30,400 million term loan expiring on May 1, 2008, bearing interest at a floating rate equal to LIBOR (1.15% at December 31, 2003) plus an applicable margin of 1.25 to 2.0 and a 26,300 Euro ($29,600) term loan expiring on May 1, 2008 which bears interest at a floating rate equal to Euro LIBOR (2.12% at December 31, 2003) plus an applicable margin of 1.25 to 2.0. The loan agreement contains customary financial and non-financial covenants. Such covenants specify that the Company must maintain a minimum fixed charge coverage ratio, must not exceed a maximum funded indebtedness to EBITDA ratio as well as a maximum funded indebtedness to capitalization ratio and limits the amount of capital expenditures we may make in any fiscal year. The loan agreement also contains customary restrictions on, among other things, additional indebtedness, liens on our assets, sales or transfers of assets, investments, restricted payments (including payment of dividends and stock repurchases), issuance of equity securities, and mergers, acquisitions and other fundamental changes in the Company's business. The credit agreement is un-collateralized except for the pledge of stock of certain foreign subsidiaries. Additionally, the terms of the Company's revolving credit facility restrict the declaration and payment of dividends in excess of certain amounts specified in the credit agreement. As of December 31, 2003, we were not in compliance with certain technical, non-financial covenants. Subsequently, the necessary waivers, effective as of December 31, 2003, have been received from the participating banks. Except for certain technical, non-financial covenants, we were in compliance with all such covenants as of December 31, 2003. In connection with this refinancing, capitalized costs in the amount of $455 associated with the paid-off credit facilities were written-off during 2003 and are included as a component of other (income) expense. We incurred $939 of debt issue costs as a result of entering into this credit facility.

On July 20, 2001, the Company entered into a syndicated loan agreement with AmSouth Bank ("AmSouth") as the administrative agent for the lenders, for a senior non-secured revolving credit facility of up to $25,000, expiring on July 25, 2003 and a senior non-secured term loan for $35,000 expiring on July 1, 2006. On July 12, 2002, the Company amended this credit facility to convert the term loan portion into a reducing revolving credit line providing initial availability equivalent to the balance of the term loan prior to the amendment. Amounts available for borrowing under this facility reduce by $7,000 per annum and the facility expired on July 1, 2006. Additionally, on July 31, 2002, the Company amended the credit facility again to extend the $25,000 senior non-secured revolving credit facility to July 25, 2004. Amounts outstanding under the revolving facility and term loan facility bore interest at a floating rate equal to LIBOR (1.38% at December 31, 2002) plus an applicable margin of 0.75 to 2.00 based upon calculated financial ratios. The loan agreement contained customary financial and non-financial covenants. Such covenants specified that the Company must maintain a minimum fixed charge coverage ratio, must not exceed a maximum funded indebtedness to EBITDA ratio as well as a maximum funded indebtedness to capitalization ratio and limits the amount of capital expenditures we may make in any fiscal year. The loan agreement also contained customary restrictions on, among other things, additional indebtedness, liens on the Company's assets, sales or transfers of assets, investments, restricted payments (including payment of dividends and stock repurchases), issuance

 Continued

NN, Inc.
Notes to Consolidated Financial Statements
December 31, 2003, 2002 and 2001
(In thousands, except per share data)

of equity securities, and mergers, acquisitions and other fundamental changes in the Company's business. Additionally, the terms of the Company's loan agreement restricted the declaration and payment of dividends in excess of $5,500 in any fiscal year. The Company's ownership in NN Euroball ApS was pledged as collateral. All amounts owed under this credit facility were paid during 2003.

(In thousands, except per share data)

In connection with the Euroball transaction (see Note 2) the Company and NN Euroball ApS, entered into a Facility Agreement with a bank to provide up to 36,000 Euros in Term Loans and 5,000 Euros in revolving credit loans. The Company borrowed 30,500 Euros ($28,755) under the term loan facility and 1,000 Euros ($943) under the revolving credit facility. Amounts outstanding under the Facility Agreement are secured by inventory and accounts receivable and bear interest at EURIBOR (2.87% at December 31, 2002) plus an applicable margin between 0.8 and 2.25 based upon financial ratios. The shareholders of NN Euroball ApS have provided guarantees for the Facility Agreement. The Facility Agreement contains restrictive covenants, which specify, among other things, restrictions on the incurrence of indebtedness and the maintenance of certain financial ratios. Euroball was in compliance with all such covenants at December 31, 2002. Amounts outstanding under the Facility Agreement are secured by the stock, inventory and accounts receivable of NN Euroball ApS. At December 31, 2002, 9,800 Euros was available to Euroball under these facilities. All amounts owed under this credit facility were paid during 2003.

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2003 are as follows:

2004	$12,725
2005	42,725
2006	12,725
2007	12,725
2008	1,577
Total	$ 82,477

9) Employee Benefit Plans

We have one defined contribution 401(k) profit sharing plan covering substantially all employees of the Domestic Ball and Roller and Plastic and Rubber Components Segments. All employees are eligible for the plan on the first day of the month following their hire date. A participant may elect to contribute between 1% and 60% of compensation to the plan, subject to Internal Revenue Service ("IRS") dollar limitations. Participants age 50 and older may defer an additional amount up to the applicable IRS Catch Up Provision Limit. The company provides a matching contribution which is determined on an individual, participating company basis. Currently, the matching contribution for employees of the Domestic Ball and Roller Segment is the higher of $500 or 50% of the first 4% of compensation. The matching contribution for IMC employees is 25% of the first 6% of compensation and the matching contribution for Delta employees is 50% of the first 6% of compensation. All participants are immediately vested at 100%. Contributions by the Company for the Domestic Ball and Roller Segment were $126, $126, and $152 in 2003, 2002 and 2001, respectively. Contributions by the Company for the Plastic and Rubber Components Segment were $126, $100, and $125 in 2003, 2002 and 2001, respectively.

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

Following is a summary of the changes in the projected benefit obligation for the defined benefit pension plan during 2003 and 2002:

	2003	**2002**
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 3,059	$ 2,390
Service cost	114	95
Interest cost	208	161
Benefits paid	(45)	(6)
Effect of currency translation	625	430
Actuarial loss	26	(11)
Benefit obligation at December 31	$ 3,987	$ 3,059

	2003	**2002**	**2001**
Weighted-average assumptions as of December 31:			
Discount rate	5.5%	5.5%	5.5%
Rate of compensation increase	1.3%-2.5%	1.5% - 2.1%	1.5% - 2.1%

2003	**2002**	**2001**

Components of net periodic benefit cost:			
Service cost	$ 114	$ 95	$ 77
Interest cost on projected benefit obligation	208	161	116
Amortization of net gain	9	9	--
Net periodic pension benefit cost	$ 331	$ 265	$ 193

Amounts recognized in the Consolidated Balance Sheets consist of:

	2003	**2002**
Accrued benefit liability	$ 3,987	$ 3,059
Accumulated other comprehensive loss, net of tax	(258)	(81)
Net amount recognized in other non-current liabilities	$ 3,729	$ 2,978

Accumulated other comprehensive loss is shown net of tax of $135, $47 and $31 at December 31, 2003, 2002 and 2001, respectively.

Continued

10) Stock Incentive Plan

The Company has a Stock Incentive Plan under which 2,450 shares of the Company's Common Stock were reserved for issuance to officers and key employees of the Company. Awards or grants under the plan may be made in the form of incentive and nonqualified stock options, stock appreciation rights and restricted stock. The stock options and stock appreciation rights must be issued with an exercise price not less than the fair market value of the Common Stock on the date of grant. The awards or grants under the plan may have various vesting and expiration periods as determined at the discretion of the committee administering the plan.

A summary of the status of the Company's stock option plan as described above as of December 31, 2003, 2002 and 2001, and changes during the years ending on those dates is presented below:

	2003		**2002**		**2001**	
	Shares	**Weighted-average exercise price per share**	**Shares**	**Weighted-average exercise price per share**	**Shares**	**Weighted-average exercise price per share**
Outstanding at beginning of year	1,318	$ 7.33	1,373	$ 7.25	1,091	$ 6.87
Granted	52	10.67	37	9.39	396	8.09
Exercised	(108)	6.74	(53)	6.61	(70)	6.09
Forfeited	(11)	7.63	(39)	7.65	(44)	6.78
Outstanding at end of year	1,251	7.53	1,318	7.33	1,373	7.25
Options exercisable at year-end	1,058	$ 7.27	887	$ 7.01	290	$ 6.59

The following table summarizes information about stock options outstanding at December 31, 2003:

	Options outstanding			**Options exercisable**	
Range of exercise prices per share	**Number outstanding at 12/31/2003**	**Weighted-average remaining contractual life**	**Weighted-average exercise price per share**	**Number exercisable at 12/31/2003**	**Weighted-average exercise price per share**
$5.63 - $6.50	317	5.5 years	$ 6.00	317	$ 6.00
$7.63 - $10.26	934	6.9 years	$ 8.05	741	$ 7.81

All options granted in the period January 1, 1999 through December 31, 2003 vest ratably over three years, beginning one year from date of grant. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. All options granted in the period January 1, 1995 through December 31, 1998, vest 20% - 33% annually beginning one year from date of grant. The exercise price of each option equals the market price of the Company's stock on the date of grant, and an option's maximum term is 10 years. Certain options granted in July 1999 were deemed to be repriced

(In thousands, except per share data)

---

options under the applicable accounting requirements. These options, which were fully vested as of the effective date of FASB Interpretation No. 44, are treated under variable accounting. Accordingly, compensation expense is recognized, to the extent the market price of the Company's stock exceeds $10.50. The Company recognized an increase to compensation expense of $250 during 2003, a reduction of compensation expense of $108 during 2002 and an increase to compensation expense of $108 during 2001 related to these options.

On August 4, 1998 the Company's Board of Directors authorized the repurchase of up to 740 shares of its Common Stock, equaling 5% of the company's issued and outstanding shares as of August 4, 1998. The program may be extended or discontinued at any time, and there is no assurance that the Company will purchase any or all of the full amount authorized. The Company has not repurchased any shares under this program through December 31, 2003.

11) Segment Information

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

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates segment performance based on profit or loss from operations after income taxes. The Company accounts for intersegment sales and transfers at current market prices; however, the Company did not have any material intersegment transactions during 2003, 2002 or 2001.

	December 31, 2003			**December 31, 2002**			**December 31, 2001**		
	Domestic Ball and Roller	**NN Europe**	**Plastic and Rubber Components**	**Domestic Ball and Roller**	**NN Europe**	**Plastic and Rubber Components**	**Domestic Ball and Roller**	**NN Europe**	**Plastic and Rubber Components**
Net sales	$55,437	$ 147,127	$50,898	$ 52,634	$ 90,653	$49,569	$ 52,692	$86,719	$40,740
Interest expense	763	1,401	1,083	109	923	1,419	237	1,765	2,194
Depreciation & amortization	3,755	7,546	2,535	3,732	4,780	2,700	4,439	5,236	3,475
Income tax expense	2,117	4,858	(1,249)	2,595	3,855	7	2,435	2,474	(815)
Segment profit (loss)	2,003	7,492	683	2,272	3,313	2,175	4,498	1,962	(1,798)
Segment assets	53,938	154,889	57,590	58,825	78,846	57,544	62,978	65,778	55,721
Expenditures for long- lived assets	3,093	5,609	2,872	1,778	3,452	2,361	1,117	3,537	1,660

(In thousands, except per share data)

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

	December 31, 2003		December 31, 2002		December 31, 2001	
	Sales	**Long-lived assets**	**Sales**	**Long-lived assets**	**Sales**	**Long-lived assets**
United States	$67,756	$36,523	$68,485	$35,582	$59,813	$38,900
Europe	134,914	92,473	89,750	51,674	88,649	42,799
Canada	10,727	--	10,598	--	8,278	--
Latin/S.America	13,435	--	8,450	943	8,157	1,071
Other export	26,630	--	15,573	--	15,254	--
All foreign countries	185,706	92,473	124,371	52,617	120,338	43,870
Total	$253,462	$ 128,996	$ 192,856	$88,199	$180,151	$82,770

For the years ended December 31, 2003, 2002 and 2001, sales to SKF amounted to $107,484, $64,235 and $62,539, respectively, or 42.4%, 33.3% and 34.7% of consolidated revenues, respectively. For the years ended December 31, 2003, 2002 and 2001, sales to INA/FAG amounted to $40,110, $36,502, and $36,436, respectively or 15.8%, 18.9%, and 20.2% of consolidated revenues, respectively. None of the Company's other customers accounted for more than 5% of its net sales in 2003. Accounts receivable concentrations as of December 31, 2003, 2002 and 2001 are generally reflective of sales concentrations during the years then ended.

12) Income Taxes

Total income taxes (benefits) for the years ended December 31, 2003, 2002, and 2001 are allocated as follows:

	Year ended December 31, 2003	2002	2001
Income from operations:	$ 5,726	$ 6,457	$ 4,094
Cumulative effect of change in accounting principle		--	(112)
Accumulated other comprehensive income	(178)	(47)	(31)
	$ 5,548	$ 6,410	$ 3,951

Income before provision for income taxes for the years ended December 31, 2003, 2002 and 2001 are as follows:

	Year ended December 31, 2003	2002	2001
Income before provision for income taxes:			
United States	$ 3,711	$ 7,491	$ 5,125
Foreign	12,868	9,504	5,482
Total	$ 16,579	$ 16,995	$ 10,607

Continued

Income tax expense consists of:

	Year ended December 31, 2003	2002	2001
Current:			
U.S. Federal	$ (389)	$1,753	$1,025
State	(3)	249	146
Non-U.S.	2,229	1,891	1,627
	$1,838	$3,893	$2,798

(In thousands, except per share data)

Deferred:			
U.S. Federal	$1,272	$ 533	$ 557
State	(13)	66	57
Non-U.S.	2,629	1,965	682
Total deferred expense	3,888	2,564	1,296
	$5,726	$6,457	$4,094

A reconciliation of taxes based on the U.S. federal statutory rate of 34% for the years ended December 31, 2003, 2002 and 2001 is summarized as follows:

	Year ended December 31,		
	2003	**2002**	**2001**
Income taxes at the federal statutory rate	$5,637	$5,778	$3,606
State income taxes, net of federal benefit	(15)	208	134
Foreign sales corporation benefit, net of liability	--	--	(95)
Non-US earnings taxed at different rates	483	624	395
Other, net	(379)	(153)	54
	$5,726	$6,457	$4,094

Continued

The tax effects of the temporary differences are as follows:

	Year ended December 31,		
	2003	**2002**	**2001**
Deferred income tax liability			
Tax in excess of book depreciation	$ 9,355	$ 7,523	$ 6,360
Duty drawback receivable	68	48	37
Goodwill	3,053	1,582	688
Flow through loss from pass through entity	736	437	81
Other deferred tax liabilities	211	48	31
Gross deferred income tax liability	13,423	9,638	7,197
Deferred income tax assets			
Inventories	564	351	337
Allowance for bad debts	167	710	632
Vacation accrual	131	244	264
Health insurance accrual	--	139	103
Other working capital accruals	355	235	358
Euroball net operating loss carryforward	212	25	133
Other deferred tax assets	172	--	--
Gross deferred income tax assets	1,601	1,704	1,827
Net deferred income tax liability	$ 11,822	$ 7,934	$ 5,370

Deferred income tax expense differs from the change in the net deferred income tax liability due to the following:

	2003	**2002**	**2001**
Change in net deferred income tax liability	$3,888	$ 2,564	$979
Other comprehensive income adjustment	88	16	31
Cumulative effect of a change in accounting principle	--	--	112
Acquisition of deferred tax asset (liability) recorded under purchase accounting	--	--	229
Effect of currency translation and other	(88)	(16)	(55)
Deferred income tax expense	$3,888	$ 2,564	$1,296

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

(In thousands, except per share data)

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

---

13) Reconciliation of Net Income Per Share

	Year ended December 31, 2003	2002	2001
Net income	$10,178	$ 7,760	$ 4,662
Weighted average shares outstanding	15,973	15,343	15,259
Effective of dilutive stock options	406	371	281
Dilutive shares outstanding	16,379	15,714	15,540
Basic net income per share	$ 0.64	$ 0.51	$ 0.31
Diluted net income per share	$ 0.62	$ 0.49	$ 0.30

Excluded from the shares outstanding for the years ended December 31, 2003, 2002 and 2001 were 0, 7 and 7 antidilutive options, respectively, which had an exercise price of $0 during 2003, $10.26 during 2002, and $10.26 during 2001.

14) Commitments and Contingencies

The Company has operating lease commitments for machinery, office equipment, manufacturing and office space which expire on varying dates. Rent expense for 2003, 2002 and 2001 was $2,359, $1,855 and $1,650, respectively. The following is a schedule by year of future minimum lease payments as of December 31, 2003 under operating leases that have initial or remaining noncancelable lease terms in excess of one year.

Year ended December 31,	
2004	$ 2,354
2005	2,086
2006	1,806
2007	1,770
2008	1,768
Thereafter	17,262
Total minimum lease payments	$ 27,046

The Kilkenny operation of the NN Europe Segment has received certain grants from the Ireland government. These grants are based upon the Kilkenny facility hiring and retaining certain employment levels by the measurement date. At December 31, 2003, actual employment levels are less than those required by certain grant covenants. During 2002, the grant agreement measurement date was amended to extend the measurement date. The Company anticipates that, if necessary, the grant agreement measurement date and /or employment level thresholds would again be adjusted. As of December 31, 2003 and 2002 the grant obligation is recorded as a component of other non-current liabilities in the amount of $617 and $506, respectively.

The NN Europe Segment has entered into a supply contract with Ascometal France ("Ascometal") for the purchase of steel for ball production. The contract terms specify that Ascometal provide Euroball 90%, 90%, 85% and 85% of its steel requirements for the years ending December 31, 2002, 2003, 2004 and 2005, respectively. The contract, among other things, stipulates that Ascometal achieve certain performance targets related to quality, reliability and service. The contract provisions include annual price adjustments based upon published indexes in addition to annual productivity improvement factor multiples. In 2003, Euroball purchased approximately $23,400 under the terms of this contract. Annual purchase commitments for the remaining term of the contract are approximately $23,639 and $24,112 for 2004 and 2005, respectively. The contract expires December 31, 2005, however, it is automatically renewed for one year periods thereafter unless notice is provided by either Euroball or Ascometal.

(In thousands, except per share data)

15) Quarterly Results of Operations (Unaudited)

The following summarizes the unaudited quarterly results of operations for the years ended December 31, 2003 and 2002.

	Year ended December 31, 2003			
	March 31	June 30	Sept. 30	Dec. 31
Net sales	$57,609	$ 64,194	$ 64,612	$67,047
Income from operations	7,155	2,497	5,653	4,473
Net income	3,643	697	3,164	2,674
Basic net income per share	0.24	0.04	0.19	0.16
Dilutive net income per share	0.23	0.04	0.18	0.16
Weighted average shares outstanding:				
Basic number of shares	15,378	16,015	16,660	16,711
Effect of dilutive stock options	196	450	507	470
Diluted number of shares	15,574	16,465	17,167	17,181

	Year ended December 31, 2002			
	March 31	June 30	Sept. 30	Dec. 31
Net sales	$ 47,200	$ 49,186	$ 47,451	$ 49,019
Income from operations	4,335	5,503	4,863	4,258
Net income	1,848	2,408	2,119	1,384
Basic net income per share	0.12	0.16	0.14	0.09
Dilutive net income per share	0.12	0.15	0.14	0.09
Weighted average shares outstanding:				
Basic number of shares	15,341	15,359	15,368	15,368
Effect of dilutive stock options	394	509	280	341
Diluted number of shares	15,735	15,868	15,648	15,709

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

Fourth quarter results in 2002 include a pre-tax charge of $1,199 ($767 after-tax) related to asset write downs on the Company's Walterboro, SC production facility. This change has been recorded as a component of income from operations.

16) Fair Value of Financial Instruments

Management believes the fair value of financial instruments approximate their carrying value due to the short maturity of these instruments or in the case of the Company's notes receivable and debt, due to the variable interest rates.

17) Involuntary Conversion

On March 12, 2000, a fire damaged a portion of the Company's manufacturing plant in Erwin, Tennessee. The fire was contained to approximately 30% of the productions area and did not result in serious injury to any employee. Affected production was shifted to the Company's other facilities as possible as well as the use of other certain suppliers to protect product supply to customers. Insurance coverage for the loss provided for reimbursement of the replacement value of property and equipment damaged in the fire. As of December 31, 2001 the Company has settled the insurance claim. For the year ended December 31, 2001 the net gain on involuntary conversion of $3,901 represents insurance proceeds received in excess of costs incurred. There were no amounts recorded as related involuntary conversion for the years ended December 31, 2003 and 2002.

18) Accumulated Other Comprehensive Income

At December 31, 2003 the Company has included in accumulated other comprehensive income (loss) unrealized income due to foreign currency translation of $9,667, and at December 31, 2002 the Company has included in accumulated other comprehensive income (loss) an unrealized loss due to foreign currency translation of ($1,606). Income taxes on the foreign currency translation adjustment in other comprehensive income (loss) were not recognized because the earnings are intended to be indefinitely reinvested in those operations. Also included in accumulated other comprehensive loss as of December 31, 2003, and 2002 were additional minimum pension liability, net of tax of ($258) and ($81), respectively.

19) Sale of Common Stock

During May 2003, we completed a public offering of 3.6 million shares of our stock by a group of selling shareholders. We did not receive any proceeds from the sale of the shares previously held by the group of selling shareholders, however, the underwriters did exercise their over-allotment option of 533,600 shares, which were offered by us. Net proceeds received by us in connection with the exercise of the over-allotment option were approximately $5.1 million, net of issue costs. Per the terms of our credit facility, we repaid a portion of our credit facility with these proceeds.

Item 9.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

Item 9A.

Controls and Procedures

a) As of December 31, 2003, we carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's Exchange Act filings.

b) During the fiscal quarter ended December 31, 2003, there have been no changes in the Company's internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Part III

Item 10.

Directors and Executive Officers of the Registrant

Directors. The information required by Item 401 of Regulation S-K concerning the Company's directors is contained in the section entitled "Election of Directors -- Information about the Directors" of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 2003, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Executive Officers. Information required by Item 401 of Regulation S-K concerning the Company's executive officers is set forth in Item 1 hereof under the caption "Executive Officers of the Registrant."

Compliance with Section 16(a) of the Securities Exchange Act. The information required by Item 405 of Regulation S-K concerning compliance with Section 16(a) of the Securities Exchange Act by the Company's directors and executive officers and any 10% beneficial owners is contained in the section entitled "Section 16(a) Beneficial Ownership Reporting Compliance" of the Company's definitive Proxy Statement and, 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 will be applicable to all officers, directors and employees. The Code will be 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.

Audit Committee Financial Experts

Audit Committee Members and Financial Expert. Information required by Item 401 of Regulation S-K concerning the Company's Audit Committee Members and Financial Expert is contained in the 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 11. Executive Compensation

The information required by Item 402 of Regulation S-K is contained in the sections entitled "Information about the Election of Directors -- Compensation of Directors" and "Executive Compensation" of the Company's definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information required by Items 201(d) and 403 of Regulation S-K is contained in the section entitled "Beneficial Ownership of Common Stock" of the Company's definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

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

Table of Equity Compensation Plan Information

In thousands

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted -average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,251	$7.53	447
Equity compensation plans not approved by security holders	--	--	--
Total	1,251	$7.53	447

Item 13. Related Party Relationships

None.

Item 14. Principal Accountant Fees and Services

Accountants' Fees and Services. Information required by Item 2-01 of Regulation S-X and Section 10A(i) of the Securities Exchange Act concerning the Company's Accountants' Fees and Services is contained in the section entitled "Fees Paid to Independent Auditors" of the Company's definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Part IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

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

1. Financial Statements

The financial statements of the Company filed as part of this Annual Report on Form 10-K begin on the following pages hereof:

	Page
Report of Independent Auditors for the year ended December 31, 2003	29
Report of Independent Auditors for the years ended December 31, 2002 and 2001	30
Consolidated Balance Sheets at December 31, 2003 and 2002	31
Consolidated Statements of Income and Comprehensive Income for the three years ended December 31, 2003	32
Consolidated Statements of Changes in Stockholders' Equity for the three years ended December 31, 2003	33
Consolidated Statements of Cash Flows for the three years ended December 31, 2003	34
Notes to Consolidated Financial Statements	35

2. Financial Statement Schedules

   Not applicable.

3. See Index to Exhibits (attached hereto)

(b) Reports on Form 8-K

The Company filed a Form 8-K, in response to items 5 and 7, on October 2, 2003 announcing the formation of a new Slovakian company and a related asset acquisition.

The Company furnished a Form 8-K, in response to items 12 and 7, on October 30, 2003 announcing its third quarter earnings.

The Company furnished a Form 8-K, in response to items 12 and 7, on November 21, 2003 announcing that it had delayed the filing of its third quarter 10-Q, confirming previously announced third quarter operating results and providing abbreviated qualitative information.

The Company filed a Form 8-K, in response to items 5 and 7, on December 4, 2003 announcing that it had received a notice from Nasdaq related to the delayed filing of its quarterly report on Form 10-Q for the fiscal third quarter 2003.

(c) Exhibits: See Index to Exhibits (attached hereto).

The Company will provide without charge to any person, upon the written request of such person, a copy of any of the Exhibits to this Form 10-K.

SIGNATURES

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

By: /S/ RODERICK R. BATY

Roderick R. Baty
Chairman and Director

Dated: March 15, 2004

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

Name and Signature	**Title**	**Date**
/S/ RODERICK R. BATY Roderick R. Baty	Chairman, Chief Executive Officer, President and Director (Principal Executive Officer)	March 15, 2004
/S/ WILLIAM C. KELLY, JR. William C. Kelly, Jr.	Treasurer, Secretary and Chief Administrative Officer (Principal Accounting Officer)	March 15, 2004
/S/ DAVID L. DYCKMAN David L. Dyckman	Vice President - Corporate Development and Chief Financial Officer (Principal Financial Officer)	March 15, 2004

/S/ MICHAEL D. HUFF - --------------------------- Michael D. Huff	Director	March 15, 2004
/S/ G. RONALD MORRIS - --------------------------- G. Ronald Morris	Director	March 15, 2004
/S/ MICHAEL E. WERNER - --------------------------- Michael E. Werner	Director	March 15, 2004
/S/ STEVEN T. WARSHAW - --------------------------- Steven T. Warshaw	Director	March 15, 2004
/S/ JAMES L. EARSLEY - --------------------------- James L. Earsley	Director	March 15, 2004
/S/ ROBERT M. AIKEN, JR.. - --------------------------- Robert M. Aiken, Jr.	Director	March 15, 2004

Index to Exhibits

2.1 Asset Purchase Agreement dated April 14, 2003 among SKF Holding Maatschappij Holland B.V., SKF B.V., NN, Inc. and NN Netherlands B.V. (incorporated by reference to Exhibit 2.1 of Form 8-K filed on May 16, 2003).

3.1 Restated Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement No. 333-89950 on Form S-3 filed June 6, 2002)

3.2 Restated By-Laws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement No. 333-89950 on Form S-3 filed June 6, 2002)

4.1 The specimen stock certificate representing the Company's Common Stock, par value $0.01 per share (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement No. 333-89950 on Form S-3 filed June 6, 2002)

4.2 Article IV, Article V (Sections 3 through 6), Article VI (Section 2) and Article VII (Sections 1 and 3) of the Restated Certificate of Incorporation of the Company (included in Exhibit 3.1)

4.3 Article II (Sections 7 and 12), Article III (Sections 2 and 15) and Article VI of the Restated By-Laws of the Company (included in Exhibit 3.2)

10.1 NN, Inc. Stock Incentive Plan and Form of Incentive Stock Option Agreement pursuant to the Plan (incorporated by reference to Exhibit 10.1 of the Company's Registration Statement No. 333-89950 on Form S-3/A filed July 15, 2002)*

10.2 Amendment No. 1 to the NN, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 4.6 of the Company's Registration Statement No. 333-50934 on Form S-8 filed on November 30, 2000)*

10.3 Amendment No. 2 to the NN, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 4.7 of the Company's Registration Statement No. 333-69588 on Form S-8 filed on September 18, 2001)*

10.4 Form of Non-Competition and Confidentiality Agreement for Executive Officers of the Company (incorporated by reference to Exhibit 10.4 of the Company's Registration Statement No. 333-89950 on Form S-3/A filed July 15, 2002)*

10.5 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.6 of the Company's Registration Statement No. 333-89950 on Form S-3/A filed July 15, 2002)

10.6 Form of Stock Option Agreement, dated December 7, 1998, between the Company and the non-employee directors of the Company (incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K filed March 31, 1999)*

10.7 Elective Deferred Compensation Plan, dated February 26, 1999 (incorporated by reference to Exhibit 10.16 of the Company's Annual Report on Form 10-K filed March 31, 1999)*

10.8 Employment Agreement, dated August 1, 1997, between the Company and Roderick R. Baty (incorporated by reference to Exhibit 10.14 of the Company's Form 10-Q filed November 14, 1997)*

10.9 Amendment No. 1 to Employment Agreement between the Company and

Roderick R. Baty, dated January 21, 2002 (incorporated by reference to Exhibit 10.18 of the Company's Annual Report on Form 10-K filed March 29, 2002)*

10.10 Change of Control and Noncompetition Agreement dated January 21, 2002 between the Company and Roderick R. Baty (incorporated by reference to Exhibit 10.19 of the Company's Annual Report on Form 10-K filed March 29, 2002)*

10.11 Employment Agreement, dated May 7, 1998, between the Company and Frank T. Gentry (incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K filed March 31, 1999)*

10.12 Amendment No. 1 to Employment Agreement between the Company and Frank T. Gentry, dated January 21, 2002 (incorporated by reference to Exhibit 10.16 of the Company's Annual Report on Form 10-K filed March 29, 2002)*

10.13 Change of Control and Noncompetition Agreement dated January 21, 2002 between the Company and Frank T. Gentry (incorporated by reference to Exhibit 10.17 to the Company's Annual Report on Form 10-K filed March 29, 2002)*

10.14 Employment Agreement, dated January 21, 2002, between the Company and Robert R. Sams (incorporated by reference to Exhibit 10.20 of the Company's Annual Report on Form 10-K filed March 29, 2002)*

10.15 Change of Control and Noncompetition Agreement dated January 21, 2002 between the Company and Robert R. Sams (incorporated by reference to Exhibit 10.21 of the Company's Annual Report on Form 10-K filed March 29, 2002)*

10.16 Employment Agreement, dated January 21, 2002, between the Company and David L. Dyckman (incorporated by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K filed March 29, 2002)*

10.17 Change of Control and Noncompetition Agreement, dated January 21, 2002, between the Company and David L. Dyckman (incorporated by reference to Exhibit 10.25 of the Company's Annual Report on Form 10-K filed March 29, 2002)*

10.18 Employment Agreement dated January 21, 2002, between the Company and William C. Kelly, Jr. (incorporated by reference to Exhibit 10.22 of the Company's Annual Report on Form 10-K filed March 29, 2002)*

10.19 Change of Control and Noncompetition Agreement, dated January 21, 2002, between the Company and William C. Kelly, Jr. (incorporated by reference to Exhibit 10.23 of the Company's Annual Report on Form 10-K filed March 29, 2002)*

10.20 NN Euroball, ApS Shareholder Agreement dated April 6, 2000 among NN, Inc., AB SKF and FAG Kugelfischer Georg Shafer AG (incorporated by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K filed March 29, 2002)

10.21 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)

10.22 Employment Agreement dated January 21, 2002, between the Company and Paul N. Fortier.*

10.23 Amendment No. 3 to NN, Inc. Stock Incentive Plan as ratified by the shareholders on May 15, 2003 amending the Plan to permit the issuance of awards under the Plan to directors of the Company (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed August 14, 2003)*

10.24 Credit Agreement dated as of May 1, 2003 among NN, Inc., and NN Euroball as the Borrowers, the Subsidiaries as Guarantors, the Lenders as identifies therein, AmSouth Bank as Administrative Agent, and SunTrust Bank as Documentation Agent and Euro Loan Agent (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q filed August 14, 2003)

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

10.26 Global Supply Agreement among NN, Inc., NN Netherlands B.V. and SKF Holding Maatschappij Holland B.V. dated April 14, 2003. (We have omitted certain information from the Agreement and filed it separately with the Securities and Exchange Commission pursuant to our request for confidential treatment under Rule 24b-2. We have identified the omitted confidential information by the following statement, "Confidential portions of material have been omitted and filed separately with the Securities and Exchange Commission, " as indicated throughout the document with 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)

21.1 List of Subsidiaries of the Company.

23.1 Consent of PricewaterhouseCoopers LLP, Independent Accountants

23.2 Consent of KPMG, LLP, Independent Auditors

31.1 Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act

31.2 Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act

32.1 Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act

32.2 Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act

____

* Management contract or compensatory plan or arrangement.

Exhibit 10.22

EMPLOYMENT AGREEMENT

This AGREEMENT is made as of January 1, 2002, by and between NN, Inc., a Delaware corporation, having its principal place of business located at 1200 Waters Edge Drive, Johnson City, Tennessee 37604 (the "Company" or "NN") and Paul Fortier (the "Executive").

W I T N E S S E T H:

WHEREAS, the Company's Board of Directors (the "Board") has determined that it is in the best interest of the Company and its shareholders to employ the Executive as Vice President General Manager Delta Rubber, and the Executive desires to serve in that capacity;

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein contained, the parties hereto, intending to be legally bound, agree as follows:

1. Employment. The Company agrees to continue to employ the Executive and the Executive hereby agrees to continue to be employed for the period of time set forth in Paragraph 2, subject to the terms and conditions set forth herein.

2. Term. Subject to the terms hereof, Company agrees to employ the Executive for a period of two years commencing upon January 1, 2002 and expiring on the second anniversary from that date (the "Employment Term") (unless sooner terminated as provided herein). The Employment Term shall be extended automatically from time to time, on a rolling basis, for additional one year periods, unless either party gives written notice of termination to the other at least six (6) months prior to the date that the Employment Term is scheduled to expire.

3. Position and Responsibilities. The Executive shall serve as Vice President General Manager Delta Rubber, reporting only to the Chairman of the Board and Chief Executive Officer of the Company (the "Chairman") or such other individual as the Chairman may designate (his "Designee"), and shall have supervision and control over, and responsibility for all aspects of Delta Rubber. The Executive shall also have such other powers and duties as may from time to time be prescribed by the Chairman and Chief Executive Officer; provided, however, that such duties shall be consistent with the Executive's position as the officer in charge of Delta Rubber.

4. Diligence. Executive agrees to serve in the position referred to in Paragraph 3 and to perform diligently the duties and services appertaining to such office, as well as such additional duties and services appropriate to such office which the parties mutually may agree upon from time to time.

5. Time. Executive agrees to devote his entire working time and efforts to the business and affairs of the Company and its affiliates and not to 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 Chairman and Chief Executive Officer and the Board. The foregoing notwithstanding, the parties recognize and agree that Executive (i) may engage in personal investments, subject to any restrictions set forth in the Non-Competition and Confidentiality

---

provisions addressed in Paragraphs 7 through 10 below and (ii) subject to the prior consent of the Chairman of the Board and Chief Executive Officer, may serve on the board of directors of other companies, provided such service does not conflict with the business and affairs of the Company or interfere with Executive's performance of his duties hereunder.

6. Compensation.

(a) Salary. During the Employment Term, the Executive shall receive an annual Salary of $140,000 per year, which annual salary shall be subject to such increases as the Chairman or his Designee, in their sole discretion may from time to time determine (the "Annual Salary"). The Annual Salary shall be payable by the Company in accordance with its regular compensation policies and practices for paying executives.

(b) Expenses. During the term of his employment hereunder, the Executive shall be entitled to be reimbursed for all reasonable business expenses incurred by him in connection with his services hereunder, including but not limited to expenses for entertainment and travel, in accordance with the policies and procedures from time to time in effect for the Company's senior executives. The Company retains the right to establish limits on the types or amounts of business expenses that the Executive may incur.

(c) Employee Benefit Programs. The Executive shall be entitled to participate in all of the Company's employee benefit plans and programs (including life, disability, and health insurance plans and programs and savings plans and programs) to the extent his position, tenure, salary, age, health and other qualifications make him eligible to participate, subject to the rules and regulations applicable thereto. The Company retains the right to abolish or alter the terms of any employee benefit programs, plans or policies that it may establish, provided such abolition or amendment shall be applicable to the senior executives of the Company generally.

(d) Vacation and Other Absences. The Executive shall be entitled to the number of paid vacation days in each calendar year determined by the Company from time to time for its senior executives generally. The Executive shall also be entitled to all paid absences for holidays or illnesses in accordance with the Company's plans, policies or provisions applicable to senior executive employees.

7. Non-Competition. As a material inducement to the Company entering into this Agreement and in consideration for the Executive's continued employment, Executive hereby reconfirms and agrees to continue to be bound in all respects by the following Non-Competition and Confidentiality terms.

(a) Restriction on Competition. The Executive agrees that during the Term of Employment, and for a period of 2 years following the Term of Employment or termination of this Agreement under Section 12, the Executive will not compete with the business of Delta Rubber Company or its successors or assigns. This agreement not to compete means that the Executive agrees he will not in any capacity, including, but not limited to, as an employee, owner, officer, director, consultant, stockholder or partner of a competitive enterprise, (1) solicit orders for any product or service that is competitive with the product or services provided by NN, or (2) accept

---

employment with a business that sells products or services competitive with the products or services of NN.

(b) Judicial Modification. The restriction on competition in this paragraph extends to all geographic areas serviced by NN, during the Executive's employment. NN, Inc. and the Executive have attempted to limit the Executive's right to compete only to the extent permitted by applicable law and necessary to protect NN from unfair competition. If a Court should determine that the restriction contained in this section 7 is of too long a duration or too broad in geographic scope to be reasonable and enforceable, then such a provision shall be amended only so much as shall be necessary for the restrictions contained herein to be enforceable.

8. Non-Disclosure and Return of Confidential Information.

(a) Definitions. The following definitions are established for the purposes of this agreement:

A. "Trade Secret" means any information, including, but not limited to, formulas, patterns, compilations, programs, devices, methods, techniques or processes that NN considers confidential and valuable and provides a competitive advantage because it is not generally known and not readily ascertainable by proper means;

B. "Confidential Information" is defined as information (whether or not in writing) which is related to NN's business and is maintained as confidential. Confidential Information includes, but is not limited to, Trade Secrets, customer data and account information; sales records and invoices; information pertaining to manufacturing processes, apparatus, formulas, systems and other confidential technical data; personnel and related human resources information; the existence and contents of agreements; marketing plans, strategies and related information; information regarding economic condition, determination of prices, sales, net income, indebtedness and related financial information.

(b) Acknowledgments. The Executive acknowledges that: (i) NN's business is both highly specialized and competitive, and (ii) documents and information regarding NN's customers, clients, services, methods of operation, sales as well as the specialized business needs of NN's customers and clients, constitute Confidential Information and Trade Secrets that are not generally known to, or readily ascertainable by, the public or NN's competitors. The Executive further acknowledges that during the Term of Employment he will have access to Confidential Information and Trade Secrets belonging to NN, agrees that such Confidential Information and Trade Secrets shall remain the exclusive property of NN, and understands that the misappropriation or unauthorized disclosure of such Confidential Information or Trade Secrets is prohibited and will cause NN irreparable injury.

(c) Non-Disclosure. During the Employment Term, and at all times following the Employment Term or the termination of this Agreement under section 12, the Executive shall not disclose Confidential Information or Trade Secrets to anyone other than

---

NN's officers orauthorized employees and shall not use such information for any unauthorized purpose without the prior written consent of NN.

(d) Non-Removal. The Executive shall not, either during the Term of Employment or at anytime thereafter or at any time following a termination of this agreement under Section 12, directly or indirectly, copy, take or remove from NN's premises any of NN's books, records, files, customer lists, documents or materials, including any Confidential Information or Trade Secrets, or copies of any of the foregoing, without the prior written consent of NN.

9. Assignment of Intellectual Property.

(a) Any and all inventions, writings, analyses, improvements, procedures, discoveries, processes and/or techniques ("Intellectual Property") that the Executive may make, conceive, discover or develop, either solely or jointly with any other person or persons, at any time during his employment with NN, whether during working hours or at any other time, and whether at the request or upon the suggestion of NN or otherwise, which relate to or are useful in connection with any business carried on or contemplated by NN, shall be the sole and exclusive property of NN. The Executive shall make full disclosure to NN of all such Intellectual Property, and the Executive shall do everything necessary to vest the absolute title thereto in NN. The Executive agrees that he shall not be entitled to any additional or special compensation or reimbursement in connection with any and all such Intellectual Property.

(b) The Executive shall assist NN at anytime during or after his employment, in obtaining patents on all such Intellectual Property deemed patentable by NN and shall execute all documents and do all things necessary to obtain letters patent, vest NN with full and exclusive title thereto, and protect the same against infringement by others. If such assistance takes place after his employment is terminated the Executive shall be paid by NN at a reasonable rate for any time actually spent in rendering such assistance at the request of NN.

10. Non-Solicitation.

(a) Acknowledgments. The Executive acknowledges that NN's relationships with its customers, clients, employees, and other business associations are among NN's most important assets, and that developing, maintaining and continuing these relationships is one of NN's highest priorities. The Executive further understands that he will be relied upon to develop and maintain the goodwill of these relationships on behalf of NN throughout the course of his employment with NN.

(b) Non-Solicitation of Employees. The Executive, therefore agrees that during the Term of Employment, and for a period of 2 years following the Term of Employment or a termination of this Agreement under Section 12, he will not directly or indirectly recruit, solicit, or induce, or attempt to recruit, solicit, or induce, any employees of NN to terminate their employment with, or otherwise cease a relationship with, NN.

(c) Non-Solicitation of Customers. In addition, the Executive agrees that during the Term of Employment and for a period of 2 years following the Term of Employment or a termination of the Agreement under Section 12, he will not directly or indirectly solicit,

---

divert or take away, or attempt to solicit, divert, or take away the business or patronage of any of the clients, customers or accounts, or prospective clients, customers or accounts, of NN.

11. Legal and Equitable Relief. The restrictions contained in Sections 7-10 are necessary for the protection of the legitimate business interests and goodwill of NN, and are considered by the Executive to be reasonable for such purposes. The Executive agrees that any breach of Sections 7-10 will cause NN substantial and irrevocable damage. In the event of any such breach, in addition to such other remedies that may be available, including the recovery of damages from the Executive, NN shall have the right to injunctive relief to restrain or to enjoin any actual or threatened breach of the provisions of Sections 7-10.

12. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Term. The Company shall be entitled to terminate the Executive's employment because of the Executive's disability during the Employment Term if, as a result of the Executive's incapacity due to physical or mental illness (hereinafter "Disability"), the Executive shall have been absent from his duties hereunder for one hundred and twenty (120) days during any three hundred and sixty (360) day period.

(b) Termination by Company for Cause. (i) The Company may terminate the Executive's employment during the Employment Term for Cause. "Cause" means:

A. the failure of the Executive to perform the Executive's material duties under this Agreement (other than as a result of physical or mental illness or injury), which failure, provided it does not constitute willful misconduct or gross negligence described in Subsection B below, remains uncorrected for 60 days following written notice to Executive by the Chairman, his Designee or the Board 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 either this Agreement or that certain Non-Competition and Confidentiality Agreement referenced in Paragraph 8 which, if correctable, remains uncorrected for 60 days following written notice to Executive by the Board 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).

(c) Termination By Company Without Cause. The Company may terminate the employment of Executive under this Agreement for any reason at any time.

(d) Termination by Executive for Good Reason. (i) The Executive may terminate employment for Good Reason. "Good Reason" means:

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 60 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 60 days after receipt of notice thereof from the Executive.

(e) Voluntary Termination by Executive Without Good Reason. Executive may at any time terminate his employment under this Agreement without Good Reason.

(f) Notice of Termination. If Company or Executive desires to terminate Executive's employment hereunder at any time, it or he shall do so by giving written notice to the other party (following the expiration of any applicable cure periods) that it or he has elected to terminate Executive's employment hereunder and stating the effective date and reason for such termination. Any termination by Executive of his employment without Good Reason shall be made on not less than 14 days' notice.

13. Effect of Termination.

(a) Voluntary Termination by Executive; Termination for Cause; Death, or Disability. In the event that Executives employment is terminated pursuant to Paragraphs 12(a), 12(b) or 12(e), on the date of termination, the Company shall be liable to Executive as follows:

(i) Executive shall be entitled to receive the Annual Salary due to him through the date of termination of his employment.

(ii) Any vested rights of Executive shall be paid to Executive 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 (Paragraph 12(a)), 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.

(iii)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.

(b) Termination Without Cause; Termination by Executive for Good Reason. In the event that the Company terminates Executive's employment without Cause pursuant to Paragraph 12(c) or Executive terminates his employment with the Company pursuant to Paragraph 12(d), the Company shall be liable as follows:

(i) Executive shall be entitled to receive the Annual Salary due to him through the date of termination of his Employment. In addition, Executive shall be entitled to receive continued monthly payments of his Annual Salary, based on the Annual Salary in effect, on the date of termination, until the first anniversary of the date of termination. The Executive shall also be entitled to receive a bonus upon the anniversary of his date of termination that is equal to the average bonus paid Executive for the 3 years immediately preceding the date of his termination.

(ii) Any vested rights of Executive shall be paid to Executive in accordance with the Company's plans, programs or policies.

(iii)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.

(iv) Executive and/or Executive's family shall be entitled to receive health benefits (as contemplated by Paragraph 7(c) hereof) until the first anniversary of the date of termination at least equal to those which would have been provided to them in accordance with this Agreement if Executive's employment had not been terminated provided that the Company's obligation to provide such benefits shall be reduced by any comparable benefits (or amounts received by Executive in respect thereof) received by Executive under the terms of new employment undertaken by Executive after termination and prior to the first anniversary of the date of termination; and provided further, that the terms of the Company's health insurance 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) Limit on Company Liability. Except as expressly set forth in this Paragraph 13, 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 10.

14. 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 Employment Term, including any termination of employment described in Paragraph 12, the Executive will promptly return to the Company all copies of information protected by the terms of this agreement 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.

15. 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.

16. Assignment. 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 Company may assign this Agreement in connection with a merger or consolidation involving Company or a sale of substantially all its assets to the surviving corporation or purchaser, as the case may be, so long as such assignee assumes Company's obligations hereunder.

17. Withholding. Payment of Executive's Annual Salary and payment or provision of other compensation to Executive pursuant hereto shall be subject to such reporting and withholding for applicable taxes as is required by law.

18. Certain Expenses. Company, on or before the date hereof, shall pay directly or reimburse Executive (at Executive's discretion) for the actual legal fees and other costs and expenses, if any, incurred by Executive in connection with the preparation, finalizing and execution of this Letter.

19. Severability. In the event that any provision or portion of this Agreement is determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement will be unaffected thereby and will remain in full force and effect to the fullest extent permitted by law.

20. Notices. For all purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given, in the case of a notice to the Company, when delivered to the Company at the following

---

address, and in the case of a notice to Executive, when received by Executive, and in both cases addressed as follows:

If to Company, to: NN, Inc.

2000 Waters Edge Drive
Building C, Suite 12
Johnson City, Tennessee 37604
Attention: CEO

If to Executive, to: Paul Fortier

21. <u>Modifications and Waivers</u>. No provision of this Agreement may be modified or discharged unless such modification or discharge is authorized by the Board and is agreed to in writing, signed by the Executive and by an officer of the Company duly authorized by the Board. 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 prior or subsequent time.

22. <u>Entire Agreement</u>. This Agreement constitutes the entire understanding of the parties hereto with respect to their subject matter. This Agreement supersedes all prior agreements between the parties hereto with respect to their subject matter.

23. <u>Governing Law</u>. This Agreement will be governed by the laws of the State of Tennessee without regard for its conflict of law rules.

24. <u>Counterparts</u>. This Agreement may be executed simultaneously in one or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

25. <u>Headings, Etc</u>. 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.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

NN, INC.

By: /s/ Roderick R. Baty

EXECUTIVE

By: /s/ Paul N. Fortier

Exhibit 21.1

Subsidiaries of the Registrant

Subsidiaries of NN, Inc.	**Jurisdiction of Incorporation or Organization**
The Delta Rubber Company	Connecticut
Industrial Molding GP, LLC	Delaware
Industrial Molding LP, LLC	Tennessee
Industrial Molding Group, L.P.	Tennessee
NN Euroball ApS	Denmark
Kugelfertigung Eltmann GmbH	Germany
Euroball S.p.A.	Italy
NN Euroball Ireland, Ltd.	Ireland
NN Mexico, LLC	Delaware
NN Arte S. De R.L. De D.V.	Mexico
NN Netherlands B.V.	The Netherlands
NN Holdings B.V.	The Netherlands
NN Slovakia	Zilina, Slovak Republic

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (No. 33-87572, No. 333-50934, No. 333-69588) and S-3 (No. 333-100119) of NN, Inc. of our report dated February 26, 2004 relating to the financial statements as of December 31, 2003 and the year then ended, which appears in this Form 10-K. We also consent to the references to us under the heading "Selected Financial Data" in such Registration Statements.

/s/PricewaterhouseCoopers LLP
Greensboro, North Carolina
March 15, 2004

Exhibit 23.2

Independent Auditors' Consent

The Board of Directors
NN, Inc.:

We consent to the incorporation by reference in the registration statements (No. 33-87572, No. 333-50934, No. 333-69588) on Form S-8 and the registration statement (No. 333-100119) on Form S-3 of NN, Inc. of our report dated February 24, 2003 with respect to the consolidated balance sheet of NN, Inc. and Subsidiaries as of December 31, 2002 and the related consolidated statements of income and comprehensive income, consolidated statements of changes in stockholders' equity, and consolidated statements of cash flows for each of the years in the two year period ended December 31, 2002, which report appears in the December 31, 2003 annual report on Form 10-K of NN, Inc. and Subsidiaries. Our report refers to a change in the Company's method of accounting for goodwill and other intangible assets in 2002 and a change in the Company's method of accounting for derivative instruments and hedging activities in 2001.

/s/ KPMG LLP
Charlotte, North Carolina
March 12, 2004

Exhibit 31.1

CERTIFICATIONS

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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

By: /s/ Roderick R. Baty

Roderick R. Baty
Chairman, President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

I, David L. Dyckman, 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 officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004　　　By: /s/ David L. Dyckman

David L. Dyckman
Chief Financial Officer
(principal 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 annual period ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and date indicated below, hereby certifies pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2004

/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 it's 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 annual period ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and date indicated below, hereby certifies pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2004

/s/ David L. Dyckman

David L. Dyckman
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.]