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

FORM 10-K

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

For the fiscal year ended December 31, 2014

OR

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

For the transition period from _____ to _____

Commission file number 0-23486

NN, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

62-1096725
(I.R.S. Employer
Identification No.)

207 Mockingbird Lane
Johnson City, Tennessee
(Address of principal executive offices)

37604
(Zip Code)

Registrant's telephone number, including area code: (423) 434-8300

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

Title of each class
Common Stock, par value \$.01

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

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

None
(Title of class)

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant at June 30, 2014, based on the closing price on the NASDAQ Stock Market LLC on that date was approximately \$433,000,000.

The number of shares of the registrant's common stock outstanding on March 10, 2015 was 18,983,549

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement with respect to the 2015 Annual Meeting of Stockholders are incorporated by reference in Part III, Items 10 to 14 of this Annual Report on Form 10-K as indicated herein.

PART I

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements may discuss goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition, or state other information relating to NN, based on current beliefs of management as well as assumptions made by, and information currently available to, management. Forward-looking statements generally will be accompanied by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “may,” “possible,” “potential,” “predict,” “project” or other similar words, phrases or expressions. Forward-looking statements involve a number of risks and uncertainties that are outside of our control and that may cause actual results to be materially different from such forward-looking statements. Such factors include, among others, general economic conditions and economic conditions in the industrial sector, competitive influences, risks that current customers will commence or increase captive production, risks of capacity underutilization, quality issues, availability of raw materials, currency and other risks associated with international trade, the Company’s dependence on certain major customers, the impact of acquisitions and divestitures; unanticipated difficulties integrating acquisitions, new laws and governmental regulations and other risk factors and cautionary statements listed from time to time in the Company’s periodic reports filed with the Securities and Exchange Commission. NN disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements included herein or therein to reflect future events or developments.

Item 1. Business Overview

Introduction

NN, Inc. is a diversified industrial company and a leading global manufacturer of metal bearing, plastic, rubber and precision metal components. We were founded in 1980 and are headquartered in Johnson City, Tennessee. NN has 25 manufacturing plants in the United States, Western Europe, Eastern Europe, South America and China. 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.

Our business is aggregated into three reportable segments, the Metal Bearing Components Segment, the Plastic and Rubber Components Segment and the Autocam Precision Components Segment. In 2014, we continued to execute on our strategic plan to double our revenue and triple our earnings per share by 2018. We made four acquisitions of businesses in 2014 to further our growth and implement our strategic plan. The businesses we acquired and our business segments are described further below.

Acquisitions

In 2014, we made four acquisitions, one of which, the acquisition of Autocam Corporation, was transformative.

In February 2014, we acquired V-S Industries, a manufacturer of precision metal components with locations in Wheeling, Illinois and Juarez, Mexico. The acquisition of V-S Industries provided NN with a broader product offering and allowed for penetration into adjacent markets. V-S Industries’ products serve a variety of industries including electric motors, HVAC, power tools, automotive and medical. V-S Industries’ operations were integrated with the Autocam Precision Components Segment.

In June 2014, we acquired RFK Industries (“RFK or Konjic Plant”), a manufacturer of taper rollers located in Konjic, Bosnia and Herzegovina. RFK’s products are complimentary to NN’s existing roller bearing products and will broaden the Company’s product offering and allow penetration into adjacent markets. RFK currently exports all of its products to customers serving the European truck, industrial vehicle and railway markets. RFK operations were integrated with our European Metal Bearing Components operations.

In July 2014, we acquired Chelsea Grinding Company, a manufacturer of cylindrical rollers used primarily in the hydraulic pump industry and relocated the operations to our Erwin, Tennessee plant and integrated into our Metal Bearing Component Segment.

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In August 2014, we acquired Autocam Corporation, a manufacturer of high precision metal components serving primarily the automotive and commercial vehicle HVAC and fluid power industries. We acquired Autocam for \$256.8 million in cash, assumed debt of \$29.8 million and NN share consideration valued at \$31.7 million. Headquartered in Kentwood, Michigan, Autocam manufactures and assembles highly complex, system critical components for fuel systems, engines, transmission, power steering and electric motors. Autocam employed over 2,100 employees with 15 manufacturing facilities in the U.S., Europe, South America and Asia. With the acquisition of Autocam, NN combined its Whirlaway and VS businesses under the renamed Autocam Precision Components Group.

Corporate Information

We were founded in October 1980, and are incorporated in Delaware. Our principal executive offices are located at 207 Mockingbird Lane, Johnson City, Tennessee, and our telephone number is (423) 434-8300. Our website address is www.nninc.com. Information contained on our website is not part of this Annual Report. Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and related amendments are available via a link to "SEC.gov" on our website under "Investor Relations." Additionally, all required interactive data pursuant to Item 405 of Regulation S-T is posted on our website.

Business Segments

For each of our business segments, net sales, income from operations and assets is presented in Management's Discussion and Analysis of Financial Condition Results of Operations and Note 2 and Note 12 of the Notes to the Consolidated Financial Statements. Additional information regarding our business segments is presented below.

Within the Metal Bearing Components Segment, we manufacture and supply high precision bearing components, consisting of balls, cylindrical rollers, tapered rollers, and metal retainers, for leading bearing and CV-joint manufacturers on a global basis. We are a leading independent manufacturer of precision steel bearing balls and rollers for the North American, European and Asian markets. In 2014, Metal Bearing Components accounted for 57% of our sales. Sales of balls accounted for 38% of our sales and rollers accounted for approximately 16% of our sales. Sales of metal bearing retainers accounted for 3% of our sales. We offer one of the industry's most complete lines of commercially available bearing components. We emphasize engineered products that take advantage of our competencies in product design and tight tolerance manufacturing processes. Our customers use our components in fully assembled ball and roller bearings and CV-joints, which serve a wide variety of industrial applications in the automotive, electrical, agricultural, construction, machinery, heavy truck, rail, and mining markets.

Within the Plastic and Rubber Components Segment, we manufacture high precision rubber seals and plastic retainers for leading bearing manufacturers on a global basis. In addition, we manufacture specialized plastic products including automotive components, electronic instrument cases and other molded components used in a variety of industrial and consumer applications. Finally, we also manufacture rubber seals for use in various automotive, industrial and mining applications. In 2014, plastic products accounted for 5% of our sales and rubber seals accounted for 2% of our sales.

Our Autocam Precision Components Segment manufactures highly engineered, difficult to manufacture precision metal components and subassemblies for the transportation, HVAC and fluid power markets. Our entry into the precision metal components market began in 2006 with the acquisition of Whirlaway Corporation. We dramatically expanded the segment in 2014 with the acquisition of Autocam Corporation ("Autocam"). With the acquisition of Autocam we are now one of the premier global brands in the high quality, ultra precision end of the precision components market with a global presence in the business. These products accounted for 36% of our sales in 2014.

Products

Metal Bearing Components Segment

Precision Steel Balls. At our Metal Bearing Components Segment facilities (with the exception of our Veenendaal Plant), we manufacture and sell high quality, precision steel balls. Our steel balls are used primarily by manufacturers of anti-friction bearings and constant velocity joints where precise spherical, tolerance and surface finish accuracies are required.

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Steel Rollers. We manufacture tapered rollers at our Veenendaal, Erwin, and Konjic Plants and cylindrical rollers at our Erwin Plant. Rollers are an alternative rolling element used instead of balls in anti-friction bearings that typically have heavier loading or different speed requirements. Our roller products are used primarily for applications similar to those of our precision steel ball product line, plus certain non-bearing applications such as hydraulic pumps and motors. Tapered rollers are a component in tapered roller bearings that are used in a variety of applications including automotive gearbox applications, automotive wheel bearings and a wide variety of industrial applications. Most cylindrical rollers are made to specific customer requirements for diameter and length and are used in a variety of industrial applications.

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

Plastic and Rubber Components Segment

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

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

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

Autocam Precision Components Segment

Autocam Precision Components. We sell a wide range of highly engineered, extremely close tolerance, precision-machined metal components and subassemblies primarily to the automotive and commercial vehicle, HVAC and fluid power markets. We have developed an expertise in manufacturing highly complex, system critical components for fuel systems, engines and transmissions, power steering systems and electromechanical motors. This expertise has been gained through investment in technical capabilities, processes and systems, and skilled program management and product launch capabilities.

Research and Development

With our new corporate strategy, we are in the process of enhancing our research and development efforts. We will initially focus on adjacent markets, manufacturing process enhancements and continuing to improve our product quality. In general, these research and development efforts will entail using dedicated internal experts and resources. The amounts spent on research and development activities by us during each of the last three fiscal years are not material and are expensed as incurred.

Customers

Our products are supplied primarily to bearing manufacturers and automotive and industrial parts manufacturers for use in a broad range of industrial applications, including transportation, electrical, agricultural, construction, alternative energy, machinery and mining. We supply approximately 500 customers; however, our top ten customers account for approximately 66% of our revenue. Sales to each of these top ten customers are made to multiple customer locations and divisions throughout the world. Only one of these customers, AB SKF ("SKF"), had sales levels that were over 10% of total net sales. Sales to various U.S. and foreign divisions of SKF accounted for approximately 26% of net sales in 2014. In 2014, 49% of our products were sold to customers in North America, 34% to customers in Europe, 12% to customers in Asia and the remaining 5% to customers in South America.

We sell our products to most of our largest customers under either sales contracts or agreed upon commercial terms. In general, we pass through material cost fluctuations when incurred to our customers in the form of changes in selling prices. We ordinarily ship our products directly to customers within 60 days, and in many 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.

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See Note 12 of the Notes to Consolidated Financial Statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of Operations” for additional Segment financial information.

The following table presents a breakdown of our net sales for fiscal years 2014, 2013 and 2012:

<i>(In Thousands)</i>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Metal Bearing Components Segment	\$278,026	\$259,459	\$252,241
Percentage of Total Sales	57%	70%	68%
Autocam Precision Components Segment	177,224	78,756	76,746
Percentage of Total Sales	36%	21%	21%
Plastic and Rubber Components Segment	33,351	34,991	41,097
Percentage of Total Sales	7%	9%	11%
Total	<u>\$488,601</u>	<u>\$373,206</u>	<u>\$370,084</u>
Percentage of Total Sales	100%	100%	100%

The change in value of Euro denominated sales when converted to U.S. Dollars resulted in net sales increasing \$0.1 million in 2014 compared to 2013 and increasing \$5.6 million in 2013 compared to 2012.

Sales and Marketing

A primary emphasis of our marketing strategy is to expand key customer relationships by offering high quality, high precision application specific customer solutions with the value of a single supply chain partner for a wide variety of products and components. Due to the technical nature of many of our products, our engineers and manufacturing management personnel also provide technical sales support functions, while internal sales employees handle customer orders and other general sales support activities. The Metal Bearing Components Segment, Autocam Precision Components Segment, and the Plastics and Rubber Components Segment, each use a distinct direct sales force supported by senior segment management and engineering involvement. Our Metal Bearing Components Segment marketing strategy focuses on our ability to provide consistent, high quality products that meet the most precise specifications of leading global brands. Our marketing strategy for the Plastic and Rubber Components Segment and the Autocam Precision Components Segment is to offer custom manufactured, high quality, precision products to markets with high value-added characteristics at competitive price levels. This strategy focuses on relationships with key customers that require the production of technically difficult parts and assemblies, enabling us to take advantage of our strengths in custom product development, equipment and tool design, component assembly and machining processes.

Our arrangements with both our U.S. and European customers typically provide that payments are due within 30 to 60 days following the date of shipment of goods. With respect to export customers of both our U.S. and European businesses, payments generally are due within 60 to 120 days following the date of shipment in order to allow for additional freight time and customs clearance. For some customers that participate in our inventory management program, sales are recorded when the customer uses the product. See “Business — Customers” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources.”

Manufacturing Process

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

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

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

Employees

As of December 31, 2014, we employed a total of 3,775 full-time employees and 445 full time equivalent temporary workers. Of our total employment, 14% are management/staff employees and 86% are production employees. The employees at the Pinerolo, Veenendaal and Autocam France Plants are unionized. We believe we have a good working relationship with our employees.

Competition

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

We believe that competition within the Metal Bearing Components Segment is based principally on quality, price and the ability to consistently meet customer delivery requirements. Management believes that our competitive strengths are our precision manufacturing capabilities, our wide product assortment, our reputation for consistent quality and reliability, our global manufacturing footprint and the productivity of our workforce.

The markets for the Plastic and Rubber Components Segment's products are also intensely competitive. Since the plastic injection molding industry is currently very fragmented, we must compete with numerous companies in each industry market segment. Many of these companies have substantially greater financial resources than we do and many currently offer competing products nationally and internationally. Our primary competitors in the plastic bearing retainer market are Nakanishi Manufacturing Corporation, Pressey and Lacey. Domestically, National, Nypro Inc., Thermotech, GW Plastics, C&J Industries and Nyloncraft are amongst the largest players in the precision plastic components markets.

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

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

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

Raw Materials

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

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The Metal Bearing Components Group businesses purchase substantially all of their 52100 Steel requirements from suppliers in Europe and Japan and all of their metal strip requirements from European suppliers and traders. If any of our current suppliers were unable to supply 52100 Steel to us, we cannot provide assurances that we would not face higher costs or production interruptions as a result of obtaining 52100 Steel from alternate sources.

We purchase steel on the basis of composition, quality, availability and price. For precision steel balls, the pricing arrangements with our suppliers are typically subject to adjustment every three to six months in the U.S. and contractually adjusted on an annual basis within the European locations for the base steel price and quarterly for surcharge adjustments.

Because 52100 Steel is principally produced by non-U.S. manufacturers, our operating results would be negatively affected in the event that the U.S. or European governments impose any significant quotas, tariffs or other duties or restrictions on the import of such steel, if the U.S. Dollar decreases in value relative to foreign currencies or if supplies available to us would significantly decrease.

For the Plastic and Rubber Components Group, we base purchase decisions on quality, service and price. Generally, we do not enter into written supply contracts with our suppliers or commit to maintain minimum monthly purchases of resins, rubber compounds or metal stampings. The primary raw materials used by the Plastic and Rubber Components Group are engineered resins, injection grade nylon and proprietary rubber compounds. We purchase substantially all of our resin requirements from domestic manufacturers and suppliers. The majority of these suppliers are international companies with resin manufacturing facilities located throughout the world. We use certified vendors to provide a custom mix of proprietary rubber compounds. This segment also procures metal stampings from several domestic and foreign suppliers.

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

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

Patents, Trademarks and Licenses

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

Seasonal Nature of Business

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

Environmental Compliance

Our operations and products are subject to extensive federal, state and local regulatory requirements both domestically and abroad relating to pollution control and protection of the environment. We maintain a compliance program to assist in preventing and, if necessary, correcting environmental problems. In the Metal Bearing Components Segment, the Kysucke Plant, the Veenendaal Plant, the Pinerolo Plant and Kunshan Plant are ISO 14000 or 14001 certified and all received the EPD (Environmental Product Declaration), except for the Veenendaal Plant's stamped metal parts business. Based on information compiled to date, management believes that our current

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operations are in substantial compliance with applicable environmental laws and regulations, the violation of which could have a material adverse effect on our business and financial condition. We have assessed conditional asset retirement obligations and have found them to be immaterial to the consolidated financial statements. We cannot assure that currently unknown matters, new laws and regulations, or stricter interpretations of existing laws and regulations will not materially affect our business or operations in the future. More specifically, although we believe that we dispose of waste in material compliance with applicable environmental laws and regulations, we cannot be certain that we will not incur significant liabilities in the future in connection with the clean-up of waste disposal sites. We maintain long-term environmental insurance covering the four manufacturing locations purchased with the Whirlaway acquisition (two of which have ceased operations). We are currently a potentially responsible party of a remedial action at a former waste recycling facility used by us.

Executive Officers of the Registrant

Our executive officers are:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Richard D. Holder	52	Chief Executive Officer and President
James H. Dorton	58	Senior Vice President – Chief Financial Officer
L. Jeff Manzagol	59	Senior Vice President – General Manager of the Metal Bearing Components Group
Warren Veltman	53	Senior Vice President – General Manager Autocam Precision Components Group
James R. Widders	58	Senior Vice President – Integration and Corporate Transformation
Thomas C. Burwell, Jr.	46	Vice President – Chief Accounting Officer and Corporate Controller
William C. Kelly, Jr.	56	Vice President – Chief Administrative Officer and Secretary

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

Richard D. Holder was named President and Chief Executive Officer effective June 3, 2013. Prior to joining NN, he held a variety of leadership positions at Eaton Corp., a diversified global leader in power management and electrical systems. Most recently, he served as the President of Eaton Electrical Components, a division of Eaton's Electrical Sector from 2010 to 2013. Other leadership positions at Eaton include Executive Vice President of Eaton Business Systems from 2007 to 2010, Vice President and General Manager of the Power Distribution and Assemblies Division from 2004 to 2006, and Vice President Supply Chain and Operational Excellence from 2001 to 2004. Prior to joining Eaton, Holder served as Director of Aircraft and Technical Purchasing for US Airways and also held a variety of leadership positions at AlliedSignal Corp. and Parker Hannifin Corp.

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

Jeff Manzagol joined NN as Senior Vice President and General Manager of the Metal Bearing Components Group on October 6, 2014. Manzagol steps into his role with more than 36 years of metal bearings and high precision manufacturing experience. He most recently served as President of the Bearings Division at Kaydon Corporation. Previously, Manzagol held various leadership positions at SKF Group, including President and General Manager at the Armada, Michigan facility.

Warren Veltman was appointed Senior Vice President and General Manager of NN's Autocam Precision Components Group in September 2014. Veltman served as Chief Financial Officer of Autocam Corporation from 1990 and Secretary and Treasurer since 1991. Prior to Autocam, he was an Audit Manager with Deloitte & Touche.

James R. Widders was named Senior Vice President of Integration and Corporate Transformation in September 2014. Prior to that appointment Mr. Widders was Vice President and General Manager of the Precision Metal Components

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

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

William C. Kelly, Jr. was named Vice President and Chief Administrative Officer in June 2005. In March, 2003, Mr. Kelly was elected to serve as Chief Administrative Officer. In March 1999, he was elected Secretary of NN and still serves in that capacity as well as that of Treasurer. In February 1995, Mr. Kelly was elected Treasurer and Assistant Secretary. He joined NN in 1993 as Assistant Treasurer and Manager of Investor Relations. In July 1994, Mr. Kelly was elected to serve as NN's Chief Accounting Officer, and served in that capacity through March 2003. Prior to joining NN, Mr. Kelly served from 1988 to 1993 as a Staff Accountant and as a Senior Auditor with the accounting firm of PricewaterhouseCoopers LLP.

Recent Developments

On September 18, 2014, the Company announced that Frank T. Gentry, III will be retiring as the Company's Senior Vice President — Managing Director Metal Bearing Components Division. Mr. Gentry's retirement was effective on January 4, 2015. Mr. Gentry served as Senior Vice President — Managing Director Metal Bearing Components Division from May 2010 until his retirement. He served as Vice President from April 2009 to May 2010. Prior to that, Mr. Gentry served as Vice President — General Manager U.S. Ball and Roller Division from August 1995 until April 2009. Mr. Gentry joined NN in 1981 and held various manufacturing management positions from 1981 to August 1995.

Item 1A. Risk Factors

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

We may not realize all of the anticipated benefits from the four acquisitions closed in 2014 or those benefits may take longer to realize than expected.

Our ability to realize the anticipated benefits of the four acquisitions closed in 2014 will depend, to a large extent, on our ability to integrate these businesses. The integration process may disrupt the businesses and, if implemented ineffectively, would preclude realization of the full benefits expected. The difficulties of combining the operations of the companies include, among others:

- the diversion of management's attention to integration matters;
- difficulties in achieving anticipated cost savings, synergies, business opportunities, and growth prospects from combining the acquired businesses with our own;
- difficulties in the integration of operations and systems;
- difficulties in managing the expanded operations of a significantly larger and more complex company;
- challenges in keeping existing customers and obtaining new customers; and
- challenges in attracting and retaining key personnel.

Many of these factors will be outside of our control and any one of them could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy, which could materially impact the business, financial condition, or results of operations.

Additionally, we have incurred a higher degree of financial leverage related to these four acquisitions and undertaken new credit facilities to finance the acquisitions. Finally, in relation to these acquisitions we have significantly higher

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amounts of intangible assets, including goodwill. These intangible assets will be subject to impairment testing and we could incur a significant impact to our financial statements in the form of an impairment if assumptions and expectations related to these four acquisitions are not realized.

Acquisitions constitute an important part of our future growth strategy.

Acquiring businesses that complement or expand our operations has been and continues to be a key element of our business strategy. We cannot assure you that we will be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms in the future. In addition, we may borrow funds to acquire other businesses, increasing our interest expense and debt levels. Our inability to acquire businesses, or to operate them profitably once acquired, could have a material adverse effect on our business, financial position, results of operations and cash flows. Our borrowing agreements limit our ability to complete acquisitions without prior approval of our lenders.

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

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

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

During the three month period ended December 31, 2008 and the year ended December 31, 2009, we experienced a sudden and significant reduction in customer orders driven by reductions in automotive and industrial end market demand across all our businesses. Additionally, during the latter part of 2011 and all of 2012, we experienced the impacts of a European recession in our European businesses. Prior to this time, our company had never been affected by a recession that had impacted both of our key geographic markets of the U.S. and Europe simultaneously. If we are impacted by a global recession in the future, this could have a material adverse effect on our financial condition, results of operations and cash flows from operations and could lead to additional restructuring and/or impairment charges being incurred. However, we believe we would be in a much better position to weather any recession or economic downturn given the actions taken to permanently reduce our cost base including closing or ceasing operations at four former manufacturing locations.

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

The end markets for fully assembled bearings and industrial and automotive components are cyclical and tend to decline in response to overall declines in industrial and automotive production. As a result, the market for the bearing components and precision metal, plastic, and rubber products we sell is also cyclical and impacted by overall levels of industrial and automotive production. Our sales have been, and can be in the future, negatively affected by adverse conditions in the industrial and/or automotive production sectors of the economy or by adverse global or national economic conditions generally. Additionally, any inflation in oil and any resulting increase in gasoline prices could have a negative impact on demand for our products as a result of consumer and corporate spending reductions.

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

The steel that we use to manufacture our metal bearing components is of an extremely high quality and is available from a limited number of producers on a global basis. Due to quality constraints in the U.S. steel industry, we obtain substantially all of the steel used in our U.S. operations of our Metal Bearing Components Segment from non-U.S. suppliers. In addition, we obtain most of the steel used in our European operations from a single European source. If we had to obtain steel from sources other than our current suppliers, we could face higher prices and transportation costs, increased duties or taxes, and shortages of steel. Problems in obtaining steel, particularly 52100 chrome steel

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in the quantities that we require on commercially reasonable terms could increase our costs, adversely impacting our ability to operate our business efficiently and have a material adverse effect on our revenues and operating and financial results.

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

Sales to various U.S. and foreign divisions of SKF, one of the largest bearing manufacturers in the world, accounted for approximately 26% of consolidated net sales in 2014. No other customers accounted for more than 10% of sales. During 2014, sales to various U.S. and foreign divisions of our ten largest customers accounted for approximately 66% of our consolidated net sales. The loss of all or a substantial portion of sales to these customers would cause us to lose a substantial portion of our revenue and would lower our operating profit margin and cash flows from operations.

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

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

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

We do not have a hedging program in place associated with consolidating the operating results of our foreign businesses into U.S. Dollars. An increase in the value of the U.S. Dollar and/or the Euro relative to other currencies may adversely affect our ability to compete with our foreign-based competitors for international, as well as domestic, sales. Also, a change in the value of the Euro relative to the U.S. Dollar can negatively impact our consolidated financial results, which are denominated in U.S. Dollars.

In addition, due to the typical slower summer manufacturing season in Europe, we expect that revenues in the third fiscal quarter of each year will be lower than in the other quarters of the year.

Failure of our products could result in a product recall.

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

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

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

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

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

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

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

The price of our common stock may be volatile.

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

- economic recession or other macro-economic factors;
- our operating and financial performance and prospects;
- quarterly variations in the rate of growth of our financial indicators, such as earnings 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;
- domestic and international economic, legal and regulatory factors unrelated to our performance;
- loss of a major customer; and
- the declaration and payment of a dividend.

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The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock. In addition, due to the market capitalization of our stock, our stock tends to be more volatile than large capitalization stocks that comprise the Dow Jones Industrial Average or Standard and Poor's 500 Index.

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

Our certificate of incorporation and bylaws, as well as Delaware corporate law, contain provisions that could delay or prevent a change of control or changes in our management that a stockholder might consider favorable and may prevent shareholders from receiving a takeover premium for their shares. These provisions include, for example, a classified board of directors and the authorization of our board of directors to issue up to 5.0 million preferred shares without a stockholder vote. In addition, our certificate of incorporation provides that stockholders may not call a special meeting.

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

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

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

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

Metal Bearing Components Segment

<u>Manufacturing Operation</u>	<u>Country</u>	<u>Approximate Sq. Feet</u>	<u>Owned or Leased</u>
Erwin Plant	U.S.A.	155,000	Owned
Mountain City Plant	U.S.A.	86,000	Owned
Pinerolo Plant	Italy	330,000	Owned
Kysucke Plant	Slovakia	135,000	Owned
Veenendaal Plant	The Netherlands	159,000	Owned
Kunshan Plant	China	185,000	Leased
RFK Valjicici d. d. Konjic	Bosnia	54,500	Owned

Plastic and Rubber Components Segment

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

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Precision Metal Components Segment

<u>Manufacturing Operation</u>	<u>Country</u>	<u>Approximate Sq. Feet</u>	<u>Owned or Leased</u>
Wellington Plant 1	U.S.A.	86,000	Leased
Wellington Plant 2	U.S.A.	132,000	Leased
VS Products Wheeling Plant	U.S.A.	76,000	Leased
VS Products Juarez Plant	MEXICO	135,000	Leased
Autocam Kentwood Plant 1	U.S.A.	188,000	Leased
Autocam Kentwood Plant 2	U.S.A.	38,500	Leased
Autocam Dowagiac Plant	U.S.A.	67,000	Owned
Autocam Marshall Plant 1	U.S.A.	56,000	Leased
Autocam Marshall Plant 2	U.S.A.	58,700	Leased
Autocam Boutuva Plant	BRAZIL	42,000	Leased
Autocam Sao Joao da Boa Plant 1	BRAZIL	76,500	Leased
Autocam Sao Joao da Boa Plant 2	BRAZIL	73,200	Leased
Bouverat Industries Plant	FRANCE	75,300	Owned
Autocam Poland Plant	POLAND	71,000	Owned
Autocam China Plant	CHINA	68,900	Leased

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

Item 3. Legal Proceedings

All legal proceedings are of an ordinary and routine nature and are incidental to our operations. Management believes that such proceedings should not, individually or in the aggregate, have a material adverse effect on our business, financial condition, results of operations, or cash flows. In making that determination, we analyze the facts and circumstances of each case at least quarterly in consultation with our attorneys and determine a range of reasonably possible outcomes. The procedures performed include reviewing attorney and plaintiff correspondence, reviewing any filings made and discussing the facts of the case with local management and legal counsel. We have recognized loss contingencies of approximately \$ 0 and \$200,000 at December 31, 2014 and December 31, 2013, respectively, which we believe are adequate to cover all probable liabilities to be incurred by all of the cases in the aggregate.

Item 4. Mine Safety Disclosures

Not applicable

Part II

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

Our common stock is traded on The NASDAQ Stock Market LLC (“NASDAQ”) under the trading symbol “NNBR.” As of March 10, 2015, there were approximately 3,500 holders of record of our common stock and the closing per share stock price as reported by NASDAQ was \$19.73.

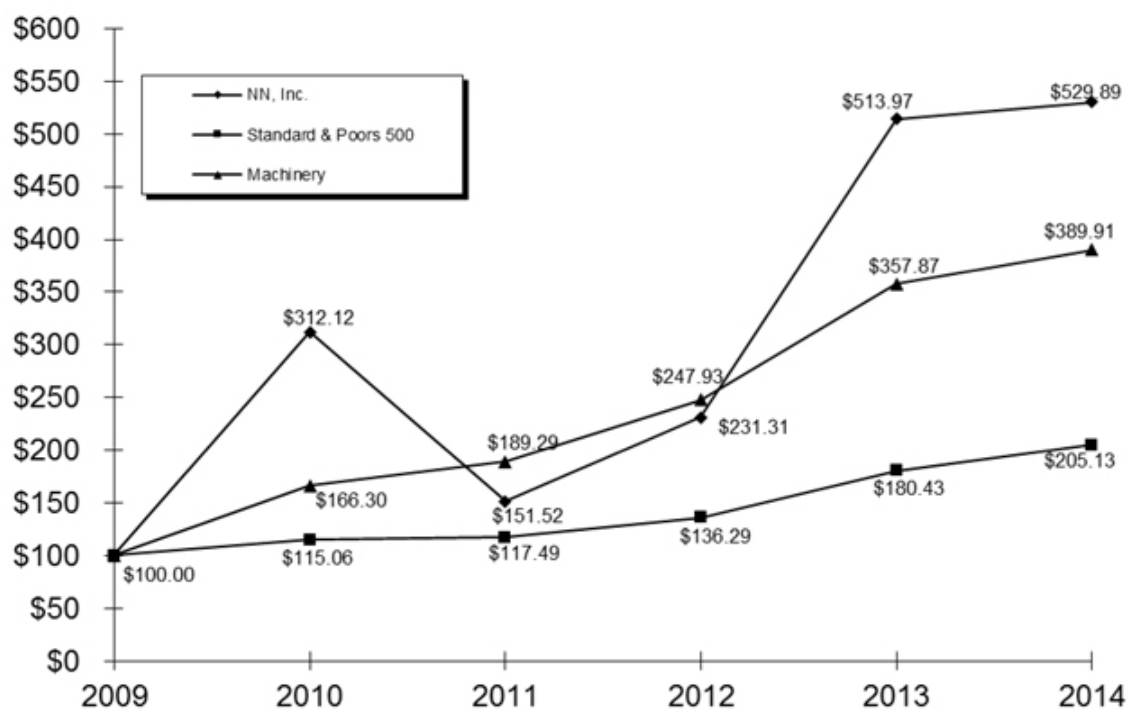
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The following table sets forth the high and low closing sales prices of the common stock, as reported by NASDAQ for our two most recent fiscal years.

	Close Price	
	High	Low
2014		
First Quarter	\$20.98	\$17.16
Second Quarter	26.17	19.21
Third Quarter	29.91	23.71
Fourth Quarter	26.63	17.75
2013		
First Quarter	\$10.03	\$ 8.66
Second Quarter	11.41	8.46
Third Quarter	15.65	11.38
Fourth Quarter	20.95	15.33

The following graph compares the cumulative total shareholder return on our common stock (consisting of stock price performance and reinvested dividends) from December 31, 2009 with the cumulative total return (assuming reinvestment of all dividends) of (i) the Value Line Machinery Index (“Machinery”) and (ii) the Standard & Poor’s 500 Stock Index, for the period December 31, 2009 through December 31, 2014. The Machinery index is an industry index comprised of 49 companies engaged in manufacturing of machinery and machine parts, a list of which is available from the Company. The comparison assumes \$100 was invested in our common stock and in each of the foregoing indices on December 31, 2009. We cannot assure you that the performance of the common stock will continue in the future with the same or similar trend depicted on the graph.

Comparison of Five-Year Cumulative Total Return*
NN, Inc., Standard & Poor's 500 and Value Line Machinery Index
 (Performance Results Through 12/31/14)



* Cumulative total return assumes reinvestment of dividends.

	Cumulative Return				
	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014
NN, Inc.	312.12	151.52	231.31	513.97	529.89
Standard & Poor's 500	115.06	117.49	136.29	180.43	205.13
Machinery	166.30	189.29	247.93	357.87	389.91

The declaration and payment of dividends are subject to the sole discretion of our Board of Directors and depend upon our profitability, financial condition, capital needs, credit agreement restrictions, future prospects and other factors deemed relevant by the Board of Directors. The following table sets forth the dividends per share paid during the last two fiscal years.

2013	Dividend
First Quarter	\$ 0.00
Second Quarter	\$ 0.00
Third Quarter	\$ 0.12
Fourth Quarter	\$ 0.06

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<u>2014</u>	<u>Dividend</u>
First Quarter	\$ 0.07
Second Quarter	\$ 0.07
Third Quarter	\$ 0.07
Fourth Quarter	\$ 0.07

See Part III, Item 12 – “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” of this 2014 Annual Report on Form 10-K for information required by Item 201 (d) of Regulation S-K.

Item 6. Selected Financial Data

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

(In Thousands, Except Per Share Data)

	<u>Year ended December 31,</u>				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statement of Income Data:					
Net sales	\$488,601	\$373,206	\$370,084	\$424,691	\$365,369
Cost of products sold (exclusive of depreciation shown separately below)	384,889	295,136	294,859	347,622	296,422
Selling, general and administrative	43,756	33,281	31,561	30,657	30,407
Acquisition related costs excluded from selling, general and administrative	9,248	—	—	—	—
Depreciation and amortization	22,146	16,957	17,643	17,016	19,195
(Gain) loss on disposal of assets	—	5	(17)	(36)	808
Restructuring and impairment charges, excluding goodwill impairment	875	—	967	—	2,289
Income from operations	27,687	27,827	25,071	29,432	16,248
Interest expense	12,293	2,374	3,878	4,715	6,815
Write-off of unamortized debt issuance cost	—	—	—	—	130
Other expense (income), net	2,222	275	852	(1,388)	(1,682)
Income (loss) before provision (benefit) for income taxes	13,172	25,178	20,341	26,105	10,985
Provision (benefit) for income taxes	5,786	8,000	(3,927)	5,168	4,569
Share of net income (loss) from joint venture	831	—	—	—	—
Net income	<u>\$ 8,217</u>	<u>\$ 17,178</u>	<u>\$ 24,268</u>	<u>\$ 20,937</u>	<u>\$ 6,416</u>
Basic income (loss) per share:					
Net income (loss)	<u>\$ 0.46</u>	<u>\$ 1.00</u>	<u>\$ 1.43</u>	<u>\$ 1.24</u>	<u>\$ 0.39</u>
Diluted income (loss) per share:					
Net income (loss)	<u>\$ 0.45</u>	<u>\$ 1.00</u>	<u>\$ 1.42</u>	<u>\$ 1.24</u>	<u>\$ 0.39</u>
Dividends declared	<u>\$ 0.28</u>	<u>\$ 0.18</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Weighted average number of shares outstanding - Basic	<u>17,887</u>	<u>17,176</u>	<u>17,009</u>	<u>16,817</u>	<u>16,455</u>
Weighted average number of shares outstanding - Diluted	<u>18,253</u>	<u>17,260</u>	<u>17,114</u>	<u>16,953</u>	<u>16,570</u>

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<i>(In Thousands)</i>	As of December 31,				
	2014	2013	2012	2011	2010
Balance Sheet Data:					
Current assets	\$242,799	\$125,674	\$127,296	\$124,025	\$115,670
Current liabilities	137,598	69,384	58,758	73,041	83,587
Total assets	712,713	262,402	265,343	259,461	248,555
Long-term debt	328,026	26,000	63,715	71,629	67,643
Stockholders' equity	173,699	152,760	128,560	99,676	78,107

The year ended December 31, 2014, was significantly impacted by certain costs related to the Autocam acquisition and to a lesser extent the three other acquisitions completed in 2014. The total impact of these costs was \$14,831 (before tax) and \$13,553 (after tax). In addition, related to the Autocam acquisition, we made the decision to discontinue use of certain trade names and incurred an \$875 impairment charge. The balance sheet for the year ended December 31, 2014 includes the impact of four acquisitions closed during 2014. With these acquisitions we acquired current assets and total assets of \$92,910 and \$433,947, respectively, and assumed current liabilities and total liabilities of \$52,935 and \$124,398, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information.

During the year ended December 31, 2012, the results were impacted by a favorable tax benefit of a net \$7.3 million from removing valuation allowances on deferred tax assets in the U.S. Additionally, year ended December 31, 2012, results were negatively impacted by impairments of \$1.0 million and after tax foreign exchange losses of \$1.1 million related to intercompany notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more information.

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

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

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. Unless otherwise noted herein, all amounts are in thousands, except per share numbers.

Overview and Management Focus

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

- Sales growth through acquisitions
- Sales growth in adjacent markets
- Organic and acquisitive growth within all our segments
- Global expansion of our manufacturing base to better address the global requirements of our customers

Management generally focuses on these trends and relevant market indicators:

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

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

- Sales growth
- Cost of products sold

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- Selling, general and administrative expense
- Income from operations and adjusted income from operations
- Net income and adjusted net income
- Cash flow from operations and capital spending
- Customer service reliability
- External and internal quality indicators
- Employee development

Critical Accounting Policies

Our significant accounting policies, including the assumptions and judgment underlying them, are disclosed in Note 1 of the Notes to Consolidated Financial Statements. These policies have been consistently applied in all material respects and address such matters as revenue recognition, inventory valuation and asset impairment recognition. Due to the estimation processes involved, management considers the following summarized accounting policies and their application to be critical to understanding our business operations, financial condition and results of operations. We cannot assure you that actual results will not significantly differ from the estimates used in these critical accounting policies.

Business Combinations

We allocate the total purchase price of the acquired tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the business combination date, with the excess purchase price recorded as goodwill. The purchase price allocation process required us to use significant estimates and assumptions, including fair value estimates, as of the business combination date. Although we believe the assumptions and estimates we have made are reasonable and appropriate, they are based in part on historical experience and information obtained from management of the acquired company, in part based on valuation models that incorporate projections of expected future cash flows and operating plans and are inherently uncertain. Valuations are performed by management or third party valuation specialists under management's supervision. In determining the fair value of assets acquired and liabilities assumed in business combinations, as appropriate, we may use one of the following recognized valuation methods: the income approach (including discounted cash flows from relief from royalty and excess earnings model), the market approach and/or the replacement cost approach.

Examples of significant estimates used to value certain intangible assets acquired include but are not limited to:

- sales volume, pricing and future cash flows of the business overall
- future expected cash flows from customer relationships, and other identifiable intangible assets, including future price levels, rates of increase in revenue and appropriate attrition rate
- the acquired company's brand and competitive position, royalty rate quantum, as well as assumptions about the period of time the acquired brand will continue to benefit to the combined company's product portfolio
- cost of capital, risk-adjusted discount rates and income tax rates

However, different assumptions regarding projected performance and other factors associated with the acquired assets may affect the amount recorded under each type of assets and liabilities, mainly between property plant and equipment, intangibles assets, goodwill and deferred income tax liabilities and subsequent assessment could result in future impairment charges. The purchase price allocation process also entails us to refine these estimates over a measurement period not to exceed one year to reflect new information obtained surrounding facts and circumstances existing at acquisition date.

Goodwill and Acquired Intangibles. For new acquisitions, we use estimates, assumptions and appraisals to allocate the purchase price to the assets acquired and to determine the amount of goodwill. These estimates are based on

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market analyses and comparisons to similar assets. Annual procedures are required to be performed to assess whether recorded goodwill is impaired. The annual tests require management to make estimates and assumptions with regard to the future operations of its reporting units, and the expected cash flows that they will generate. These estimates and assumptions could impact the recorded value of assets acquired in a business combination, including goodwill, and whether or not there is any subsequent impairment of the recorded goodwill and the amount of such impairment.

Goodwill is tested for impairment on an annual basis as of October 1 and between annual tests if a triggering event occurs. The impairment procedures are performed at the reporting unit level. In testing goodwill, we have the option to first assess qualitative factors to determine whether it is necessary to perform a two-step test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount including goodwill, the quantitative impairment test is required. Otherwise, no further testing is required. The decision to perform a qualitative assessment or perform a complete step 1 analysis is an annual decision made by management based on several factors including budget to actual performance, economic, market and industry considerations such as automotive production rates in the geographic markets we serve and cash flow from operations.

U.S. GAAP prescribes a quantitative two-step process of testing for goodwill impairments. The first step is to determine if the carrying value of the reporting unit with goodwill is less than the related fair value of the reporting unit. We determine the fair value of the reporting unit through use of discounted cash flow methods and market based multiples of earning and sales methods obtained from a grouping of comparable publicly trading companies. We believe this methodology of valuation is consistent with how market participants would value reporting units. The discount rate and market based multiples used are specifically developed for the units tested regarding the level of risk and end markets served. Even though we do use other observable inputs (Level 2 inputs under the U.S. GAAP hierarchy) the calculation of fair value for goodwill would be most consistent with Level 3 under the U.S. GAAP hierarchy.

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

Our indefinite lived intangible asset is accounted for similarly to goodwill. This asset is tested for impairment at least annually by comparing the fair value to the carrying value, using the relief from royalty rate method, and if the fair value is less than the carrying value, an impairment charge is recognized for the difference. The indefinite lived intangible asset was impaired during the year ended December 31, 2014, as management is in the process of phasing out the use of the trade name as a result of the Autocam acquisition.

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

The calculation of tax assets, liabilities, and expenses under U.S. GAAP is largely dependent on management judgment of the current and future deductibility and utilization of taxable expenses and benefits using a more likely than not threshold. Specifically, the realization of deferred tax assets and the certainty of tax positions taken are largely dependent upon management weighting the current positive and negative evidence for recording tax benefits and expenses. Additionally, many of our positions are based on future estimates of taxable income and deductibility of tax positions. Particularly, our assertion of permanent reinvestment of foreign undistributed earnings is largely based on management's future estimates of domestic and foreign cash flows and current strategic foreign investment plans. In the event that the actual outcome from future tax consequences differs from management estimates and assumptions or management plans and positions are amended, the resulting change to the provision for income taxes could have a material impact on the consolidated results of operations and statement of financial position. (See Notes 1 and 13 of the Notes to Consolidated Financial Statements).

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The Company does not record a U.S. deferred tax liability for the excess of the book basis over the tax basis of its investments in foreign subsidiaries to the extent the foreign earnings meet the indefinite reversal criteria. As of the year ended December 31, 2014, we consider the unremitted foreign earnings of our foreign subsidiaries to be reinvested indefinitely. We base this assertion on two factors. First, our intention to invest in foreign countries that are strategically important to our Metal Bearing Components Segment and our Autocam Precision Components Segment and our customers. With the acquisitions completed in 2014, we have significantly expanded our international base of operations adding subsidiaries in Mexico, Bosnia and Herzegovina, Brazil, Poland, France and China which will require more foreign investment. Second, we have sufficient access to funds in the U.S. through projected free cash flows and the availability of our credit facilities to fund currently anticipated domestic operational and investment needs. As such, we do not expect unrepatriated foreign earnings to become subject to U.S. taxation.

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

Results of Operations

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

	As a Percentage of Net Sales		
	Year ended December 31, 2014		
	2014	2013	2012
Net sales	100.0%	100.0%	100.0%
Cost of product sold (exclusive of depreciation and amortization shown separately below)	78.8	79.1	79.7
Selling, general and administrative expenses	9.0	8.9	8.5
Acquisition related costs excluded from selling, general and administrative	1.9	—	—
Depreciation and amortization	4.5	4.5	4.8
(Gain) loss on disposal of assets	0.0	0.0	0.0
Restructuring and impairment charges	0.1	0.0	0.3
Income from operations	5.7	7.5	6.7
Interest expense	2.5	0.6	1.0
Other (income) expense, net	0.5	0.1	0.2
Income before provision for income taxes	2.7	6.7	5.5
Provision for income taxes	1.2	2.1	(1.1)
Share of net income (loss) from joint venture	0.2	—	—
Net income	<u>1.7%</u>	<u>4.6%</u>	<u>6.6%</u>

Sales Concentration

Sales to various U.S. and foreign divisions of SKF, one of the largest bearing manufacturers in the world, accounted for approximately 26% of consolidated net sales in 2014. During 2014, sales to various U.S. and foreign divisions of our ten largest customers accounted for approximately 66% of our consolidated net sales. None of our other customers individually accounted for more than 10% of our consolidated net sales for 2014. The loss of all or a substantial portion of sales to these customers would cause us to lose a substantial portion of our revenue and have a corresponding negative impact on our operating profit margin due to the operational leverage these customers provide. This could lead to sales volumes not being high enough to cover our current cost structure or to provide adequate operating cash flows or cause us to incur additional restructuring and/or impairment costs. Due to a limit on the amount of excess bearing component production capacity in the markets we serve, we believe it would be difficult for any of our top ten customers to take a significant portion of our business away in the short term.

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013.

The year ended December 31, 2014, was significantly impacted by certain costs related to the Autocam acquisition and to a lesser extent the three other acquisitions completed in 2014. The net after tax impact of these costs was \$13,553. The following is a summary of these costs:

8,534	Reported in acquisition related costs excluded from selling, general and administrative are third party legal, accounting, valuation consulting and investment banking advisory fees.
1,384	Reported in cost of products sold, the fair value step-up in Autocam inventory sold in September.
1,398	Reported in interest expense, writing off debt issuance costs from our former credit facilities refinanced as part of the Autocam acquisition
1,576	Reported in interest expense, make whole interest costs for our former credit facilities refinanced as part of the Autocam acquisition
1,939	Integration costs related to the four acquisitions reported in cost of products sold, selling, general and administrative and other expense (income), net.
(2,580)	Tax benefits of above expenses that are tax deductible
<u>1,302</u>	Foreign tax credits expired unutilized due to mergers and acquisition costs noted above
<u>13,553</u>	Total

We have provided a reconciliation of net income to adjusted net income (a non-GAAP measure used by management) and income from operations to adjusted income from operations (a non-GAAP measure used by management) to provide supplementary information about the impacts of acquisition related expenses. We believe that the presentation of adjusted income from operations and adjusted net income provides useful information to investors in assessing our results of operations and potential future results in light of the high level of acquisition expenses incurred during the period. These measures should not be considered as an alternative to GAAP income from operations or net income. You should not consider adjusted income from operations or adjusted net income in isolation or as a substitute for analysis of our results as reported under GAAP. Additionally, because adjusted income from operations and adjusted net income may be defined differently by other companies in our industry, our definitions may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

OVERALL RESULTS

<i>(In Thousands of Dollars)</i>	Consolidated NN, Inc.		
	2014	2013	Change
Net sales	488,601	\$373,206	\$115,395
<i>Acquisitions</i>			100,655
<i>Foreign exchange effects</i>			106
<i>Volume</i>			23,455
<i>Price</i>			(1,282)
<i>Mix</i>			(3,846)
<i>Material inflation pass-through</i>			(3,693)
Cost of products sold (exclusive of depreciation and amortization shown separately below)	384,889	295,136	89,753
<i>Acquisitions</i>			81,890
<i>Foreign exchange effects</i>			85
<i>Volume</i>			16,315
<i>Cost reduction projects and other cost changes</i>			(8,901)
<i>Acquisition integration costs and inventory step-up</i>			2,063
<i>Inflation</i>			(1,699)
Selling, general and administrative	43,756	33,281	10,475
<i>Foreign exchange effects</i>			72
<i>Acquisitions</i>			6,036
<i>Increase in spending</i>			4,367
Acquisition related costs excluded from selling, general and administrative	9,248	—	9,248
Depreciation and amortization	22,146	16,957	5,189
<i>Foreign exchange effects</i>			50
<i>Acquisitions</i>			6,963
<i>Net decrease in depreciation expense</i>			(1,824)
Restructuring and impairment charges	875	—	875
(Gain)/Loss on disposal of assets	—	5	(5)
Income from operations	27,687	27,827	(140)
Interest expense	12,293	2,374	9,919
Other expense, net	2,222	275	1,947
Income before provision (benefit) for income taxes and share of net income from joint venture	13,172	25,178	(12,006)
Provision (benefit) for income taxes	5,786	8,000	(2,214)
Share of net income (loss) from joint venture	831	—	831
Net income	<u>\$ 8,217</u>	<u>\$ 17,178</u>	<u>\$ (8,961)</u>
Reconciliation of Net income to adjusted net income:			
Net Income	8,217	17,178	(8,961)
Acquisition and integration costs in Cost of products sold	2,063	—	2,063
Acquisition related costs excluded from selling, general and administrative	9,248	—	9,248
Acquisition and integration costs in interest expense	2,974	—	2,974
Integration costs included in Other expense, net	319	—	319
Taxes benefits from acquisition related costs	(1,277)	—	(1,277)
Acquisition related costs in share of net income (loss) from joint venture	226	—	226
After-tax foreign exchange gain on inter-company loans	1,197	84	1,113
After tax restructuring and impairment charges	577	482	95
Adjusted Net Income	<u>\$ 23,544</u>	<u>\$ 17,744</u>	<u>5,800</u>
Reconciliation of income from operations to adjusted income from operations:			
Income from operations	27,687	27,827	(140)
Acquisition and integration costs included in cost of products sold	2,063	—	2,063
Acquisition related costs excluded from selling, general and administrative	9,248	—	9,248
Restructuring and impairment charges	875	568	307
Adjusted Income from operations	<u>\$ 39,873</u>	<u>\$ 28,395</u>	<u>\$ 11,478</u>

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Net Sales. Net sales increased during 2014 compared to 2013 principally due to sales from the four companies acquired in 2014. Net sales reported for 2014 includes four month of Autocam, six months of RFK, five months of Chelsea, and 11 months of VS. Additionally, net sales increased due to greater demand for our products in the European, North American and Asian automotive markets. The growth with our customers over the prior year was generally consistent with the overall growth in automotive production in those geographic regions. Additionally, we have continued to benefit from improved market share with certain customers and adjacent market expansion.

The reduction in price and raw material pass-through (in 2014 compared to 2013) was driven mainly by lower levels of material inflation in our businesses which led to lower pass-through to our customers and due to contractual price decreases for certain long-term sales programs. The unfavorable sales impact related to mix was due to experiencing higher volumes of certain products that have lower prices than our average product assortment sold during the comparable period. The majority of the unfavorable mix occurred in the first six months of 2014.

Cost of Products Sold (exclusive of depreciation and amortization shown separately below). Cost of products sold was primarily impacted by the addition of production costs added with the four companies acquired in 2014 as discussed above. Additionally, we experienced increased production costs at those units with higher sales volumes, as discussed above. Partially offsetting the increase in cost of products sold were benefits from specific continuous improvement projects undertaken subsequent to 2013.

Selling, General and Administrative. The majority of the increase was due to the selling, general and administrative costs brought over from the four companies acquired in 2014. Additionally, spending has increased as we have invested in certain key functional positions and research and development costs related to the execution of our strategic plans for growth.

Acquisition related costs excluded from selling, general and administrative. Acquisition related costs are third party legal, accounting, valuation consulting and investment banking advisory fees incurred directly related to the Autocam acquisition and the three other acquisitions in 2014 to a lesser extent.

Depreciation and Amortization. The increase in depreciation and amortization was due to adding depreciation and amortization from the four acquisitions closed during 2014 including the related step-ups of certain property, plant and equipment to fair value and the addition of intangible assets related to the purchase price allocation.

Interest expense. Interest expense increased \$3.0 million in 2014 compared to 2013 due to the acquisition related expenses from writing off debt issuance costs and make whole interest payments related to our former credit facilities as part of the Autocam acquisition. Additionally, interest on the \$350 million in debt NN entered into to complete the Autocam acquisition amounted to an additional \$6.7 million in interest including the amortization of debt issuance costs.

Provision for Income Taxes. The 2014 effective tax rate of 44% reflects the impact of two items related to the merger and acquisition activity in 2014 including (1) \$1,971 for non-deductible third party merger and acquisition as these cost were directly facilitative to the acquisitions; and (2) \$1,302 for the expiration of foreign tax credits that could not be utilized during 2014 because of the merger related acquisition costs. In addition, the rate reflects an offset to the items above for the impact of foreign earnings taxed at lower rates of \$1,714.

RESULTS BY SEGMENT**METAL BEARING COMPONENTS SEGMENT**

<i>(In Thousands of Dollars)</i>	Year ended December 31,		
	2014	2013	Change
Net sales	\$278,026	\$259,459	\$18,567
<i>Foreign exchange effects</i>			106
<i>Acquisitions</i>			5,092
<i>Volume</i>			18,459
<i>Price</i>			(1,559)
<i>Mix</i>			(2,238)
<i>Material inflation pass-through</i>			(1,293)
Income from operations	<u>\$ 31,872</u>	<u>\$ 27,380</u>	<u>\$ 4,492</u>

Net sales increased during 2014 compared to 2013 principally due to increased sales volumes resulting from greater demand for our products in the European, North American and Asian automotive markets and from better overall market penetration with our customers. The reduction in price and raw material pass-through was driven mainly by lower levels of material inflation in our businesses which led to lower pass-through to our customers. The unfavorable sales impact related to mix was due to certain products sold during 2014 being lower priced than our average product assortment sold during 2013. Finally, the segment benefited from the additional sales RFK (for six months) and Chelsea (for five months), each of which was acquired in 2014.

Increased sales volumes in 2014 compared to 2013 added \$5.3 million in incremental income from operations and the acquisition of RFK and Chelsea added \$0.2 million in income from operations. Additionally, continuous improvement projects added \$4.3 million to income from operations. Partially offsetting these increases were the unfavorable impacts of price/mix of \$3.9 million and inflation of \$1.5 million.

AUTOCAM PRECISION COMPONENTS SEGMENT

<i>(In Thousands of Dollars)</i>	Year ended December 31,		
	2014	2013	Change
Net sales	\$177,224	\$78,756	\$98,468
<i>Volume</i>			6,697
<i>Acquisitions</i>			95,562
<i>Price/Mix/Inflation</i>			(3,791)
Income from operations	<u>\$ 15,732</u>	<u>\$ 9,112</u>	<u>\$ 6,620</u>

The increased sales during 2014 compared to 2013 were due to sales added with the acquisitions of Autocam (four months of sales) and VS (eleven months of sales). Additionally, sales increased due to greater demand with certain customers in the North American automotive market generally in line with the overall growth in automotive production and greater demand with our HVAC customer.

The main driver of the increased segment income from operations was income from operations of the two acquired companies which added \$3.6 million. The segment income from operations was further impacted by \$2.5 million in incremental income from increased sales volumes and \$2.3 million in income from continuous improvement projects and operational improvement. Partially offsetting these increases were the unfavorable impacts of price/mix of \$1.6 million.

PLASTIC AND RUBBER COMPONENTS SEGMENT

<i>(In Thousands of Dollars)</i>	Year ended December 31,		
	2014	2013	Change
Net sales	\$33,351	\$34,991	\$(1,640)
<i>Volume</i>			(1,698)
<i>Price/Mix/Inflation</i>			58
Income from operations	<u>\$ 1,231</u>	<u>\$ 592</u>	<u>\$ 639</u>

Sales decreased due to lower volume from certain sales programs ending. Segment income from operations was down \$0.7 million due to the negative effects of lower sales volumes. Benefits from continuous improvement projects had a favorable \$1.3 million impact on income from operations more than offsetting the unfavorable volume effects.

Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012.
OVERALL RESULTS

<i>(In Thousands of Dollars)</i>	Consolidated NN, Inc.		
	2013	2012	Change
Net sales	\$373,206	\$370,084	\$ 3,122
<i>Foreign exchange effects</i>			5,602
<i>Volume</i>			2,632
<i>Price</i>			(1,023)
<i>Mix</i>			(445)
<i>Material inflation pass-through</i>			(3,644)
Cost of products sold (exclusive of depreciation and amortization shown separately below)	295,136	294,859	277
<i>Foreign exchange effects</i>			4,559
<i>Volume</i>			1,663
<i>Cost reduction projects and other cost changes</i>			(3,911)
<i>Inflation</i>			(2,034)
Selling, general and administrative	33,281	31,561	1,720
<i>Foreign exchange effects</i>			320
<i>Severance costs not related to an exit activity</i>			1,014
<i>Increase in spending</i>			386
Depreciation and amortization	16,957	17,643	(686)
<i>Foreign exchange effects</i>			269
<i>Net decrease in depreciation expense</i>			(955)
Restructuring and impairment charges	—	967	(967)
Interest expense	2,374	3,878	(1,504)
(Gain)/Loss on disposal of assets	5	(17)	22
Other expense (income), net	275	852	(577)
Income before provision (benefit) for income taxes	25,178	20,341	4,837
Provision (benefit) for income taxes	8,000	(3,927)	11,927
Net income	<u>\$ 17,178</u>	<u>\$ 24,268</u>	<u>\$ (7,090)</u>

Non-recurring benefits/expense. Included in net income for the year ended December 31, 2012, were two items that we do not expect to recur and as such impact the overall analysis of the 2012 income statement in comparison to 2013 and future periods. First, the 2012 full year net income of \$24.3 million was materially impacted by \$7.3 million in favorable net tax benefits that are not expected to recur. The net tax benefits were a combination of a \$9.8

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million reversal of valuation allowances on the majority of U.S. deferred tax assets and other miscellaneous favorable tax adjustments of \$0.5 million, partially offset by \$3.1 million in taxes on a return of basis transaction (See Note 12 of the Notes to Consolidated Financial Statements). Additionally, in the year ended December 31, 2012, net income was negatively impacted by the \$1.0 million impairment charge, net of tax, related to our former manufacturing facility in Kilkenny, Ireland. Excluding these two impacts, net income for 2012 would have been \$17,968.

Net Sales. Net sales increased during 2013 over 2012 principally due to increased sales volumes at units selling into the European, North American, and Asian automotive and heavy truck markets. These gains were partially offset by lower sales volumes related to customer and platform specific issues, customers reducing their inventory levels, and due to certain segments deemphasizing lower margin, non-strategic programs. During the first half of 2013, our sales were negatively impacted by European auto market weakness. During the third and fourth quarters, we began to experience positive sales momentum in Europe due to better overall market penetration with our customers and from increased demand in the European automotive and heavy truck markets. Additionally, we have experienced increased sales demand for our products in the North American and Asian automotive markets during the last three quarters of 2013. Despite the positive sales momentum, our businesses continue to be effected by the historically low European automotive and industrial markets and slowing overall economic growth in Asia. Beyond the sales volume changes, Euro denominated sales increased due to appreciation in the Euro compared to the U.S. Dollar. Mostly offsetting the increase due to foreign exchange were reductions in price and raw material pass-through driven by lower levels of material inflation incurred in 2013, when compared with 2012, which led to lower pass-through to our customers and due to contractual price decreases for certain long-term sales programs.

Cost of Products Sold (exclusive of depreciation and amortization shown separately below). The costs of products sold increased primarily in 2013 due to Euro costs appreciating relative to the U.S. Dollar and from production costs incurred to support the higher overall sales volumes discussed above. These increases were partially offset by benefits from specific continuous improvement projects undertaken during 2013 and from lower overall raw material inflation experienced during 2013.

Selling, General and Administrative. The increase in spending in selling, general and administrative expenses in 2013 was primarily due to severance costs not related to an exit activity, relocation costs for new management members, higher professional fees for consulting and recruitment and higher foreign exchange expenses.

Interest Expense. The reduction in interest expense was due to the reduction in the interest rate charged on our variable rate loans effective with the October 2012 amendment and from lower overall debt levels in 2013 compared to 2012.

Provision for Income Taxes. The difference between the effective tax rate of 32% for 2013 versus (19%) for 2012 was primarily due to the reversal of valuation allowances on U.S. deferred tax assets of \$12.7 million in 2012, offset by the gain we recorded on a return of basis from our foreign subsidiaries of \$3,079.

RESULTS BY SEGMENT

METAL BEARING COMPONENTS SEGMENT

<i>(In Thousands of Dollars)</i>	Year ended December 31,		
	2013	2012	Change
Net sales	\$259,459	\$252,241	\$ 7,218
<i>Foreign exchange effects</i>			5,602
<i>Volume</i>			6,872
<i>Price</i>			(1,130)
<i>Mix</i>			(1,337)
<i>Material inflation pass-through</i>			(2,789)
Segment net income	<u>\$ 18,519</u>	<u>\$ 20,980</u>	<u>\$(2,461)</u>

The majority of the increase in net sales was due to higher sales volumes experienced at units selling into the European, North American and Asian automotive markets and the European heavy truck market. Partially offsetting

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the volume increases were lower levels of price increases and material inflation incurred by our businesses and passed on to our customers in 2013 versus 2012. We experienced positive sales momentum in Europe during the second half of 2013, due to better overall market penetration with our customers and from increased demand in the European automotive and heavy truck markets. Additionally, we experienced increased demand in the North American and Asian automotive markets subsequent to the first quarter of 2013.

The segment net income in 2013 was negatively impacted by the U.S. unit of the segment recognizing tax expense of \$4.0 million in 2013 versus not recognizing tax expense in 2012 as all the deferred tax assets of our U.S. units were offset by full valuation allowances. Beyond the tax effects the results of the segment in 2013 were actually favorable as compared to 2012 as segment pre-tax income was \$2.1 million higher in 2013. The 2013 segment net income was favorably impacted by \$1.8 million after-tax from profits related to higher sales and by \$1.6 million after-tax from continuous improvement projects undertaken in 2013. Partially offsetting the favorable impacts, segment net income was reduced by \$1.4 million after-tax from reductions related to prices, material pass throughs and mix.

PRECISION METAL COMPONENTS SEGMENT

<i>(In Thousands of Dollars)</i>	Year ended December 31,		
	2013	2012	Change
Net sales	\$78,756	\$76,746	\$ 2,010
<i>Volume</i>			2,099
<i>Price/Mix/Inflation</i>			(89)
Segment net income	<u>\$ 5,799</u>	<u>\$ 9,110</u>	<u>\$(3,311)</u>

The increased sales volumes were due to higher demand with certain customers in the North American automotive market during 2013 net of the segment deemphasizing certain non-strategic platforms in an effort to improve operating performance and margins.

The reduction in segment net income was primarily due to recording \$3.0 million in U.S. tax expense during 2013 versus not recognizing tax expense for the segment during 2012 as all the deferred tax assets of our U.S. units were offset by full valuation allowances. Additionally, in 2012 the segment net income included \$1.8 million of net tax benefits related to the reversal of valuation allowances on segment deferred tax assets at December 31, 2012.

Beyond the tax effects, segment pre-tax income was \$2.2 million higher in 2013 compared to 2012. The segment net income benefitted from profits of \$0.6 million after-tax from the higher sales volumes and through cost reduction projects and operational improvements of \$0.9 million after-tax.

PLASTIC AND RUBBER COMPONENTS SEGMENT

<i>(In Thousands of Dollars)</i>	Year ended December 31,		
	2013	2012	Change
Net sales	\$34,991	\$41,097	\$(6,106)
<i>Volume</i>			(6,340)
<i>Price/Mix/Inflation</i>			234
Segment net income	<u>\$ 383</u>	<u>\$ 3,921</u>	<u>\$(3,538)</u>

Sales were down due to lower volume from certain sales programs ending, deemphasizing certain low margin platforms and the timing of demand at certain industrial product customers. Segment net income decreased \$1.7 million after-tax due to the negative effects of lower sales volumes and not being able to fully offset fixed production costs as sales declined. Additionally, 2012 segment net income was favorably impacted by \$2.2 million of net tax benefits related to the reversal of valuation allowances on segment deferred tax assets at December 31, 2012.

Changes in Financial Condition from December 31, 2013 to December 31, 2014.

From December 31, 2013 to December 31, 2014, our total assets increased \$450.3 million and our current assets increased \$117.1 million. The vast majority of these increases were due to total assets and current assets acquired of \$433.9 million and \$92.9 million, respectively, and the related preliminary fair value step-ups for the four acquisitions completed in 2014. Foreign exchange translation impacted the balance sheet in comparing changes in account balances from December 31, 2013 to December 31, 2014 by decreasing total assets \$19.4 million and current assets \$8 million.

Beyond acquisition and foreign exchange effects, the accounts receivable balance at December 31, 2014, was higher due to increased sales volume experienced in 2014 compared with sales levels in 2013. The day's sales outstanding at December 31, 2014 were up slightly from the day's sales outstanding at December 31, 2013 due to higher sales volumes with certain customers that have extended credit terms. Our inventory balance increased \$9.8 million due primarily for building inventory ahead of expected customer demand increases in the first quarter of 2015. Additionally, other non-current assets increased by \$8.6 million due to debt issuance cost incurred related to our new credit facilities entered into concurrent with the Autocam acquisition, net of amortization.

From December 31, 2013 to December 31, 2014, our total liabilities increased \$429.3 million. The majority of the increase was from the \$313.7 million increase in long-term debt and current maturities of long-term debt primarily due to the four acquisitions in 2014 and \$124.4 million of liabilities assume related to the four acquisitions completed in 2014.

Working capital, which consists principally of accounts receivable and inventories offset by accounts payable and current maturities of long-term debt, was \$105.2 million at December 31, 2014 as compared to \$56.3 million at December 31, 2013. The increase in working capital was due primarily to acquiring \$40.0 million in net working capital in the four acquisition completed in 2014. The remainder of the increase was due primarily to the increase in accounts receivable and inventory discussed above.

Cash provided by operations was \$30.7 million in 2014 compared with cash provided by operations of \$31.7 million in 2013. The difference was better working capital management in 2014. Cash flow provided by operations was \$31.7 million for 2013 compared with \$37.4 million for 2012. The unfavorable variance in cash flow provided by operations was principally due to increasing net working capital during 2013 to meet the increased sales and production volume levels.

Cash used by investing activities was \$281.6 million in 2014 compared with cash used by investing activities of \$15.2 million in 2013. The difference was primarily due to the \$257.7 million in cash paid to acquire Autocam, VS, Chelsea and RFK, net of cash received. Cash used by investing activities was \$15.2 million in 2013 compared with cash used by investing activities of \$14.8 million in 2012. The decrease was primarily due to \$1.8 million in lower spending on acquisitions of property plant and equipment in 2013 as planned mostly offset by receipt of \$1.9 million for the pay-off of a note receivable in 2012.

Cash provided by financing activities was \$287 million in 2014, compared with cash used by financing activities of \$32.3 million in 2013. The difference was primarily related to using debt to fund the acquisitions of Autocam, VS, Chelsea and RFK. Cash used by financing activities was \$32.3 million for 2013 compared with cash used by financing activities of \$9.6 million in 2012. The decrease was primarily due to the net repayment of short-term and long-term debt of \$33 million in 2013 driven by reducing the cash balances by \$16.0 million and from the \$17.1 million in free cash flow as discussed above.

Liquidity and Capital Resources

Amounts outstanding under our \$350.0 million term loan facility and our \$100.0 million asset backed revolver as of December 31, 2014 were \$340.0 million, net of discount, and \$0.0 million respectively. As of December 31, 2014, we can borrow up to \$61 million under our asset backed revolver subject to limitations based on our U.S. borrowing base calculation which is calculated based on our accounts receivable and inventory. The \$61 million of availability is net of \$2.1 million of outstanding letters of credit at December 31, 2014, which are considered as usage of the facility. We are investigating means to increase our borrowing base such as utilizing credit insurance on our foreign receivables. The only financial covenant on our new debt agreement is a springing fixed charge coverage covenant if our availability under the asset backed revolver is less than \$8.0 million. During the year ended December 31, 2014, we were not subject to this covenant.

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Our new \$350.0 million term loan facility requires us to pay 5% per annum or \$17,500 for the next seven years against the principal of the note. Additionally, using the December 31, 2014 balance the annual interest payments on the \$345.0 million term loan would be \$20.7 million. We believe that funds generated from operations of the combined NN and Autocam will provide sufficient cash flow to service these required debt payments.

Our arrangements with our domestic customers typically provide that payments are due within 30 to 60 days following the date of our shipment of goods, while arrangements with foreign customers of our domestic business (other than foreign customers that have entered into an inventory management program with us) generally provide that payments are due within 60 to 120 days following the date of shipment to allow for additional transit time and customs clearance. Under the Metal Bearing Components Segment's inventory management program with certain customers, payments typically are due within 30 days after the customer uses the product. Our arrangements with European customers regarding due dates vary from 30 to 90 days following date of sale for European based customers and 60 to 120 days from customers outside of Europe to allow for additional transit time and customs clearance. Our sales and receivables can be influenced by seasonality due to our relative percentage of European business coupled with many foreign customers slowing production during the month of August. For information concerning our quarterly results of operations for the years ended December 31, 2014 and 2013, see Note 15 of the Notes to Consolidated Financial Statements.

We invoice and receive payment from many of our customers in Euros as well as other currencies. Additionally, we are party to various third party and intercompany loans, payables and receivables denominated in currencies other than the U.S. Dollar. As a result of these sales, loans, payables and receivables, our foreign exchange transaction and translation risk has increased. Various strategies to manage this risk are available to management including producing and selling in local currencies and hedging programs. As of December 31, 2014, no currency hedges were in place. In addition, a strengthening of the U.S. Dollar and/or Euro against foreign currencies could impair our ability to compete with international competitors for foreign as well as domestic sales.

During 2015, we expect to spend approximately \$45 to \$55 million on capital expenditures, the majority of which relate to new or expanded business. We believe that funds generated from operations and borrowings from the credit facilities will be sufficient to finance our capital expenditures and working capital needs through December 2015. We base this assertion on our current availability for borrowing of up to \$60 million and our forecasted positive cash flow from operations for the year ending December 31, 2015.

The table below sets forth our contractual obligations and commercial commitments as of December 31, 2014 (in thousands):

Certain Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Long-term debt including current portion	\$ 350,186	\$ 22,160	\$ 35,170	\$ 30,897	\$ 261,959
Expected interest payments	115,533	20,646	37,818	33,844	23,225
Operating leases	23,475	5,434	8,542	4,045	5,454
Capital leases	24,279	6,236	9,166	4,374	4,503
Total contractual cash obligations	<u>\$ 513,473</u>	<u>\$ 54,476</u>	<u>\$ 90,696</u>	<u>\$ 73,160</u>	<u>\$ 295,141</u>

There are \$7.0 million of long-term post-employment benefits, the payment of which depends on various factors including at which point employees leave the Company. Based on the best available information, we believe the vast majority of these payments will be made after 5 years.

We have approximately \$4.8 million in unrecognized tax benefits and related penalties and interest accrued within the liabilities section of our balance sheet. We are unsure when or if at all these amounts might be paid to U.S. and/or foreign taxing authorities. Accordingly, these amounts have been excluded from the table above. (See Note 13 of the Notes to Consolidated Financial Statements).

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Functional Currencies

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

Seasonality and Fluctuation in Quarterly Results

Our net sales historically have been seasonal in nature, due to a significant portion of our sales being to European customers that significantly slow production during the month of August. For information concerning our quarterly results of operations for the years ended December 31, 2014 and 2013. (See Note 15 of the Notes to Consolidated Financial Statements).

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Inflation and Changes in Prices

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to changes in financial market conditions in the normal course of our business due to our outstanding debt balances as well as from transacting in various foreign currencies. To mitigate our exposure to these market risks, we have established policies, procedures and internal processes governing our management of financial market risks. We are exposed to changes in interest rates primarily as a result of our borrowing activities. At December 31, 2014, we had \$340 million outstanding under the variable rate credit facilities. At December 31, 2014, a one-percent increase in the interest rate charged on our outstanding variable rate borrowings would result in interest expense increasing annually by approximately \$3.4 million. Our policy is to manage interest expense using a mix of fixed and variable rate debt. As such, we entered into a \$150 million interest rate swap effective December 16, 2014 that goes into effect on December 29, 2015 and will fix our interest rate at 7.216%. The nature and amount of our borrowings may vary as a result of future business requirements, market conditions and other factors.

Translation of our operating cash flows denominated in foreign currencies is impacted by changes in foreign exchange rates. Our Metal Bearing Component Segment invoices and receives payment in currencies other than the U.S. Dollar including the Euro. Additionally, we participate in various third party and intercompany loans, payables and receivables denominated in currencies other than the U.S. Dollar. To help reduce exposure to foreign currency fluctuation, we have incurred debt in Euros in the past and have, from time to time, used foreign currency hedges to hedge currency exposures when these exposures meet certain discretionary levels. We did not use any currency hedges in 2014, nor did we hold a position in any foreign currency hedging instruments as of December 31, 2014.

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Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and comprehensive income (loss), of changes in stockholder's equity and of cash flows present fairly, in all material respects, the financial position of NN, Inc. and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Autocam Corporation ("Autocam"), RFK Valjcici d. d. Konjic ("RFK"), and V-S Industries, V-S Precision, LLC and V-S Precision SA de DV (collectively referred to as "VS") from its assessment of internal control over financial reporting as of December 31, 2014 as they were acquired by the Company in purchase business combinations during 2014. We have also excluded Autocam, RFK, and VS from our audit of internal control over financial reporting. The acquisitions are wholly-owned subsidiaries (except RFK which is 99.7% owned) whose total assets and total revenues represent 35% and 21%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2014. Autocam Corporation was the most significant of the acquisitions, representing 31% and 17% of consolidated total assets and total revenues, respectively.

/s/ PricewaterhouseCoopers LLP

Charlotte, North Carolina
March 16, 2015

NN, Inc.
Consolidated Balance Sheets
December 31, 2014 and 2013
(In thousands, except per share data)

	2014	2013
Assets		
Current assets:		
Cash	\$ 37,317	\$ 3,039
Accounts receivable, net	97,510	58,929
Inventories	91,469	54,530
Income tax receivable	1,149	816
Current deferred tax assets	5,849	2,119
Other current assets	9,505	6,241
Total current assets	<u>242,799</u>	<u>125,674</u>
Property, plant and equipment, net	278,442	121,089
Goodwill, net	83,941	8,624
Intangible assets, net	52,827	900
Non-current deferred tax assets	2,265	2,713
Investment in joint venture	34,703	—
Other non-current assets	17,736	3,402
Total assets	<u>\$712,713</u>	<u>\$262,402</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 71,094	\$ 40,687
Accrued salaries, wages and benefits	21,148	11,761
Income taxes payable	3,274	1,340
Current maturities of long-term debt	22,160	10,477
Current portion of obligation under capital lease	5,418	493
Other current liabilities	14,504	4,626
Total current liabilities	<u>137,598</u>	<u>69,384</u>
Non-current deferred tax liabilities	49,461	3,844
Long-term debt, net of current portion	328,026	26,000
Accrued post-employment benefits	6,972	6,920
Obligation under capital lease, net of current portion	14,539	3,494
Other	2,418	—
Total liabilities	<u>539,014</u>	<u>109,642</u>
Commitments and Contingencies (Note 14)		
Stockholders' equity:		
Common stock - \$0.01 par value, authorized 45,000 shares, issued and outstanding 18,983 in 2014 and 17,630 in 2013	190	176
Additional paid-in capital	99,095	63,126
Retained earnings	69,015	65,929
Accumulated other comprehensive income	5,367	23,529
Non-controlling interest	32	—
Total stockholders' equity	<u>173,699</u>	<u>152,760</u>
Total liabilities and stockholders' equity	<u>\$712,713</u>	<u>\$262,402</u>

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Income and Comprehensive Income (Loss)
Years ended December 31, 2014, 2013 and 2012
(In thousands, except per share data)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net sales	\$488,601	\$373,206	\$370,084
Cost of products sold (exclusive of depreciation and amortization shown separately below)	384,889	295,136	294,859
Selling, general and administrative	43,756	33,281	31,561
Acquisition related costs excluded from selling, general and administrative	9,248	—	—
Depreciation and amortization	22,146	16,957	17,643
(Gain) loss on disposal of assets	—	5	(17)
Restructuring and impairment charges	875	—	967
Income from operations	<u>27,687</u>	<u>27,827</u>	<u>25,071</u>
Interest expense	12,293	2,374	3,878
Other expense, net	2,222	275	852
Income before provision (benefit) for income taxes and share of net income from joint venture	<u>13,172</u>	<u>25,178</u>	<u>20,341</u>
Provision (benefit) for income taxes	5,786	8,000	(3,927)
Share of net income (loss) from joint venture, net of tax	831	—	—
Net income	<u>\$ 8,217</u>	<u>\$ 17,178</u>	<u>\$ 24,268</u>
Other comprehensive income (loss):			
Change in fair value of interest rate hedge	(431)	—	—
Foreign currency translation gain (loss)	(17,731)	3,899	2,806
Comprehensive income (loss)	<u>\$ (9,945)</u>	<u>\$ 21,077</u>	<u>\$ 27,074</u>
Basic income per share:			
Net income	<u>\$ 0.46</u>	<u>\$ 1.00</u>	<u>\$ 1.43</u>
Weighted average shares outstanding	<u>17,887</u>	<u>17,176</u>	<u>17,009</u>
Diluted income per share:			
Net income	<u>\$ 0.45</u>	<u>\$ 1.00</u>	<u>\$ 1.42</u>
Weighted average shares outstanding	<u>18,253</u>	<u>17,260</u>	<u>17,114</u>
Cash dividends per common share	<u>\$ 0.28</u>	<u>\$ 0.18</u>	<u>\$ 0.00</u>

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Changes in Stockholders' Equity
Years ended December 31, 2014, 2013 and 2012
(In thousands)

	Common Stock Number of Shares	Par Value	Additional paid in capital	Retained Earnings	Accumulated Other Comprehensive Income	Non- controlling Interest	Total
Balance, December 31, 2011	16,949	\$169	\$ 55,071	\$27,612	\$ 16,824	—	\$ 99,676
Net income	—	—	—	24,268	—	—	24,268
Stock option expense	—	—	1,093	—	—	—	1,093
Shares issued for option exercises	17	—	22	—	—	—	22
Restricted stock compensation expense	78	1	694	—	—	—	695
Foreign currency translation loss	—	—	—	—	2,806	—	2,806
Balance, December 31, 2012	17,044	\$170	\$ 56,880	\$51,880	\$ 19,630	—	\$128,560
Net income	—	—	—	17,178	—	—	17,178
Dividends declared	—	—	—	(3,129)	—	—	(3,129)
Stock option expense	—	—	1,437	—	—	—	1,437
Shares issued for option exercises	496	4	4,009	—	—	—	4,013
Restricted stock compensation expense	90	2	800	—	—	—	802
Foreign currency translation gain	—	—	—	—	3,899	—	3,899
Balance, December 31, 2013	17,630	\$176	\$ 63,126	\$65,929	\$ 23,529	—	\$152,760
Net income	—	—	—	8,217	—	—	8,217
Dividends declared	—	—	—	(5,131)	—	—	(5,131)
Stock option expense	—	—	1,274	—	—	—	1,274
Shares issued for option exercises	152	2	1,669	—	—	—	1,671
Shares issued for acquisition	1,087	11	31,706	—	—	—	31,717
Restricted stock compensation expense	114	1	1,320	—	—	—	1,321
Non-controlling interest	—	—	—	—	—	32	32
Foreign currency translation loss	—	—	—	—	(17,731)	—	(17,731)
Change in fair value of interest rate hedge	—	—	—	—	(431)	—	(431)
Balance, December 31, 2014	<u>18,983</u>	<u>190</u>	<u>\$ 99,095</u>	<u>\$69,015</u>	<u>\$ 5,367</u>	<u>32</u>	<u>173,699</u>

See accompanying notes to consolidated financial statements

NN, Inc.
Consolidated Statements of Cash Flows
Years ended December 31, 2014, 2013 and 2012
(In thousands)

	2014	2013	2012
Cash flows from operating activities:			
Net income	\$ 8,217	\$ 17,178	\$ 24,268
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	22,146	16,957	17,643
Amortization of debt issuance costs	844	547	824
Debt Issuance costs write-off	1,398	—	—
Joint venture net income in excess of cash received	(831)	—	—
(Gain) loss on disposals of property, plant and equipment	—	5	(17)
Allowance for doubtful accounts	208	177	98
Compensation expense from issuance of restricted stock and incentive stock options	2,595	2,239	1,788
Deferred income tax expense (benefit)	(1,333)	3,331	(7,067)
Capitalized interest and non-cash interest	—	—	(173)
Non-cash restructuring and impairment charges	875	—	967
Changes in operating assets and liabilities:			
Accounts receivable	(3,283)	(6,284)	15,330
Inventories	(9,836)	(7,232)	238
Other current assets	(1,624)	1,577	(1,568)
Other non-current assets	(4,828)	(802)	(21)
Accounts payable	9,497	2,577	(11,630)
Other liabilities	6,663	1,481	(3,322)
Net cash provided by operating activities	<u>30,708</u>	<u>31,751</u>	<u>37,358</u>
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(27,602)	(15,250)	(17,089)
Proceeds from disposals of property, plant and equipment	1,374	—	366
Cash paid to acquire businesses, net of cash received	(257,664)	—	—
Dividend received from joint venture	2,284	—	—
Proceeds received from long-term note receivable	—	—	1,945
Net cash used by investing activities	<u>(281,608)</u>	<u>(15,250)</u>	<u>(14,778)</u>
Cash flows from financing activities:			
Debt issue costs paid	(9,380)	—	(862)
Dividends Paid	(5,131)	(3,129)	—
Proceeds from long-term debt, net	344,750	—	—
Repayment of long-term debt, net	(40,880)	(33,715)	(7,914)
Proceeds (repayment) of short-term debt, net	359	676	(701)
Proceeds from issuance of stock and exercise of stock options	1,671	4,013	22
Payment for acquisition of non-controlling interest	(2,528)	—	—
Principal payments on capital lease	(1,888)	(136)	(119)
Net cash provided by (used by) financing activities	<u>286,973</u>	<u>(32,291)</u>	<u>(9,574)</u>
Effect of exchange rate changes on cash flows	(1,795)	(161)	1,448
Net change in cash and cash equivalents	34,278	(15,951)	14,454
Cash and cash equivalents at beginning of year	3,039	18,990	4,536
Cash and cash equivalents at end of year	<u>37,317</u>	<u>\$ 3,039</u>	<u>\$ 18,990</u>
Supplemental schedule of non-cash investing and financing activities:			
Compensation expense for stock awards, (\$1,321 in 2014 \$802 in 2013 and \$695 in 2012) and stock option expense (\$1,274 in 2014, \$1,437 in 2013 and \$1,093 in 2012) included in stockholders' equity	\$ 2,595	\$ 2,239	\$ 1,788
Shares issued in acquisition of Autocam	\$ 31,717	—	—
Cash paid for interest and income taxes			
Interest	\$ 8,307	\$ 1,777	\$ 3,130
Income taxes	\$ 5,747	\$ 3,986	\$ 5,882

See accompanying notes to consolidated financial statements

NN, Inc.
Notes to Consolidated Financial Statements
December 31, 2014, 2013 and 2012
(In thousands, except per share data)

1) Summary of Significant Accounting Policies and Practices

a) Description of Business

NN, Inc. (“NN”, “the Company”, “we”, “our” or “us”) is a manufacturer of precision balls, cylindrical and tapered rollers, bearing retainers, plastic injection molded products, precision bearing seals and precision metal components. Our balls, rollers, retainers, and bearing seals are used primarily in the domestic and international anti-friction bearing industry. Our plastic injection molded products are used in the bearing components, automotive components, electronic instrument cases and other molded components used in a variety of applications. The precision metal components products are close-tolerance, specialty metal alloy components for mechanical and electromechanical systems using turning, grinding and milling processes. We manufacture components for use on fuel delivery, electromechanical motor, steering and braking systems for the transportation industry, the HVAC industry, fluid power and diesel engine industries.

b) Cash

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

c) Inventories

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

Inventories also include tools, molds and dies in progress that we are producing and will ultimately sell to our customers. This activity is principally related to our Plastic and Rubber Components and Precision Metal Components Segments. These inventories are carried at the lower of cost or market.

d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Assets to be disposed of are stated at lower of depreciated cost or fair market value less estimated selling costs. Expenditures for maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized. When a property item is retired, its cost and related accumulated depreciation are removed from the property accounts and any gain or loss is recorded in the consolidated statements of income and comprehensive income. We review the carrying values of long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Property, plant and equipment includes tools, molds and dies principally used in our Plastic and Rubber Components and Precision Metal Components Segments that are our property.

Depreciation is provided on the straight-line method over the estimated useful lives of the depreciable assets for financial reporting purposes. For leasehold improvements and buildings under capital lease, we depreciate these over the shorter of useful lives or the lease term. In the event we abandon and cease to use certain property, plant, and equipment, depreciation estimates are revised and, in most cases, depreciation expense will be accelerated to reflect the shortened useful life of the asset.

e) Revenue Recognition

We recognize revenues based on the stated shipping terms with customers when these terms are satisfied and the risks of ownership are transferred to the customers. We have an inventory management program for certain Metal Bearing Components Segment customers whereby revenue is recognized when products are used by customers from consigned stock, rather than at the time of shipment. Under both circumstances, revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sellers' price is fixed and determinable and collectability is reasonably assured.

NN, Inc.
Notes to Consolidated Financial Statements
December 31, 2014, 2013 and 2012
(In thousands, except per share data)

f) Accounts Receivable

Accounts receivable are recorded upon recognition of a sale of goods and ownership and risk of loss is assumed by the customer. Substantially all of our accounts receivable are due primarily from the core served markets. In establishing allowances for doubtful accounts, we perform credit evaluations of our customers, considering numerous inputs when available including the customers' financial position, past payment history, relevant industry trends, cash flows, management capability, historical loss experience and economic conditions and prospects. Accounts receivable are written off or allowances established when considered to be uncollectible or at risk of being uncollectible, respectively.

g) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Provision has not been made for income taxes on unremitted earnings of foreign subsidiaries as these earnings are deemed to be permanently reinvested. We recognize income tax positions that meet the more likely than not threshold and accrue interest and potential penalties related to unrecognized income tax positions which are recorded as a component of the provision (benefit) for income taxes.

h) Net Income Per Common Share

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

i) Share Based Compensation

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

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

j) Principles of Consolidation

Our consolidated financial statements include the accounts of NN, Inc. and its subsidiaries. All of our subsidiaries are 100% owned (except for RFK which we own 99.7%) and all are included in the consolidated financial statements for the years end December 31, 2014, 2013, and 2012. All significant inter-company profits, transactions, and balances have been eliminated in consolidation. With the acquisition of Autocam Corporation (see Note 2) we acquired a 49% interest in a Chinese joint venture. This joint venture is not consolidated within the financial statements of NN, Inc. and is accounted for under the equity method (see Note 16).

k) Foreign Currency Translation

Assets and liabilities of our foreign subsidiaries are translated at current exchange rates, while revenue, costs and expenses are translated at average rates prevailing during each reporting period. Translation adjustments arising from the translation of foreign subsidiary financial statements are reported as a component of other comprehensive income and accumulated other comprehensive income within stockholders' equity. In addition, transactions denominated in foreign currencies, including intercompany transactions, are initially recorded at

NN, Inc.
Notes to Consolidated Financial Statements
December 31, 2014, 2013 and 2012
(In thousands, except per share data)

the current exchange rate at the date of the transaction. The balances are adjusted to the current exchange rate as of each balance sheet date and as of the date when the transaction is consummated. Transaction gains or losses, excluding intercompany loan transactions, are expensed in either cost of products sold or selling, general and administrative lines in the Consolidated Statements of Income and Comprehensive Income (Loss) as incurred and were immaterial to the years ended December 31, 2014, 2013 and 2012. Transaction gains or losses on intercompany loan transactions are recognized in the other income, net line in the Consolidated Statements of Income and Comprehensive Income (Loss) as incurred.

l) Goodwill and Other Indefinite Lived Intangible Assets

We recognize the excess of the purchase price of an acquired entity over the fair value of the net identifiable assets as goodwill. Goodwill is tested for impairment on an annual basis as of October 1 and between annual tests if a triggering event occurs. The impairment procedures are performed at the reporting unit level for the reporting units that have goodwill. In September 2011, the FASB issued a revised accounting standard, intended to reduce the cost and complexity of the annual goodwill impairment test by providing entities an option to perform a “qualitative” assessment to determine whether further impairment testing is necessary. Specifically, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. For the years ended, December 31, 2014 and 2013, we determined it was more appropriate to perform a full step 1 goodwill test. The decision to perform a qualitative assessment or a complete step 1 analysis is an annual decision made by management. Based on the results of the step 1 analysis fair value of the reporting units exceeded the carrying value of the reporting units at December 31, 2014 and 2013.

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

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

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

Our indefinite lived intangible asset is accounted for similarly to goodwill. This asset is tested for impairment at least annually by comparing the fair value to the carrying value, using the relief from royalty rate method, and if the fair value is less than the carrying value, an impairment charge is recognized for the difference. We elected to use Step 1 testing even though a qualitative approach was available to us.

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

Long-lived tangible and intangible assets subject to amortization are tested for recoverability when changes in circumstances indicate the carrying value of these assets may not be recoverable. A test for recoverability is also performed when management has committed to a plan to dispose of a reporting unit or asset group.

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Assets to be held and used are tested for recoverability when indications of impairment are evident. Recoverability of a long-lived tangible and intangible asset is evaluated by comparing its carrying value to the future estimated undiscounted cash flows expected to be generated by the asset or asset group. If the asset is not recoverable the asset is considered impaired and adjusted to fair value which is then depreciated/amortized over its remaining useful life. Assets to be disposed of are carried at the lesser of carrying value or fair value less costs of disposal.

n) Use of Estimates in the Preparation of Financial Statements

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

o) Fair Value Measurements

Fair value principles prioritize valuation inputs across three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the assumptions used to measure assets and liabilities at fair value. An asset or liability's classification within the various levels is determined based on the lowest level input that is significant to the fair value measurement.

p) Recently Issued Accounting Standards

In May 2014, the FASB and International Accounting Standards Board jointly issued new principles-based accounting guidance for revenue recognition that will supersede virtually all existing revenue guidance. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To achieve the core principle, the guidance establishes the following five steps: 1) identify the contract(s) with a customer, 2) identify the performance obligation in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance also details the accounting treatment for costs to obtain or fulfill a contract. Lastly, disclosure requirements have been enhanced to provide sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. We are currently evaluating the impact this new guidance is expected to have on our financial position or results of operations and related disclosures.

q) Business Combinations

We allocate the total purchase price of the acquired tangible and intangible assets acquired and liabilities assumed based on their estimated fair values as of the business combination date, with the excess purchase price recorded as goodwill. The purchase price allocation process required us to use significant estimates and assumptions, including fair value estimates, as of the business combination date. Although we believe the assumptions and estimates we have made are reasonable and appropriate, they are based in part on historical experience and information obtained from management of the acquired company, in part based on valuation models that incorporate projections of expected future cash flows and operating plans and are inherently uncertain. Valuations are performed by management or third party valuation specialists under management's supervision. In determining the fair value of assets acquired and liabilities assumed in business combinations, as appropriate, we may use one of the following recognized valuation methods: the income approach (including discounted cash flows from relief from royalty and excess earnings model), the market approach and/or the replacement cost approach.

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Examples of significant estimates used to value certain intangible assets acquired include but are not limited to:

- sales volume, pricing and future cash flows of the business overall
- future expected cash flows from customer relationships, and other identifiable intangible assets, including future price levels, rates of increase in revenue and appropriate attrition rate
- the acquired company's brand and competitive position, royalty rate quantum, as well as assumptions about the period of time the acquired brand will continue to benefit to the combined company's product portfolio
- cost of capital, risk-adjusted discount rates and income tax rates

However, different assumptions regarding projected performance and other factors associated with the acquired assets may affect the amount recorded under each type of assets and liabilities, mainly between property plant and equipment, intangibles assets, goodwill and deferred income tax liabilities and subsequent assessment could result in future impairment charges. The purchase price allocation process also entails us to refine these estimates over a measurement period not to exceed one year to reflect new information obtained surrounding facts and circumstances existing at acquisition date.

2) **Acquisitions**

Autocam

On August 29, 2014, we completed our merger with Autocam Corporation ("Autocam"), for \$256,837 in cash and \$31,717 in NN stock. Additionally, we assumed \$29,848 in Autocam debt and capital lease obligations. Autocam is a global leader in the engineering, manufacture and assembly of highly complex, system critical components for fuel systems, engines and transmission, power steering and electric motors. With the completion of the transaction, NN becomes one of the top global manufacturers in the precision metal components space. Additionally, this acquisition will leverage NN's and Autocam's complementary core strengths and values and will position our Precision Metal Components business segment to outgrow its end markets by taking advantage of global market trends in fuel efficient technologies such as gasoline direct injection systems, high-pressure diesel injection systems and variable valve timing.

The funding of the cash portion of the purchase price and acquisition costs was provided primarily from borrowings, including a \$350,000 term loan entered into concurrent with the acquisition. (See Note 7 of the Notes to Consolidated Financial Statements).

During the fourth quarter of 2014, we finalized our valuation related to the assets acquired and liabilities assumed of Autocam. The facts and circumstances existed at the date of acquisition (August 29, 2014) and, if known would have affected the measurement of the amounts recognized at the date. As a result, we adjusted the preliminary allocation of the purchase price initially recorded at the Autocam acquisition date to reflect these measurement period adjustments.

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The following table summarizes the purchase price allocation for the Autocam merger:

Fair value of assets acquired and liabilities assumed on August 29, 2014	September 30, 2014	2014 adjustments to fair value	December 31, 2014
Current assets	\$ 88,529	\$ (1,182)	\$ 87,347
Property, plant, and equipment	146,120	7,065	153,185
Intangible assets subject to amortization	51,098	562	51,660
Investment in joint venture	35,595	—	35,595
Other non-current assets	2,170	3,898	6,068
Goodwill	77,548	(3,556)	73,992
Total assets acquired	\$ 401,060	\$ 6,787	407,847
Current liabilities	\$ 34,320	\$ 6,963	\$ 41,283
Current maturities of long-term debt	6,547	—	6,547
Non-current deferred tax liabilities	46,998	(486)	46,512
Obligations under capital lease	18,350	—	18,350
Long-term debt, net of current portion	4,263	—	4,263
Other non-current liabilities	2,028	310	2,338
Total liabilities assumed	\$ 112,506	\$ 6,787	\$ 119,293
Net asset acquired	\$ 288,554	\$ —	\$ 288,554

A combination of income, market, and cost approaches were used for the valuation where appropriate, depending on the asset or liability being valued. Valuation inputs in these models and analyses gave consideration to market participant assumptions. Acquired intangible assets are primarily customer relationships and trade names. We have finished our analysis of the Autocam opening balance sheet and consider the purchase price allocation final.

In connection with the acquisition of Autocam, we recorded goodwill, which represents the excess of the purchase price over the estimated fair value of tangible and intangible assets acquired, net of liabilities assumed. The goodwill is attributed primarily to Autocam as a going concern and the fair value of expected cost synergies and revenues growth from combining the NN and Autocam businesses. The going concern element represents the ability to earn a higher return on the combined assembled collection of assets and businesses of Autocam than if those assets and businesses were to be acquired and managed separately. Other relevant elements of goodwill are the benefits of access to certain markets and the assembled work force. None of the goodwill is expected to be deducted for tax purposes.

Property, plant and equipment acquired primarily included machinery and equipment for use in manufacturing operations. Additionally, a number of manufacturing sites and related facilities include leasehold improvements were acquired. Property, plant and equipment has been valued using the cost approach supported where available by observable market data which includes consideration of obsolescence. Intangible assets have been valued using the relief from royalty and multi-period excess earnings methods, both forms of the income approach supported by observable market data.

Related to the acquisition of Autocam, during 2014 we recognized \$6,912 in transaction costs. During 2014, we expensed \$2,974 of deferred financing costs and make whole interest payments related to the acquisition. Transaction costs were expensed as incurred and are included in the "Acquisition related costs excluded from selling, general and administrative expenses" line item and deferred financing costs are included in the interest expense line items in the Consolidated Statements of Income and Comprehensive Income (Loss). As required by purchase accounting, the acquired inventories were recorded at their estimated fair value. These inventories were sold in the third quarter 2014 resulting in a one-time \$1,158 increase in cost of sales. Beginning September 1, 2014, the consolidated results of operations of NN include the results of the acquired Autocam businesses. Since the date of the acquisition, sales revenue of \$80,821 and net income of \$3,686 (including the \$1,158 for the one-time increase in cost of goods sold) has been included in NN's financial statements.

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The unaudited pro forma financial results for the years ended December 31, 2014 and 2013 combine the consolidated results of NN and Autocam giving effect to the acquisition of Autocam as if it had been completed on January 1, 2013, the beginning of the comparable prior annual reporting period presented. The unaudited pro forma financial results presented below do not include any anticipated synergies or other expected benefits of the acquisition. This unaudited pro forma financial information is presented for informational purposes only and is not indicative of future operations or results had the acquisition been completed as of January 1, 2013.

The unaudited pro forma financial results include certain adjustments for additional depreciation and amortization expense based upon the fair value step-up and estimated useful lives of Autocam depreciable fixed assets and definite-life amortizable assets acquired in the transaction. The provision for income taxes has also been adjusted for all periods, based upon the foregoing adjustments to historical results.

	<u>Year ended December 31,</u>	
	<u>2014</u>	<u>2013</u>
Pro forma sales	\$659,652	\$606,690
Pro forma net income	\$ 19,573	\$ 3,307

The pro forma net income for the year ended December 31, 2013 includes certain items, such as financing, integration, and transaction costs historically recorded by NN and Autocam directly attributable to the acquisition, which will not have an ongoing impact. These items include transaction, integration, and financing related costs incurred by NN and Autocam of \$9,433 and \$3,846, net of tax, respectively during 2014 and reported in the year ended December 31, 2013 pro forma net income above.

Other Acquisitions

We made three other acquisitions during 2014 that aggregated to \$20,995 in net assets acquired. Related to the acquisitions, we incurred transactions costs of \$1,242 from third parties during 2014, which were expensed as incurred in acquisition related costs excluded from selling, general and administrative within the Consolidated Statements of Income and Comprehensive Income (Loss).

We have finalized the purchase price allocation for these three acquisitions during our year end closing process.

The following table summarizes the fair values of assets acquired and liabilities assumed at the date of acquisition with any adjustments to fair value since September 30, 2014.

<u>Assets acquired and liabilities assumed</u>	<u>September 30,</u> <u>2014</u>	<u>2014</u> <u>adjustments</u> <u>to fair value</u>	<u>December 31,</u> <u>2014</u>
Current assets	\$ 5,688	\$ (123)	\$ 5,565
Property, plant, and equipment	15,367	(31)	15,336
Intangible assets subject to amortization	2,705	—	2,705
Goodwill	2,038	456	2,494
Total assets acquired	<u>\$ 25,798</u>	<u>\$ 302</u>	<u>\$ 26,100</u>
Current liabilities	\$ 4,803	\$ 302	\$ 5,105
Total liabilities assumed	<u>\$ 4,803</u>	<u>\$ 302</u>	<u>\$ 5,105</u>
Net asset acquired	<u>\$ 20,995</u>	<u>\$ —</u>	<u>\$ 20,995</u>

The intangible assets subject to amortization are for customer contracts and trade names totaling \$2,705 and have weighted average useful lives of approximately 11 years. Goodwill of \$2,494 arising from the acquisitions is attributable primarily to the assembled workforce of RFK and strategic market opportunities that are expected to arise from the acquisition of RFK and Chelsea.

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In the following paragraphs we provide a brief description of the businesses acquired, reasons for the acquisition and relevant financial information about each business.

Chelsea Grinding (Chelsea)

On July 15, 2014, we purchased Chelsea Grinding for \$3,100 in cash. Chelsea is a hydraulic component manufacturer. We acquired Chelsea to achieve access to the adjacent hydraulic component market. Chelsea, which has been completely integrated into our Erwin Plant of the Metal Bearing Components Segment, has contributed revenues of approximately \$1,100 from the date of acquisition to December 31, 2014.

RFK Valjci d. d. Konjic (“RFK”)

On June 20, 2014, we acquired 79.2% of the outstanding shares of RFK Valjci d. d. Konjic (“RFK”) for \$9,756 in cash. RFK is a manufacturer of tapered rollers with operations in Konjic, Bosnia & Herzegovina. Its products, while complementary to NN’s existing roller bearing components, will broaden our product offering and allow penetration into adjacent markets. NN acquired up to 99.7% of the outstanding shares of RFK during the third quarter of 2014 for an additional \$2,527 in cash. RFK has contributed revenues and net income of approximately \$5,100 and \$165, respectively, from the date of acquisition to December 31, 2014. RFK currently exports all of its products, predominately to customers serving the European truck, industrial vehicle and railway markets. NN will continue operations at the existing facilities in Bosnia & Herzegovina and will roll up the operations under our Metal Bearing Components Segment. In addition, we have reported non-controlling interest of \$32 for RFK representing the fair value of the 0.30% of the shares outstanding we do not own as of December 31, 2014.

VS Asset Purchase

On January 30, 2014, we purchased the majority of the operating assets of V-S Industries, V-S Precision, LLC and V-S Precision SA de DV (collectively referred to as “VS”) from the secured creditors of V-S Industries for \$5,580 in cash and assumed certain liabilities totaling \$2,968. This was accounted for as business combination. VS has contributed revenues and net loss of approximately \$14,742 and \$(1,011), including integration costs of \$503 net of tax, respectively, from the date of acquisition to December 31, 2014.

VS is a precision metal components manufacturer that supplies customers in a variety of industries including electric motors, HVAC, power tools, automotive and medical. The acquisition of VS will provide us with a complementary, and broader product offering and will allow penetration into adjacent markets. VS has two locations in Wheeling, Illinois and Juarez, Mexico and will roll up under the Precision Metal Components Segment.

The cash paid to acquire all four businesses totaled \$277,832 (\$256,837 for Autocam and \$20,995 for the others) less cash acquired of \$17,640 for a net amount of \$260,192. A portion of this amount (\$2,528) was reported in cash flows from financing activities as that amount related to acquiring a non-controlling interest in RFK.

3) Impairment Charges

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

For the year ended December 31, 2014, an indefinite lived intangible asset within the Autocam Precision Components Segment was impaired as management is in the process of phasing out the use of the trade name as a result of the Autocam acquisition. As such, an impairment charge of \$875 was included in the restructuring and impairment charges line of the Consolidated Statements of Income and Comprehensive Income (Loss).

For the year ended December 31, 2012, we recorded \$967 of non-cash charges related to the further impairment of our former production facility in Kilkenny, Ireland. Based on updated market based information related to commercial property valuation in Ireland, management determined the market value of the building was less than book value and the book value was adjusted accordingly. This impairment charge was reported in the Restructuring and impairment charges line in the Consolidated Statements of Income and Comprehensive Income (Loss).

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4) Accounts Receivable and Sales Concentrations

	December 31,	
	2014	2013
Trade	\$98,030	\$59,374
Less - allowance for doubtful accounts	520	445
Accounts receivable, net	<u>\$97,510</u>	<u>\$58,929</u>

Activity in the allowance for doubtful accounts is as follows:

<u>Description</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Write-offs</u>	<u>Currency Impacts</u>	<u>Balance at End of Year</u>
December 31, 2014					
Allowance for doubtful accounts	\$ 445	\$ 208	\$(123)	\$ (10)	\$ 520
December 31, 2013					
Allowance for doubtful accounts	\$ 311	\$ 177	\$ (47)	\$ 4	\$ 445
December 31, 2012					
Allowance for doubtful accounts	\$ 438	\$ 98	\$(224)	\$ (1)	\$ 311

For the years ended December 31, 2014, 2013 and 2012, sales to SKF amounted to \$127,946, \$132,654, and \$124,349 respectively, or 26%, 36%, and 34% of consolidated revenues, respectively. None of our other customers accounted for more than 10% of our net sales in 2014, 2013 or 2012. SKF and NTN/SNR were the only customers with accounts receivable concentration in excess of 10% in 2014 and 2013. The outstanding balance as of December 31, 2014 and 2013 for SKF was \$17,510 and \$17,005, respectively. The outstanding balance as of December 31, 2013 for NTN/SNR was \$6,893. All revenues and receivables related to SKF are in the Metal Bearing Components and Plastic and Rubber Components Segments. All revenues and receivables related to SNR are in the Metal Bearing Components Segment.

5) Inventories

	December 31,	
	2014	2013
Raw materials	\$35,191	\$15,448
Work in process	21,883	9,672
Finished goods	34,395	29,410
Inventories	<u>\$91,469</u>	<u>\$54,530</u>

Inventory on consignment at customers' sites at December 31, 2014 and 2013 was approximately \$5,857 and \$4,735, respectively.

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

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6) Property, Plant and Equipment

	Estimated Useful Life	December 31,	
		2014	2013
Land owned		\$ 7,548	\$ 6,139
Land under capital lease		2,097	1,437
Buildings and improvements owned	15-40 years	52,641	45,964
Buildings under capital lease	20 years	6,225	3,172
Machinery and equipment	3-12 years	408,299	261,842
Construction in process		<u>21,027</u>	<u>20,745</u>
		497,837	339,299
Less - accumulated depreciation		<u>219,395</u>	<u>218,210</u>
Property, plant and equipment, net		<u>\$278,442</u>	<u>\$121,089</u>

During the year ended December 31, 2014 we acquired \$168,521 in property, plant and equipment with the four acquisitions completed during 2014. (See Note 2 of the Notes to Consolidated Financial Statements).

For the years ended December 31, 2014, 2013, and 2012, depreciation expense was \$ 20,817, \$16,957 and \$17, 643, respectively.

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7) Debt

Long-term debt and short-term debt at December 31, 2014 and December 31, 2013 consisted of the following:

	December 31, 2014	December 31, 2013
Borrowings under our \$350,000 Term Loan B bearing interest the greater of 1% or 3 month LIBOR (0.2318% at September 30, 2014) plus an applicable margin of 5.00% at September 30, 2014, expiring August 29, 2021, net of discount of \$4,995.	\$ 340,005	\$ —
Borrowings under our \$100,000 ABL Revolver bearing interest at a floating rate equal to LIBOR (0.1565% at September 30, 2014) plus an applicable margin of 1.75% at September 30, 2014, expiring August 29, 2019.	—	—
Borrowings under our \$100,000 revolving credit facility bearing interest at a floating rate equal to LIBOR (0.1565% at September 30, 2014) plus an applicable margin of 1.25% at September 30, 2014, expiring October 26, 2017.	—	10,763
Borrowings under our \$40,000 aggregate principal amount of fixed rate notes bore interest at a fixed rate of 4.89% and matured on April 26, 2014. Annual principal payments of \$5,714 began on April 26, 2008 and extend through the date of maturity.	—	5,714
Borrowings under our \$20,000 aggregate principal amount of fixed rate notes bearing interest at a fixed rate of 4.64% maturing on December 20, 2018. Annual principal payments of \$4,000 will begin on December 22, 2014 and extend through the date of maturity.	—	20,000
French Safeguard Obligations (Autocam)	2,560	—
Brazilian lines of credit and equipment notes (Autocam)	5,304	—
Chinese line of credit (Autocam)	2,317	—
Total debt	350,186	36,477
Less current maturities of long-term debt	22,160	10,477
Long-term debt, excluding current maturities of long-term debt	\$ 328,026	\$ 26,000

On August 29, 2014, concurrent with the Autocam acquisition, we entered into two new credit facilities consisting of a \$350 million term loan facility and a \$100 million asset backed revolver (“ABL”). Under the term loan, we received funds of \$344,750 net of a discount of \$5,250 which is being amortized into interest expense over the life of the term loan. These new facilities were utilized to fund the Autocam acquisition and to provide for short-term cash flow needs. Additionally, these new facilities replaced the \$100 million revolving credit facility and the \$20 million fixed rate agreement both of which were paid off with proceeds from the term loan. \$1,368 in net capitalized loan origination costs related to the \$100 million facility was written off as of August 29, 2014. \$30 in net capitalized loan origination costs related to the \$20 million fixed rate agreements was also written off as of August 29, 2014.

The \$350,000 term loan revolving credit facility may be expanded upon our request with approval of the lenders by up to \$50,000 under the same terms and conditions. The term loan has a seven year maturity with a 5% per annum

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repayment. The term loan agreement is a covenant lite agreement with no financial covenants. The loan agreement does contain customary restrictions on, among other things, additional indebtedness, liens on our assets, sales or transfers of assets, investments, issuance of equity securities, and merger, acquisition and other fundamental changes in our business including a “material adverse change” clause, which if triggered would give the lenders the right to accelerate the maturity of the debt. Costs associated with entering into the revolving credit facility were capitalized and will be amortized into interest expense over the life of the facility. As of December 31, 2014, \$7,945 of net capitalized loan origination costs related to the term loan credit facility were recorded on the consolidated balance sheet within other non-current assets.

The \$100,000 ABL may be expanded upon our request with approval of the lenders by up to \$50,000 under the same terms and conditions. The ABL has a five year maturity and has one springing financial covenant in the event our availability on the ABL is less than \$8,000. The ABL contains customary restrictions on, among other things, additional indebtedness, liens on our assets, sales or transfers of assets, investments, issuance of equity securities, and mergers, acquisitions and other fundamental changes in our business including a “material adverse change” clause, which if triggered would give the lenders the right to accelerate the maturity of the debt. The facility has a swing line feature to meet short term cash flow needs. Any borrowings under this swing line are considered short term. We incurred costs as a result of issuing the ABL which have been recorded on the consolidated balance sheet within other non-current assets and are being amortized over the term of the notes. The unamortized balance at December 31, 2014 was \$968.

We believe the book values of the above credit facilities approximate their fair values given the interest rates are variable and we entered into these facilities very close to the year ended December 31 2014, at the then market rates for a company with our credit profile.

As part of the merger with Autocam, NN assumed certain foreign credit facilities. These facilities relate to local borrowings in France, Brazil and China. These facilities are with financial institutions in the countries in which foreign plants operate and are meant to fund working capital and equipment purchases in those countries. Below is a description of the credit facilities.

In 2008, Autocam filed “Procédure de Sauvegarde” (“Safeguard”) on behalf of each of their French subsidiaries, Autocam France, SARL and Bouverat Industries, SAS (“Bouverat”). They reached agreement with their creditors with claims subject to Safeguard protection in 2009. Provisions of the agreements allowed, at each creditor’s option, for the payment of a portion of the obligation in January 2010, or the entire obligation over a ten-year period. The liabilities carry a zero percent interest rate and are being paid annually until 2019. Amounts due as of December 31, 2014, to those creditors opting to be paid over a ten-year period totaled \$2,560 and are included in Current Maturities of Long-Term debt (\$330) and long-term debt excluding current maturities of long-term debt (\$2,230).

The Brazilian lines of credit include facilities with certain Brazilian banks used to fund working capital needs, while the equipment notes represent borrowings from certain Brazilian banks to fund equipment purchases for Autocam’s Brazilian plants. The lines of credit have interest rates of 10.5% to 21.8%.

The Chinese line of credit is a working capital line of credit with a Chinese bank bearing an interest rate of 4.95%.

The aggregate maturities of long-term debt including current portion for each of the five years subsequent to December 31, 2014 are as follows:

	<u>Year ending December 31,</u>	
2015		\$ 22,160
2016		18,150
2017		17,020
2018		16,186
2019		14,711
Thereafter		261,959
Total		<u>\$ 350,186</u>

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On June 1, 2004, our wholly owned subsidiary, NN Asia, entered into a twenty year lease agreement with Kunshan Tian Li Steel Structure Co. LTD for the lease of land and building (approximately 110,000 square feet) in the Kunshan Economic and Technology Development Zone, Jiangsu, The People's Republic of China. The fair value of the land and building were estimated to be approximately \$545 and \$2,016 (at current exchange rates), respectively and undiscounted annual lease payments are approximately \$299 (approximately \$5,988 aggregate non-discounted lease payments over the twenty year term). The lease is cancelable after the fifth, ninth, and fourteenth years without payment or penalty by us. In addition, after the end of year five and each succeeding year we can buy the land for a preset price per square meter value and the building for actual cost less depreciation.

On October 1, 2011, our wholly owned subsidiary, NN Asia, entered into a twenty year lease agreement with Kunshan Tian Li Steel Structure Co. LTD for the lease of land and building adjacent to the current leased facility (approximately 75,000 square feet) in the Kunshan Economic and Technology Development Zone, Jiangsu, The People's Republic of China. This lease was entered into to expand the production capacity of our current leased facility. The fair value of the land and building were estimated to be approximately \$892 and \$1,156 (at current exchange rates), respectively and undiscounted annual lease payments are approximately \$193 (approximately \$3,850 aggregate non-discounted lease payments over the twenty year term). The lease is cancelable after the fifth, ninth, and fourteenth years without payment or penalty by us. In addition, after the end of year five and each succeeding year we can buy the land for a preset price per square meter value and the building for actual cost less depreciation.

Below are the minimum future lease payments under both capital leases together with the present value of the net minimum lease payments as of December 31, 2014:

Year ending December 31,	
2015	\$ 481
2016	481
2017	481
2018	481
2019	481
Thereafter	3,913
Total minimum lease payments	6,318
Less interest included in payments above	(2,575)
Present value of minimum lease payments	<u>\$ 3,743</u>

With the Autocam acquisition, we assumed capital leases on certain buildings and equipment. The cost of the assets subject to capital lease obligations as reflected in Property, Plant and Equipment, net in our Consolidated Balance Sheet was \$24,997 as of December 31, 2014. The accumulated depreciation of such assets as reflected in Property, Plant and Equipment, net in our Consolidated Balance Sheet was \$618 as of December 31, 2014.

Below are the minimum future lease payments under the assumed capital leases together with the present value of the net minimum lease payments as of December 31, 2014:

Year ending December 31,	
2015	\$ 5,743
2016	4,593
2017	3,587
2018	2,572
2019	816
Thereafter	—
Total minimum lease payments	17,311
Less interest included in payments above	(1,097)
Present value of minimum lease payments	<u>\$16,214</u>

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8) Employee Benefit Plans

We have defined contribution 401(k) profit sharing plans covering substantially all U.S. employees. All employees are eligible for the plans on the first day of the month following their employment date. A participant may elect to contribute between 1% and 60% of their compensation to the plans, subject to Internal Revenue Service (“IRS”) dollar limitations. Participants age 50 and older may defer an additional amount up to the applicable IRS Catch Up Provision Limit. We provide a matching contribution which is determined on an individual, participating company basis. All participant contributions are immediately vested at 100%. Contributions for all U.S. employees were \$764, \$349 and \$335 in 2014, 2013, and 2012, respectively.

Post-Employment Benefit Liabilities

We provide certain post-employment benefits to employees at our Pinerolo and Veenendaal plants that are either required by law or are local labor practice. There is a plan at our Pinerolo Plant and at our Veenendaal Plant which are described below.

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

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

We have a plan that covers our Veenendaal Plant employees that provides an award for employees who achieve 25 or 40 years of service and an award for employees upon retirement. The plan is unfunded and the benefits are based on years of service and rate of compensation at the time the award is paid.

The amounts shown in the table below represent the actual liabilities at December 31, 2014 and 2013 reported under accrued post-employment benefits in the Consolidated Balance Sheets for both plans combined.

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 6,920	\$ 6,930
Amounts accrued	1,111	1,019
Payments to employees/government managed plan	(1,186)	(1,331)
Foreign currency impacts	(821)	302
Ending balance	<u>\$ 6,024</u>	<u>\$ 6,920</u>

Defined Benefit Plan

Effective with the Autocam acquisition on August 29, 2014, we sponsor a defined benefit pension plan for substantially all employees of the Bouverat, France Plant (the “Pension Plan”). These benefits are calculated based on each employee’s years of credited service and most recent monthly compensation and service category. Employees become vested in accordance with governmental regulations in place at the time of retirement.

For the purpose of calculating the actuarial present value of the benefit obligation under the Pension Plan, the discount rates assumed were 1.9% for 2014. The compensation growth rate was assumed was 2.9% for 2014. The measurement date was December 31 of 2014.

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Set forth below is projected benefit obligation information for the Pension Plan and the plan activity since we acquired Autocam on August 29, 2014:

	<u>2014</u>
Accumulated benefit obligation at measurement date	\$1,011
Effect of salary increases	526
Projected benefit obligation at measurement date	<u>\$1,537</u>
Projected benefit obligation at date of acquisition	\$1,549
Service and interest costs	35
Actuarial gains (losses)	94
Benefits paid	
Effect of foreign currency translation gains and other	(141)
Projected benefit obligation at measurement date	<u>\$1,537</u>

Set forth below is net periodic benefit cost information for the Pension Plan for the four month period since the acquisition of Autocam:

	<u>2014</u>
Service and interest costs	\$ 35
Expected return on plan assets	(4)
Amortization of prior service costs	6
Net periodic benefit cost	<u>\$ 37</u>

We expect benefit payments under the Pension Plan to be \$0 for 2015 and 2016, \$16 for 2017, \$8 in 2018 and \$379 from 2020-2024.

Set forth below is plan asset information for the Pension Plan:

	<u>2014</u>
Plan assets at fair value at measurement date	\$ 589
Projected benefit obligations at measurement date	(1,537)
Funded status	<u>(\$ 948)</u>
Plan assets at fair value at date of acquisition	\$ 655
Actual return on plan assets	3
Benefits paid	(12)
Effect of foreign currency translation gains	(57)
Plan assets at fair value at measurement date	<u>\$ 589</u>

The assumed rate of return on assets of the Pension Plan was 2.0% for all periods presented. We have a targeted goal of allocating plan assets one-third to equity and two-thirds to fixed income securities. Actual allocations of Pension Plan assets between equity and fixed income securities were 19% and 81%, respectively, as of December 31, 2014. Our expected funding obligations under the Pension Plan in 2015 is \$132.

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9) Stock Based Compensation

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

In the years ended December 31, 2014, 2013, and 2012, approximately \$2,595, \$2,239, and \$1,788, respectively of compensation expense was recognized in selling, general and administrative expense for all share-based awards. The compensation expense recognized in the years ended December 31, 2014, 2013 and 2012 related to stock options was \$1,274, \$1,437, and \$1,093, respectively. The compensation expense related to stock awards in the years ended December 31, 2014, 2013 and 2012 was \$ 1,321, \$802, and \$695, respectively.

As of December 31, 2014, we have approximately 1,131 maximum shares that can be issued as options, stock appreciation rights, and/or other stock based awards.

Stock Option Awards

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

During 2014, 2013 and 2012, we granted 109, 354, and 285 options, respectively, to certain key employees and non-employee directors. The weighted average grant date fair value of the options granted during the years ended December 31, 2014, 2013 and 2012 was \$9.48, \$5.17, and \$4.27, respectively. Upon exercise of stock options, new shares of our stock are issued. The weighted average assumptions relevant to determining the fair value at the dates of grant are below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Term	6 years	6 years	6 years
Risk free interest rate	1.75%	0.87%	1.16%
Dividend yield	1.43%	0.00%	0.00%
Expected volatility	56.75%	57.00%	50.51%
Expected forfeiture rate	3.00%	3.00%	3.00%

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

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

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

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

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

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The following table provides a reconciliation of option activity for the year ended December 31, 2014:

Options	Shares (000's)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000)
Outstanding at January 1, 2014	1,233	\$ 10.65		
Granted	108	\$ 19.93		
Exercised	(158)	\$ 10.90		
Forfeited or expired	(8)	\$ 12.62		
Outstanding at December 31, 2014	<u>1,175</u>	<u>\$ 11.40</u>	<u>6.1</u>	<u>\$10,752 (1)</u>
Exercisable at December 31, 2014	<u>815</u>	<u>\$ 11.00</u>	<u>5.2</u>	<u>\$ 7,786 (1)</u>

- (1) The intrinsic value is the amount by which the market price of our stock was greater than the exercise price of any individual option grant at December 31, 2014.

As of December 31, 2014, there was approximately \$778 and \$1,511 of unrecognized compensation costs for stock options and restricted stock, respectively, to be recognized over approximately two years.

Cash proceeds from the exercise of options in the years ended December 31, 2014, 2013, and 2012 totaled approximately \$1,671, \$4,013, and \$22, respectively. For the years ended December 31, 2014, 2013 and 2012, proceeds from stock options were presented exclusive of tax benefits in the Financing Activities section of the Consolidated Statements of Cash Flows. The total intrinsic value of options exercised during the years ended December 31, 2014, 2013 and 2012 was \$1,956, \$1,416, and \$107, respectively.

Stock Awards

During the year ended December 31, 2014, 2013 and 2012, we issued 114, 90 and 78 shares, respectively, of our common stock as awards to key employees and non-executive directors. The fair value of the shares issued was determined by using the grant date price of our common stock with a weighted average grant date value of \$20.15. The recognized compensation expense for stock awards in the years ended December 31, 2014, 2013, and 2012 was approximately \$1,321, \$802, and \$695, respectively. The shares issued in 2014, 2014 and 2012 vest over three years.

10) Goodwill, Net

We completed our annual goodwill impairment review during the fourth quarters of 2014 and 2013. For the years ended December 31, 2014, 2013 and 2012, we concluded that there were no indicators of impairment at the reporting units with goodwill.

The changes in the carrying amount of goodwill for the years ended December 31, 2014, 2013 and 2012 are as follows:

<i>(In thousands)</i>	Metal Bearing Components Segment	Autocam Precision Components Segment	Total
Balance as of January 1, 2013	\$ 8,254	—	\$ 8,254
Currency impacts	370	—	\$ 370
Balance as of December 31, 2013	<u>\$ 8,624</u>	<u>—</u>	<u>\$ 8,624</u>
Currency impacts	(1,169)	—	(1,169)
Goodwill acquired in acquisition	2,494	73,992	76,486
Balance as of December 31, 2014	<u>\$ 9,949</u>	<u>\$ 73,992</u>	<u>\$83,941</u>

The cumulative accumulated impairment charges included in the reported goodwill balances at December 31, 2014, 2013 and 2012 were \$40,045 all of which were recorded during the years ended December 31, 2008 and 2007.

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The goodwill acquired in acquisition during 2014 within the Metal Bearing Components segment was acquired with the acquisitions of RFK and Chelsea (see Note 2 of the Notes to Consolidated Financial Statements).

The goodwill acquired in acquisition during 2014 within the Autocam Precision Components segment was acquired during 2014 with the acquisition of Autocam (see Note 2 of the Notes to Consolidated Financial Statements). The goodwill balance related to the Autocam acquisition is derived from the value of the Autocam reporting unit. This fair value was based in large part on management business plans and projected financial information which are subject to a high degree of management judgment and complexity. Actual results may differ from these projections and the differences may be material leading to a potential impairment of this goodwill if this reporting units future results are not as forecasted.

11) Intangible Assets, Net

The Autocam Precision Components Segment has an intangible asset not subject to amortization of \$900 related to the value of the trade names of Whirlaway. This indefinite lived intangible asset was impaired during the year ended December 31, 2014 as management is in the process of phasing out the use of the trade name as a result of the Autocam acquisition. As such, an impairment charge of \$875 was included in the restructuring and impairment charges line of the Consolidated Statements of Income and Comprehensive Income (Loss).

With the Autocam acquisition the Autocam Precision Components Segment acquired a customer contract intangible asset of \$46,200, a trade name intangible asset of \$4,100, a developed technology intangible asset of \$940, and net favorable leasehold intangible of \$420. The intangible assets have preliminary estimated useful lives of 15 years, 15 years and five years, respectively and are subject to amortization of approximately \$3,617 a year. (See Note 2 of the Notes to Consolidated Financial Statements).

The Metal Bearing Components Segment acquired two customer contract intangible assets related to the acquisition of RKF and Chelsea and a trade name intangible asset related to the acquisition of RFK with an aggregate estimated fair value of \$2,705. These intangible assets have weighted average useful lives of 10 years and are subject to amortization of \$270 per year. (See Note 2 of the Notes to Consolidated Financial Statements).

12) Segment Information

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

All of the facilities in the Metal Bearing Components Segment are engaged in the production of precision steel balls, steel rollers, and metal retainers and automotive specialty products used primarily in the bearing industry. The Plastic and Rubber Components Segment facilities are engaged in the production of plastic retainers for bearing components, automotive components, electronic instrument cases and other molded components used in a variety of industrial and consumer applications and precision rubber bearing seals for the bearing, automotive, industrial, agricultural, and aerospace markets. The Autocam Precision Components Segment is engaged in the design and manufacture of close-tolerance, specialty metal alloy components for mechanical and electromechanical systems using turning, grinding and milling processes. Currently, we manufacture components for use on fuel delivery, electromechanical motor, steering and braking systems for the transportation industry and highly engineered shafts, mechanical components, complex precision assembled and tested parts and fluid system components for the HVAC and fluid power industries. This segment was renamed with the acquisition of Autocam.

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The accounting policies of the segments are the same as those described in the summary of significant accounting policies. In order to enhance the analysis of segment operating performance, during the third quarter of 2014, we amended the metric we use to evaluate segment performance from net income (loss) to income from operations. Additionally, Autocam was added to the Precision Metal Components segment during the third quarter of 2014. The 2014, 2013 and 2012 segment information below has been amended for this change in segment reporting. We account for inter-segment sales and transfers at current market prices. We did not have any individually material inter-segment transactions during 2014, 2013, or 2012.

	<u>Metal Bearing Components Segment</u>	<u>Autocam Precision Components Segment</u>	<u>Plastic and Rubber Components Segment</u>	<u>Corporate and Consolidations</u>	<u>Total</u>
December 31, 2014					
Net sales	\$ 278,026	\$ 177,224	\$ 33,351	\$ —	\$488,601
Depreciation and amortization	12,000	9,070	1,160	(84)	22,146
Income from operations	31,872	15,732	1,231	(21,148)	27,687
Interest expense				12,293	12,293
Income tax (benefit) expense				5,786	5,786
Net income (loss)				8,217	8,217
Assets	214,291	444,548	17,196	36,678	712,713
Expenditures for long-lived assets	10,941	10,947	673	5,041	27,602
December 31, 2013					
Net sales	\$ 259,459	\$ 78,756	\$ 34,991	\$ —	\$373,206
Depreciation and amortization	11,334	4,313	1,347	(37)	16,957
Income from operations	27,380	9,112	592	(9,257)	27,827
Interest Expense				2,374	2,374
Income tax (benefit) expense				8,000	8,000
Net income (loss)				17,178	17,178
Assets	197,980	39,432	16,638	8,352	262,402
Expenditures for long-lived assets	9,250	4,640	1,015	345	15,250
December 31, 2012					
Net sales	\$ 252,241	\$ 76,746	\$ 41,097	\$ —	\$370,084
Depreciation and amortization	12,060	4,243	1,366	(26)	17,643
Income from operations	24,900	6,955	1,807	(8,591)	25,071
Interest Expense				3,878	3,878
Income tax (benefit) expense				(3,927)	(3,927)
Net income (loss)				24,268	24,268
Assets	198,770	40,727	19,232	6,614	265,343
Expenditures for long-lived assets	14,875	1,511	703	—	17,089

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The vast majority of the costs related to the merger with Autocam and the other three acquisitions discussed under Note 2 are reported under Corporate and Consolidations. These costs impacted income from operations at Corporate by \$9,837. Beginning September 1, 2014, the Autocam Precision Components Segment include the results of the acquired Autocam businesses. Since the date of the acquisition, sales revenue of \$80,821 and net income of \$3,686 (including the \$1,158 for the one-time increase in cost of goods sold) has been included in this segment.

	December 31, 2014		December 31, 2013		December 31, 2012	
	Net Sales	Property, Plant and Equipment, Net	Net Sales	Property, Plant and Equipment, Net	Net Sales	Property, Plant and Equipment, Net
United States	\$204,360	\$ 129,232	\$140,875	\$ 42,573	\$144,375	\$ 42,884
Europe	167,665	82,783	149,649	57,505	140,208	54,768
Asia	58,470	32,848	38,233	21,011	39,576	22,035
Canada	8,657	—	9,415	—	7,464	—
Mexico	25,900	2,637	21,963	—	24,030	—
S. America	23,549	30,942	13,071	—	14,431	—
All foreign countries	284,241	149,210	232,331	78,516	225,709	76,803
Total	<u>\$488,601</u>	<u>\$ 278,442</u>	<u>\$373,206</u>	<u>\$ 121,089</u>	<u>\$370,084</u>	<u>\$ 119,687</u>

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

13) Income Taxes

Income (loss) before provision (benefit) for income taxes for the years ended December 31, 2014, 2013 and 2012 was as follows:

	Year ended December 31,		
	2014	2013	2012
Income (loss) before provision (benefit) for income taxes:			
United States	\$ (9,341)	\$ 8,259	\$ 7,385
Foreign	22,513	16,919	12,956
Total	<u>\$13,172</u>	<u>\$25,178</u>	<u>\$20,341</u>

The loss of \$9,341 from operations in the United States during 2014, was primarily driven from acquisition related charges of \$14,831 (included in selling general and administrative, cost of products sold, and interest expense) of which approximately \$6,000 were non-deductible as were as these cost were directly facilitative to the acquisitions.

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Total income tax expense (benefit) for the years ended December 31, 2014, 2013, and 2012 was as follows:

	Year ended December 31,		
	2014	2013	2012
Current:			
U.S. Federal	\$ —	\$ —	\$ (115)
State	37	179	345
Foreign	7,082	4,490	2,910
Total current expense	\$ 7,119	4,669	3,140
Deferred:			
U.S. Federal	\$ 1,625	\$3,594	\$ 2,789
State	(382)	145	12
U.S. deferred tax valuation allowance	(1,434)	(818)	(9,814)
Foreign	(1,142)	410	(54)
Total deferred expense (benefit)	(1,333)	3,331	(7,067)
Total expense (benefit)	\$ 5,786	\$8,000	\$(3,927)

A reconciliation of income taxes based on the U.S. federal statutory rate of 34% for each of the years ended December 31, 2014, 2013 and 2012 is summarized as follows:

	Year ended December 31,		
	2014	2013	2012
Income taxes at the federal statutory rate	\$ 4,478	\$8,561	\$ 6,916
Impact of incentive stock options	(145)	261	371
Decrease in U.S. valuation allowance	(1,434)	(818)	(12,740)
Foreign tax credit expiration	2,736	818	—
Capital gain on return of basis	—	—	3,079
State taxes, net of federal taxes	(362)	198	334
Non-U.S. earnings taxed at different rates	(1,714)	(834)	(1,606)
Non-deductible mergers and acquisition costs	1,971	—	—
R&D Tax credit	(529)	—	—
Joint Venture dividend	737	—	—
Change in uncertain tax positions	—	32	(115)
Other permanent differences, net	48	(218)	(166)
	\$ 5,786	\$8,000	\$ (3,927)

The 2014 effective tax rate of 44% reflects the impact of two items related to the merger and acquisition activity in 2014 including (1) \$1,971 for non-deductible third party merger and acquisition as these cost were directly facilitative to the acquisitions; and (2) \$1,302 for the expiration of foreign tax credits that could not be utilized during 2014 because of the merger related acquisition costs as discussed below. In addition, the rate reflects an offset to the items above for the impact of foreign earnings taxed at lower rates of \$1,714.

The 2013 effective tax rate of 32% reflects the impact of foreign earnings being taxed at lower rates of \$834.

The 2012 effective tax rate of (19)% reflects the reversal of the valuation reserve on U.S. deferred tax assets of \$12,740 and the impact of foreign earnings taxed at lower rates of \$1,606.

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The tax effects of the temporary differences as of December 31, 2014, 2013 and 2012 are as follows:

	<u>2014</u>	<u>December 31, 2013</u>	<u>2012</u>
Deferred income tax liabilities:			
Tax in excess of book depreciation	\$ 35,411	\$ 6,673	\$ 6,670
Goodwill	1,949	2,213	1,987
Intangible assets	15,944	—	—
Other deferred tax liabilities	1,924	63	112
Gross deferred income tax liabilities	<u>55,228</u>	<u>8,949</u>	<u>8,769</u>
Deferred income tax assets:			
Goodwill	2,411	3,215	4,141
Inventories	2,035	836	768
Pension/Personnel accruals	3,029	856	921
Net operating loss carry forwards	1,196	1,351	3,682
Foreign tax credits	290	3,026	3,844
Guarantee claim deduction	1,141	1,141	1,141
Credit carry forwards	1,853	—	—
Accruals and reserves	—	114	293
Other deferred tax assets	1,926	832	550
Gross deferred income tax assets	<u>13,881</u>	<u>11,371</u>	<u>15,340</u>
Valuation allowance on deferred tax assets	<u>—</u>	<u>(1,434)</u>	<u>(2,252)</u>
Net deferred income tax assets	<u>13,881</u>	<u>9,937</u>	<u>13,088</u>
Net deferred income tax assets (liabilities)	<u><u>\$(41,347)</u></u>	<u><u>\$ 988</u></u>	<u><u>\$ 4,319</u></u>

With the Autocam acquisition we assumed \$43,803 in net deferred tax liabilities primarily related to book and tax basis differences in fixed assets and intangibles (excluding goodwill).

As realization of certain deferred tax assets is not assured, management believes it is more likely than not that those net deferred tax assets will be realized. However, the amount of the deferred tax assets considered realizable could be reduced based on changing conditions. Below is a summary of the activity in the total valuation allowances during the years ended December 31, 2014, 2013 and 2012:

	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>Recoveries</u>	<u>Balance at End of Year</u>
2014	\$ 1,434	\$ —	\$ (1,434)	\$ —
2013	\$ 2,252	\$ —	\$ (818)	\$ 1,434
2012	\$ 12,066	\$ —	\$ (9,814)	\$ 2,252

During 2014, the valuation allowance of \$1,434 on our previously recognized foreign tax credits was reduced by the full \$1,434 for credits which expired as of December 31, 2014. In addition to the foreign tax credits with the full valuation allowance, \$1,302 in foreign tax credits expired unused as of December 31, 2014. These foreign tax credits were not utilized during 2014, as management expected, due to the large amount of non-deductible mergers and acquisition costs incurred related to the four acquisitions completed in 2014. The remaining foreign tax credits, net operating loss and credit carry forwards are expected to be utilized before expiration. We record a valuation allowance when it is “more likely than not” that some portion or all of the deferred income tax assets will not be

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realized. In reaching this determination, we consider the future reversals of taxable temporary differences, future taxable income, exclusive of taxable temporary differences and carry forwards, taxable income in prior carryback years and tax planning strategies.

During fiscal year 2012 the Company after considering all relevant factors and objectively verifiable evidence concluded that it is more likely than not that the majority of our deferred tax assets will be realized in future years and reversed \$8,512 of the valuation allowance. This was primarily based on the pretax profit of our U.S. based companies increasing to approximately \$7,400 as a result of operational improvements in our Precision Metal Components Segment. This brought the combined 2012 and 2011 pre-tax incomes to approximately \$9,000. Additionally, during the fourth quarter of 2012 we utilized approximately \$9,000 of net operating losses to offset tax expense related to certain previously earned income of our foreign holding company, as discussed below. This positive evidence coupled with estimates within our U.S. based businesses of fully utilizing our net operating losses in 2013 and 2014 provided enough positive evidence, in the opinion of management, to overcome the negative evidence of the cumulative pre-tax losses in 2009 and 2010.

Unremitted earnings of subsidiaries outside the United States are considered to be reinvested indefinitely at December 31, 2014. It is not practicable to determine the deferred tax liability for temporary differences related to those unremitted earnings. There has been no change in our long term international expansion plans as of December 31, 2014 our intent and ability is to indefinitely reinvest our foreign earnings. We base this assertion on two factors; (1) our intention to invest in foreign countries that are strategically important to our Metal Bearing Components Segment business and our Autocam Precision Components business. With the acquisitions completed in 2014, we have significantly expanded our international base of operations adding subsidiaries in Mexico, Bosnia and Herzegovina, Brazil, Poland, France and China which will require more foreign investment; (2) we have sufficient access to funds in the U.S. through projected free cash flows and the availability of our US credit facilities to fund currently anticipated domestic operational and investment needs.

On December 27, 2012, our foreign holding company declared a distribution of approximately \$48,000 to its U.S. parent company NN, Inc. The vast majority of this distribution was a proportional return of investment basis in our Western European subsidiaries. Approximately \$9,000 of the distribution pertained to earnings and profits earned by this holding company in previous years. The approximately \$9,000 of earning and profits was included in our computation of year ended 2012 taxes and the tax rate resulting in an impact of \$3,079. There were two main factors influencing our decision to consider this return of basis. First, there was a desire to reduce the amount of basis in our European subsidiaries recorded on the U.S. parent company's financial statements considering the downsizing of our European production capacity over the last few years. The second factor was proposed federal tax legislation which, if enacted, could significantly increase the tax cost of returning this basis after 2012.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits, excluding interest and penalties for the years ended December 31, 2014, 2013 and 2012 is as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 873	\$873	\$ 988
Additions for tax positions of prior years	3,589	—	428
Reductions for tax positions of prior years	<u>(628)</u>	<u>—</u>	<u>(543)</u>
Ending balance	<u>\$3,834</u>	<u>\$873</u>	<u>\$ 873</u>

As of December 31, 2014, the \$3,834 of unrecognized tax benefits would, if recognized, impact our effective tax rate. The addition for tax positions of prior years was added as part of the purchase price allocation of Autocam and was included in the fair value of assets acquired and liabilities assumed. (See Note 2 of Notes to Consolidated Financial Statements.)

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Interest and penalties related to federal, state, and foreign income tax matters are recorded as a component of the provision for income taxes in our statements of income. During 2014, we accrued \$31 in foreign interest and \$17 in US interest. During 2013, we accrued \$32 in foreign interest and penalties. During 2012, we had an increase in foreign interest and penalties of \$443 and a decrease in federal and state interest and penalties of \$245 as older uncertain items were eliminated due to the tax years being closed or risk being mitigated. As of December 31, 2014, the total amount accrued for interest and penalties was \$1,003.

We or our subsidiaries file income tax returns in the U.S. federal jurisdiction, and in various states and foreign jurisdictions. With few exceptions, we are no longer subject to federal, state and local income tax examinations by tax authorities for years before 2011. We are no longer subject to non-U.S. income tax examinations within various European Union countries for years before 2009. We do not foresee any significant changes to our unrecognized tax benefits within the next twelve months.

14) Reconciliation of Net Income Per Share

	Year ended December 31,		
	2014	2013	2012
Net income	\$ 8,217	\$17,178	\$24,268
Weighted average shares outstanding	17,887	17,176	17,009
Effective of dilutive stock options	366	84	105
Diluted shares outstanding	<u>18,253</u>	<u>17,260</u>	<u>17,114</u>
Basic net income per share	<u>\$ 0.46</u>	<u>\$ 1.00</u>	<u>\$ 1.43</u>
Diluted net income per share	<u>\$ 0.45</u>	<u>\$ 1.00</u>	<u>\$ 1.42</u>

Excluded from the dilutive shares outstanding for the years ended December 31, 2014, 2013, and 2012 were 98, 1,148, and 1,187 of anti-dilutive options, respectively, which had per share exercise prices ranging from of \$19.63 to \$22.69 for the year ended December 31, 2014, \$8.54 to \$14.13 for the year ended December 31, 2013 and \$8.54 to \$14.13 for the year ended December 31, 2012.

15) Commitments and Contingencies

We have operating lease commitments for machinery, office equipment, vehicles, manufacturing and office space which expire on varying dates. Rent expense for 2014, 2013 and 2012 was \$4,455, \$2,325, and \$2,375, respectively. The following is a schedule by year of future minimum lease payments as of December 31, 2014 under operating leases that have initial or remaining non-cancelable lease terms in excess of one year.

Year ending December 31,	
2015	\$ 5,434
2016	5,112
2017	3,430
2018	2,214
2019	1,831
Thereafter	<u>5,454</u>
Total minimum lease payments	<u>\$23,475</u>

Brazil ICMS Tax Matter

Prior to our acquisition of Autocam on August 29, 2014, Autocam's Brazilian subsidiary received notification from the tax authorities regarding ICMS (State Value Added Tax or VAT) tax credits claimed on intermediary materials

NN, Inc.
Notes to Consolidated Financial Statements
December 31, 2014, 2013 and 2012
(In thousands, except per share data)

(tooling and perishable items) used in the manufacturing process. The state tax authority notification disallowed state ICMS credits claimed on intermediary materials based on the argument that these items are not intrinsically related to the manufacturing processes. Autocam Brazil filed an administrative defense with the São Paulo state tax authority arguing, among other matters, that it should qualify for ICMS tax credit, contending that the intermediary materials are directly related to the manufacturing process.

The Company believes it has substantial legal and factual defenses and plans to defend its interests vigorously. While we believe a loss is not probable we estimate the range of possible loss related to this assessment is from \$0 to \$6,000. No amount has been accrued at December 31, 2014 for this matter.

NN, Inc. is entitled to indemnification from the former shareholders of Autocam, subject to the limitations and procedures set forth in the agreement and plan of merger. Management believes the indemnification would include amounts owed for the tax, interest and penalties related to the Brazil ICMS matter.

All other legal matters

All other legal proceedings are of an ordinary and routine nature and are incidental to our operations. Management believes that such proceedings should not, individually or in the aggregate, have a material adverse effect on our business, financial condition, results of operations, or cash flows. In making that determination, we analyze the facts and circumstances of each case at least quarterly in consultation with our attorneys and determine a range of reasonably possible outcomes. The procedures performed include reviewing attorney and plaintiff correspondence, reviewing any filings made and discussing the facts of the case with local management and legal counsel. We have recognized loss contingencies of approximately \$0 and \$200 at December 31, 2014 and December 31, 2013, respectively, which we believe are adequate to cover all probable liabilities to be incurred by all of the cases in the aggregate.

Due to the impacts of the global economic recession and the resulting reduction in revenue and operating losses, our wholly owned German subsidiary Kugelfertigung Eltmann GbmH (“Eltmann” or “Eltmann Plant”) sustained a significant weakening of its financial condition and as a result, became technically insolvent at which point it was required to file for bankruptcy under German bankruptcy law. The filing was made in the bankruptcy court in Germany on January 20, 2011. As of this date, NN lost the ability to control or manage Eltmann as a result of the bankruptcy court trustee taking over effective control and day to day management of this subsidiary. As a result of loss of control of this subsidiary, NN deconsolidated the assets and liabilities of Eltmann from our Consolidated Financial Statements effective January 20, 2011. Although the bankruptcy trustee released us from all claims related to the Eltmann bankruptcy, effective October 15, 2013, until such court proceedings are finalized, we will not be able to determine definitively if any related liabilities and contingent obligations will remain our responsibility. The ultimate impact on NN of Eltmann filing for bankruptcy will depend on the findings of the bankruptcy court. However, until such court proceedings are finalized, we will not be able to determine what liabilities and contingent obligations, if any, might remain as the responsibility of NN. Under advice from legal counsel, NN does not expect any further significant impacts on our consolidated financial statements as a result of the liquidation of this subsidiary.

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16) Investment in Non-Consolidated Joint Venture

As part of the Autocam acquisition, we acquired a 49% investment in a joint venture with an unrelated entity called Wuxi Weifu Autocam Precision Machinery Company, Ltd. ("JV"), a Chinese company located in the city of Wuxi, China. As part of the purchase price allocation, the joint venture investment has been stated at a fair value of \$35,595 determined by a market based multiple of earnings before interest, taxes, depreciation and amortization and a discounted cash flows analysis. The JV is jointly controlled and managed and is being accounted for under the equity method.

Below are the components of our JV investment balance at December 31, 2014 since the date of acquisition August 29, 2014:

Beginning Balance	\$ 35,595
Dividends received	(2,538)
Our share of cumulative earnings	1,646
Ending Balance	<u>\$ 34,703</u>

Set forth below is summarized balance sheet information for the JV:

	<u>December 31,</u> <u>2014</u>
Current assets	\$ 24,140
Non-current assets	21,519
Total assets	<u>\$ 45,659</u>
Current liabilities	\$ 14,162
Total liabilities	<u>\$ 14,162</u>

No dividends were declared by JV during the four months ended December 31, 2014. Our 49% ownership interest in this amount will be received by us in 2015, net of a 10% withholding tax levied by the Chinese government. We had sales to JV of \$36 during the four months ended December 31, 2014. Amounts due to us from JV were \$154 as of December 31, 2014. The JV had net sales in 2014 of \$50,466 and net income of \$9,004.

17) Quarterly Results of Operations (Unaudited)

The following summarizes the unaudited quarterly results of operations for the years ended December 31, 2014 and 2013.

	<u>March 31</u>	<u>Year ended December 31, 2014</u>			<u>Dec. 31</u>
		<u>June 30</u>	<u>Sept. 30</u>		
Net sales	\$102,528	\$106,680	\$125,632		\$153,761
Income from operations	8,338	8,237	2,552		8,560
Net income	5,238	5,200	(3,840)		1,619
Basic net income per share	0.30	0.29	(0.21)		0.09
Diluted net income per share	0.29	0.29	(0.21)		0.08
Weighted average shares outstanding:					
Basic number of shares	17,656	17,779	17,979		18,970
Effect of dilutive stock options	306	393	—		347
Diluted number of shares	<u>17,962</u>	<u>18,172</u>	<u>17,979</u>		<u>19,317</u>

NN, Inc.
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	<u>March 31</u>	<u>Year ended December 31, 2013</u>		<u>Dec. 31</u>
		<u>June 30</u>	<u>Sept. 30</u>	
Net sales	\$ 93,797	\$ 96,305	\$ 93,023	\$ 90,081
Income from operations	5,639	7,920	7,794	6,474
Net income	2,871	4,770	5,052	4,485
Basic net income per share	0.17	0.28	0.29	0.25
Diluted net income per share	0.17	0.28	0.29	0.25
Weighted average shares outstanding:				
Basic number of shares	17,055	17,136	17,302	17,527
Effect of dilutive stock options	<u>107</u>	<u>36</u>	<u>148</u>	<u>290</u>
Diluted number of shares	<u>17,162</u>	<u>17,172</u>	<u>17,450</u>	<u>17,817</u>

The third and fourth quarters of 2014 were impacted by merger and acquisition related costs of \$8,407 and \$1,473, respectively, pre-tax and \$7,319 and \$3,199, respectively, after-tax related to the four acquisitions closed during 2014. Additionally, the third quarter was negatively impacted by \$2,974 in pre-tax costs and \$1,903 in after-tax costs incurred related to writing-off debt issuance costs and make whole interest payments to our former lenders related to the new debt entered into for the Autocam acquisition.

The first quarter of 2013 was unfavorably impacted by \$350 of after tax foreign exchange losses on intercompany loans and by \$399 in after tax restructuring and non-operating items.

18) Accumulated Other Comprehensive Income

The majority of our Accumulated Other Comprehensive Income balance relates to foreign currency translation of our foreign subsidiary balances. During the year ended December 31, 2014, we had other comprehensive loss of \$17,731 due to foreign currency translations and a \$431 loss due to change in fair value of interest rate hedge. During the year ended December 31, 2013, we had other comprehensive income \$3,899 due to foreign currency translations. During the year ended December 31, 2012, we had other comprehensive income \$2,806 due to foreign currency translations. Income taxes on the foreign currency translation adjustments in other comprehensive income were not recognized because the earnings are intended to be indefinitely reinvested in those operations.

19) Interest Rate Hedging

Our policy is to manage interest expense using a mix of fixed and variable rate debt. To manage this mix effectively, we may enter into interest rate swaps in which we agree to exchange the difference between fixed and variable interest amounts calculated by reference to an agreed upon notional principal amount.

Effective December 16, 2014, we entered into a \$150,000 swap that will go into effect on December 29, 2015 (one year delayed start), at which time our rate will be locked at 7.216% until December 31, 2018. Prior to December 16, 2014, we did not have any existing interest rate hedges. The hedge instrument will be 100% effective and as such the mark to market gains or losses on this hedges will be included in accumulated other comprehensive income (loss) to the extent effective, and reclassified into interest expense over the term of the related debt instruments.

NN, Inc.
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The table below summarizing the fair value measurement of this swap as of December 31, 2014 valued on a recurring basis on a gross basis:

(Dollars in thousands)

Description	December 31, 2014	Fair Value Measurements at December 31, 2014		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative Assets	\$ 867	\$ —	\$ 867	\$ —
Derivative Liabilities	(1,298)	—	(1,298)	(—)
	<u>\$ (431)</u>	<u>\$ —</u>	<u>\$ (431)</u>	<u>\$ —</u>

The interest rate swap derivatives are classified as Level 2. Level 2 fair value is based on estimates using standard pricing models. These standard pricing models use inputs which are derived from or corroborated by observable market data such as interest rate yield curves, index forward curves, discount curves, and volatility surfaces. Counterparties to these derivative contracts are highly rated financial institutions which we believe carry only a minimal risk of nonperformance.

We have elected to present the derivative contracts on a gross basis in the Consolidated Statements of Financial Position. Had we chosen to present the derivatives contracts on a net basis, we would have a derivative in a net liability position of \$431 as of December 31, 2014. The Company does not have any cash collateral due under such agreements.

Derivatives' Hedging Relationships

(Dollars in millions)

Derivatives' Cash Flow Hedging Relationships	Amount of after tax of gain/ (loss) recognized in Other Comprehensive Income on Derivatives (effective portion)		Location of gain/(loss) reclassified from Accumulated Other Comprehensive Income into Income (effective portion)	Pre-tax amount of gain/(loss) reclassified from Accumulated Other Comprehensive Income into Income (effective portion)	
	December 31, 2014	December 31, 2013		December 31, 2014	December 31, 2013
Forward starting interest rate swap contracts	\$ (431)	\$ —	Interest Expense	\$ —	\$ —
	<u>\$ (431)</u>	<u>\$ —</u>		<u>\$ —</u>	<u>\$ —</u>

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

None.

Item 9A. Controls and Procedures

The Company's management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2014, the end of the period covered by this Annual Report on Form 10-K.

Management's Report on Internal Control Over Financial Reporting

The management of NN, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Management has excluded from its assessment of internal control over financial reporting at December 31, 2014, Autocam Corporation ("Autocam"), RFK Valjici d. d. Konjic ("RFK"), and V-S Industries, V-S Precision, LLC and V-S Precision SA de DV (collectively referred to as "VS") from its assessment of internal control over financial reporting as of December 31, 2014 as they were acquired by the Company in purchase business combinations during 2014. The acquisitions are wholly-owned subsidiaries (except RFK which is 99.7% owned) whose total assets and total revenues represent 35% and 21%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2014. Autocam Corporation was the most significant of the acquisitions, representing 31% and 17% of consolidated total assets and total revenues, respectively.

Based on its evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears under Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None

Part III**Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this Item 10 of Form 10-K concerning the Company's directors is contained in the sections entitled "Information about the Directors" and "Beneficial Ownership of Common Stock" of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after December 31, 2014, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

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

Item 11. Executive Compensation

The information required by Item 11 of Form 10-K is contained in the sections entitled "Information about the Directors — Compensation of Directors" and "Executive Compensation" of the Company's definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

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

The information required by Item 12 of Form 10-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 Regulation S-K concerning the Company's equity compensation plans is set forth in the table below:

Table of Equity Compensation Plan Information

(in thousands, except per share data)

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,175	\$ 11.40	1,131
Equity compensation plans not approved by security holders	—	—	—
Total	1,175	\$ 11.40	1,131

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

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

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Information regarding director independence is contained in a section entitled “Information about the Directors” of the Company’s definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information required by this item of Form 10-K concerning the Company’s accounting fees and services is contained in the section entitled “Fees Paid to Independent Registered Public Accounting Firm” of the Company’s definitive Proxy Statement and, in accordance with General Instruction G to Form 10-K, is hereby incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules

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

1. Financial Statements

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

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	34
Consolidated Balance Sheets at December 31, 2014 and 2013	35
Consolidated Statements of Income and Comprehensive Income (Loss) for the years ended December 31, 2014, 2013, and 2012	36
Consolidated Statements of Changes in Stockholders’ Equity for the years ended December 31, 2014, 2013, and 2012	37
Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013, and 2012	38
Notes to Consolidated Financial Statements	39

2. Financial Statement Schedules

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

3. See Index to Exhibits (attached hereto)

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

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

(c) Not Applicable

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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/ RICHARD D. HOLDER

Richard D. Holder
Chief Executive Officer, President and Director

Dated: March 16, 2015

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.

<u>Name and Signature</u>	<u>Title</u>	<u>Date</u>
<u>/S/ RICHARD D. HOLDER</u> Richard D. Holder	Chief Executive Officer, President and Director	<u>March 16, 2015</u>
<u>/S/ JAMES H. DORTON</u> James H. Dorton	Senior Vice President-Chief Financial Officer	<u>March 16, 2015</u>
<u>/S/ WILLIAM C. KELLY, JR.</u> William C. Kelly, Jr.	Vice President-Chief Administrative Officer and Secretary	<u>March 16, 2015</u>
<u>/S/ THOMAS C. BURWELL, JR.</u> Thomas C. Burwell, Jr.	Vice President-Chief Accounting Officer and Corporate Controller	<u>March 16, 2015</u>
<u>/S/ G. RONALD MORRIS</u> G. Ronald Morris	Non-Executive Chairman, Director	<u>March 16, 2015</u>
<u>/S/ MICHAEL E. WERNER</u> Michael E. Werner	Director	<u>March 16, 2015</u>
<u>/S/ STEVEN T. WARSHAW</u> Steven T. Warshaw	Director	<u>March 16, 2015</u>
<u>/S/ JOHN C. KENNEDY</u> John C. Kennedy	Director	<u>March 16, 2015</u>
<u>S/ ROBERT E. BRUNNER</u> Robert E. Brunner	Director	<u>March 16, 2015</u>
<u>/S/ DAVID L. PUGH</u> David L. Pugh	Director	<u>March 16, 2015</u>
<u>/S/ WILLIAM DRIES</u> William Dries	Director	<u>March 16, 2015</u>

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Index to Exhibits

- 2.1 Agreement and Plan of Merger, dated as of July 18, 2014, by and among NN, Inc., PMC Global Acquisition Corporation, Autocam Corporation, Newport Global Advisors, L.P., and John C. Kennedy (incorporated by reference to Exhibit 2.1 to NN, Inc.'s Current Report on Form 8-K filed on July 22, 2014).
- 3.1 Restated Certificate of Incorporation of NN, Inc. (incorporated by reference to Exhibit 3.1 of NN, Inc.'s Registration Statement No. 333-89950 on Form S-3 filed June 6, 2002).
- 3.2 Restated By-Laws of NN, Inc. #
- 4.1 The specimen stock certificate representing NN, Inc.'s Common Stock, par value \$0.01 per share (incorporated by reference to Exhibit 4.1 of NN, Inc.'s Registration Statement No. 333-89950 on Form S-3 filed on June 6, 2002).
- 4.2 Stockholders' Agreement, effective as of August 29, 2014, by and between NN, Inc. and John C. Kennedy (incorporated by reference to Exhibit 3.1 to NN, Inc.'s Current Report on Form 8-K filed on September 2, 2014).
- 10.1 NN, Inc. 1994 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to NN, Inc.'s Registration Statement No. 333-89950 on Form S-3/A filed on July 15, 2002). *
- 10.2 Amendment No. 1 to the NN, Inc. 1994 Stock Incentive Plan (incorporated by reference to Exhibit 4.6 of NN, Inc.'s Registration Statement No. 333-50934 on Form S-8 filed on November 30, 2000). *
- 10.3 Amendment No. 2 to the NN, Inc. 1994 Stock Incentive Plan (incorporated by reference to Exhibit 4.7 of NN, Inc.'s Registration Statement No. 333-69588 on Form S-8 filed on September 18, 2001). *
- 10.4 Amendment No. 3 to NN, Inc. 1994 Stock Incentive Plan as ratified by the shareholders on May 15, 2003 (incorporated by reference to Exhibit 10-1 of NN, Inc.'s Quarterly Report on Form 10-Q filed August 14, 2003). *
- 10.5 NN, Inc. 2005 Stock Incentive Plan (incorporated by reference to Exhibit 4.3 of NN, Inc.'s Registration Statement No. 333-130395 on Form S-8 filed December 16, 2005). *
- 10.6 NN, Inc. 2011 Stock Incentive Plan (incorporated by reference to NN, Inc.'s Proxy Statement on Schedule 14A filed April 6, 2011).
- 10.7 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.6 of NN, Inc.'s Registration Statement No. 333-89950 on Form S-3/A filed July 15, 2002).

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- 10.8 Elective Deferred Compensation Plan, dated February 26, 1999 (incorporated by reference to Exhibit 10.16 of NN, Inc.'s Annual Report on Form 10-K filed March 31, 1999). *
- 10.9 Amended and Restated Executive Employment Agreement, dated September 13, 2012, by and between NN, Inc. and Frank T. Gentry, III (incorporated by reference to Exhibit 10.1 to NN, Inc.'s Current Report on Form 8-K filed September 18, 2012). *
- 10.10 Amended and Restated Executive Employment Agreement, dated September 13, 2012, by and between NN, Inc. and James H. Dorton (incorporated by reference to Exhibit 10.2 to NN, Inc.'s Current Report on Form 8-K filed September 18, 2012). *
- 10.11 Amended and Restated Executive Employment Agreement, dated September 13, 2012, by and between NN, Inc. and Thomas C. Burwell (incorporated by reference to Exhibit 10.3 to NN, Inc.'s Current Report on Form 8-K filed September 18, 2012). *
- 10.12 Amended and Restated Executive Employment Agreement, dated September 13, 2012, by and between NN, Inc. and William C. Kelly, Jr., (incorporated by reference to Exhibit 10.4 to NN, Inc.'s Current Report on Form 8-K filed September 18, 2012). *
- 10.13 Amended and Restated Executive Employment Agreement, dated September 13, 2012, by and between NN, Inc. and Jeffery H. Hodge (incorporated by reference to Exhibit 10.5 to NN, Inc.'s Current Report on Form 8-K filed September 18, 2012). *
- 10.14 Amended and Restated Executive Employment Agreement, dated September 13, 2012, by and between the Whirlaway and James R. Widders (incorporated by reference to Exhibit 10.6 to NN, Inc.'s Current Report on Form 8-K filed September 18, 2012). *
- 10.15 Third Amended and Restated Note Purchase and Shelf Agreement dated December 21, 2010 among NN, Inc. and certain Series A Note Purchasers as defined therein (incorporated by reference to Exhibit 10.1 of NN, Inc.'s Current Report on Form 8-K filed December 27, 2010).
- 10.16 Amendment No.1 to Third Amended and Restated Note Purchase and Shelf Agreement, dated September 30, 2011 (incorporated by reference to Exhibit 10.1 of NN, Inc.'s Current Report on Form 8-K filed December 22, 2011).
- 10.17 Amendment No. 2 to Third Amended and Restated Note Purchase and Shelf Agreement, dated December 20, 2011 (incorporated by reference to Exhibit 10.2 of NN, Inc.'s Current Report on Form 8-K filed December 22, 2011).
- 10.18 Amendment No. 3 to Third Amended and Restated Note Purchase and Shelf Agreement, dated October 26, 2012 (incorporated by reference to Exhibit 10.1 to NN, Inc.'s Current Report on Form 8-K filed November 1, 2012).
- 10.19 Third Amended and Restated Credit Agreement among NN, Inc. as U.S. Borrower and its subsidiaries and the Lenders named therein Key Bank National Association as lead arranger, book runner and administrative agent, and Branch Bank and Trust Company as documentation agent and Wells Fargo Bank, N.A. as Foreign Swing line Lender and Regions Bank as Domestic Swing line Lender dated as of October 26, 2012 (incorporated by reference to Exhibit 10.2 to NN, Inc.'s Current Report on Form 8-K filed November 1, 2012).
- 10.20 Executive Employment Agreement, dated May 8, 2013, between NN, Inc. and Richard D. Holder (incorporated by reference to Exhibit 10.1 of NN, Inc.'s Form 8-K filed May 10, 2013). *
- 10.21 Term Loan Credit Agreement, dated as of August 29, 2014, by and among NN, Inc., Bank of America, N.A., the several lenders from time to time a party thereto, KeyBank National Association, as syndication agent, and Merrill Lynch, Pierce, Fenner & Smith Incorporated and KeyBank National Association as joint lead arrangers and joint book runners (incorporated by reference to Exhibit 10.1 to NN, Inc.'s Current Report on Form 8-K filed on September 2, 2014).

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10.22	Credit Agreement, dated as of August 29, 2014, by and among NN, Inc., NN Netherlands B.V., the several lenders from time to time a party thereto, KeyBank National Association, and Bank of America, N.A. (incorporated by reference to Exhibit 10.2 to NN, Inc.'s Current Report on Form 8-K filed on September 2, 2014).
10.23	Escrow Agreement, effective as of August 29, 2014, by and among NN, Inc., Newport Global Advisors, L.P., John C. Kennedy and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 10.3 to NN, Inc.'s Current Report on Form 8-K filed on September 2, 2014).
10.24	Indemnity Agreement, effective as of August 29, 2014, by and among NN, Inc. and each of the shareholders of Autocam Corporation identified therein (incorporated by reference to Exhibit 10.4 to NN, Inc.'s Current Report on Form 8-K filed on September 2, 2014).
10.25	Noncompetition and Nondisclosure Agreement, effective as of August 29, 2014, by and between NN, Inc. and John C. Kennedy (incorporated by reference to Exhibit 10.5 to NN, Inc.'s Current Report on Form 8-K filed on September 2, 2014).
10.26	Transition Services Agreement, effective as of August 29, 2014, by and among Autocam Corporation and Autocam Medical Devices, LLC (incorporated by reference to Exhibit 10.6 to NN, Inc.'s Current Report on Form 8-K filed on September 2, 2014).
10.27	Executive Employment Agreement, dated September 9, 2014, between NN, Inc. and Warren A. Veltman. # *
10.28	Executive Employment Agreement, dated October 6, 2014, between NN, Inc. and L. Jeffrey Manzagol. # *
10.29	Form of Incentive Stock Option Agreement. # *
10.30	Form of Restricted Stock Grant Agreement. # *
21.1	List of Subsidiaries of NN, Inc. #
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm. #
31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act. #
31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act. #
32.1	Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act. ##
32.2	Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act. ##
99.1	Commitment Letter, dated as of July 18, 2014, by and among NN, Inc., Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and KeyBank National Association (incorporated by reference to Exhibit 99.1 to NN, Inc.'s Current Report on Form 8-K filed on July 22, 2014).
101.INS	XBRL Instance Document. #
101.SCH	XBRL Taxonomy Extension Service. #
101.CAL	Taxonomy Calculation Linkbase. #
101.LAB	XBRL Taxonomy Label Linkbase. #
101.PRE	XBRL Presentation Linkbase Document. #
101.DEF	XBRL Definition Linkbase Document. #

* Management contract or compensatory plan or arrangement.

Filed herewith

Furnished herewith

RESTATED BY-LAWS**OF****NN, INC.**

Incorporated Under the Laws of the State of Delaware

ARTICLE I**OFFICES AND RECORDS**

Section (1) Registered Office. Except as may otherwise be specified in the Certificate of Incorporation, the registered office of the Corporation shall be at Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, State of Delaware 19801, and the registered agent of the Corporation at such address shall be The Corporation Trust Company.

Section (2) Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II**STOCKHOLDERS**

Section (1) Annual Meeting. The annual meeting of stockholders for the election of directors, and for the transaction of such other business as may properly come before the meeting, shall be held at such place, either within or without the State of Delaware, and at such time and date as the Board of Directors, by resolution, shall determine.

Section (2) Notice of Annual Meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting, either personally or by mail, not less than ten nor more than sixty days before the date of the meeting. The notice of the annual meeting need not specifically state the business to be transacted thereat.

Section (3) Special Meeting. Subject to the rights of the holders of any series of stock having a preference over the Common Stock of the Corporation as to dividends or upon liquidation ("Preferred Stock") with respect to such series of Preferred Stock, special meetings of the stockholders may be called only by the Chairman of the Board or by the affirmative vote of a majority of the "Whole Board". For the purposes of these Bylaws, the "Whole Board" shall mean the total number of directors which the Corporation would have if there were no vacancies.

Special meetings of stockholders may be held at such time and place, either within or without the State of Delaware, as the Chairman of the Board or a majority of the Whole Board may determine. Stockholders shall not have the right to call a special meeting of stockholders.

Section (4) Notice of Special Meetings. Written or printed notice of a special meeting, stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called, shall be delivered by the Corporation not less than ten (10) days nor more than sixty (60) days before the date of the meeting, either personally or by mail, to each stockholder of record entitled to vote at such meeting. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting.

Section (5) Presiding Officer and Order of Business. The Chairman of the Board shall preside at all meetings of stockholders. If the Chairman of the Board is not present or there is none, then the Chief Executive Officer shall preside, or if the Chief Executive Officer is not present or there is none, then the President shall preside, or, if the President is not present or there is none, a Vice President shall preside, or, if the Vice President is not present or there is none, a person chosen by the Board of Directors shall preside; if no such person is present or has been chosen, the holders of a majority of the stock having voting power who are present in person or represented by proxy at the meeting shall choose any person present to act as chairman of the meeting.

The Secretary of the Corporation, or, if the Secretary is not present, an Assistant Secretary, or, if an Assistant Secretary is not present, a person chosen by the Board of Directors, shall act as secretary at meetings of stockholders; if no such person is present or has been chosen, the holders of a majority of the stock having voting power who are present in person or represented by proxy at the meeting shall choose any person present to act as secretary of the meeting.

Section (6) Quorum and Adjournment. Except as otherwise provided by law or by the Certificate of Incorporation, the holders of a majority of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), represented in person or by proxy, shall constitute a quorum at a meeting of stockholders, except that when specified business is to be voted on by a class or series of stock voting as a class, the holders of a majority of the shares of such class or series shall constitute a quorum of such class or series for the transaction of such business. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the Chairman of the meeting or the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time until a quorum shall be present or represented. If the time and place of the adjourned meeting are announced at the meeting at which the adjournment is taken, no further notice of the adjourned meeting need be given. Even if a quorum shall be present or represented at any meeting of the stockholders, the Chairman of the meeting or the stockholders entitled to vote thereat who are present in person or represented by proxy shall have the power to adjourn the meeting from time to time for good cause to a date that is not more than thirty days after the date of the original meeting. Further notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting at which the adjournment is taken. At any adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section (7) Voting. Each stockholder shall be entitled to vote in accordance with the terms of the Certificate of Incorporation and in accordance with the provisions of these By-Laws, in person or by proxy, but no proxy shall be voted after three years from its date unless such proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting of stockholders and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary of the Corporation.

Section (8) Stockholder List. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder, and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section (9) Fixing Record Date for Meetings of Stockholders. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjournment meeting.

Section (10) Procedure for Election of Directors; Required Vote. Election of directors at all meetings of the stockholders at which directors are to be elected shall be by ballot, and, subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, a plurality of the votes cast thereat shall elect directors. Except as otherwise provided by law, the Certificate of Incorporation, or these By-Laws, in all matters other than the election of directors, the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders.

Section (11) Inspectors of Elections: Opening and Closing the Polls. The Board of Directors by resolution shall appoint one or more inspectors, which inspector or inspectors may include individuals who serve the Corporation in other capacities, including, without limitation, as officers, employees, agents or representatives, to act at the meetings of stockholders and make a written report thereof. One or more persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate has been appointed to act or is able to act at a meeting of stockholders, the Chairman of the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before discharging his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall have the duties prescribed by law. The Chairman of the meeting shall fix and announce at the meeting the date and the time of the opening and the closing of the polls for each matter upon which the stockholders will vote at the meeting.

Section (12) Action by Written Consent of Stockholders. Subject to the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation at any annual or special meeting of such stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than two-thirds of the voting power of all the then outstanding shares of stock of the Corporation entitled to vote on such action and the writing or writings are filed with the minutes of proceedings of the stockholders of the Corporation.

ARTICLE III

BOARD OF DIRECTORS

Section (1) General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authorities by these By-Laws expressly conferred upon them, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws required to be exercised or done by the stockholders.

Section (2) Number, Tenure and Qualifications. The number of directors which shall constitute the first Board shall be the number elected by the Incorporator. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, the number of directors which shall constitute all subsequent boards shall be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the Whole Board, but shall consist of not less than 3 nor more than 7 directors. Commencing with the 1994 annual meeting of stockholders of the Corporation, the directors, other than those who may be elected by the holders of any series of Preferred Stock under specified circumstances, shall be divided, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as is reasonably possible, with the term of office of the first class to expire at the 1995

annual meeting of stockholders, the term of office of the second class to expire at the 1996 annual meeting of stockholders and the term of office of the third class to expire at the 1997 annual meeting of stockholders, with each director to hold office until his or her successor shall have been duly elected and qualified. At each annual meeting of stockholders, commencing with the 1995 annual meeting, directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until his or her successor shall have been duly elected and qualified.

Section (3) Decreasing or Enlarging the Board. Subject to the provisions of Section 2 of this Article III, the number of directors may be decreased at any time and from time to time by the Board of Directors, but only to eliminate vacancies existing by reason of the death, resignation, removal or the expiration of the term of one or more directors. Subject to the provisions of Section 2 of this Article III, the number of directors may be increased at any time from time to time by the Board of Directors.

Section (4) Meetings Generally. The Board of Directors may hold meetings, both regular and special, either within or without the State of Delaware.

Section (5) First Meeting. The first meeting of each newly elected Board of Directors shall be held immediately after the Annual Meeting of Stockholders and at the same place, and no notice to the newly elected directors of such meeting shall be necessary in order to constitute the meeting legally called and convened, provided a quorum shall be present. In the event such meeting is not held at that time and place, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

Section (6) Regular Meetings. Regular meetings of the Board of Directors or any committee thereof may be held without notice at such time and at such place as shall from time to time be determined by the Board or committee, as the case may be; provided, that any director or committee member who is absent when such a determination is made shall be given notice of the determination.

Section (7) Special Meetings; Notice. Special meetings of the Board of Directors or of any committee thereof shall be held whenever called by a majority of the directors or committee members, as the case may be, then in office, or by the Chairman of the Board, the Chief Executive Officer, or the President. Notice of the meeting shall be mailed to each director or committee member, addressed to him at his residence or usual place of business, not less than ten days before the day on which the meeting is to be held, or shall be sent to him at such place, marked for overnight delivery, by a reputable courier service providing overnight delivery service to the address to which the notice is directed, not less than one day before the day on which the meeting is to be held, or shall be sent to him at such place by telegram, cable, facsimile or other form of wire or wireless communication, or be delivered personally or by telephone, not less than twelve hours before the meeting is to be held. The notice shall state the date, time and place of the meeting but need not state the purpose thereof, except as otherwise herein expressly provided and for amendments to these By-Laws as provided for in section 1 of Article IX.

Section (8) Quorum; Required Vote; Adjourned Meetings. At all meetings of the Board or any committee thereof, a majority of the total number of directors or committee members shall constitute a quorum for the transaction of business and the act of a majority of the directors or committee members present at any meeting at which there is a quorum shall be the act of the Board of Directors or committee, as the case may be, except as may be otherwise specifically provided by statute, by the Certificate of Incorporation or by these By-Laws. If a quorum shall not be present at any meeting of the Board of Directors or committee thereof, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting at which the adjournment is taken, until a quorum shall be present. In the event that such Board or committee is composed of an even number of persons, a majority means one-half of the number of such persons plus one.

Section (9) Organization. The Chairman of the Board shall preside over the meetings of the Board of Directors. If the Chairman of the Board is not present or there is none, a chairman chosen at the meeting shall preside. The Secretary of the Corporation, or, if the Secretary is not present, an Assistant Secretary, or, if an Assistant Secretary is not present, a person chosen at the meeting, shall act as secretary at the meeting.

Section (10) Action by Consent of Board of Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section (11) Conference Telephone Meetings. Members of the Board of Directors, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section (12) Vacancies. Subject to applicable law and the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause, and newly created directorships resulting from any increase in the authorized number of directors, may be filled by (i) the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board of Directors, or (ii) by a plurality of the votes cast at a meeting of the stockholders. Directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of the office of the class to which they have been elected expires and until such director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the Whole Board shall shorten the term of any incumbent director.

Section (13) Committees. The Board of Directors may, by resolution passed by a majority of the Whole Board, designate one or more committees, each committee to consist of one or more directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or

members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Such committee or committees shall have such member or members as may be determined from time to time by resolution adopted by the Board of Directors. Any such committee, to the extent provided in the resolution of the Board of Directors, but subject to any applicable statutory provisions, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Nothing herein shall be deemed to prevent the Board from appointing one or more committees consisting in whole or in part of persons who are not directors of the Corporation; provided, however, that no such committee shall have or may exercise any authority of the Board.

Section (14) Committee Minutes. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

Section (15) Removal. Subject to the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, any director, or the entire Board of Directors, may be removed from office at any time, with or without cause, by the affirmative vote of the holders of at least 50 percent of the voting power of all of the then-outstanding shares of Voting Stock, voting together as a single class.

Section (16) Records. The Board of Directors shall cause to be kept a record containing the minutes of the proceedings of the meetings of the Board and the stockholders, appropriate stock books and registers and such books of records and accounts as may be necessary for the proper conduct of the business of the Corporation.

Section (17) Compensation. The directors may, pursuant to action by the Board of Directors, be paid their expenses, if any, of attendance at each meeting of the Board of Directors and be paid a fixed sum for attendance at each meeting of the Board of Directors and a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may, pursuant to action by the Board of Directors, be allowed like compensation for attending committee meetings.

Section (18) Resignation. Any director of the Corporation may resign at any time upon written notice to the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President, or the Secretary of the Corporation. Unless otherwise specified in such written notice, a resignation shall take effect upon delivery thereof to the Board of Directors or the designated officer, and the acceptance of such resignation shall not be necessary to make it effective.

ARTICLE IV

NOTICES

Section (1) General. Whenever, under the provisions of statute or of the Certificate of Incorporation or of these Bylaws, notice is required to be given to any director or stockholder, it shall be construed to mean written notice by personal delivery or by mail, addressed to such director or stockholder at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by private courier, telegram, cable, facsimile or other form of wire or wireless communication, or telephone.

Section (2) Waiver of Notice. Whenever any notice is required to be given under the provisions of applicable statutes or of the Certificate of Incorporation or of these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting of stockholders, directors or members of a committee of directors shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders, directors or members of a committee of directors need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or these Bylaws.

ARTICLE V

OFFICERS

Section (1) Number. The officers of the Corporation shall be chosen by the Board of Directors and may be a Chairman of the Board, a Chief Executive Officer, a President, one or more Vice Presidents, a Secretary, a Treasurer, one or more Assistant Secretaries or Assistant Treasurers and such other officers and agents (including, without limitation, a Chief Financial Officer) as the Board of Directors shall deem necessary or appropriate. The offices of the Corporation for which officers shall be elected shall be set forth, from time to time, by resolution of the Board of Directors; provided, however, that the board of Directors, at a minimum, shall elect a President and a Secretary. Any number of offices may be held by the same person, except the offices of President and Secretary. All officers of the Corporation, in addition to any powers or duties set forth in this Article V, shall exercise the powers and perform the duties that shall from time to time be determined by the Board of Directors.

Section (2) Election; Term of Office; Removal; Resignation; Vacancies. The Board of Directors at its first meeting after each annual meeting of stockholders or at such other time as the Board may determine shall elect an officer for each position created by resolution of the Board of Directors. Each officer of the Corporation shall hold office until his successor is elected and qualified or until his earlier resignation or removal. Any officer may resign at any time by written notice to the Board of Directors, the Chairman of the Board, the Chief Executive Officer, the President, or the Secretary of the Corporation. Unless otherwise specified in such written notice, the resignation shall take effect upon the delivery thereof to the Board of Directors or the designated officer, and the acceptance of such resignation shall not be necessary to make it effective. Any officer elected or appointed by the Board of Directors may be removed at any time, with or without cause, by action of the Board of Directors. Any vacancy occurring in any office of the corporation shall be filled by or in the manner prescribed by the Board of Directors.

Section (3) Salaries. The salaries of all officers and agents of the Corporation shall be fixed by or in the manner prescribed by the Board of Directors. No officer of the Corporation shall be prevented from receiving compensation by reason of the fact that he is also a director of the Corporation.

Section (4) Chairman of the Board. The Chairman of the Board shall preside at all meetings of the stockholders and of the Board of Directors.

Section (5) Chief Executive Officer. The Chief Executive Officer shall be responsible for the general management of the affairs of the Corporation and shall perform all duties incidental to his office which may be required by law and all such other duties as are properly required of him by the Board of Directors. He shall make reports to the Board of Directors and the stockholders, and shall see that all orders and resolutions of the Board of Directors and of any committee thereof are carried into effect. The Chief Executive Officer shall, in the absence of or because of the inability to act of the Chairman of the Board, perform all duties of the Chairman of the Board and preside at all meetings of the stockholders and of the Board of Directors.

Section (6) President. The President shall act in a general executive capacity and shall assist the Chief Executive Officer in the administration and operation of the Corporation's business and general supervision of its policies and affairs. The President shall, in the absence of or because of the inability to act of the Chief Executive Officer, perform all duties of the Chief Executive Officer. The President shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section (7) Vice President. Each Vice President shall have such powers and shall perform such duties as shall be assigned to him by the Board of Directors.

Section (8) Chief Financial Officer. The Chief Financial Officer (if any) shall be a Vice President and act in an executive financial capacity. He shall assist the Chief Executive Officer and the President in the general supervision of the Corporation's financial policies and affairs.

Section (9) Secretary. The Secretary shall (a) attend all meetings of the stockholders and all meetings of the Board of Directors and record all the proceedings of the meetings of the stockholders and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for committees of the Board of Directors when required, (b) give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors or committees thereof, (c) keep a register of the post office address of each stockholder (which address shall be furnished to the Secretary by such stockholder), (d) have general charge of the stock transfer books of the Corporation, (e) authenticate records of the Corporation when such authentication is required, (f) have custody of all deeds, leases, contracts and other important corporate documents, (g) have charge of the books, records and papers of the Corporation relating to its organization and management as a corporation, (h) see that all reports, statements and other documents required by law (except tax returns) are properly filed, and (i) perform such other duties as may from time to time be prescribed by the Board of Directors or

the Chief Executive Officer. The Secretary shall have custody of the corporate seal of the Corporation and shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by his signature. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

Section (10) Assistant Secretary. The Assistant Secretary, if any, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Secretary for any reason, including the failure of the Board of Directors to elect a Secretary or in the event of the Secretary's inability or refusal to act, perform the duties and exercise the powers of the Secretary and perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer may from time to time prescribe. Any Assistant Secretary shall have authority to affix the corporate seal and attest the same by his signature to the same extent as the Secretary.

Section (11) Treasurer. The Treasurer shall have custody of the Corporation's funds and securities and shall keep, or cause to be kept, full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositions as from time to time may be designated by the Board of Directors or the Chief Executive Officer. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors or the Chief Executive Officer, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board of Directors, at regular meetings of the Board of Directors or when the Chief Executive Officer or the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. The Treasurer shall perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer may from time to time prescribe.

Section (12) Assistant Treasurer. The Assistant Treasurer, if any, or if there be more than one, the Assistant Treasurers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election), shall, in the absence of the Treasurer for any reason, including the failure of the Board of Directors to elect a Treasurer or in the event of the Treasurer's inability or refusal to act, perform the duties and exercise the powers of the Treasurer and perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer may from time to time prescribe.

Section (13) Execution of Documents. All deeds, mortgages, bonds, contracts, and other instruments made by the Corporation may be executed on behalf of the Corporation by any officer of the Corporation (unless such power is restricted by Board resolution or by law) or by any other person or persons designated from time to time by resolution of the Board of Directors. The Secretary, when necessary, shall attest the execution thereof.

Section (14) Bonds. Any or all officers and agents of the Corporation shall, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine.

ARTICLE VI

STOCK CERTIFICATES, TRANSFERS AND RECORD DATE

Section (1) Stock Certificates and Transfers. The interest of each stockholder of the Corporation shall be evidenced by certificates for shares of stock in such form as the appropriate officers of the Corporation may from time to time prescribe. The certificates of stock shall be signed, countersigned and registered in such manner as the Board of Directors may by resolution prescribe, which resolution may permit all or any of the signatures on such certificates to be in facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section (2) Addresses of Stockholders. Each stockholder shall designate to the Secretary of the Corporation an address at which notices of meetings and all other corporate notices may be served, delivered, or mailed to him and, if any stockholder shall fail to designate such address, all corporate notices (whether served or delivered by the Secretary, another stockholder, or any other person) may be served upon him at his last known address.

Section (3) Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to give the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section (4) Transfer of Shares. The shares of stock of the Corporation shall be transferable only upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives, and upon such transfer the old certificates shall be surrendered to the Corporation by the delivery thereof to the person in charge of the stock and transfer books and ledgers, or to such other person as the directors may designate, by whom they shall be cancelled, and new certificates shall thereupon be issued. A record shall be made of each transfer and whenever a new transfer shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of the transfer.

Section (5) Registered Stockholders. Except as otherwise provided by law, the Corporation shall be entitled to treat the record holder of any shares of the Corporation as the owner thereof for all purposes, including all rights deriving from such shares, and shall not be bound to recognize any equitable or other claim to, or interest in, such shares or rights deriving from such shares on the part of any other person, including, but without limiting the generality thereof, a purchaser, assignee or transferee of such shares or rights deriving from such shares, unless and until such purchaser, assignee, transferee or other person becomes the record holder of such

shares, whether or not the Corporation shall have either actual or constructive notice of the interest of such purchaser, assignee, transferee or other person. Any such purchaser, assignee, transferee or other person shall not be entitled to receive notice of the meetings of stockholders, to vote at such meetings, to examine a complete list of the stockholders entitled to vote at meetings, or to own, enjoy, and exercise any other property or rights deriving from such shares against the Corporation, until such purchaser, assignee, transferee or other person has become the record holder of such shares.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section (1) Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January and end on the thirty-first day of December of each year.

Section (2) Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the Corporation's capital stock, subject to the provisions of the Certificate of Incorporation and applicable law. The directors of the Corporation may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve.

Section (3) Fixing Record Date for Dividends, Etc. In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors elects the resolution relating thereto.

Section (4) Voting Securities of Other Corporations. Any officer of the Corporation and any other person or persons that may from time to time be designated by the Board of Directors shall have the authority to vote on behalf of the Corporation the securities of any other corporation which are owned or held by the Corporation and may attend meetings of stockholders or execute and deliver proxies or written consents for such purpose.

Section (5) Contracts, Checks, Notes, Bank Accounts, Etc. All contracts and agreements authorized by the Board of Directors and all checks, drafts, notes, bonds, bills of exchange and orders for the payment of money shall be signed by at least one officer of the Corporation or by such other number of officer or officers or employee or employees as the Board of Directors may from time to time designate.

Section (6) Loans. Except for loans which are incurred in the ordinary course of business, no loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section (7) Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation or otherwise as the Board of Directors, the President or the Treasurer shall direct in such banks, trust companies or other depositories as the President or the Board of Directors may select, or as may be selected by any other officer or officers or agent or agents of the Corporation to whom power in that respect shall have been delegated by the Board of Directors. For the purpose of deposit and collection for the account of the Corporation, checks, drafts and other orders for the payment of money which are payable to the order of the Corporation may be endorsed, assigned and delivered by any officer of the Corporation.

Section (8) Seal. The corporate seal, if any, shall have inscribed thereon the name of the Corporation, the date of its organization, the words "Corporate Seal, Delaware," and such words and figures as the Board of Directors may approve and adopt. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section (9) Form of Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or be in the form of, punch cards, magnetic tape, photographs, microphoto-graphs, or any other information storage device, provided that the records so kept can be converted into clearly legible written form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect the same.

Section (10) Audits. The accounts, books and records of the Corporation shall be audited upon the conclusion of each fiscal year by an independent certified public accountant selected by the Board of Directors, and it shall be the duty of the Board of Directors to cause such audit to be done annually.

ARTICLE VIII

INTERESTED OFFICERS OR DIRECTORS

No contract or transaction between this Corporation and one or more of its directors or officers, or between this Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if:

(a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed as are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even through the disinterested directors be less than a quorum; or

(b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof, or the stockholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IX

AMENDMENTS

Section (1) Amendments. These By-Laws may be altered or repealed, and any By-Laws may be made, at any annual meeting of the stockholders or at any special meeting thereof if notice of the proposed alteration or repeal of the By-Laws or of the By-Laws to be made is contained in the notice of such meeting, by the affirmative vote of the holders of at least 66 2/3% of the voting power of the then outstanding Voting Stock, or by the affirmative vote of a majority of the total number of directors then in office, at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors, if notice of the proposed alteration or repeal, or of the By-Laws to be made, is contained in the notice of such special meeting.

**AMENDMENTS TO THE
RESTATED BY-LAWS
OF
NN, INC**

The Restated By-laws of NN, Inc. are amended as follows:

1. Article II, Section 2 of the Corporation's By-Laws be, and it hereby is, amended to read in its entirety as follows:

“Section (2) Notice of Annual Meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting, either personally or by mail, not less than ten nor more than sixty days before the date of the meeting. No business may be transacted at an annual meeting of stockholders, other than business that is (a) specified in the notice of the annual meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any authorized committee thereof), or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation in accordance with these By-Laws and (i) who is a stockholder of record on the date of the giving of the notice provided for in Article II, Section 13 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in Article II, Section 13.”

2. Article II, Section 12 of the Corporation's By-Laws be, and it hereby is, amended to read in its entirety as follows:

“Section (12) Action by Written Consent of Stockholders. Subject to the rights of the holders of any series of Preferred Stock with respect to such series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation at any annual or special meeting of such stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than two-thirds of the voting power of all the then outstanding shares of stock of the Corporation entitled to vote on such action and the writing or writings are filed with the minutes of proceedings of the stockholders of the Corporation. Notwithstanding the foregoing, any stockholder or stockholders that desire to act by written consent must first request that the Board of Directors set a record date for such action by written consent, which record date may precede the date upon which the Board of Directors received the request to set a record date, and which record date shall not be more than sixty nor less than ten days before the date of the written consent.”

3. A new Section 13 is added to Article II to read as follows:

“Section (13) Stockholder Proposals and Nominations. In order for a stockholder (the “Noticing Stockholder”) to properly bring any item of business or any nomination of any director(s) before an annual meeting of stockholders, the Noticing Stockholder must give

timely notice thereof in writing to the Secretary of the Corporation in compliance with the requirements of this Section 13. This Section 13 shall constitute an “advance notice provision” for annual meetings for purposes of Rule 14a-4(c)(1) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

(a) **Timing of Notice.** To be timely, a Noticing Stockholder’s notice must be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day and not later than the close of business on the 90th day prior to the first anniversary of the preceding year’s annual meeting; provided, however, that in the event the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the Stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later than the close of business on the later of the 90th day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall any adjournment or postponement of an annual meeting, or the announcement thereof, commence a new time period for the giving of a stockholder’s notice as described above.

(b) **Form of Notice.** To be in proper form, whether in regard to a nominee for election to the Board of Directors or other business, a Noticing Stockholder’s notice to the Secretary must:

(i) Set forth, as to the Noticing Stockholder and, if the Noticing Stockholder holds for the benefit of another, the beneficial owner on whose behalf the nomination or proposal is made, the following information together with a representation as to the accuracy of the information:

(A) the name and address of the Noticing Stockholder as they appear on the Corporation’s books and, if the Noticing Stockholder holds for the benefit of another, the name and address of such beneficial owner (collectively referred to herein as “Holder”),

(B) the class or series and number of shares of the Corporation that are, directly or indirectly, owned beneficially and/or of record,

(C) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the Corporation or with a value derived in whole or in part from the value of any class or series of shares of the Corporation, whether or not the instrument or right shall be subject to settlement in the underlying class or series of

capital stock of the Corporation or otherwise (a "Derivative Instrument") that is directly or indirectly owned beneficially by the Holder and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation,

(D) any proxy, contract, arrangement, understanding, or relationship pursuant to which the Holder has a right to vote or has granted a right to vote any shares of any security of the Corporation,

(E) any short interest in any security of the Corporation (for purposes of these By-Laws a person shall be deemed to have a short interest in a security if the Holder directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security),

(F) any rights to dividends on the shares of the Corporation owned beneficially by the Holder that are separated or separable from the underlying shares of the Corporation,

(G) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership or limited liability company or similar entity in which the Holder is a general partner or, directly or indirectly, beneficially owns an interest in a general partner, is the manager, managing member or directly or indirectly beneficially owns an interest in the manager or managing member of a limited liability company or similar entity,

(H) any performance-related fees (other than an asset-based fee) that the Holder is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments, if any,

(I) any arrangements, rights, or other interests described in Sections 13(b)(1)(C)-(H) held by members of such Holder's immediate family sharing the same household,

(J) any other information relating to the Holder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the

election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations thereunder, and
(K) any other information as reasonably requested by the Corporation.

Such information shall be provided as of the date of the notice and shall be supplemented by the Holder not later than 10 days after the record date for the meeting to disclose such ownership as of the record date.

(ii) If the notice relates to any business other than a nomination of a director or directors that the Noticing Stockholder proposes to bring before the meeting, set forth:

(A) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, and any material interest of the Noticing Stockholder, in such business, and

(B) a description of all agreements, arrangements and understandings, direct and indirect, between the Noticing Stockholder, and any other person or persons (including their names) in connection with the proposal of such business by the Noticing Stockholder.

(iii) If the notice relates to a nomination of a director or directors, set forth, as to each person whom the Noticing Stockholder proposes to nominate for election or reelection to the Board of Directors:

(A) all information relating to the Noticing Stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations thereunder, including such person's written consent to being named in the proxy statement as a nominee and to serve as a director if elected, and

(B) a description of all direct and indirect compensation and other material monetary agreements, arrangements, and understandings during the past three years, and any other material relationships, between or among the Noticing Stockholder and respective affiliates and associates, or

others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K if the Noticing Stockholder making the nomination or on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the “registrant” for purposes of Item 404 and the nominee were a director or executive officer of such registrant.

(iv) Set forth, a representation that the Noticing Stockholder intends to vote or cause to be voted such stock at the meeting and intends to appear in person or by a representative at the meeting to nominate the person or propose the business specified in the notice.

(c) Notwithstanding anything in Section 13(a) to the contrary, if the number of directors to be elected to the Board of Directors is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 days prior to the first anniversary of the preceding year’s annual meeting, a stockholder’s notice required by these By-Laws shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which the public announcement naming all nominees or specifying the size of the increased Board of Directors is first made by the Corporation.

(d) For purposes of these By-Laws, “public announcement” shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act and the rules and regulations thereunder.

(e) Notwithstanding the foregoing provisions of these By-Laws, a Noticing Stockholder also shall comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in these By-Laws; provided, however, that any references in these By-Laws to the Exchange Act or the rules thereunder are not intended to and shall not limit the requirements applicable to nominations or proposals as to any business to be considered.

(f) Nothing in these By-Laws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation’s proxy statement pursuant to Rule 14a-8 under the Exchange Act. Notice of stockholder proposals that are, or that the Noticing Stockholder intends to be, governed by Rule 14a-8 under the Exchange Act are not governed by these By-Laws.”

4. A new Section 14 is added to Article II to read as follows:

“Section (14) Compliance Determinations for Director Nominations and Stockholder Proposals. Only those persons who are nominated in accordance with the procedures set forth in these By-Laws shall be eligible to serve as directors. Only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in these By-Laws. Except as otherwise provided by law, the Restated Certificate of Incorporation, or these By-Laws, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in compliance with the procedures set forth in these By-Laws and, if any proposed nomination or business is not in compliance with these By-Laws, to declare that such proposal or nomination shall be disregarded.”

**AMENDMENT TO THE
RESTATED BY-LAWS OF
NN, INC.**

Effective: August 29, 2014

The Restated By-Laws of NN, Inc., as amended, are further amended as follows:

I. Article III, Section 2 of the Corporation's By-Laws be, and it hereby is, amended to read in its entirety as follows:

"Section (2) Number, Tenure and Qualifications. The number of directors which shall constitute the first Board shall be the number elected by the Incorporator. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, the number of directors which shall constitute all subsequent boards shall be fixed from time to time exclusively pursuant to a resolution adopted by a majority of the Whole Board, but shall consist of not less than three directors. Commencing with the 1994 annual meeting of stockholders of the Corporation, the directors, other than those who may be elected by the holders of any series of Preferred Stock under specified circumstances, shall be divided, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as is reasonably possible, with the term of office of the first class to expire at the 1995 annual meeting of stockholders, the term of office of the second class to expire at the 1996 annual meeting of stockholders and the term of office of the third class to expire at the 1997 annual meeting of stockholders, with each director to hold office until his or her successor shall have been duly elected and qualified. At each annual meeting of stockholders, commencing with the 1995 annual meeting, directors elected to succeed those directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each director to hold office until his or her successor shall have been duly elected and qualified."

II. Article III, Section 10 of the Corporation's By-Laws be, and it hereby is, amended to read in its entirety as follows:

"Section (10) Action by Consent of Board of Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all members of the Board or committee, as the case may be, consent thereto in writing or electronic transmission, and the writings or electronic transmissions are filed with the minutes of proceedings of the Board or committee."

**AMENDMENT TO THE
RESTATED BY-LAWS OF
NN, INC.**

Effective: November 11, 2014

The Restated By-Laws of NN, Inc., as amended, are further amended as follows:

1. Article II, Section 10 of the Corporation's By-Laws be, and it hereby is, amended to read in its entirety as follows:

“Section (10) Procedure for Election of Directors; Required Vote; Resignation Policy.

(a) Except as set forth below, election of directors at all meetings of the stockholders at which directors are to be elected shall be by ballot, and, subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, a majority of votes cast at any meeting for the election of directors at which a quorum is present shall elect directors. For purposes of this By-Law, a majority of votes cast shall mean that the number of shares voted “for” a director's election must exceed the number of votes cast “against” the election of that director. Votes cast shall include direction to withhold authority in each case and exclude abstentions with respect to that director's election. Notwithstanding the foregoing, in the event of a “contested election” of directors, directors shall be elected by the vote of a plurality of the votes cast at any meeting for the election of directors at which a quorum is present. For purposes of these Bylaws, a “contested election” shall mean any election of directors where, as of the tenth (10th) day preceding the date on which the Corporation first mails its notice of meeting, for the meeting at which directors are being elected, the number of nominees for director exceeds the number of directors to be elected. Except as otherwise provided by law, the Certificate of Incorporation, or these By-Laws, in all matters other than the election of directors, the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders.

(b) If a nominee for director who is an incumbent director is not elected and no successor has been elected at such meeting, the director shall promptly tender his or her resignation to the Board of Directors. The Governance Committee shall make a recommendation to the Board of Directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board of Directors shall act on the tendered resignation, taking into account the Governance Committee's recommendation, and publicly disclose (by a press release, a filing with the Securities and Exchange Commission or other broadly disseminated means of communication) its decision regarding the tendered resignation and the rationale behind the decision within 90 days from the date of the certification of the election results. The Governance Committee in making its recommendation, and the Board of Directors in making its decision, may each consider any factors or other information that it considers appropriate and relevant. The director who tenders his or her resignation shall not participate in the recommendation of the Governance Committee or the decision of the Board of Directors with respect to his or her resignation. If such incumbent director's resignation is not accepted by the Board of Directors, such director shall continue to serve until his or her successor is duly elected, or his or her earlier

resignation or removal. If a director's resignation is accepted by the Board of Directors pursuant to these By-Laws, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board of Directors, in its sole discretion, may fill any resulting vacancy or may decrease the size of the Board of Directors pursuant to the provisions of these By-laws."

EXECUTIVE EMPLOYMENT AGREEMENT

THIS AGREEMENT is made as of this 9th day of September 2014, by and between NN, Inc., a Delaware Corporation with its principal place of business in Johnson City, Tennessee (the “Company”), and Warren Veltman (the “Executive”).

WITNESSETH:

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

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

1. **Employment.** The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, on the terms and conditions set forth herein. All capitalized terms that are not defined elsewhere in this Agreement have the meanings in Section 27.
2. **Term of Employment.** The term of this Agreement shall commence on September 9, 2014 (the “Commencement Date”), and shall end on the first anniversary of such Commencement Date unless further extended or sooner terminated as hereinafter provided. On such first anniversary and on each subsequent anniversary, the term of the Executive’s employment hereunder shall be extended automatically one (1) additional year, unless at least 90 days prior to the date of such automatic extension the Company shall have delivered to the Executive or the Executive shall have delivered to the Company written notice that the term of the Executive’s employment hereunder shall not be extended. In the event that the Company provides at least 90 days written notice that the term of Executive’s employment hereunder shall not be extended at the end of the then current term, then Executive’s separation at the expiration of the then current term shall be treated as a Separation from Service by Company not for Cause pursuant to paragraph 6(a) of this Agreement. Notwithstanding the foregoing or any other provision in this Agreement, nothing in this paragraph 2 will affect either party’s ability to terminate Executive’s employment during the term of this Agreement by delivery of a Notice of Termination and, in such event, Executive will not be paid for the remainder of the then existing term, and said separation shall be evaluated pursuant to the applicable provisions of paragraph 6.
3. **Position and Duties.** The Executive shall serve as the Senior Vice President, Autocam Precision Components Group of the Company with responsibilities and authority as may from time to time be assigned by the Chief Executive Officer and/or the Board of Directors of the Company. Executive agrees to perform faithfully and industriously the duties which the Company may assign to him. The Executive shall devote substantially all of his working time and efforts to the business affairs of the Company, to the exclusion of all other employment or business interest other than passive personal

investments, charitable, religious or civic activities. Executive may not engage, directly or indirectly, in any other business or businesses, whether or not similar to that of the Company, except with the consent of the Chief Executive Officer and/or the Board of Directors of the Company.

4. **Compensation and Benefits.** In consideration of the Executive's performance of his duties hereunder, the Company shall provide the Executive with the following compensation and benefits during the term of this Agreement.
 - (a) **Base Salary.** The Company shall pay to the Executive an aggregate base salary at a rate of Three Hundred Thousand Dollars (\$300,000.00) per annum, payable in accordance with the Company's normal payroll practices. Such base salary may be changed from time to time in accordance with the normal business practices of the Company.
 - (b) **Annual Bonus.** The Executive shall be given the opportunity to earn an annual incentive bonus for each fiscal year of the Company in accordance with the annual bonus plan and payment policies generally applicable to the Company's officers, as the same may be in effect from time to time. The Executive's target annual incentive bonus opportunity shall be no less than 50% of his base salary for such year, but shall be dependent upon the achievement of the applicable performance goals established for such year.
 - (c) **Other Benefits.** The Executive shall be entitled to participate in all Company employee benefit plans, policies and programs generally applicable to the Company's officers (including, but not limited to, life, disability, health insurance, vacation or other paid time off, and savings plans and programs), as such plans, policies and programs may continue or be altered by the Company from time to time.
5. **Termination.** Except for the provisions of Paragraphs 7, 8, 9, 10, and 11, which shall continue in full force and effect, this Agreement shall terminate upon the first to occur of the following with respect to the Executive:
 - (a) Death;
 - (b) Disability;
 - (c) Separation from Service.
6. **Compensation and Benefits in the Event of Separation from Service.** In the event of the Executive's Separation from Service during the term of this Agreement or any renewal thereof, compensation and benefits shall be paid as set forth below.
 - (a) **Qualifying Termination Prior To A Change In Control.** If the Executive has a Qualifying Termination after the Commencement Date and prior to a Change in Control, then upon such Qualifying Termination the Executive shall be entitled to receive the following:
 - (i) The Executive's annual salary provided under paragraph 4(a) through the effective date of Separation from Service, at the annual rate in effect at the time the Notice of Termination is given (or death occurs), to the extent unpaid prior to such Separation from Service.

- (ii) If employed twelve (12) years or less, Executive shall be entitled to receive an amount equal to twelve (12) months of his annual base salary in effect on the date of his Separation from Service. For each full year of service Executive has completed over twelve (12) years of service, Executive shall receive an additional amount equal to one month of such annual base salary, up to a maximum additional six (6) months if employed for eighteen (18) years or more. For purposes of this section, the Executive shall be credited with his prior years of service with Autocam Corporation. These amounts shall be payable in accordance with the Company's regular payroll procedures over the 12 to 18 month period following the Executive's Separation from Service; the duration of the payout period for this sum shall equal the number of months to be paid, as indicated in this section.
- (iii) Any vested rights of Executive in accordance with the Company's plans, programs or policies.
- (iv) Prompt reimbursement for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.
- (v) Twelve Thousand Dollars (\$12,000), payable in a single lump sum to assist with the Executive's transition from employment.

Payments under (ii) and (v) above shall commence or shall be paid within 60 days following the Executive's Separation from Service; provided, however, the Company's obligation to pay the Executive such amounts is expressly conditioned upon the Executive's execution, delivery to the Company, and expiration of all revocation periods of a final and complete release of claims in a form that is acceptable and approved by Company within 21 days following the Executive's Separation from Service, and the Company's good faith belief that the Executive is in full compliance with the covenants under paragraphs 7, 8, 9, or 11 of this Agreement. If the period for execution, delivery and non-revocation of the release described above spans two taxable years, payments will not commence until the second taxable year.

Notwithstanding the foregoing, if the Executive incurs a Qualifying Termination within 18 months following the effective closing time of that certain Agreement and Plan of Merger, dated as of July 21, 2014, by and among NN, Inc., Autocam Corporation and certain other parties, then the Executive's severance under (a)(ii) above shall be paid as a lump sum payment equal to an amount set forth on Schedule A to this Agreement (the "Severance Payment"). The Severance

Payment shall be made by wire transfer or immediately available funds to an account designated by Executive following the date of the Separation from Service.

- (b) Termination By The Company For Cause Or By The Executive Without Good Reason. In the event Executive's Separation from Service is terminated (A) by action of the Company for Cause; (B) by action of the Executive without Good Reason; or (C) by reason of the Executive's death, Disability or retirement, the following compensation and benefits shall be paid and provided the Executive (or his beneficiary):
- (i) The Executive's annual salary provided under paragraph 4(a) through the effective date of Separation from Service, at the annual rate in effect at the time the Notice of Termination is given (or death occurs), to the extent unpaid prior to such Separation from Service.
 - (ii) Any vested rights of Executive in accordance with the Company's plans, programs or policies.
 - (iii) Prompt reimbursement for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.
- (c) Qualifying Termination Following a Change in Control.
- (i) In the event that Executive has a Qualifying Termination within 24 months following a Change in Control, Executive shall receive the following, subject to paragraph 6(c)(ii):
 - (1) The annual salary due to the Executive through the date of his Separation from Service.
 - (2) A lump sum payment equal to an amount set forth on Schedule A to this Agreement (the "Severance Payment"). The Severance Payment shall be made by wire transfer or immediately available funds to an account designated by Executive following the date of the Separation from Service.
 - (3) A payment equal to the target annual bonus to which Executive would have been entitled but for Executive's Separation from Service, for the year of Executive's termination; pro-rated for the portion of the year during which he was employed by the Company ("Pro-rated Bonus").
 - (4) Any vested rights of Executive in accordance with the Company's plans, programs or policies.

- (5) Prompt reimbursement for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.
- (6) Twelve Thousand Dollars (\$12,000), payable in a single lump sum to assist with the Executive's transition from employment.

Payments under (2), (3) and (6) above shall commence or shall be paid within 60 days following the Executive's Separation from Service; provided, however, the Company's obligation to pay the Executive such amounts is expressly conditioned upon the Executive's execution, delivery to the Company, and expiration of all revocation periods of a final and complete release of claims in a form that is acceptable and approved by Company within 21 days following the Executive's Separation from Service, and the Company's good faith belief that the Executive is in full compliance with the covenants under paragraphs 7, 8, 9, or 11 of this Agreement. If the period for execution, delivery and non-revocation of the release described above spans two taxable years, payments will not commence until the second taxable year.

(ii) Excise Tax.

- (1) If it is determined that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Change in Control Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, then the Company shall pay to the Executive whichever of the following gives the Executive the highest net after-tax amount (after taking into account all applicable federal, state, local and social security taxes): (i) the Change in Control Payment, or (ii) the amount that would not result in the imposition of excise tax on the Executive under Section 4999 of the Code. Any required reduction in the Change in Control Payment pursuant to the foregoing shall be accomplished solely by reducing the amount of severance payment payable pursuant to paragraph 6(c)(i)(1) of this Agreement and then, to the extent necessary, paragraph 6(c)(i)(2) of this Agreement.
- (2) All determinations to be made under this paragraph 6(c)(ii) shall be made by an independent public accounting firm selected by the Company immediately prior to the Change in Control (the "Accounting Firm"), which shall provide its determinations and any supporting calculations both to the Company and the Executive within ten (10) days of the Change in Control. Any

such determination by the Accounting Firm shall be binding upon the Company and the Executive. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this paragraph 6(c)(iii) shall be borne solely by the Company.

- (d) Continuation of Benefits. Following Executive's Separation from Service, the Executive shall have the right to continue in the Company's group health insurance plan or other Company benefit program, at his or her own cost and without any contribution by the Company, as may be required by COBRA or any other federal or state law or regulation.
- (e) Non-Duplication of Benefits. Notwithstanding any provision in this Agreement to the contrary, if the Executive is entitled to any benefits from the Company under any other plan or agreement that are similar to the benefits described in this paragraph 6, the benefits described in this paragraph 6 shall be reduced to avoid duplication of benefits.
- (f) Limit on Company Liability. Except as expressly set forth in this paragraph 6, the Company shall have no obligation to Executive under this Agreement following Executive's Separation from Service. Without limiting the generality of the provision of the foregoing sentence, the Company shall not, following Executive's Separation from Service, have any obligation to provide any further benefit to Executive or make any further contribution for Executive's benefit except as provided in this paragraph 6.

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

Confidential Information of the Company, its affiliates, and/or its subsidiaries may be in Executive's possession or control will be delivered by Executive to the Company immediately, with no request being required.

8. **Non-Interference with Personnel Relations.** While Executive is employed by the Company and for the Restrictive Period after such employment ends for any reason, Executive acting either directly or indirectly, or through any other person, firm, or corporation, will not hire, contract with or employ any employee of the Company, and/or any employee of an affiliate or subsidiary of the Company with which Executive interacted or about which Executive gained Confidential Information during his employment with Company ("Restricted Employees"). Further, Executive will not induce or attempt to induce or influence any of the Restricted Employees to terminate employment with the Company, affiliate, and/or subsidiary. However, this provision shall not apply to Executive in the case of the solicitation of his immediate family members.
9. **Non-Competition.** While Executive is employed by the Company and for the Restrictive Period after such employment ends, Executive will not, directly or indirectly, or through any other person, firm or corporation (i) be employed by, consult for, have any ownership interest in or engage in any activity on behalf of any Company that engages in a Competing Business, as defined below, or (ii) call on, solicit or communicate with any of the Company's customers or suppliers (whether actual or potential), for any purpose related to a Competing Business, as defined below. A "Competing Business" is one that engages in the production, sale, or marketing of a product or service that is substantially similar to, or serves the same purpose as, any product or service produced, sold or marketed by the Company or any parent, subsidiary or affiliate of the Company with which Executive interacted or about which Executive gained Confidential Information during his employment with the Company. The term "customer" or "supplier" means any customer or supplier (whether actual or potential) with whom Executive or any other employee of the Company or any parent, subsidiary or affiliate of the Company had business contact during the eighteen (18) months immediately before Executive's employment with the Company ended. Notwithstanding the foregoing, this paragraph shall not be construed to prohibit Executive from owning less than five percent (5%) of the outstanding securities of a corporation which is publicly traded on a securities exchange or over-the-counter.
10. **Notification to Subsequent Employers.** Executive grants the Company the right to notify any future employer or prospective employer of Executive concerning the existence of and terms of this Agreement and grants the Company the right to provide a copy of this Agreement to any such subsequent employer or prospective employer.
11. **Company Proprietary Rights.**
 - (a) Company to Retain Rights. Executive agrees that all right, title and interest of every kind and nature whatsoever in and to copyrights, patents, ideas, business or strategic plans and concepts, studies, presentations, creations, inventions, writings, properties, discoveries and all other intellectual property conceived by

Executive during the term of this Agreement and pertaining to or useful in or to (directly or indirectly) the activities of the Company and/or any parent, subsidiary or affiliate of the Company (collectively, "Company Intellectual Property") shall become and remain the exclusive property of the Company and/or such parent, subsidiary or affiliate, and Executive shall have no interest therein.

(b) **Further Assurances.** At the request of the Company, Executive shall, at the Company's expense but without additional consideration, execute such documents and perform such other acts as the Company may deem necessary or appropriate to vest in the Company or its designee such title as Executive may have to all Company Intellectual Property in which Executive may be able to claim any rights by virtue of his employment under this Agreement.

(c) **Return of Material.** Upon the termination of the Executive's employment under this Agreement, the Executive will promptly return to the Company all copies of information protected by paragraph 11(a) hereof which are in his possession, custody or control, whether prepared by him or others, and the Executive agrees that he shall not retain any of same.

12. **Representation and Warranty of Executive.** Executive represents and warrants to the Company that he is not now under any obligation, of a contractual nature or otherwise, to any person, partnership, company or corporation that is inconsistent or in conflict with this Agreement or which would prevent, limit or impair in any way the performance by him of his obligations hereunder.

13. **Withholding.** Any provision of this Agreement to the contrary notwithstanding, all payments made by the Company hereunder to the Executive or his estate or beneficiaries shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Company may reasonably determine should be withheld pursuant to any applicable law or regulation. In lieu of withholding such amounts, the Company may accept other provisions, provided that it has sufficient funds to pay all taxes required by law to be withheld in respect of any or all such payments.

14. **Mitigation.** The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this agreement and such amounts shall not be reduced whether or not Executive obtains other employment.

15. **Notices.** All notices, requests, demands and other communications provided for by this Agreement shall be in writing and shall be sufficiently given if and when mailed in the continental United States by registered or certified mail, or personally delivered to the party entitled thereto, at the address stated below or to such changed address as the addressee may have given by a similar notice:

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

To the Executive: Warren Veltman
 4180 40th Street SE
 Kentwood, MI 49512

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

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

17. **Modification, Waiver or Discharge.** No provision of this Agreement may be modified or discharged unless such modification or discharge is authorized by the Board of Directors of the Company and is agreed to in writing, signed by the Executive and by an officer of the Company duly authorized by the Board. However, the Company may unilaterally revise the provisions of this Agreement governed by the provisions of Section 409A of the Code in order to make the Agreement compliant therewith, and as necessary under any provision of the Code or any other federal or state statute or regulation to prevent the imposition of any federal or state fine, tax, or penalty upon Company or Executive that would result from the performance of any provisions of this Agreement. No waiver by either party hereto of any breach by the other party hereto of any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any time or at any prior or subsequent time.
18. **Entire Agreement.** This Agreement constitutes the entire understanding of the parties hereto with respect to its subject matter and supersedes all prior agreements between the parties hereto with respect to its subject matter, including, but not limited to, all

employment agreements, change of control agreements, non-competition agreements or any other agreement related to Executive's employment with the Company or Autocam Corporation; provided, however, nothing herein shall affect the terms of any indemnification agreement by and between the Company and Executive or any general indemnification policy in favor of Executive, which shall continue and remain in full force and effect. For avoidance of doubt, Executive acknowledges and agrees that he shall not be entitled to any payments or benefits under his Employment Agreement with Autocam Corporation following the effective closing time of that certain Agreement and Plan of Merger, dated as of July 21, 2014, by and among NN, Inc., Autocam Corporation and certain other parties.

19. **Governing Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Tennessee to the extent federal law does not apply.
20. **Resolution of Disputes.** Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in Johnson City, Tennessee in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The fees and expenses of the arbitration panel shall be equally borne by the Company and Executive. Each party shall be liable for its own costs and expenses as a result of any dispute related to this Agreement.
21. **Validity.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which latter provisions shall remain in full force and effect.
22. **Compliance with Section 409A.**
 - (a) **General.** It is intended that the Agreement will comply with Section 409A of the Code and the regulations and other guidance thereunder ("Section 409A"), and the Agreement shall be interpreted consistent with such intent. As permitted by Section 409A, each installment or other payment made or benefit provided hereunder shall be treated as "separate payment" for purposes of Section 409A and the available exemptions under Section 409A shall be stacked to the maximum extent possible. The Agreement may be amended in any respect deemed necessary (including retroactively) by the Company in order to pursue compliance with Section 409A. The foregoing shall not be construed as a guarantee of any particular tax effect for benefits under this Agreement. The Executive or any beneficiary, as applicable, is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on the Executive or any beneficiary in connection with any payments to the Executive or beneficiary under the Agreement, including any taxes, interest and penalties under Section 409A, and neither the Company nor any director, officer or affiliate shall have any obligation to indemnify or otherwise hold the Executive or a beneficiary harmless from any and all of such taxes and penalties. To the extent Executive is entitled to be paid or reimbursed for any taxable expenses under this Agreement,

and such payments or reimbursements are includible in Executive's federal gross taxable income, the amount of such expenses reimbursable in any one calendar year shall not affect the amount reimbursable in any other calendar year, and the reimbursement of an eligible expense shall be made no later than December 31 of the year after the year in which the expense was incurred. Executive's right to reimbursement of expenses under this Agreement shall not be subject to liquidation or exchange for another benefit.

(b) **Six Month Delay for Specified Employees.** Notwithstanding anything in the Agreement to the contrary, if the Executive is determined to be a "specified employee" (as defined in Section 409A) for the year in which the Executive incurs a Separation from Service, any payment due under the Agreement that is not permitted to be paid on the date of such separation without the imposition of additional taxes, interest and penalties under Section 409A shall be paid on the first business day following the six-month anniversary of the Executive's date of separation or, if earlier, the Executive's death.

23. **No Adequate Remedy At Law; Costs to Prevailing Party.** The Company and the Executive recognize that each party may have no adequate remedy at law for breach by the other of any of the agreements contained herein, and particularly a breach of paragraphs 7, 8, 9, or 11, and, in the event of any such breach, the Company and the Executive hereby agree and consent that the other shall be entitled to injunctive relief or other appropriate remedy to enforce performance of such agreements.
24. **Non-Assignability.** This Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party; provided, however, that the Company may assign this Agreement in connection with a merger or consolidation involving the Company or a sale of substantially all of its assets to the surviving corporation or purchaser, as the case may be, so long as such assignee assumes the Company's obligations hereunder.
25. **Headings.** The section headings contained in this Agreement are for convenience of reference only and will not be deemed to control or affect the meaning or construction of any provision of this Agreement. Reference to Paragraphs are to Paragraphs in this Agreement.
26. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but of which together will constitute one and the same instrument.

27. **Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:

- (a) "Cause" means any of the following:
- (i) the failure of the Executive to perform the Executive's duties under this Agreement (other than as a result of physical or mental illness or injury), which failure, if correctable, and provided it does not constitute willful misconduct or gross negligence described in subparagraph (ii) below, remains uncorrected for 10 days following written notice to Executive by the Chief Executive Officer or the Board of Directors of the Company of such breach;
 - (ii) willful misconduct or gross negligence by the Executive, in either case that results in material damage to the business or reputation of the Company;
 - (iii) a material breach by Executive of this Agreement which, if correctable, remains uncorrected for 10 days following written notice to Executive by the Chief Executive Officer or the Board of Directors of the Company of such breach; or
 - (iv) 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).
- (b) "Change in Control" means, and shall occur on the date that any of the following occurs:
- (i) A person, corporation, entity or group (1) makes a tender or exchange offer for the issued and outstanding voting stock of NN, Inc., ("NN") and beneficially owns fifty percent (50%) or more of the issued and outstanding voting stock of NN after such tender or exchange offer, or (2) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person, corporation, entity or group), directly or indirectly, the beneficial ownership of fifty percent (50%) or more of the issued and outstanding voting stock of NN in a single transaction or a series of transactions (other than any person, corporation, entity or group for which a Schedule 13G is on file with the Securities and Exchange Commission, so long as such person, corporation, entity or group has beneficial ownership of less than fifty percent (50%) of the issued and outstanding voting stock of NN); or
 - (ii) NN is a party to a merger, consolidation or similar transaction and following such transaction, fifty percent (50%) or more of the issued and outstanding voting stock of the resulting entity is not beneficially owned by those persons, corporations or entities that constituted the stockholders of NN immediately prior to the transaction; or
 - (iii) NN sells fifty percent (50%) or more of its assets to any other person or persons (other than an affiliate or affiliates of NN); or

- (iv) Individuals who, during any 12-month period, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least seventy-five percent (75%) of the Board of Directors of NN; provided, however, that any individual becoming a director whose election or nomination was approved by a majority of the directors than comprising the Incumbent Board, shall be considered a member of the Incumbent Board, but not including any individual whose initial board membership is a result of an actual or threatened election contest (as that term is used in Rule 14a-11 promulgated under the Securities Act of 1934, as amended) or an actual or threatened solicitation of proxies or consents by or on behalf of a party other than the Board.

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

- (c) “Code” means the Internal Revenue Code of 1986 as amended.
- (d) “Disability” means the Executive: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees or directors of the Company. Executive will be deemed Disabled if he is determined to be totally disabled by the Social Security Administration, or if Executive is determined to be disabled in accordance with a disability insurance program maintained by the Company if the definition of “disability” applied under such disability insurance program complies with the requirements of the preceding sentence. Upon the request of the plan administrator, the Executive must submit proof to the plan administrator of the Social Security Administration’s or the provider’s determination.
- (e) “Good Reason” means, except as provided below, any of the following events if not remedied by the Company within 30 days after receipt of notice thereof from the Executive: (i) assignment to the Executive of any duties inconsistent with Executive’s position duties, responsibilities, office, or any other action by the Company that results in a material diminution in the Executive’s position, authority, duties or responsibilities; (ii) any material failure by the Company to comply with this Agreement; (iii) a material adverse change in Executive’s annual compensation and benefits; or (iv) a requirement to relocate in excess of fifty (50) miles from the Executive’s then current place of employment

Notwithstanding anything in this definition to the contrary, an alleged act by the Company shall not constitute a “Good Reason” event for purposes of this Agreement unless Executive gives written notice of the same to the Company

within 30 days of the initial existence of such act. Further, for avoidance of doubt, nothing in this Agreement shall preclude the Company from reducing Executive's annual base salary and/or incentive opportunity as part of an across-the-board compensation adjustment to other employees at Executive's level of employment.

- (f) "Notice of Termination" means a written notice which shall include the specific termination provision under this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment. Any purported termination of the Executive's employment hereunder by action of either party shall be communicated by delivery of a Notice of Termination to the other party. Any termination by Executive of his employment without Good Reason shall be made on not less than 14 days' notice.
- (g) "Qualifying Termination" means a Separation from Service by action of the Company that is not for Cause, or a Separation from Service by action of the Executive that is for Good Reason.
- (h) "Restrictive Period" means (i) a period of 12 to 18 months following Executive's termination of employment pursuant to paragraph 6(a) above, or a period of 12 months following Executive's termination of employment pursuant to paragraph 6(b) above, prior to a Change in Control; or (ii) a period of 24 months following Executive's termination of employment pursuant to paragraph 6(c) after a Change in Control.
- (i) "Separation from Service" means Executive's "separation from service" as defined in Treasury Regulation Section 1.409A-1(h).

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

NN, INC.

/s/ William C. Kelly, Jr.

By: William C. Kelly, Jr.

Title: Vice President, Chief Administrative Officer

EXECUTIVE

/s/ Warren Veltman

Warren Veltman

Schedule A

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

1. 2.0 times Executive's base salary (as of the date of Executive's termination); plus
2. 1.0 times Executive's median bonus available at the following bonus target percentage: 50%

EXECUTIVE EMPLOYMENT AGREEMENT

THIS AGREEMENT is made as of this 6th day of October, 2014, by and between NN, Inc., a Delaware Corporation with its principal place of business in Johnson City, Tennessee (the “Company”), and Ludovic Jeffrey Manzagol (the “Executive”).

WITNESSETH:

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

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

1. **Employment.** The Company agrees to employ the Executive, and the Executive agrees to be employed by the Company, on the terms and conditions set forth herein. All capitalized terms that are not defined elsewhere in this Agreement have the meanings in Section 27.
2. **Term of Employment.** The term of this Agreement shall commence on October 6, 2014 (the “Commencement Date”), and shall end on the first anniversary of such Commencement Date unless further extended or sooner terminated as hereinafter provided. On such first anniversary and on each subsequent anniversary, the term of the Executive’s employment hereunder shall be extended automatically one (1) additional year, unless at least 90 days prior to the date of such automatic extension the Company shall have delivered to the Executive or the Executive shall have delivered to the Company written notice that the term of the Executive’s employment hereunder shall not be extended. In the event that the Company provides at least 90 days written notice that the term of Executive’s employment hereunder shall not be extended at the end of the then current term, then Executive’s separation at the expiration of the then current term shall be treated as a Separation from Service by Company not for Cause pursuant to paragraph 6(a) of this Agreement. Notwithstanding the foregoing or any other provision in this Agreement, nothing in this paragraph 2 will affect either party’s ability to terminate Executive’s employment during the term of this Agreement by delivery of a Notice of Termination and, in such event, Executive will not be paid for the remainder of the then existing term, and said separation shall be evaluated pursuant to the applicable provisions of paragraph 6.
3. **Position and Duties.** The Executive shall serve as the Metal Bearing Components Group Senior Vice President of the Company with responsibilities and authority as may from time to time be assigned by the Chief Executive Officer and/or the Board of Directors of the Company. Executive agrees to perform faithfully and industriously the duties which the Company may assign to him. The Executive shall devote substantially all of his working time and efforts to the business affairs of the Company, to the exclusion of all other employment or business interest other than passive personal investments,

charitable, religious or civic activities. Executive may not engage, directly or indirectly, in any other business or businesses, whether or not similar to that of the Company, except with the consent of the Chief Executive Officer and/or the Board of Directors of the Company.

4. **Compensation and Benefits.** In consideration of the Executive's performance of his duties hereunder, the Company shall provide the Executive with the following compensation and benefits during the term of this Agreement.
- (a) **Base Salary.** The Company shall pay to the Executive an aggregate base salary at a rate of Three Hundred Thousand Dollars (USD \$300,000.00) per annum, payable in accordance with the Company's normal payroll practices. Such base salary may be changed from time to time in accordance with the normal business practices of the Company.
 - (b) **Annual Bonus.** The Executive shall be given the opportunity to earn an annual incentive bonus for each fiscal year of the Company in accordance with the annual bonus plan and payment policies generally applicable to the Company's officers, as the same may be in effect from time to time. The Executive's target annual incentive bonus opportunity shall be no less than 50% of his base salary for such year, but shall be dependent upon the achievement of the applicable performance goals established for such year.

In lieu of paying a pro-rata bonus for the 2014 year, and in consideration of other sums that Executive may have forfeited by joining the Company, Company will pay a one-time bonus of One Hundred Thousand Dollars (\$100,000.00) for the year. Payment of this sum will be made in accordance with the timing of other annual bonus amounts.
 - (c) **Other Benefits.** The Executive shall be entitled to participate in all Company employee benefit plans, policies and programs generally applicable to the Company's officers (including, but not limited to, life, disability, health insurance, vacation or other paid time off, and savings plans and programs), as such plans, policies and programs may continue or be altered by the Company from time to time.
5. **Termination.** Except for the provisions of Paragraphs 7, 8, 9, 10, and 11, which shall continue in full force and effect, this Agreement shall terminate upon the first to occur of the following with respect to the Executive:
- (a) Death;
 - (b) Disability;
 - (c) Separation from Service.

6. **Compensation and Benefits in the Event of Separation from Service.** In the event of the Executive's Separation from Service during the term of this Agreement or any renewal thereof, compensation and benefits shall be paid as set forth below.

(a) Qualifying Termination Prior To A Change In Control. If the Executive has a Qualifying Termination after the Commencement Date and prior to a Change in Control, then upon such Qualifying Termination the Executive shall be entitled to receive the following:

- (i) The Executive's annual salary provided under paragraph 4(a) through the effective date of Separation from Service, at the annual rate in effect at the time the Notice of Termination is given (or death occurs), to the extent unpaid prior to such Separation from Service.
- (ii) If employed twelve (12) years or less, Executive shall be entitled to receive an amount equal to twelve (12) months of his annual base salary in effect on the date of his Separation from Service. For each full year of service Executive has completed over twelve (12) years of service, Executive shall receive an additional amount equal to one month of such annual base salary, up to a maximum additional six (6) months if employed for eighteen (18) years or more. These amounts shall be payable in accordance with the Company's regular payroll procedures over the 12 to 18 month period following the Executive's Separation from Service; the duration of the payout period for this sum shall equal the number of months to be paid, as indicated in this section.
- (iii) Any vested rights of Executive in accordance with the Company's plans, programs or policies.
- (iv) Prompt reimbursement for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.
- (v) \$12,000.00 payable in a single lump sum to assist with the Executive's transition from employment.

Payments under (ii) and (v) above shall commence or shall be paid within 60 days following the Executive's Separation from Service; provided, however, the Company's obligation to pay the Executive such amounts is expressly conditioned upon the Executive's execution, delivery to the Company, and expiration of all revocation periods of a final and complete release of claims in a form that is acceptable and approved by Company within 21 days following the Executive's Separation from Service, and the Company's good faith belief that the Executive is in full compliance with the covenants under paragraphs 7, 8, 9, or 11 of this Agreement. If the period for execution, delivery and non-revocation of the release described above spans two taxable years, payments will not commence until the second taxable year.

- (b) Termination By The Company For Cause Or By The Executive Without Good Reason. In the event Executive's Separation from Service is terminated (A) by action of the Company for Cause; (B) by action of the Executive without Good Reason; or (C) by reason of the Executive's death, Disability or retirement, the following compensation and benefits shall be paid and provided the Executive (or his beneficiary):
- (i) The Executive's annual salary provided under paragraph 4(a) through the effective date of Separation from Service, at the annual rate in effect at the time the Notice of Termination is given (or death occurs), to the extent unpaid prior to such Separation from Service.
 - (ii) Any vested rights of Executive in accordance with the Company's plans, programs or policies.
 - (iii) Prompt reimbursement for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.
- (c) Qualifying Termination Following a Change in Control.
- (i) In the event that Executive has a Qualifying Termination within 24 months following a Change in Control, Executive shall receive the following, subject to paragraph 6(c)(ii):
 - (1) The annual salary due to the Executive through the date of his Separation from Service.
 - (2) A lump sum payment equal to an amount set forth on Schedule A to this Agreement (the "Severance Payment"). The Severance Payment shall be made by wire transfer or immediately available funds to an account designated by Executive following the date of the Separation from Service.
 - (3) A payment equal to the target annual bonus to which Executive would have been entitled but for Executive's Separation from Service, for the year of Executive's termination; pro-rated for the portion of the year during which he was employed by the Company ("Pro-rated Bonus").
 - (4) Any vested rights of Executive in accordance with the Company's plans, programs or policies.
 - (5) Prompt reimbursement for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.
 - (6) \$12,000.00 payable in a single lump sum to assist with the Executive's transition from employment.

Payments under (2), (3) and (6) above shall commence or shall be paid within 60 days following the Executive's Separation from Service; provided, however, the Company's obligation to pay the Executive such amounts is expressly conditioned upon the Executive's execution, delivery to the Company, and expiration of all revocation periods of a final and complete release of claims in a form that is acceptable and approved by Company within 21 days following the Executive's Separation from Service, and the Company's good faith belief that the Executive is in full compliance with the covenants under paragraphs 7, 8, 9, or 11 of this Agreement. If the period for execution, delivery and non-revocation of the release described above spans two taxable years, payments will not commence until the second taxable year.

(ii) Excise Tax.

- (1) If it is determined that any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Change in Control Payment"), would constitute an "excess parachute payment" within the meaning of Section 280G of the Code, then the Company shall pay to the Executive whichever of the following gives the Executive the highest net after-tax amount (after taking into account all applicable federal, state, local and social security taxes): (i) the Change in Control Payment, or (ii) the amount that would not result in the imposition of excise tax on the Executive under Section 4999 of the Code. Any required reduction in the Change in Control Payment pursuant to the foregoing shall be accomplished solely by reducing the amount of severance payment payable pursuant to paragraph 6(c)(i)(1) of this Agreement and then, to the extent necessary, paragraph 6(c)(i)(2) of this Agreement.
- (2) All determinations to be made under this paragraph 6(c)(ii) shall be made by an independent public accounting firm selected by the Company immediately prior to the Change in Control (the "Accounting Firm"), which shall provide its determinations and any supporting calculations both to the Company and the Executive within ten (10) days of the Change in Control. Any such determination by the Accounting Firm shall be binding upon the Company and the Executive. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this paragraph 6(c)(iii) shall be borne solely by the Company.

- (d) Continuation of Benefits. Following Executive's Separation from Service, the Executive shall have the right to continue in the Company's group health insurance plan or other Company benefit program, at his or her own cost and without any contribution by the Company, as may be required by COBRA or any other federal or state law or regulation.
- (e) Non-Duplication of Benefits. Notwithstanding any provision in this Agreement to the contrary, if the Executive is entitled to any benefits from the Company under any other plan or agreement that are similar to the benefits described in this paragraph 6, the benefits described in this paragraph 6 shall be reduced to avoid duplication of benefits.
- (f) Limit on Company Liability. Except as expressly set forth in this paragraph 6, the Company shall have no obligation to Executive under this Agreement following Executive's Separation from Service. Without limiting the generality of the provision of the foregoing sentence, the Company shall not, following Executive's Separation from Service, have any obligation to provide any further benefit to Executive or make any further contribution for Executive's benefit except as provided in this paragraph 6.

7. **Disclosure of Confidential Information.** The Company has developed confidential information, strategies and programs, which include customer lists, prospects, lists, expansion and acquisition plans, market research, sales systems, marketing programs, computer systems and programs, product development strategies, manufacturing strategies and techniques, budgets, pricing strategies, identity and requirements of national accounts, customer lists, methods of operating, service systems, training programs and methods, other trade secrets and information about the business in which the Company is engaged that is not known to the public and gives the Company an opportunity to obtain an advantage over competitors who do not know of such information (collectively, "Confidential Information"). In performing duties for the Company, Executive regularly will be exposed to and work with Confidential Information of the Company. Executive may also be exposed to and work with Confidential Information of the Company's affiliates and subsidiaries. Executive acknowledges that Confidential Information of the Company and its affiliates and subsidiaries is critical to the Company's success and that the Company and its affiliates and subsidiaries have invested substantial sums of money in developing the Confidential Information. While Executive is employed by the Company and after such employment ends for any reason, Executive will never reproduce, publish, disclose, use, reveal, show or otherwise communicate to any person or entity any Confidential Information of Company, its affiliates, and/or its subsidiaries unless specifically directed by the Company to do so in writing. Executive agrees that whenever Executive's employment with the Company ends for any reason, all documents containing or referring to Confidential Information of the Company, its affiliates, and/or its subsidiaries may be in Executive's possession or control will be delivered by Executive to the Company immediately, with no request being required.

8. **Non-Interference with Personnel Relations.** While Executive is employed by the Company and for the Restrictive Period after such employment ends for any reason, Executive acting either directly or indirectly, or through any other person, firm, or corporation, will not hire, contract with or employ any employee of the Company, and/or any employee of an affiliate or subsidiary of the Company with which Executive interacted or about which Executive gained Confidential Information during his employment with Company (“Restricted Employees”). Further, Executive will not induce or attempt to induce or influence any of the Restricted Employees to terminate employment with the Company, affiliate, and/or subsidiary. However, this provision shall not apply to Executive in the case of the solicitation of his immediate family members.
9. **Non-Competition.** While Executive is employed by the Company and for the Restrictive Period after such employment ends, Executive will not, directly or indirectly, or through any other person, firm or corporation (i) be employed by, consult for, have any ownership interest in or engage in any activity on behalf of any Company that engages in a Competing Business, as defined below, or (ii) call on, solicit or communicate with any of the Company’s customers or suppliers (whether actual or potential), for any purpose related to a Competing Business, as defined below. A “Competing Business” is one that engages in the production, sale, or marketing of a product or service that is substantially similar to, or serves the same purpose as, any product or service produced, sold or marketed by the Company or any parent, subsidiary or affiliate of the Company with which Executive interacted or about which Executive gained Confidential Information during his employment with the Company. The term “customer” or “supplier” means any customer or supplier (whether actual or potential) with whom Executive or any other employee of the Company or any parent, subsidiary or affiliate of the Company had business contact during the eighteen (18) months immediately before Executive’s employment with the Company ended. Notwithstanding the foregoing, this paragraph shall not be construed to prohibit Executive from owning less than five percent (5%) of the outstanding securities of a corporation which is publicly traded on a securities exchange or over-the-counter.
10. **Notification to Subsequent Employers.** Executive grants the Company the right to notify any future employer or prospective employer of Executive concerning the existence of and terms of this Agreement and grants the Company the right to provide a copy of this Agreement to any such subsequent employer or prospective employer.
11. **Company Proprietary Rights.**
 - (a) **Company to Retain Rights.** Executive agrees that all right, title and interest of every kind and nature whatsoever in and to copyrights, patents, ideas, business or strategic plans and concepts, studies, presentations, creations, inventions, writings, properties, discoveries and all other intellectual property conceived by Executive during the term of this Agreement and pertaining to or useful in or to (directly or indirectly) the activities of the Company and/or any parent, subsidiary or affiliate of the Company (collectively, “Company Intellectual Property”) shall become and remain the exclusive property of the Company and/or such parent, subsidiary or affiliate, and Executive shall have no interest therein.

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

To the Company:

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

To the Executive:

L. Jeffrey Manzagol
2000 Waters Edge Drive
Johnson City, TN 37604

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

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

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

18. **Entire Agreement.** This Agreement constitutes the entire understanding of the parties hereto with respect to its subject matter and supersedes all prior agreements between the parties hereto with respect to its subject matter, including, but not limited to, all employment agreements, change of control agreements, non-competition agreements or any other agreement related to Executive's employment with the Company; provided, however, nothing herein shall affect the terms of any indemnification agreement by and between the Company and Executive or any general indemnification policy in favor of Executive, which shall continue and remain in full force and effect.

19. **Governing Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Tennessee to the extent federal law does not apply.
20. **Resolution of Disputes.** Any dispute or claim arising out of or relating to this Agreement shall be settled by final and binding arbitration in Johnson City, Tennessee in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The fees and expenses of the arbitration panel shall be equally borne by the Company and Executive. Each party shall be liable for its own costs and expenses as a result of any dispute related to this Agreement.
21. **Validity.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which latter provisions shall remain in full force and effect.
22. **Compliance with Section 409A.**
 - (a) **General.** It is intended that the Agreement will comply with Section 409A of the Code and the regulations and other guidance thereunder (“Section 409A”), and the Agreement shall be interpreted consistent with such intent. As permitted by Section 409A, each installment or other payment made or benefit provided hereunder shall be treated as “separate payment” for purposes of Section 409A and the available exemptions under Section 409A shall be stacked to the maximum extent possible. The Agreement may be amended in any respect deemed necessary (including retroactively) by the Company in order to pursue compliance with Section 409A. The foregoing shall not be construed as a guarantee of any particular tax effect for benefits under this Agreement. The Executive or any beneficiary, as applicable, is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on the Executive or any beneficiary in connection with any payments to the Executive or beneficiary under the Agreement, including any taxes, interest and penalties under Section 409A, and neither the Company nor any director, officer or affiliate shall have any obligation to indemnify or otherwise hold the Executive or a beneficiary harmless from any and all of such taxes and penalties. To the extent Executive is entitled to be paid or reimbursed for any taxable expenses under this Agreement, and such payments or reimbursements are includible in Executive’s federal gross taxable income, the amount of such expenses reimbursable in any one calendar year shall not affect the amount reimbursable in any other calendar year, and the reimbursement of an eligible expense shall be made no later than December 31 of the year after the year in which the expense was incurred. Executive’s right to reimbursement of expenses under this Agreement shall not be subject to liquidation or exchange for another benefit.

- (b) **Six Month Delay for Specified Employees.** Notwithstanding anything in the Agreement to the contrary, if the Executive is determined to be a “specified employee” (as defined in Section 409A) for the year in which the Executive incurs a Separation from Service, any payment due under the Agreement that is not permitted to be paid on the date of such separation without the imposition of additional taxes, interest and penalties under Section 409A shall be paid on the first business day following the six-month anniversary of the Executive’s date of separation or, if earlier, the Executive’s death.
23. **No Adequate Remedy At Law; Costs to Prevailing Party.** The Company and the Executive recognize that each party may have no adequate remedy at law for breach by the other of any of the agreements contained herein, and particularly a breach of paragraphs 7, 8, 9, or 11, and, in the event of any such breach, the Company and the Executive hereby agree and consent that the other shall be entitled to injunctive relief or other appropriate remedy to enforce performance of such agreements.
24. **Non-Assignability.** This Agreement, and the rights and obligations of the parties hereunder, are personal and neither this Agreement, nor any right, benefit or obligation of either party hereto, shall be subject to voluntary or involuntary assignment, alienation or transfer, whether by operation of law or otherwise, without the prior written consent of the other party; provided, however, that the Company may assign this Agreement in connection with a merger or consolidation involving the Company or a sale of substantially all of its assets to the surviving corporation or purchaser, as the case may be, so long as such assignee assumes the Company’s obligations hereunder.
25. **Headings.** The section headings contained in this Agreement are for convenience of reference only and will not be deemed to control or affect the meaning or construction of any provision of this Agreement. Reference to Paragraphs are to Paragraphs in this Agreement.
26. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but of which together will constitute one and the same instrument.
27. **Definitions.** For purposes of this Agreement, the following terms shall have the following meanings:
- (a) “Cause” means any of the following:
- (i) the failure of the Executive to perform the Executive’s duties under this Agreement (other than as a result of physical or mental illness or injury), which failure, if correctable, and provided it does not constitute willful misconduct or gross negligence described in subparagraph (ii) below, remains uncorrected for 10 days following written notice to Executive by the Chief Executive Officer or the Board of Directors of the Company of such breach;

- (ii) willful misconduct or gross negligence by the Executive, in either case that results in material damage to the business or reputation of the Company;
 - (iii) a material breach by Executive of this Agreement which, if correctable, remains uncorrected for 10 days following written notice to Executive by the Chief Executive Officer or the Board of Directors of the Company of such breach; or
 - (iv) 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).
- (b) “Change in Control” means, and shall occur on the date that any of the following occurs:
- (i) A person, corporation, entity or group (1) makes a tender or exchange offer for the issued and outstanding voting stock of NN, Inc., (“NN”) and beneficially owns fifty percent (50%) or more of the issued and outstanding voting stock of NN after such tender or exchange offer, or (2) acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person, corporation, entity or group), directly or indirectly, the beneficial ownership of fifty percent (50%) or more of the issued and outstanding voting stock of NN in a single transaction or a series of transactions (other than any person, corporation, entity or group for which a Schedule 13G is on file with the Securities and Exchange Commission, so long as such person, corporation, entity or group has beneficial ownership of less than fifty percent (50%) of the issued and outstanding voting stock of NN); or
 - (ii) NN is a party to a merger, consolidation or similar transaction and following such transaction, fifty percent (50%) or more of the issued and outstanding voting stock of the resulting entity is not beneficially owned by those persons, corporations or entities that constituted the stockholders of NN immediately prior to the transaction; or
 - (iii) NN sells fifty percent (50%) or more of its assets to any other person or persons (other than an affiliate or affiliates of NN); or
 - (iv) Individuals who, during any 12-month period, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least seventy-five percent (75%) of the Board of Directors of NN; provided, however, that any individual becoming a director whose election or nomination was approved by a majority of the directors than comprising the Incumbent Board, shall be considered a member of the Incumbent Board, but not including any individual whose initial board membership is a result of an actual or threatened election contest (as that term is used in Rule 14a-11

promulgated under the Securities Act of 1934, as amended) or an actual or threatened solicitation of proxies or consents by or on behalf of a party other than the Board.

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

- (c) "Code" means the Internal Revenue Code of 1986 as amended.
- (d) "Disability" means the Executive: (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees or directors of the Company. Executive will be deemed Disabled if he is determined to be totally disabled by the Social Security Administration, or if Executive is determined to be disabled in accordance with a disability insurance program maintained by the Company if the definition of "disability" applied under such disability insurance program complies with the requirements of the preceding sentence. Upon the request of the plan administrator, the Executive must submit proof to the plan administrator of the Social Security Administration's or the provider's determination.
- (e) "Good Reason" means any of the following events if not remedied by the Company within 30 days after receipt of notice thereof from the Executive: (i) assignment to the Executive of any duties inconsistent with Executive's position duties, responsibilities, office, or any other action by the Company that results in a material diminution in the Executive's position, authority, duties or responsibilities; (ii) any material failure by the Company to comply with this Agreement; (iii) a material adverse change in Executive's annual compensation and benefits; or (iv) a requirement to relocate in excess of fifty (50) miles from the Executive's then current place of employment.

Notwithstanding anything in this definition to the contrary, an alleged act by the Company shall not constitute a "Good Reason" event for purposes of this Agreement unless Executive gives written notice of the same to the Company within 30 days of the initial existence of such act. Further, for avoidance of doubt, nothing in this Agreement shall preclude the Company from reducing Executive's annual base salary and/or incentive opportunity as part of an across-the-board compensation adjustment to other employees at Executive's level of employment.

- (f) "Notice of Termination" means a written notice which shall include the specific termination provision under this Agreement relied upon, and shall set forth in

reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment. Any purported termination of the Executive's employment hereunder by action of either party shall be communicated by delivery of a Notice of Termination to the other party. Any termination by Executive of his employment without Good Reason shall be made on not less than 14 days' notice.

- (g) "Qualifying Termination" means a Separation from Service by action of the Company that is not for Cause, or a Separation from Service by action of the Executive that is for Good Reason.
- (h) "Restrictive Period" means (i) a period of 12 to 18 months following Executive's termination of employment pursuant to paragraph 6(a) above, or a period of 12 months following Executive's termination of employment pursuant to paragraph 6(b) above, prior to a Change in Control; or (ii) a period of 24 months following Executive's termination of employment pursuant to paragraph 6(c) after a Change in Control.
- (i) "Separation from Service" means Executive's "separation from service" as defined in Treasury Regulation Section 1.409A-1(h).

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

NN, INC.

/s/ William C. Kelly, Jr.

By: William C. Kelly, Jr.

Title: Vice President, Chief Administrative Officer

EXECUTIVE

/s/ Ludovic Jeffrey Manzagol

Ludovic Jeffrey Manzagol

Schedule A

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

1. 2.0 times Executive's base salary (as of the date of Executive's termination); plus
2. 1.0 times Executive's median bonus available at the following bonus target percentage: 50%

NN, INC.

INCENTIVE STOCK OPTION AGREEMENT

pursuant to the

2011 STOCK INCENTIVE PLAN

THIS AGREEMENT, dated as of
Suite 12, Johnson City, TN 37604

by and NN, Inc., a Delaware corporation, (the "Company"), and

of 2000 Waters Edge Drive,

WITNESSETH THAT:

WHEREAS, the Grantee is an employee of NN, Inc. and serves as the thereof;

WHEREAS, the Company desires to reward the Grantee's superior performance and to provide the Grantee with inducements to continue in the employ of the Company and to continue to perform in a superior manner;

WHEREAS, the Company has adopted the NN, Inc. 2011 Stock Incentive Plan (the "Plan"), authorizing the grant of Awards by the Company to officers and key employees;

WHEREAS, the Committee referred to in the Plan (the "Committee"), pursuant to authority vested in it by the Company's Board of Directors, has approved the granting to the Grantee of an Incentive Stock Option (the "Option") to purchase shares of the Company's common stock, par value \$.01 per share ("Shares"), upon the terms and subject to the conditions set forth hereinafter and in the Plan; and

WHEREAS, the Company desires to grant the Option to the Grantee and to memorialize the terms and conditions thereof;

NOW, THEREFORE, in consideration of the above-mentioned premises and the covenants and agreements contained herein, the Company and the Grantee, intending to be legally bound, hereby agree as follows:

SECTION 1: Incentive Stock Option

1.1 Pursuant to the Plan and this Incentive Stock Option Agreement (the "Agreement"), the Company hereby grants to the Grantee, effective as of the date of this Agreement, an Option to purchase an aggregate of _____ shares at the Option price per Share described in Section 1.2 hereof and pursuant to the terms and conditions set forth in the Plan and this Agreement. Any capitalized terms used herein and not defined herein have the respective meanings ascribed to them in the Plan.

1.2 The Option exercise price per share with respect to the Shares covered by this Agreement shall be equal to _____, such amount equaling one hundred percent of the Fair Market Value of each Share on the date of grant of the Option. Upon exercise of the option, in whole or in part, this Option price shall be payable to the Company in accordance with Section 2.1 hereof.

1.3 The date of grant of the Option is _____.

1.4 Subject to the provisions of Section 1.7 hereof, the Option is intended to be an Incentive Stock Option within the meaning of section 422 of the Code.

1.5 Subject to Sections 1.6 and 3 hereof, the Option shall be exercisable from and after each initial exercisability date set forth below with respect to the indicated number of Shares:

<u>Initial Exercisability Date</u>	<u>Number of Shares for Which the Option Becomes First Exercisable on Such Date</u>

The Grantee at any time may purchase less than the full number of Shares for which the option is then exercisable. Shares not purchased in earlier periods shall accumulate and be available for purchase in later periods within the Term of the Option.

1.6 Notwithstanding the application of any limitation on the exercise of the Option, the Option shall be exercisable in full immediately following the date on which a Change in Control has occurred if the Grantee's employment with the Company and its Subsidiaries has not terminated prior to the date on which the Change in Control occurred; provided, however, that the Option shall not be exercisable at any time during the six-month period following the date of this Agreement; and further provided, that nothing in this Section 1.6 shall extend the Term of the Option or have any effect other than to accelerate the date on which the Option becomes exercisable in full.

1.7 To the extent that the aggregate Fair Market Value of the stock with respect to which Incentive Stock Options (determined without regard to this Section 1.7) are exercisable by the Grantee for the first time during any calendar year (under all stock option plans of the Company, its Parent and its Subsidiaries) exceeds \$100,000, such Options are not Incentive Stock Options. For the purposes of this Section 1.7, the Fair Market Value of stock

shall be determined as of the time the option with respect to such stock is granted. This Section 1.7 shall be applied by taking options into account in the order in which they were granted. To the extent that the Option is to become exercisable for the first time during any calendar year with respect to a number of Shares that exceeds the foregoing limitation, the Option shall be considered to consist of (i) an Incentive Stock Option to acquire the maximum number of Shares permitted under this Section 1.7 and (ii) a Nonqualified Stock Option to acquire the excess Shares on the same terms described in this Agreement.

1.8 The Term of the Option shall continue until the tenth anniversary of the grant of the Option. The Option shall terminate (if not sooner terminated in accordance with the provisions of the Plan or the other provisions hereof) and shall no longer be exercisable after such tenth anniversary.

SECTION 2: Exercise and Withholding

2.1 The Grantee may exercise the Option in respect of Shares on and after the appropriate dates set forth in Section 1.5 above (and before a date or event of termination or cancellation) in whole at any time, or in part from time to time. The Grantee shall give the Company written notice to exercise the option in whole or in a specified part. Such notice shall specify the number of Shares to be purchased and shall be accompanied by full payment for the Shares then being purchased, which payment may be made in any of the following ways: (a) delivering a money order, cashier's check or certified check payable to the order of the Company; (b) delivering Shares to the Company; (c) subject to limitations imposed by the Plan and the Committee, a cash payment by Grantee's broker pursuant to the Grantee's instruction; or

(d) combination thereof. The notice also shall be accompanied by such agreement, statement, or other evidence as the Committee may require in order to satisfy itself that the issuance of the Shares being purchased pursuant to such exercise and any subsequent resale thereof will be in compliance with applicable laws and regulations relating to the issuance and sale of securities, including the provisions of the Securities Act of 1933 and regulations promulgated thereunder. Any Shares surrendered as payment in exercise of the Option shall be valued at their Fair Market Value on the date of exercise. The exercise shall be deemed to occur (a) on the date that the notice of exercise and, if applicable, the money order, cashier's check, certified check, cash and/or Shares are received at the office of the Treasurer of the Company, or at such other location as may be established in accordance with Section 4.5 hereof or (b) if such notice of exercise and payment are mailed in the United States and the United States Postal Service has stamped its postmark thereon, then on the date of such postmark.

2.2 In each case where the Grantee shall exercise the option, in whole or in part, the Company shall notify the Grantee of the amount of income or employment tax, if any, that must be withheld under federal and, where applicable, state and local law by reason of such exercise. It shall be a condition to any delivery of Shares hereunder that provision satisfactory to the Company shall have been made for payment of any taxes required to be paid or withheld pursuant to any applicable law or regulations. The Grantee may irrevocably elect to have any withholding tax obligation satisfied (a) by a money order, cashier's check or certified check payable to the order of the Company; (b) by having the Company withhold Shares otherwise deliverable to the Grantee with respect to the exercise of the Option; (c) by delivering Shares to the Company; (d) subject to limitations imposed by the Plan and the Committee, by a cash

payment by the Grantee's broker pursuant to the Grantee's instruction; or (e) by a combination thereof; provided that the Committee may disapprove, or impose conditions upon, any such election.

2.3 As soon as practicable after each exercise of the Option and compliance by the Grantee with all applicable conditions, including any payments that may be required by the Company pursuant to Sections 2.1 and 2.2 hereof, the Company shall mail or deliver or cause to be mailed or delivered to the Grantee a stock certificate or certificates registered in the name of the Grantee for the number of Shares that the Grantee shall be entitled to receive upon such exercise under the provisions of this Agreement.

2.4 If the Grantee exercises all or a portion of this Option and the Grantee sells, transfers, assigns or otherwise disposes of Shares acquired by the exercise of this Option within two (2) years after the date the Option was granted or within one (1) year after the date of such exercise, the Grantee shall promptly notify the Company of the date of such disposition and of the amount realized upon such disposition and shall provide (in a manner satisfactory to the Company) for payment to the Company of the amounts, if any, necessary to satisfy any applicable federal, state and local tax withholding requirements imposed by reason of such sale, transfer, assignment or other disposition. To the extent the Grantee does not otherwise satisfy any withholding obligation with respect to the disposition, the Company and any Subsidiary shall, to the extent permitted by law, have the right to deduct from any payment of any kind (whether or not related to the Plan) otherwise due to the Grantee any such taxes required to be withheld.

SECTION 3: Termination of Employment

3.1 If the Grantee's service with the Company terminates for any reason other than Retirement (as defined in Section 3.2), Disability (as defined in the Company's Stock Incentive Plan) or death, the Option shall continue to be exercisable at any time within the three-month period following such termination of service, but not after such period, but shall not become exercisable with respect to any shares for which it was not exercisable on the date of such termination of service.

3.2 If the Grantee's service with the Company terminates because of Retirement, the Option shall (a) become immediately exercisable in full as of the date of such Retirement and (b) be exercisable at any time within the 24-month period following such Retirement, but not after such period (unless otherwise provided in Section 3.4 below). "Retirement" means termination of service after the Grantee has completed 10 years of service with the Company and has reached the age of 55.

3.3 If the Grantee's service with the Company terminates because of the Grantee's Disability, the Option shall (a) become immediately exercisable in full as of the date of such termination, and (b) be exercisable at any time within the 24-month period following such termination of service, but not after such period (unless otherwise provided in Section 3.4 below).

3.4 If Grantee's service with the Company terminates because of the Grantee's death, the Option shall become immediately exercisable in full as of the date of termination of service. If the Grantee's service with the Company terminates because of the Grantee's death, or if the Grantee dies within 12 months after termination of service while the Option is exercisable pursuant to Sections 3.1 or 3.2 above, the Option shall be exercisable at any time within the 24-month period following the Grantee's death, but not after such period.

3.5 After the Grantee's death, the Option may be exercised only by the Grantee's beneficiary (as defined in the Company's Stock Incentive Plan); provided, however, that if the Grantee's beneficiary dies within 24 months after the Grantee's death, the executor or administrator of the beneficiary's estate may exercise the Option within such 24-month period. If the Grantee and Grantee's beneficiary die in circumstances in which there is not sufficient evidence that the two have died otherwise than simultaneously, the beneficiary shall be deemed to have predeceased the Grantee.

3.6 Any exercise by a beneficiary of the Option shall be subject to all of the terms and conditions contained in Section 2 of this Agreement.

3.7 Notwithstanding any other provision of this Section 3, in no event shall the Option be exercisable after the expiration date specified in Section 1.8 of this Agreement.

SECTION 4: Miscellaneous

4.1 The Option granted hereunder shall not be transferable (other than to a beneficiary upon the death of the Grantee) and is exercisable during the Grantee's lifetime only by the Grantee.

4.2 The Grantee shall be entitled to the privilege of stock ownership with respect to Shares subject to this Option only with respect to such Shares as are issued or delivered to the Grantee hereunder.

4.3 In the event of a stock dividend, stock split, combination of Shares, recapitalization or other similar capital change, the number and kind of Shares subject to the Option, the Option price and the other relevant provisions of this Agreement shall be appropriately adjusted as provided in Section 11 of the Plan.

4.4 Nothing contained in this Agreement shall be deemed by implication or otherwise to impose any limitation on any right of the Company or any Subsidiary to terminate the Grantee's employment at any time.

4.5 Any notice to be given hereunder by the Grantee shall be either hand-delivered to the office of the Chief Administrative Officer of the Company or sent by mail addressed to the Company to the attention of the Chief Administrative Officer, 2000 Waters Edge Drive, Johnson City, TN 37604. Any notice by the Company to the Grantee shall be either sent by mail addressed to the Grantee at the address shown on page 1 hereof or hand-delivered personally to the Grantee. Either party may, by written notice given to the other in accordance with the provisions of this Section, change the address to which subsequent notices shall be sent.

4.6 The Option is granted pursuant to the Plan. The grant of the Option is subject to all the terms and provisions of the Plan, which are hereby incorporated into this Agreement by reference and are made a part of this Agreement. For the convenience of the Grantee, certain but not all of the provisions of the Plan also are summarized or elaborated upon in this Agreement. Each and every provision of this Agreement shall be administered, interpreted, and construed so that the Option shall conform to the provisions of the Plan. Any provisions of this Agreement that cannot be so administered, interpreted, or construed shall be disregarded.

4.7 The Grantee hereby acknowledges receipt of a copy of the Plan and further agrees to be bound by all of the terms and provisions thereof and by all actions, pursuant to the Plan, of the Committee thereunder and of the Company's Board of Directors. Whenever the word "Grantee" is used herein in a context where the provision should logically be construed to apply to the Grantee's beneficiary, the word "Grantee" shall be deemed to include such beneficiary.

4.8 The Option shall not be exercisable in whole or in part and no certificates representing Shares subject to the Option shall be delivered if, at any time, the Company determines, in its discretion, that it is necessary as a condition of, or in connection with, such exercise (or the delivery of Shares thereunder):

- (a) to satisfy withholding tax or other withholding liabilities;
- (b) to effect the listing, registration or qualification on any securities exchange, or any quotation system, or under any federal, state or local law, of any Shares otherwise deliverable in connection with such exercise; or
- (c) to obtain the consent or approval of any regulatory body;

unless such withholding, listing, registration, qualification, compliance, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company in its reasonable and good faith judgment.

The Company shall act with all reasonable diligence to obtain any such approval or consent and to effect compliance with any such applicable law, regulation, order, withholding, or listing, registration or qualification requirement, and the Grantee or other person entitled to exercise the Option shall take any action reasonably requested by the Company in such connection.

4.9 This Agreement shall be governed by, and its provisions construed in accordance with, the laws of Delaware (irrespective of the conflict of laws provisions thereof), except to the extent that such laws may be superseded by any federal law.

4.10 Any amendment of this Agreement must be in writing and duly signed by the Company and the Grantee. This Agreement may not be modified orally.

IN WITNESS WHEREOF, NN, Inc. has caused this Agreement to be executed in its corporate name, and the Grantee has executed the same in evidence of the Grantee's acceptance hereof, under the terms and conditions herein set forth, as of the day and year first above written.

NN, Inc.

By _____
James H. Dorton
Sr. VP, CFO

GRANTEE

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

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

1. Award of Restricted Stock. As of the above-entered date, subject to the terms, conditions and restrictions set forth herein, the Company grants and issues to Grantee 5,000 shares of the Company’s common stock (the “Granted Stock”).

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

3. Restrictions on the Granted Stock.

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

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

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

5. Certification, Escrow and Delivery of Shares.

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

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

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

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

6. Additional Agreements.

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

restrictions applicable to the Granted Stock lapse, Grantee will recognize ordinary income and be taxed in an amount equal to the fair market value (as of the date the forfeiture restrictions lapse) of the Granted Stock less the Acquisition Consideration paid for the Granted Stock. **Grantee acknowledges that it is Grantee's sole responsibility, and not the Company's, to file a timely election under Section 83(b), even if Grantee requests the Company or its representative to make this filing on Grantee's behalf. Grantee is relying solely on Grantee's advisors with respect to the decision as to whether or not to file a Section 83(b) election.**

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

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

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

(e) Change of Control. Upon a Change of Control, vesting shall occur, if at all, with respect to the Granted Stock in accordance with Section 11 of the Plan.

(f) Termination of Employment. If the Grantee's service with the Company terminates for any reason other than Retirement, Disability or death, any unvested Granted Stock shall be forfeited.

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

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

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

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

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

NN, INC.

By: _____

Name: William C. Kelly, Jr.

Title Vice President

[GRANTEE]

EXHIBIT "A"

VESTING SCHEDULE

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

Amount of Granted Stock

Date Restrictions Removed

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

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

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

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

Taxpayer SSN.: _____

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

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

3. Date on which property was transferred:

4. Taxable year to which this election relates:

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

The Common Stock vests according to the following schedule:

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

6. Fair market value of the property:

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

7. Amount paid for the property:

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

8. Furnishing statement to employer:

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

Date: _____

Signature

Printed Name

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

Subsidiaries of the Registrant

<u>Subsidiaries of NN, Inc.</u>	<u>Jurisdiction of Incorporation or Organization</u>
Industrial Molding Corporation	Tennessee
Whirlaway Corporation	Ohio
PNC Acquisition Company Inc.	Delaware
PMC Acquisition Company, Inc.	Delaware
PMC USA Acquisition Company, Inc.	Delaware
Precision Metal Components Mexico SRL	Mexico
The Delta Rubber Company	Connecticut
NN International B.V.	Netherlands
NN Europe S.p.A. f/k/a Euroball S.p.A.	Italy
NN Holdings B.V.	Netherlands
NN Precision Bearing Products Co. LTD	China
NN Slovakia, s.r.o.	Slovakia
NN Netherlands B.V.	Netherlands
RFK Valjici	Bosnia Herzegovina
NN Euroball Ireland Limited	Ireland
Kugelfertigung Eltmann GMBH	Germany
Autocam Corporation	Michigan
Autocam (China) Automotive Components Co., Ltd.	China
Autocam do Brasil Usinagem, Ltda.	Brazil
Autocam Equipment Holdings, LLC	Delaware
Autocam Equipment, LLC	Delaware
Autocam Europe, B.V.	Netherlands
Autocam France, SARL	France
Autocam International, Ltd	Michigan
Autocam Poland Sp. z o.o.	Poland
Autocam South Carolina, Inc.	Michigan
Autocam-Pax, Inc.	Michigan
Bouverat Industries, S.A.S.	France



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-174519, No. 333-130395, No. 333-69588, No. 333-50934) and in the Registration Statement on Form S-3 (No. 333-201274) of NN, Inc. of our report dated March 16, 2015 related to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Charlotte, NC
March 16, 2015

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

I, Richard D. Holder, certify that:

- 1) I have reviewed this annual report on Form 10-K of NN, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2015

Signature: /s/ RICHARD D. HOLDER

Richard D. Holder
Chief Executive Officer, President and Director

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

I, James H. Dorton, certify that:

- 1) I have reviewed this annual report on Form 10-K of NN, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2015

Signature: /s/ JAMES H. DORTON

James H. Dorton
Senior Vice President – Chief Financial Officer

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

In connection with the Annual Report of NN, Inc. (the "Company") on Form 10-K for the annual period ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and date indicated below, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2015

/s/ RICHARD D. HOLDER

Richard D. Holder
President, Chief Executive Officer and Director

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

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

In connection with the Annual Report of NN, Inc. (the "Company") on Form 10-K for the annual period ended December 31, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacity and date indicated below, hereby certifies pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2015

/s/ JAMES H. DORTON

James H. Dorton
Senior Vice President – 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.]