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

FORM 10-Q

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

For the quarterly period ended March 31, 2017

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 Number)

207 Mockingbird Lane
Johnson City, Tennessee 37604
(Address of principal executive offices, including zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 (§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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 1, 2017, there were 27,465,072 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

(in thousands, except per share data)	Three Months ended March 31,	
	2017	2016
Net sales	\$226,314	\$212,226
Cost of products sold (exclusive of depreciation and amortization shown separately below)	166,954	159,754
Selling, general and administrative	21,494	20,712
Depreciation and amortization	15,568	17,348
Restructuring and integration	140	2,538
Income from operations	22,158	11,874
Interest expense	14,956	16,422
Derivative losses on change in interest rate swap fair value	(88)	—
Other (income) expense, net	(724)	(1,129)
Income (loss) before provision (benefit) for income taxes and share of net income from joint venture	8,014	(3,419)
Provision (benefit) expense for income taxes	2,300	(720)
Share of net income from joint venture	1,693	1,400
Net income (loss)	\$ 7,407	\$ (1,299)
Other comprehensive income:		
Change in fair value of interest rate hedge	—	(1,002)
Foreign currency translation gain	4,706	6,719
Other comprehensive income	4,706	5,717
Comprehensive income	\$ 12,113	\$ 4,418
Basic income per share:		
Net income (loss)	\$ 0.27	\$ (0.05)
Weighted average shares outstanding	27,303	26,869
Diluted income per share:		
Net income (loss)	\$ 0.27	\$ (0.05)
Weighted average shares outstanding	27,634	26,869
Cash dividends per common share	\$ 0.07	\$ 0.07

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

NN, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

<u>(in thousands, except per share data)</u>	March 31,	December 31,
	2017	2016
Assets		
Current assets:		
Cash	\$ 19,583	\$ 14,405
Accounts receivable, net	159,569	139,547
Inventories	116,561	114,851
Other current assets	14,629	11,752
Total current assets	<u>310,342</u>	<u>280,555</u>
Property, plant and equipment, net	328,214	322,953
Goodwill, net	451,447	450,311
Intangible assets, net	250,112	255,981
Investment in joint venture	42,387	40,694
Other non-current assets	8,541	9,892
Total assets	<u>\$1,391,043</u>	<u>\$1,360,386</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 77,673	\$ 75,719
Accrued salaries, wages and benefits	23,450	24,996
Income taxes payable	8,014	2,125
Current maturities of long-term debt	10,753	12,751
Current portion of obligation under capital lease	3,664	3,762
Other current liabilities	26,633	19,263
Total current liabilities	<u>150,187</u>	<u>138,616</u>
Non-current deferred tax liabilities	99,051	99,591
Long-term debt, net of current portion	799,450	785,713
Accrued post-employment benefits	5,512	5,765
Obligation under capital lease, net of current portion	5,063	5,851
Other	3,901	9,651
Total liabilities	<u>1,063,164</u>	<u>1,045,187</u>
Total stockholders' equity	<u>327,879</u>	<u>315,199</u>
Total liabilities and stockholders' equity	<u>\$1,391,043</u>	<u>\$1,360,386</u>

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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

(in thousands of dollars and shares)	Common Stock		Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interest	Total
	Number of shares	Par value					
Balance, December 31, 2016	27,249	\$272	\$284,508	\$55,509	\$ (25,122)	\$ 32	\$315,199
Net income	—	—	—	7,407	—	—	7,407
Dividends paid	—	—	—	(1,910)	—	—	(1,910)
Stock option expense	—	—	381	—	—	—	381
Shares issued for option exercises	80	1	911	—	—	—	912
Restricted and performance based stock compensation expense	83	—	771	—	—	—	771
Restricted shares forgiven for taxes and forfeited	(14)	—	(327)	—	—	—	(327)
Foreign currency translation gain	—	—	—	—	4,706	—	4,706
Adoption of new accounting standard (see Note 1)	—	—	—	740	—	—	740
Balance, March 31, 2017	27,398	\$273	\$286,244	\$61,746	\$ (20,416)	\$ 32	\$327,879

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

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

(in thousands of dollars)	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net income (loss)	\$ 7,407	\$ (1,299)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,568	17,348
Amortization of debt issuance costs	1,221	911
Total derivative mark-to-market gains, net of cash settlements	(88)	—
Joint venture net income in excess of cash received	(1,693)	(1,400)
Compensation expense from issuance of restricted stock and incentive stock options	1,152	1,001
Deferred income tax benefit	—	1,029
Changes in operating assets and liabilities:		
Accounts receivable	(19,332)	(20,318)
Inventories	(1,025)	(283)
Accounts payable	1,394	1,191
Other	605	5,341
Net cash provided by operating activities	<u>5,209</u>	<u>3,521</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(8,565)	(8,008)
Proceeds from disposals of property, plant and equipment	27	17
Net cash used by investing activities	<u>(8,538)</u>	<u>(7,991)</u>
Cash flows from financing activities:		
Dividends Paid	(1,910)	(1,879)
Proceeds from long-term debt	14,000	11,000
Repayment of long-term debt	(1,437)	(1,437)
Repayment of short-term debt, net	(2,045)	(969)
Proceeds from issuance of stock and exercise of stock options	912	—
Shares withheld to satisfy income tax withholding	(327)	(89)
Principal payments on capital lease	(901)	(1,342)
Net cash provided by financing activities	<u>8,292</u>	<u>5,284</u>
Effect of exchange rate changes on cash flows	215	(822)
Net change in cash and cash equivalents	5,178	(8)
Cash and cash equivalents at beginning of period	14,405	15,087
Cash and cash equivalents at end of period	<u>\$ 19,583</u>	<u>\$ 15,079</u>

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

NN, Inc.
Notes to Condensed Consolidated Financial Statements
March 31, 2017
(Unaudited)
(In thousands, except per share data)

Note 1. Interim Financial Statements

We are a diversified industrial company and a leading global manufacturer of high precision bearing components, industrial plastic products and precision metal components to a variety of markets on a global basis. We have 40 manufacturing plants in North America, Western Europe, Eastern Europe, South America and Asia. Our business is aggregated into three reportable segments, the Precision Bearing Components Group, the Precision Engineered Products Group and the Autocam Precision Components Group. As used in this Quarterly Report on Form 10-Q, the terms “NN”, the “Company”, “we”, “our”, or “us” mean NN, Inc. and its subsidiaries.

The accompanying Condensed Consolidated Financial Statements of NN, Inc. have not been audited, except that the Condensed Consolidated Balance Sheet at December 31, 2016 was derived from our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 (the “2016 Annual Report”), which was filed with the U.S. Securities and Exchange Commission (the “SEC”), on March 16, 2017. In our opinion, these Condensed Consolidated Financial Statements reflect all adjustments necessary to fairly state the results of operations for the three month periods ended March 31, 2017 and 2016, our financial position at March 31, 2017 and December 31, 2016, and the cash flows for the three month periods ended March 31, 2017 and 2016 on a basis consistent with our audited consolidated financial statements. These adjustments are of a normal recurring nature and are, in the opinion of management, necessary to present fairly our financial position and operating results for the interim periods.

Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. These unaudited, Condensed Consolidated Financial Statements should be read in conjunction with our audited consolidated financial statements and the notes thereto included in the 2016 Annual Report. The results for the three months ended March 31, 2017 are not necessarily indicative of results for the year ending December 31, 2017 or any other future periods.

Newly Adopted Accounting Standards

During March 2016, accounting standard update (“ASU”) 2016-09 – Improvements to Employee Share-Based Payment Accounting was issued regarding the guidance of how companies will account for certain aspects of share-based payments to employees. Entities will be required to recognize the income tax effects of awards in the income statement when the awards vest or are settled (i.e., additional paid-in capital or APIC pools will be eliminated). The guidance on employers’ accounting for an employee’s use of shares to satisfy the employer’s statutory income tax withholding obligation and for forfeitures is changing. The guidance is effective for public business entities for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. As of January 1, 2017, we adopted ASU 2016-09 and the results of the Standard are reflected in the three months ended March 31, 2017 balances. Upon adoption, historical tax benefits were reclassified from deferred taxes to retained earnings, prospective tax benefits will be recognized in income tax expense; tax payments in respect of shares withheld for taxes are now classified in the financing section of the statement of cash flows; and the dilutive earnings per share calculation excludes the tax benefits that generated more diluted shares. The effects of adoption were immaterial to the Financial Statements.

Issuance of New Accounting Standards

In May 2014, the FASB issued accounting guidance that provides a single, comprehensive revenue recognition model for all contracts with customers and supersedes most of the existing revenue recognition requirements. Under this guidance, 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 or services. In August 2015, the FASB issued accounting guidance that delayed the effective date of this standard by one year, making the guidance effective for fiscal years beginning after December 15, 2017. The new revenue guidance may impact the timing of recognition for certain Company’s customer incentives. Factors that will affect pre-and post-implementation include, but are not limited to, identifying all the contracts that exist and whether incidental obligations or marketing incentives included in those contracts are performance obligations. The revenue recognition standard may impact the timing of when revenue received under these performance obligations is recognized. We are still evaluating the impact the adoption of these ASC updates will have on our financial condition, results of operations and cash flows by performing scoping and contract analysis procedures. We intend to adopt these standards effective January 1, 2018 on a full retrospective transition method and also intend on applying all practical expedients related to completed contracts upon adoption. Our final evaluation of the impact of adopting these ASC updates is expected to be completed during 2017.

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On February 25, 2016, the FASB issued ASU 2016-02, Leases (“ASU 2016-02”). ASU 2016-02 creates Topic 842, Leases, in the FASB Accounting Standards Codification (“FASB ASC”) and supersedes FASB ASC 840, Leases. Entities that hold numerous equipment and real estate leases, in particular those with numerous operating leases, will be most affected by the new guidance. The leasing accounting standard is effective for public companies beginning January 1, 2019 with modified retrospective adoption required and early adoption permitted. The amendments in ASU 2016-02 are expected to impact balance sheets at many companies by adding lease-related assets and liabilities. This may affect compliance with contractual agreements and loan covenants. We have also carried out inquiries within segment locations compiling information on operating and capital leases. We are currently evaluating the impacts of the lease accounting standards regarding these and other leases identified on our financial position or results of operations and related disclosures.

The FASB issued ASU 2016-15 - Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force) (“ASU 2016-15”). This ASU provides clarification on how certain cash receipts and cash payments are presented and classified on the statement of cash flows. This ASU is effective for annual and interim periods beginning in 2018 and is required to be adopted using a retrospective approach if practicable, with early adoption permitted. The Company does not expect the adoption of this ASU to have a material impact on its Consolidated Statement of Cash Flows.

During January 2017, the FASB issued ASU 2017-04 – Intangibles – Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment that eliminates the requirement to calculate the implied fair value of goodwill (i.e., Step 2 of today’s goodwill impairment test) to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit’s carrying amount over its fair value (i.e., measure the charge based on today’s Step 1). The standard has tiered effective dates, starting in 2020 for calendar-year public business entities that meet the definition of an SEC filer. Early adoption is permitted for interim and annual goodwill impairment testing dates after January 1, 2017. We are currently evaluating the impact this new guidance is expected to have on our financial position or results of operations and related disclosures.

Except for per share data or as otherwise indicated, all dollar amounts presented in the tables in these Notes to the Condensed Consolidated Financial Statements are in thousands.

Note 2. Inventories

Inventories are comprised of the following:

	<u>March 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Raw materials	\$ 51,022	\$ 49,205
Work in process	32,829	31,348
Finished goods	32,710	34,298
Inventories	<u>\$116,561</u>	<u>\$ 114,851</u>

Inventories on consignment at customer locations as of March 31, 2017 and December 31, 2016 totaled \$4.4 million and \$5.0 million, respectively.

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the average cost method. The inventory valuations above were developed using normalized production capacities for each of our manufacturing locations. Any costs from abnormal excess capacity or underutilization of fixed production overheads are expensed in the period incurred and are not included as a component of inventory valuation.

[Table of Contents](#)**Note 3. Net Income Per Share**

	Three Months Ended March 31,	
	2017	2016
Net income (loss)	\$ 7,407	\$ (1,299)
Weighted average shares outstanding	27,303	26,869
Effect of dilutive stock options	331	—
Diluted shares outstanding	<u>27,634</u>	<u>26,869</u>
Basic net income (loss) per share	<u>\$ 0.27</u>	<u>\$ (0.05)</u>
Diluted net income (loss) per share	<u>\$ 0.27</u>	<u>\$ (0.05)</u>

For both the three month periods ended March 31, 2017 and 2016, approximately 0.6 million and 0.8 million potentially dilutive stock options, respectively, had the effect of being anti-dilutive and were excluded from the calculation of diluted earnings per share

Note 4. Segment Information

The segment information and the accounting policies of each segment are the same as those described in the notes to the consolidated financial statements entitled “Segment Information” and “Summary of Significant Accounting Policies and Practices,” respectively, included in the 2016 Annual Report. Our business is aggregated into three reportable segments, the Precision Bearing Components Group, the Precision Engineered Products Group and the Autocam Precision Components Group. We account for inter-segment sales and transfers at current market prices. We did not have any significant inter-segment transactions during the three month period ended March 31, 2017.

	Precision Bearing Components Group	Autocam Precision Components Group	Precision Engineered Products Group	Corporate and Consolidations	Total
Three Months ended March 31, 2017					
Revenues from external customers	\$ 68,759	\$ 86,446	\$ 71,109	\$ —	\$ 226,314
Income (loss) from operations	\$ 8,402	\$ 10,601	\$ 10,914	\$ (7,759)	\$ 22,158
Total assets	\$ 226,829	\$ 428,512	\$ 727,418	\$ 8,284	\$ 1,391,043
Three Months ended March 31, 2016					
Revenues from external customers	\$ 64,745	\$ 83,990	\$ 63,491	\$ —	\$ 212,226
Income (loss) from operations	\$ 6,326	\$ 6,527	\$ 5,421	\$ (6,400)	\$ 11,874
Total assets	\$ 227,852	\$ 426,741	\$ 737,956	\$ 3,068	\$ 1,395,617

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Note 5. Long-Term Debt

Long-term debt at March 31, 2017 and December 31, 2016 consisted of the following:

	March 31, 2017	December 31, 2016
\$545.0 million Senior Secured Term Loan B (“Senior Secured Term Loan”) bearing interest at the greater of 0.75% or 1 month LIBOR (0.98% at March 31, 2017) plus an applicable margin of 4.25% at March 31, 2017, expiring October 19, 2022, net of debt issuance costs of \$18.2 million at March 31, 2017 and \$19.0 million at December 31, 2016.	\$523,884	\$ 524,539
\$143.0 million Senior Secured Revolver (“Senior Secured Revolver”) bearing interest at LIBOR (0.98% at March 31, 2017) plus an applicable margin of 3.50% at March 31, 2017, expiring October 19, 2020, net of debt issuance costs of \$2.5 million at March 31, 2017 and \$2.7 million at December 31, 2016.	38,021	25,298
\$250.0 million Senior Notes (“Senior Notes”) bearing interest at 10.25%, maturing on November 1, 2020, net of debt issuance costs of \$4.7 million at March 31, 2017 and \$4.9 million at December 31, 2016.	245,340	245,077
French Safeguard Obligations (Autocam)	363	358
Brazilian lines of credit and equipment notes (Autocam)	489	573
Chinese line of credit (Autocam)	2,106	2,619
Total debt	810,203	798,464
Less current maturities of long-term debt	10,753	12,751
Long-term debt, excluding current maturities of long-term debt	<u>\$799,450</u>	<u>\$ 785,713</u>

See subsequent event footnote related to amending the Senior Secured Term Loan for the Incremental Term Loan and the redemption of the Senior Notes.

As part of Autocam Corporation (“Autocam”), we 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 used to fund working capital and equipment purchases in those countries. The following paragraphs describe these foreign credit facilities.

Our French operation (acquired with Autocam) has liabilities with certain creditors subject to Safeguard protection. The liabilities are being paid annually over a 10-year period until 2019 and carry a zero percent interest rate. Amounts due as of March 31, 2017 to those creditors opting to be paid over a 10-year period totaled \$0.4 million, of which \$0.1 million is included in current maturities of long-term debt and \$0.3 million is included in long-term debt, net of current portion, on the Condensed Consolidated Balance Sheet.

The Brazilian equipment notes represent borrowings from certain Brazilian banks to fund equipment purchases for Autocam’s Brazilian plants. These credit facilities have annual interest rates ranging from 2.5% to 9.1%.

The Chinese line of credit is a working capital line of credit with a Chinese bank bearing an annual interest rate of approximately 4.6%.

Note 6. Goodwill, Net

The changes in the carrying amount of goodwill, net, for the three months ended March 31, 2017 are as follows:

	Precision Bearing Components Group	Autocam Precision Components Group	Precision Engineered Products Group	Total
Balance as of December 31, 2016	\$ 8,909	\$ 70,717	\$ 370,685	\$ 450,311
Currency impacts	88	104	944	1,136
Balance as of March 31, 2017	<u>\$ 8,997</u>	<u>\$ 70,821</u>	<u>\$ 371,629</u>	<u>\$ 451,447</u>

The goodwill balances are tested for impairment on an annual basis during the fourth quarter and more often if a triggering event occurs. As of March 31, 2017, there were no indications of impairment at the reporting units with goodwill balances.

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Note 7. Intangible Assets, Net

The changes in the carrying amount of intangible assets, net, for the three months ended March 31, 2017 are as follows:

	Precision Bearing Components Group	Autocam Precision Components Group	Precision Engineered Products Group	Total
Balance as of December 31, 2016	\$ 1,718	\$ 42,928	\$ 211,335	\$255,981
Amortization	(52)	(874)	(4,966)	(5,892)
Currency impacts	16	7	—	23
Balance as of March 31, 2017	<u>\$ 1,682</u>	<u>\$ 42,061</u>	<u>\$ 206,369</u>	<u>\$250,112</u>

Note 8. Shared-Based Compensation

The share-based compensation expense during the three months ended March 31, 2017 and 2016 consisted of the following:

	Three Months Ended March 31,	
	2017	2016
Stock options	\$ 381	\$ 202
Restricted stock	460	648
Performance share units	311	151
Share-based compensation	<u>\$ 1,152</u>	<u>\$ 1,001</u>

Stock Options

During the three months ended March 31, 2017, we granted 125,700 option awards to officers and certain other key employees. The weighted average grant date fair value of options granted during the three months ended March 31, 2017, was \$11.84. The fair value of our options cannot be determined by market value, because our options are not traded in an open market. Accordingly, we utilized the Black Scholes financial pricing model to estimate the fair value. The weighted average assumptions relevant to determining the fair value of the 2017 stock option grants are below:

	2017 Stock Option Awards
Term	6 years
Risk free interest rate	2.03%
Dividend yield	1.16%
Expected volatility	56.56%
Expected forfeiture rate	3.00%

The following table provides a reconciliation of option activity for the three months ended March 31, 2017:

Options	Shares (000)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at January 1, 2017	897	\$ 12.22		
Granted	126	24.20		
Exercised	(81)	11.45		
Forfeited or expired	(2)	13.29		
Outstanding at March 31, 2017	<u>940</u>	<u>\$ 13.88</u>	<u>6.5</u>	<u>\$ 10,643 (1)</u>
Exercisable at March 31, 2017	<u>694</u>	<u>\$ 12.11</u>	<u>5.4</u>	<u>\$ 9,081 (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 March 31, 2017.

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Restricted Stock

During the three months ended March 31, 2017, we granted 83,135 restricted stock awards to non-executive directors, officers and certain other key employees. The shares of restricted stock granted during the three months ended March 31, 2017, vest pro-rata over three years for officers and certain other key employees and over one year for non-executive directors. The fair value of the shares issued was determined by using the grant date closing price of our common stock, or \$24.20.

Performance Share Units

During the three months ended March 31, 2017, we granted 98,618 restricted stock awards to officers and certain other key employees. The performance share units granted will be satisfied in the form of shares of common stock during 2020 if certain performance and/or market conditions are met. We are recognizing the compensation expense over the three-year period in which the performance and market conditions are measured. The fair value of the performance share units issued was determined by using the grant date closing price of our common stock for the units with a performance condition, or \$24.20, and a Monte Carlo valuation model for the units that have a market condition, or \$29.84.

Note 9. Provision for Income Taxes

Our effective tax rate for the three-month period ended March 31, 2017 was 29% as compared to 21% for the three-month period ended March 31, 2016. Our effective tax rate for 2017 and 2016 differs from the U.S. federal statutory rate of 34% due primarily to our earnings outside the United States that are indefinitely reinvested and taxed at rates lower than the U.S. federal statutory rate.

Management believes that it is reasonably possible that the amount of unrecognized income tax benefits and interest may decrease during the next 12 months by approximately \$0.6 million related to the expiration of the statutes of limitations, of which \$0.5 million would reduce income tax expense.

Note 10. Commitments and Contingencies

Brazil ICMS Tax Matter

Prior to our acquisition of Autocam, Autocam's Brazilian subsidiary received notification from the Brazilian tax authorities regarding ICMS (state value added tax or VAT) tax credits claimed on intermediary materials (tooling and perishable items) used in the manufacturing process. The Brazilian 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 process. Autocam Brazil filed an administrative defense with the Brazilian tax authority arguing, among other matters, that it should qualify for an ICMS tax credit, contending that the intermediary materials are directly related to the manufacturing process.

We believe that we have substantial legal and factual defenses, and we plan to defend our interests in this matter vigorously. While we believe a loss is not probable, we estimate the range of possible losses related to this assessment is from \$0 to \$6.0 million. No amount was accrued at March 31, 2017 for this matter. There was no material change in the status of this matter from December 31, 2016 to March 31, 2017.

We are entitled to indemnification from the former shareholders of Autocam, subject to the limitations and procedures set forth in the agreement and plan of merger relating to our acquisition of Autocam. Management believes the indemnification would include amounts owed for the tax, interest and penalties related to this 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.

Note 11. Investment in Non-Consolidated Joint Venture

As part of the Autocam acquisition, we own a 49% investment in a joint venture with an unrelated entity called Wuxi Weifu Autocam Precision Machinery Company, Ltd. (the "JV"), a Chinese company located in Wuxi, China. The JV is jointly controlled and managed, and is being accounted for under the equity method.

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Below are the components of our JV investment balance and activity for the period ending March 31, 2017:

Balance as of December 31, 2016	\$40,694
Our share of cumulative earnings	1,807
Accretion of basis difference from purchase accounting	(114)
Balance as of March 31, 2017	<u>\$42,387</u>

The following table summarizes balance sheet information for the JV:

	March 31, 2017	December 31, 2016
Current assets	\$ 37,441	\$ 31,295
Non-current assets	23,463	22,522
Total assets	<u>\$ 60,904</u>	<u>\$ 53,817</u>
Current liabilities	\$ 15,853	\$ 13,549
Total liabilities	<u>\$ 15,853</u>	<u>\$ 13,549</u>

We had sales to the JV of approximately \$0.1 million during the three months ended March 31, 2017. Amounts due to us from the JV were \$0.1 million as of March 31, 2017.

Note 12. Fair Value Measurements

We present fair value measurements and disclosures applicable to both our financial and nonfinancial assets and liabilities that are measured and reported on a fair value basis. Fair value is an exit price representing the expected amount we would receive to sell an asset or pay to transfer a liability in an orderly transaction with market participants at the measurement date. We have followed consistent methods and assumptions to estimate the fair values as more fully described in the 2016 Annual Report.

Our financial instruments that are subject to fair value disclosure consist of cash and cash equivalents, accounts receivable, accounts payable, derivatives and long-term debt. At March 31, 2017, the carrying values of all of these financial instruments, except the long-term debt with fixed interest rates, approximated fair value. The fair value of floating-rate debt approximates the carrying amount because the interest rates paid are based on short-term maturities. The fair value of our fixed-rate long-term debt is estimated based on the Bloomberg algorithm, which takes into account similar sized and industry debt (a Level 2 category fair value measurement). As of March 31, 2017, the fair value of our fixed-rate debt was \$250.1 million, and \$245.4 net of debt issuance costs.

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.

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Recurring Fair Value Measurements

The following table summarizes the assets and liabilities measured at fair value on a recurring basis for our interest rate swap derivative financial instrument:

Description	Fair Value Measurements at March 31, 2017			
	March 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative asset - current	\$ 4	\$ —	\$ 4	\$ —
Derivative asset - noncurrent	7	—	7	—
Derivative liability - current	(1,485)	—	(1,485)	—
Derivative liability - noncurrent	(636)	—	(636)	—
	<u>\$ (2,110)</u>	<u>\$ —</u>	<u>\$ (2,110)</u>	<u>\$ —</u>

Description	Fair Value Measurements at December 31, 2016			
	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative asset - current	\$ 69	\$ —	\$ 69	\$ —
Derivative asset - noncurrent	6	—	6	—
Derivative liability - current	(1,903)	—	(1,903)	—
Derivative liability - noncurrent	(1,028)	—	(1,028)	—
	<u>\$ (2,856)</u>	<u>\$ —</u>	<u>\$ (2,856)</u>	<u>\$ —</u>

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.

Our \$150 million interest rate swap went into effect on December 29, 2015, at which time our interest rate was effectively 6.966%. The objective of the hedge was to eliminate the variability of cash flows in interest payments on the first \$150 million of variable interest rate debt (the Term Loan B). The variable rate benchmark was the three month LIBOR rate for both the Term Loan B and the interest rate swap. The changes in cash flows of the interest rate swap were expected to exactly offset the changes in cash flows of the Term Loan B. The hedged risk was the interest rate risk exposure to changes in the interest payments, attributable to changes in the benchmark three month LIBOR interest rates (subject to a 1.0% LIBOR index floor) from December 29, 2015 through December 31, 2018. As amended, the LIBOR floor index was lowered to 0.75% on September 30, 2016, and our intent regarding future interest rate resets changed. Three-month LIBOR was above the floor, and it was more economical to use one month LIBOR. Therefore, our intentions called into question the probability of the amounts deferred in accumulated other comprehensive income (“AOCI”) as the forecasted transactions would not be probable. As a result, we chose to discontinue hedge accounting, reclassified all amounts in AOCI to earnings, and began to account for the interest rate swap on a mark-to-market basis during 2016. The change in reporting will have no impact on our reported cash flows, although future results of operations on a generally accepted accounting principles basis will be affected by the potential volatility of mark-to-market gains and losses which fluctuate with changes in interest rates.

The inputs for determining fair value of the interest rate swap are classified as Level 2 inputs. 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 Balance Sheet included within other current assets and other non-current assets and other current liabilities and other non-current liabilities. To the extent we presented the derivative contract on a net basis, we would have a derivative in a net liability position of \$2.1 million as of March 31, 2017. We do not have any cash collateral due under such agreements.

As of March 31, 2017, we reported no gains or losses in AOCI related to the interest rate swaps. Additionally, during 2016 when the interest rate swap was accounted for in accordance with hedge accounting, the periodic settlements and related reclassification of other comprehensive income was \$1.4 million of net hedging losses on the interest rate swap in the interest expense line on the Consolidated Statements of Operations. We recognized \$0.5 million of interest rate swap settlements for the first quarter of 2017 in Derivative losses on change in interest rate swap fair value line on the Consolidated Statement of Operations. If there are no changes in the interest rates for the next twelve months, we expect \$1.5 million in cash payments related to the interest rates swap. See the following “Derivatives’ Hedging Relationships” section of this Note for more information regarding the impact of the interest rate swaps on our Condensed Consolidated Financial Statements.

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Derivatives' Hedging Relationships

	Amount recognized in Other Comprehensive Income (effective portion)		Location of gain/(loss) reclassified from AOCI into Net Income (effective portion)	Pre-tax amount of gain/(loss) reclassified from AOCI in Net Income (effective portion)	
	March 31, 2017	December 31, 2016		March 31, 2017	December 31, 2016
	Derivatives' Cash Flow Hedging Relationships				
Forward starting interest rate swap contract	\$ —	\$ —	Interest Expense	\$ —	\$ (1,393)
	<u>\$ —</u>	<u>\$ —</u>		<u>\$ —</u>	<u>\$ (1,393)</u>

As of March 31, 2017, we did not own derivative instruments that were classified as fair value hedges or trading securities. In addition, as of March 31, 2017, we did not own derivative instruments containing credit risk contingencies.

Note 13. Restructuring and Integration

Restructuring and integration costs totaling \$0.1 million and \$2.5 million were recognized in the three months ended March 31, 2017 and 2016.

Within the Precision Bearing Components Group, restructuring initiatives to optimize operations in the U.S., Italy, the Netherlands, Mexico and at segment headquarters resulted in a charge of \$0.1 and \$0.7 million for the three months ended March 31, 2017 and 2016, respectively. These charges consisted primarily of severance and other employee costs relating to personnel reductions.

Within the Autocam Precision Components Group, certain restructuring programs, including the closure of one facility, the Wheeling Plant, resulted in a charge of \$10 thousand and \$1.5 million for the three months ended March 31, 2017 and 2016, respectively.

Within the Precision Engineered Products Group, initiatives resulted in integration, site closure and employee costs of \$0.3 million for the three months ended March 31, 2016. There were no charges in the three months ended March 31, 2017.

The following table summarizes restructuring and integration activity related to actions incurred for the three months ended March 31, 2017 and 2016:

	Three Months Ended March 31,	
	2017	2016
Severance and other employee costs	\$ 140	\$ 1,576
Site closure and other associated costs	—	926
Integration and other associated costs	—	36
Total	<u>\$ 140</u>	<u>\$ 2,538</u>

	Reserve Balance at December 31, 2016	Charges	Paid in 2017	Reserve Balance at March 31, 2017
Severance and other employee costs	\$ 3,019	\$ 140	\$(1,360)	\$ 1,799
Site closure and other associated costs	1,626	—	(449)	1,177
Integration and other associated costs	—	—	—	—
Total	<u>\$ 4,645</u>	<u>\$ 140</u>	<u>\$(1,809)</u>	<u>\$ 2,976</u>

The total restructuring and impairment costs are still being identified at the various segments; therefore, we are not able to estimate the ultimate costs at this time. We will include in future filings updates to these activities along with a reconciliation of beginning and ending liabilities recorded. The amounts recorded for the three months ended March 31, 2017 for restructuring charges that have been incurred are primarily expected to be paid out during 2017. Some amounts related to foreign locations extend through 2021.

Note 14. Subsequent Event

In April 2017, we redeemed our Senior Notes for \$281.6 million resulting in a loss on debt extinguishment of \$36.3 million. The Senior Notes were redeemed with the proceeds of a new \$300 million Incremental Term Loan (the "Incremental Term Loan") that was added by amendment to our existing Senior Secured Term Loan. The interest rate on the Incremental Term Loan was priced at LIBOR plus 3.75%, and the Incremental Term Loan has a maturity date of April 3, 2021.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q 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 us, 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, our 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 our periodic reports filed with the Securities and Exchange Commission. We disclaim 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.

For additional information concerning such risk factors and cautionary statements, please see the section titled “Item 1A. Risk Factors” in our 2016 Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which we filed with the SEC on March 16, 2017 (the “2016 Annual Report”).

Results of Operations

Factors That May Influence Results of Operations

The following is a description of factors that have influenced our three months ended March 31, 2017 results of operations that we believe are important to provide an understanding of our business and results of operations.

OVERALL RESULTS
Three Months Ended March 31, 2017 Compared to the Three Months Ended March 31, 2016

	Consolidated NN, Inc. Three Months Ended March 31,		
	2017	2016	Change
Net sales	\$226,314	\$212,226	\$14,088
<i>Volume</i>			14,132
<i>Foreign exchange effects</i>			(2,034)
<i>Price/material inflation pass-through/mix</i>			1,990
Cost of products sold (exclusive of depreciation and amortization shown separately below)	166,954	159,754	7,200
<i>Volume</i>			8,468
<i>Foreign exchange effects</i>			(1,435)
<i>Mix</i>			2,600
<i>Inflation</i>			1,747
<i>Cost reduction projects/other</i>			(4,180)
Selling, general and administrative	21,494	20,712	782
<i>Foreign exchange effects</i>			18
<i>Infrastructure and staffing costs</i>			764
Depreciation and amortization	15,568	17,348	(1,780)
<i>Foreign exchange effects</i>			24
<i>Amortization of Backlog/unfavorable leasehold</i>			(2,488)
<i>Increase in expense</i>			684
Restructuring and integration	140	2,538	(2,398)
Income from operations	22,158	11,874	10,284
Interest expense	14,956	16,422	(1,466)
Derivative (gains) losses on change in interest rate swap fair value	(88)	—	(88)
Other (income) expense, net	(724)	(1,129)	405
Income (loss) before provision (benefit) for income taxes and share of net income from joint venture	8,014	(3,419)	11,433
Provision (benefit) expense for income taxes	2,300	(720)	3,020
Share of net income from joint venture	1,693	1,400	293
Net income	<u>\$ 7,407</u>	<u>\$ (1,299)</u>	<u>\$ 8,706</u>

Net Sales. Net sales increased during the first quarter of 2017 from the first quarter of 2016 by \$14.1 million, principally due to higher volumes and changes to product mix. The higher volumes were primarily due to improvements within the industrial and medical market demand. Overall, sales were ahead of prior year by \$4.0 million, \$2.5 million and \$7.6 million for PBC, APC and PEP. Partially offsetting these increases were the impact of devaluation of the euro and other currency denominated sales.

Cost of Products Sold (exclusive of depreciation and amortization shown separately below). The increase in cost of products sold was primarily due to the increase in demand and production volumes. Partially offsetting these increases was the impact of the devaluation of the euro and other currency denominated costs. Additionally, increases were partially offset by cost savings from production process improvement projects.

Selling, General and Administrative. The majority of the increase during the first quarter of 2017 from the first quarter of 2016 was due to the infrastructure and staffing costs incurred related to our strategic initiatives.

Depreciation and Amortization. The decrease in depreciation and amortization during the first quarter of 2017 from the first quarter of 2016 is principally due to the remaining backlog and unfavorable leasehold intangibles amortized during the first quarter of 2016. Partially offsetting the overall decrease were additional increases in depreciation expense from new capital projects capitalized.

Interest expense. Interest expense decreased \$1.5 million due to lower interest rates subsequent to the third quarter 2016 refinancing of the Senior Secured Term Loan and Senior Secured Revolver and the change in accounting for derivative interest rate swaps in the same period. Interest rate swap settlements, along with the non-cash mark-to-market gains and losses, are recorded in the Derivative (gains) losses on change in interest rate swap fair value line item.

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Source	Three Months ended March 31,	
	2017	2016
Interest on debt	\$ 13,647	\$ 15,106
Interest rate swaps settlements	—	461
Amortization of debt issuance costs	1,239	939
Capital lease interest	431	283
Capitalized interest (1)	(361)	(367)
Total interest expense	\$ 14,956	\$ 16,422

(1) Capitalized interest primarily relates to the equipment construction efforts at the various plants.

RESULTS BY SEGMENT

PRECISION BEARING COMPONENTS GROUP

	Three Months Ended March 31,		
	2017	2016	Change
Net sales	\$68,759	\$64,745	\$4,014
<i>Volume</i>			3,974
<i>Foreign exchange effects</i>			(2,151)
<i>Price/material inflation pass-through/mix</i>			2,191
Income from operations	<u>\$ 8,402</u>	<u>\$ 6,326</u>	<u>\$2,076</u>

Net sales increased \$4.0 million during the first quarter of 2017 from the first quarter of 2016 due to higher demand volumes and changes to product mix. The higher volumes were primarily due to demand improvements within the industrial and automotive markets.

The increase in income from operations was consistent with the increase in net sales and from continuous improvement projects.

AUTOCAM PRECISION COMPONENTS GROUP

	Three Months Ended March 31,		
	2017	2016	Change
Net sales	\$86,446	\$83,990	\$2,456
<i>Volume</i>			2,449
<i>Foreign exchange effects</i>			491
<i>Price/material inflation pass-through/mix</i>			(484)
Income from operations	<u>\$10,601</u>	<u>\$ 6,527</u>	<u>\$4,074</u>

Net sales increased \$2.5 million during the first quarter of 2017 from the first quarter of 2016 due to industrial market demand improvements in the US and new automotive program launches in Asia and Brazil.

The increase in income from operations was consistent with the increase in net sales. Additionally, in the prior year, income from operations included \$2.3 million in restructuring costs that did not reoccur.

PRECISION ENGINEERED PRODUCTS GROUP

	Three Months Ended March 31,		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Net sales	\$71,109	\$63,491	\$7,618
<i>Volume</i>			7,709
<i>Foreign exchange effects</i>			(374)
<i>Price/material inflation pass-through/mix</i>			283
Income from operations	<u>\$10,914</u>	<u>\$ 5,421</u>	<u>\$5,493</u>

Net sales increased \$7.6 million during the first quarter of 2017 from the first quarter of 2016 due to the overall improvement in demand across the medical market from new program wins and generally market growth. Additional growth was driven through new customers within the aerospace market.

The increase in income from operations was consistent with the increase in net sales; additionally, amortization decreased due to the lack of 2017 backlog amortized, which occurred during the first quarter of 2016 and impacted operations by \$2.5 million.

Changes in Financial Condition from December 31, 2016 to March 31, 2017.

From December 31, 2016 to March 31, 2017, total assets increased by \$30.7 million, and current assets increased by \$29.8 million. The asset balance during 2017 was driven by an increase in accounts receivable and cash and cash equivalents, offset partially by amortization expense of intangibles. Despite the increase in net sales, we held inventory levels relatively flat with days inventory outstanding decreasing approximately 5 days.

From December 31, 2016 to March 31, 2017, total liabilities increased by \$18.0 million. The majority of the increase was due to the \$5.9 million increase in income taxes payable, and \$11.7 million increase in debt.

Working capital, which consists principally of accounts receivable and inventories offset by accounts payable and current maturities of long-term debt, was \$160.2 million at March 31, 2017, compared to \$141.9 million at December 31, 2016. The increase in working capital was due primarily to the increase in accounts receivable and cash and cash equivalents, as discussed above.

Cash provided by operations was \$5.2 million in 2017 compared with cash provided by operations of \$3.4 million in 2016. The difference was due to increased earnings, net of noncash activity, offset by increased accounts receivables.

Cash used by investing activities was \$8.5 million in 2017 compared with cash used by investing activities of \$8.0 million in 2016. The primary difference was capital spending related to an increased basis of plants to support and maintain.

Cash provided by financing activities was \$8.3 million in 2017 compared with cash provided by financing activities of \$5.4 million in 2016. The driver in 2017 was primarily related to proceeds of debt to fund working capital.

Liquidity and Capital Resources

Amounts outstanding under our Senior Secured Term Loan, Senior Notes, and our Senior Secured Revolver as of March 31, 2017, were \$832.7 million (without regard to debt issuance costs). As of March 31, 2017, we could borrow up to \$92.0 million under our Senior Secured Revolver subject to certain limitations. The \$92.0 million of availability is net of \$10.4 million of outstanding letters of credit at March 31, 2017, which are considered as usage of the Senior Secured Revolver.

Our Senior Secured Term Loan requires us to pay quarterly 0.25% (or \$1.4 million) of the initial principal amount through September 30, 2022 with the remaining principal amount due on the maturity date. Additionally, as long as LIBOR stays below 0.75%, we will be paying 5.00% per annum in interest. If the LIBOR exceeds 0.75%, then the rate will be the variable LIBOR rate plus an applicable margin of 4.25%. Based on the outstanding balance at March 31, 2017, the annual interest payments would have been \$28.4 million.

Our Senior Secured Revolver requires us to pay interest rate of LIBOR plus an applicable margin of 3.50%. Based on the outstanding balance at March 31, 2017, the annual interest payments would have been \$1.7 million.

Our Senior Notes require us to pay annual interest of 10.25% payable semi-annually in arrears on May 1 and November 1 of each year. Based on the outstanding balance at March 31, 2017, the annual interest payments would have been \$25.6 million. However, based upon the retirement of the Senior Notes discussed in Note 14 of the Notes to the Consolidated Financial Statements for information related to amending the Senior Secured Term Loan to provide for the Incremental Term Loan and the retirement of the Senior Notes, the interest paid was \$10.8 million for the period November 1, 2016 through April 3, 2017.

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Subsequent to March 31, 2017, we redeemed our Senior Notes for \$281.6 million resulting in a loss on debt extinguishment of \$36.3 million. The Senior Notes were redeemed with the proceeds of a new \$300 million Incremental Term Loan (the "Incremental Term Loan") that was added by amendment to our existing Senior Secured Term Loan. The interest rate on the Incremental Term Loan was priced at LIBOR plus 3.75%, and the Incremental Term Loan has a maturity date of April 3, 2021.

We believe that funds generated from our consolidated operations will provide sufficient cash flow to service these required debt and interest payments under these facilities.

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 Precision Bearing Components Group'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.

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 March 31, 2017, 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.

For the next twelve months, we expect capital expenditures to remain relatively consistent, 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 this period. We base this assertion on our current availability for borrowing of up to \$92.0 million and our forecasted positive cash flow from operations for the next twelve months.

Seasonality and Fluctuation in Quarterly Results

General economic conditions impact our business and financial results, and certain of our businesses experience seasonal and other trends related to the industries and end markets that they serve. For example, European sales are often weaker in the summer months, medical device sales are often stronger in the fourth calendar quarter and sales to OEMs are often stronger immediately preceding and following the launch of new products. However, as a whole, we are not subject to material seasonality.

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.

Critical Accounting Policies

Our critical accounting policies, including the assumptions and judgments underlying them, are disclosed in the 2016 Annual Report, including those policies as discussed in Note 1 to the Notes to Consolidated Financial Statements included in the 2016 Annual Report. There have been no changes to these policies during the three months ended March 31, 2017, except as discussed in Note 1 to the Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to changes in financial market conditions in the normal course of our business due to use of certain financial instruments as well as transacting business in various foreign currencies. To mitigate the 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 March 31, 2017, we had \$40.5 million outstanding under our variable rate revolving credit facilities, without regard to debt issuance costs. See Note 5 of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q. At March 31, 2017, a one-percent increase in the interest rate charged on our outstanding variable rate borrowings under our Senior Secured Revolver would result in interest expense increasing annually by approximately \$0.4 million.

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At March 31, 2017, we had \$542.1 million outstanding under our variable rate Senior Secured Term Loan B, without regard to debt issuance costs. See Note 5 of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q. At March 31, 2017, a one-percent increase in the interest rate charged on this outstanding variable rate borrowings under the Senior Secured Term Loan B would result in interest expense increasing annually by approximately \$5.4 million.

Our policy is to manage interest expense using a mix of fixed and variable rate debt. As such, we entered into a \$150.0 million interest rate swap that went into effect on December 29, 2015, which was amended and restated on September 30, 2016 to change the LIBOR indexed floor from 1.0% to 0.75%, and fix our interest rate at 6.466% for a portion of our Senior Secured Term Loan B. 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 Precision Bearing Components Group 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 hold a position in any foreign currency hedging instruments as of March 31, 2017.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")). Our disclosure controls are designed to ensure that material information relating to us is made known to our Chief Executive Officer and Chief Financial Officer by others within our organization. Based upon that evaluation, as a result of the material weaknesses in internal control over financial reporting described below, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2017 to ensure that information required to be disclosed in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Previously Identified Material Weaknesses in Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis.

We previously disclosed in the 2016 Annual Report the following material weaknesses, which still existed as of March 31, 2017. We did not maintain an effective control environment due to a lack of a sufficient complement of personnel with an appropriate level of knowledge, experience and training commensurate with our financial reporting requirements. This material weakness in the control environment contributed to the following material weaknesses: we did not design and maintain effective internal control over: (i) the accounting for business combinations, which specifically included not designing and maintaining controls over the (a) accuracy, valuation and presentation and disclosure for allocating goodwill to its international businesses and (b) completeness, accuracy and valuation of deferred income taxes recorded in connection with business combinations; and (ii) the accounting for income taxes, which specifically included not designing and maintaining controls over the completeness, accuracy, valuation and presentation and disclosure of deferred income tax accounts, income tax provision and related disclosures.

These material weaknesses resulted in immaterial errors to goodwill, non-current deferred tax liabilities, income taxes and other comprehensive income in our consolidated financial statements for the years ended December 31, 2016, 2015 and 2014. Additionally, these control deficiencies could result in a misstatement of substantially all account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Notwithstanding such material weaknesses, our Chief Executive Officers and Chief Financial Officers have concluded that our consolidated financial statements in this Quarterly Report on Form 10-Q present fairly, and in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

Remediation Plan for Material Weaknesses

Building on our efforts during 2016, our management, with the oversight of the Audit Committee of our board of directors, continued in the first quarter of 2017 to dedicate significant resources and efforts to improve our control environment and take steps to remediate the material weaknesses identified above. While certain remedial actions have been completed, we continue to actively plan for and implement additional control procedures. The remediation efforts, outlined below are intended both to address the identified material weaknesses and to enhance our overall financial control environment.

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- In 2017, we augmented the personnel within our finance and accounting organization by hiring two additional tax personnel, we are in the process of implementing automated tax software, and are in the process of hiring additional personnel to address technical expertise in SEC reporting;
- Instituted, and will continue to provide, additional training programs for our finance and accounting personnel; and
- Strengthened our business combination and income tax control process with improved accounting policies, documentation standards, technical oversight and training, as well as the recent hires noted above.

These material weaknesses will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

We believe the measures described above will remediate the control deficiencies we have identified and strengthen our internal control over financial reporting. We are committed to continuing to improve our internal control processes and will continue to review, optimize and enhance our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may determine to take additional measures to address control deficiencies or determine to modify, or in appropriate circumstances not to complete, certain of the remediation measures described above.

Changes in Internal Control Over Financial Reporting

Except as noted above in the “Remediation Plan for Material Weaknesses” section above, there were no changes in the fiscal quarter ended March 31, 2017 in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

Brazil ICMS Tax Matter

Prior to our acquisition of Autocam, Autocam’s Brazilian subsidiary received notification from the Brazilian tax authorities regarding ICMS (state value added tax or VAT) tax credits claimed on intermediary materials (tooling and perishable items) used in the manufacturing process. The Brazilian 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 Brazilian tax authority arguing, among other matters, that it should qualify for an ICMS tax credit, contending that the intermediary materials are directly related to the manufacturing process.

We believe that we have substantial legal and factual defenses, and we plan to defend our interests in this matter vigorously. While we believe a loss is not probable, we estimate the range of possible losses related to this assessment is from \$0 to \$6.0 million. No amount was accrued at March 31, 2017 for this matter. There was no material change in the status of this matter from December 31, 2016 to March 31, 2017.

We are entitled to indemnification from the former shareholders of Autocam, subject to the limitations and procedures set forth in the agreement and plan of merger relating to our acquisition of Autocam. Management believes the indemnification would include amounts owed for the tax, interest and penalties related to this 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.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed in our 2016 Annual Report on Form 10-K for the fiscal year ended December 31, 2016, which was filed with the SEC on March 16, 2017 under Item 1A. “Risk Factors.”

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

<u>Period</u>	<u>Total Number of Shares Purchased(1)</u>	<u>Average Price Paid Per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plan or Programs(1)</u>
January 2017	—	\$ —	—	—
February 2017	—	\$ —	—	—
March 2017	14,123	\$ 23.18	—	—
Total	14,123	\$ 23.18	—	—

- (1) Shares were withheld to pay for tax obligations due upon the vesting of restricted stock held by certain employees granted under the NN, Inc. Amended and Restated 2011 Stock Incentive Plan (the “Plan”). The Plan provides for the withholding of shares to satisfy tax obligations. It does not specify a maximum number of shares that can be withheld for this purpose. These shares may be deemed to be “issuer purchases” of shares that are required to be disclosed pursuant to this Item.

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

The exhibits listed in the accompanying Exhibit Index are filed, furnished or incorporated by reference as part of this Quarterly Report.

SIGNATURES

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

Date: May 4, 2017

NN, Inc.
(Registrant)

/s/ Richard D. Holder
Richard D. Holder,
President, Chief Executive Officer and Director
(Principal Executive Officer)
(Duly Authorized Officer)

Date: May 4, 2017

/s/ Thomas C. Burwell, Jr.
Thomas C. Burwell, Jr.
Senior Vice President - Chief Financial Officer
(Principal Financial and Accounting Officer)
(Duly Authorized Officer)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Executive Employment Agreement, dated as of October 19, 2015, by and between NN, Inc. and John A. Manzi
10.2	Separation Agreement, dated as of April 1, 2017, by and between NN, Inc. and Matthew S. Heiter
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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

EXECUTIVE EMPLOYMENT AGREEMENT

THIS AGREEMENT is made as of this 19th day of October, 2015, by and between NN, Inc., a Delaware Corporation with its principal place of business in Johnson City, Tennessee (the “Company”), and John A. Manzi (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 19, 2015 (the “Commencement Date”), and shall end on October 19, 2017 (the “End Date”) unless sooner terminated as hereinafter provided. If Executive is employed with Company on or after the End Date, Executive’s employment will be at-will and subject to the Company’s executive employment policies then in effect; provided, however, that if the Company has not adopted executive employment policies on or before the End Date, then the term of this Agreement shall automatically extend for additional one-year periods until such time as such executive employment policies have been adopted, at which time this Agreement shall terminate. 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 Precision Engineered Products 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. Amounts paid under this section are subject to applicable taxes, deductions and withholdings, and will be prorated for the period of time Executive is employed by the Company.

(a) **Base Salary.** The Company shall pay to the Executive an aggregate base salary at a rate of Three Hundred Nineteen Thousand Dollars (USD \$319,000.00) per annum, payable in accordance with the Company's normal payroll practices. Such base salary shall be subject to annual review by the Board of Directors of the Company and/or its Compensation Committee and may be changed from time to time in the discretion of the Board of Directors and/or the Compensation Committee or in accordance with the normal business practices of the Company. Effective as of February 1, 2017, the aggregate base salary in effect at such time shall be increased by \$14,400.

Annual Bonus. Beginning in fiscal year 2016, 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. The Executive will be eligible to participate beginning 2016. For the year ending December 31, 2015, the Executive shall be paid a bonus with respect to the performance of the Company's subsidiary, Precision Engineered Products Holdings, Inc., in accordance with the terms and conditions of the Amended and Restated Precision Engineered Products LLC CEO, CFO and President's Annual Corporate Bonus Plan.

(b) **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, incentive compensation and equity incentive plans, and savings plans and programs), as such plans, policies and programs may continue or be altered by the Company from time to time. The Executive shall be entitled to four weeks of paid vacation for each calendar year during the term of this Agreement.

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) In consideration of Executive's prior service to Precision Engineered Products Holdings, Inc., an amount equal to 18 months of his annual base salary in effect on the date of his Separation from Service. These amounts shall be payable in accordance with the Company's regular payroll procedures over the 18 month period following the Executive's Separation from Service.
- (iii) Any vested rights of Executive in accordance with the Company's plans, programs or policies. A payment equal to the target annual bonus to which the Executive would have been entitled but for the Qualifying Termination, prorated for the portion of the year during which the Executive was employed by the Company (which bonus will be determined in accordance with the Company's corporate guidelines and are distributed after completion of the Company's fiscal year end audit).
- (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, that the Executive is in full compliance with the covenants under paragraphs 7, 8, 9, and 11 of this Agreement.

- (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 be paid in full in a lump sum within 60 days following the Executive's Separation from Service; provided, however, that the Executive is in full compliance with the covenants under paragraphs 7, 8, 9, and 11 of this Agreement.

(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)(ii) 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) 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 under this Agreement or make any further contribution for Executive's benefit under this Agreement 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"), provided that the term "Confidential Information" shall not include (i) any such information that, prior to its use or disclosure by Executive, can be shown to have been in the public domain or generally known or available to customers, suppliers or competitors of the Company through no breach of the provisions of this Agreement or other non-disclosure covenants; (ii) any such information that, prior to its disclosure by the Executive, was rightfully in the receiving third party's possession, without violation of the provisions of this Agreement or other non-disclosure covenants; and (iii) any such information that, prior to its disclosure by the Executive, was independently developed by the receiving third party without violation of the provisions of this Agreement or other non-disclosure covenants. 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, provided that nothing herein shall prohibit the Executive from disclosing Confidential Information as required by law or pursuant to legal process. 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 that may be in Executive's possession or control will be delivered by Executive to the Company promptly upon the Company's request.
8. **Non-Interference with Personnel Relations.** At any time while Executive is employed by the Company and at any time during 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 then, at such time, hire, contract with or employ any then employee of the Company, and/or any then 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 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 at the Company’s written request, 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 subject to set off for any reason and 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: Gail Nixon
207 Mockingbird Lane Johnson City,
TN 37604

To the Executive: John A. Manzi
49 Falcon Lane Cranston, RI
02921

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. The Executive acknowledges that (i) the Employment Agreement between the Executive and Precision Engineered Products Holdings, Inc. dated December 22, 2010 (the "PEP Employment Agreement"), has been terminated and is no longer in effect, including, without limitation, Section 7 of the PEP Employment Agreement and (ii) that the restrictive covenants contained in Sections 8A. and 8B. of the Award Letter between the Executive and PEP are terminated and are no longer in 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. This 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, interest 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, interest 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.** 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, 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 (other than traffic violations) 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;
 - (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 then 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, in and of itself, 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) any material adverse change in Executive's annual compensation and other benefits; or
 - (iv) a requirement to relocate Executive's place of employment in excess of fifty (50) miles from the current principal office of Precision Engineered Products Holdings Inc. and its subsidiaries located at 110 Frank Mossberg Drive, Attleboro, Massachusetts.
- 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 60 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 number of months following Executive's termination of employment pursuant to paragraph 6(a) or 6(c) above which is equal to the number of months for which the Executive is entitled to receive his base salary under paragraph 6(a) or 6(c) above, or a period of 12 months following Executive's termination of employment pursuant to paragraph 6(b) above.
- (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.

By: /s/ Richard Holder
Title: President and CEO

EXECUTIVE

By: /s/ John Manzi
Title: SVP/GM, Precision Engineered Products Group

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 target bonus, which is calculated as 50% of the Executive's base salary.

SEPARATION AGREEMENT

THIS SEPERATION AGREEMENT (this "Agreement") is made as of this 1st day of April, 2017, (the "Effective Date") by and between NN, Inc., a Delaware Corporation with its principal place of business in Johnson City, Tennessee (the "Company"), and Matthew S. Heiter (the "Executive").

WITNESSETH:

WHEREAS, the Company will employ the Executive for the success of the Company and recognizes that the Executive will perform key functions for the Company; and

WHEREAS, the Company has determined that it is in the best interests of the Company to institute a formalized separation arrangement with the Executive in the event of a separation of employment; and

WHEREAS, the Executive desires to enter into this Agreement with the Company;

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 as follows:

1. ***Compensation and Benefits in the Event of Separation from Service.*** In the event of the Executive's Separation from Service, 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 Effective 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 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) In consideration of Executive's prior service to the Company an amount equal to 18 months of his annual base salary in effect on the date of his Separation from Service. These amounts shall be payable in accordance with the Company's regular payroll procedures over the 18 month period following the Executive's Separation from Service.
 - (iii) Any vested rights of Executive in accordance with the Company's plans, programs or policies. A payment equal to the target annual bonus to which the Executive would have been entitled but for the Qualifying Termination, prorated for the portion of the year during which the Executive was employed by the Company (which bonus will be determined in accordance with the Company's corporate guidelines and distributed after completion of the Company's fiscal year end audit).
 - (vi) Prompt reimbursement for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.
 - (vii) \$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, that the Executive is in full compliance with the covenants under paragraphs 2, 3, 4, and 6 of this Agreement.

- (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):
- (iv) The Executive's annual salary provided 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.
 - (v) Any vested rights of Executive in accordance with the Company's plans, programs or policies.
 - (vi) 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 1(c)(ii):
 - (7) The annual salary due to the Executive through the date of his Separation from Service.
 - (8) 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.
 - (9) 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").
 - (10) Any vested rights of Executive in accordance with the Company's plans, programs or policies.
 - (11) Prompt reimbursement for any and all reimbursable business expenses (to the extent not already reimbursed) upon Executive's properly accounting for the same.
 - (12) \$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 be paid in full in a lump sum within 60 days following the Executive's Separation from Service; provided, however, that the Executive is in full compliance with the covenants under paragraphs 2, 3, 4, and 6 of this Agreement.

(ii) Excise Tax.

(3) 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 1(c)(i)(1) of this Agreement and then, to the extent necessary, paragraph 1(c)(i)(2) of this Agreement.

(4) All determinations to be made under this paragraph 1(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 1(c)(iii) shall be borne solely by the Company.

(f) 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.

(g) Limit on Company Liability. Except as expressly set forth in this paragraph 1, 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 under this Agreement or make any further contribution for Executive’s benefit under this Agreement except as provided in this paragraph 1.

9. ***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”), provided that the term “Confidential Information” shall not include (i) any such information that, prior to its use or disclosure by Executive, can be shown to have been in the public domain or generally known or available to customers, suppliers or competitors of the Company through no breach of the provisions of this Agreement or other non-disclosure covenants; (ii) any such information that, prior to its disclosure by the Executive, was rightfully in the receiving third party’s possession, without violation of the provisions of this Agreement or other non-disclosure covenants; and (iii) any such information that, prior to its disclosure by the Executive, was independently developed by the receiving third party without violation of the provisions of this Agreement or other non-disclosure covenants. 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, provided that nothing herein shall prohibit the Executive from disclosing Confidential Information as required by law or pursuant to legal process. 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 that may be in Executive's possession or control will be delivered by Executive to the Company promptly upon the Company's request.

10. ***Non-Interference with Personnel Relations.*** At any time while Executive is employed by the Company and at any time during 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 then, at such time, hire, contract with or employ any then employee of the Company, and/or any then 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.
11. ***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 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.
12. ***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.
13. ***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.

- (d) **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.
- (e) **Return of Material.** Upon the termination of the Executive's employment under this Agreement at the Company's written request, the Executive will promptly return to the Company all copies of information protected by paragraph 6(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.

17. 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.

18. Mitigation. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be subject to set off for any reason and 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.

19. 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: General Counsel
207 Mockingbird Lane Johnson City,
TN 37604

To the Executive:

Matthew S. Heiter
1376 Carr Avenue
Memphis, TN 38104

20. 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.

21. **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.
22. **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.
23. **Governing Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Tennessee, without regard to its conflict of laws principles, to the extent federal law does not apply.
24. **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.
25. **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.

26. Compliance with Section 409A.

- (c) **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. This 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, interest 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, interest 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.
- (d) **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.
- 17. No Adequate Remedy At Law.** 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 2, 3, 4, and 6, 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.
- 28. 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.
- 29. 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.
- 30. 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.

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

- (a) “Cause” means any of the following:
- (v) 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, 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;
 - (vi) willful misconduct or gross negligence by the Executive in either case that results in material damage to the business or reputation of the Company;
 - (vii) 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
 - (viii) the Executive is convicted of a felony or any other crime (other than traffic violations) 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:
- (v) 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
 - (vi) 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;
 - (vii) 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
 - (viii) 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, in and of itself, 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) any material adverse change in Executive’s annual compensation and other benefits; or
 - (iv) a requirement to relocate Executive’s place of employment in excess of fifty (50) miles from the current principal office of the Company as of the date hereof.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 60 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.
- (i) “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.
- (j) “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.
- (k) “Restrictive Period” means (i) a number of months following Executive’s termination of employment pursuant to paragraph 1(a) or 1(c) above which is equal to the number of months for which the Executive is entitled to receive his base salary under paragraph 1(a) or 1(c) above, or a period of 12 months following Executive’s termination of employment pursuant to paragraph 1(b) above.
- (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.

By: /s/ Richard D. Holder

Name: Richard D. Holder

Title: President and Chief Executive Officer

EXECUTIVE:

By: /s/ Matthew S. Heiter

Name: Matthew S. Heiter

SCHEDULE A

Executive's Severance Payment subsequent to a Change in Control as provided in paragraph 1(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 target bonus.

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER 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 quarterly report on Form 10-Q of NN, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying 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: May 4, 2017

/s/ Richard D. Holder

Richard D. Holder
President, Chief Executive Officer and Director
(Principal Executive Officer)

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

I, Thomas C. Burwell, Jr., certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of NN, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying 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: May 4, 2017

/s/ Thomas C. Burwell, Jr.

Thomas C. Burwell, Jr.
Senior Vice President – Chief Financial Officer
(Principal Financial Officer)

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

In connection with the Quarterly Report of NN, Inc. (the "Company") on Form 10-Q for the interim period ended March 31, 2017, 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, and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods indicated.

Date: May 4, 2017

/s/ Richard D. Holder

Richard D. Holder

President, Chief Executive Officer and Director
(Principal Executive Officer)

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

In connection with the Quarterly Report of NN, Inc. (the "Company") on Form 10-Q for the interim period ended March 31, 2017, 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, and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods indicated.

Date: May 4, 2017

/s/ Thomas C. Burwell, Jr.

Thomas C. Burwell, Jr.

Senior Vice President – Chief Financial Officer

(Principal Financial Officer)