

Tecnoglass Inc.
Form 10-Q
May 07, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended March 31, 2015

**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: 001-35436

TECNOGLASS INC.

(Exact Name of Registrant as Specified in Its Charter)

Cayman Islands **N/A**
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

TECNOGLASS INC.

FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 2015

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PART I - FINANCIAL INFORMATION**Item 1. Financial Statements.****Tecnoglass Inc. and Subsidiaries****Condensed Consolidated Balance Sheets****(In thousands, except share and per share data)****(Unaudited)**

| | March 31, 2015 | December 31, 2014 |
|---|---------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$17,132 | \$ 15,930 |
| Trade accounts receivable, net | 47,504 | 44,955 |
| Due from related parties | 32,671 | 28,327 |
| Inventories, net | 31,473 | 28,965 |
| Other current assets | 25,653 | 23,319 |
| Total current assets | 154,433 | 141,496 |
| Long term assets: | | |
| Property, plant and equipment, net | 108,237 | 103,980 |
| Long term receivables from related parties | 3,392 | 4,220 |
| Other long term assets | 5,734 | 6,195 |
| Total long term assets | 117,363 | 114,395 |
| Total assets | \$271,796 | \$ 255,891 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$35,780 | \$ 33,493 |
| Due to related parties | 3,588 | 1,456 |
| Current portion of customer advances on uncompleted contracts | 12,048 | 5,782 |
| Short-term debt and current portion of long term debt | 59,886 | 54,925 |
| Note payable to shareholder | 80 | 80 |
| Other current liabilities | 21,712 | 17,300 |
| Total current liabilities | 133,094 | 113,036 |
| Long term liabilities: | | |
| Warrant liability | 14,913 | 19,991 |

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| | | |
|---|------------------|-------------------|
| Customer advances on uncompleted contracts | 6,767 | 8,333 |
| Long term debt | 37,050 | 39,273 |
| Total liabilities | 191,824 | 180,633 |
| COMMITMENTS AND CONTINGENCIES | | |
| Shareholders' equity | | |
| Preferred shares, \$0.0001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding at March 31, 2015 | - | - |
| Ordinary shares, \$0.0001 par value, 100,000,000 shares authorized, 24,801,132 and 24,801,132 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively | 2 | 2 |
| Legal Reserves | 1,367 | 1,367 |
| Additional paid-in capital | 46,514 | 46,514 |
| Retained earnings | 48,687 | 38,806 |
| Accumulated other comprehensive income | (16,598) | (11,431) |
| Total shareholders' equity | 79,972 | 75,258 |
| Total liabilities and shareholders' equity | \$271,796 | \$ 255,891 |

The Accompanying Notes are an Integral Part of these Condensed Consolidated Financial Statements.

Tecnoglass Inc. and Subsidiaries**Condensed Statements of Operations and Comprehensive Income****(In thousands, except share and per share data)****(Unaudited)**

| | Three months ended | |
|--|---------------------------|-------------------|
| | March 31, | |
| | 2015 | 2014 |
| Operating revenues | \$52,043 | \$47,841 |
| Cost of sales | 34,861 | 33,245 |
| Gross profit | 17,182 | 14,596 |
| Operating expenses | 9,180 | 6,739 |
| Operating income | 8,002 | 7,857 |
| Gain (loss) on change in fair value of warrant liability | 5,078 | (8,880) |
| Non-operating revenues | 3,725 | 1,286 |
| Interest expense | 2,152 | 1,973 |
| Income (Loss) before taxes | 14,653 | (1,710) |
| Income tax provision | 4,772 | 2,971 |
| Net income (loss) | \$9,881 | \$(4,681) |
| Comprehensive income: | | |
| Net income (loss) | 9,881 | (4,681) |
| Foreign currency translation adjustments | (5,167) | (176) |
| Total comprehensive income (loss) | \$4,714 | \$(4,857) |
| Basic income (loss) per share | \$0.40 | \$(0.20) |
| Diluted income (loss) per share | \$0.35 | \$(0.20) |
| Basic weighted average common shares outstanding | 24,801,132 | 24,242,315 |
| Diluted weighted average common shares outstanding | 28,114,251 | 24,242,315 |

The Accompanying Notes are an Integral Part of these Condensed Consolidated Financial Statements.

Tecnoglass Inc. and Subsidiaries**Condensed Consolidated Statements of Cash Flows****(Amounts in thousands)****(Unaudited)**

| | Three Months Ended March 31, | |
|--|---|--------------------------|
| | 2015 | 2014 Restated |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | \$9,881 | \$(4,681) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Provision for bad debts | | 20 |
| Depreciation and amortization | 2,501 | 1,952 |
| Loss on disposition of assets | (9) | - |
| Loss on change in fair value of derivative liability | (18) | (67) |
| (Gain) loss on change in fair value of warrant liability | (5,078) | 8,880 |
| Deferred income taxes | (157) | 548 |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable | (6,008) | (4,436) |
| Inventories | (4,928) | 1,480 |
| Prepaid expenses and other current assets | 153 | (297) |
| Other assets | (3,325) | (6,123) |
| Accounts payable and accrued expenses | 4,871 | (7,400) |
| Customer advances on uncompleted contracts | 5,954 | 1,909 |
| Related parties | (3,961) | (5,541) |
| Other current liabilities | 5,463 | 2,375 |
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 5,339 | (11,381) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 49 | 59 |
| Purchase of investments | (197) | (409) |
| Acquisition of property and equipment | (4,769) | (1,185) |
| CASH USED IN INVESTING ACTIVITIES | (4,917) | (1,535) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from debt | 22,255 | 23,229 |
| Proceeds from the sale of common stock | - | 1,000 |
| Repayments of debt | (21,767) | (16,530) |
| Proceeds from merger | - | 22,519 |
| CASH PROVIDED BY FINANCING ACTIVITIES | 488 | 30,218 |

| | | |
|--|----------|----------|
| Effect of exchange rate changes on cash and cash equivalents | 292 | 100 |
| NET INCREASE IN CASH | 1,202 | 17,402 |
| Cash - Beginning of period | 15,930 | 2,866 |
| Cash - End of period | \$17,132 | \$20,268 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the year for: | | |
| Interest | \$1,385 | \$1,469 |
| Taxes | \$- | \$- |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Assets acquired under capital lease | \$9,100 | \$55 |

The Accompanying Notes are an Integral Part of these Condensed Consolidated Financial Statements.

Tecnoglass Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

(Amounts in thousands, except share and per share data)

(Unaudited)

Note 1. Organization, Plan of Business Operation

Tecnoglass Inc. (“TGI,” the “Company,” “we,” “us” or “our”) was incorporated in the Cayman Islands on September 21, 2011 under the name “Andina Acquisition Corporation” (“Andina”) as a blank check company. Andina’s objective was to acquire, through a merger, share exchange, asset acquisition, share purchase recapitalization, reorganization or other similar business combination, one or more operating businesses. On December 20, 2013, Andina consummated a merger transaction (the “Merger”) with Tecno Corporation (“Tecnoglass Holding”) as ultimate parent of Tecnoglass S.A. (“TG”) and C.I. Energía Solar S.A. ES. Windows (“ES”). The surviving entity was renamed Tecnoglass Inc. The Merger transaction was accounted for as a reverse merger and recapitalization where Tecnoglass Holding was the acquirer and TGI was the acquired company. Accordingly, the business of Tecnoglass Holding and its subsidiaries became our business. We are now a holding company operating through our direct and indirect subsidiaries.

The Company manufactures hi-specification, architectural glass and windows for the global residential and commercial construction industries. Currently the Company offers design, production, marketing, and installation of architectural systems for buildings of high, medium and low elevation size. Products include windows and doors in glass and aluminum, office partitions and interior divisions, floating façades and commercial window showcases. The Company sells to customers in North, Central and South America, and exports about half of its production to foreign countries.

TG manufactures both glass and aluminum products. Its glass products include tempered glass, laminated glass, thermo-acoustic glass, curved glass, silk-screened glass, acoustic glass and digital print glass. Its Alutions plant produces mill finished, anodized, painted aluminum profiles and rods, tubes, bars and plates. Alutions’ operations include extrusion, smelting, painting and anodizing processes, and exporting, importing and marketing aluminum products.

ES designs, manufactures, markets and installs architectural systems for high, medium and low rise construction, glass and aluminum windows and doors, office dividers and interiors, floating facades and commercial display windows.

In 2014, the Company established two Florida limited liability companies, Tecnoglass LLC (“Tecno LLC”) and Tecnoglass RE LLC (“Tecno RE”) to acquire manufacturing facilities, manufacturing machinery and equipment, customer lists and exclusive design permits.

Note 2. Summary of significant accounting policies

Restatement of Prior Period Financial Statements

The Company identified an error in the Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2014 resulting from the incorrect classification of proceeds received from the merger and equity issuance.

In accordance with accounting guidance presented in ASC 250-10 and SEC Staff Accounting Bulletin No. 99, Materiality, management assessed the materiality of the error and concluded it was material to the Company’s Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2014. The Company is restating the Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2014 to correct the error. The restatement results in a decrease in cash flows from operating activities of \$22,519 from \$11,138 to \$(11,381) with a corresponding increase to cash flows from financing activities from \$7,699 to \$30,218. The restatement has no effect on our previously reported Condensed Consolidated Balance Sheets, Condensed Statements of Operations and Comprehensive Income.

Basis of Presentation and Use of Estimates

The accompanying unaudited, condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) and pursuant to the accounting and disclosure rules and regulations of the SEC. The results reported in these unaudited condensed consolidated financial statements are not necessarily indicative of results that may be expected for the entire year. These unaudited condensed consolidated financial statements should be read in conjunction with the information contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Annual Report on Form 10-K). The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by US GAAP.

These unaudited condensed consolidated financial statements include the consolidated results of TGI, its indirect wholly-owned subsidiaries TG and ES, and its direct subsidiaries Tecno LLC and Tecno RE. Material intercompany accounts, transactions and profits are eliminated in consolidation. The unaudited condensed consolidated financial statements are prepared in accordance with the rules of the Securities and Exchange Commission (“SEC”) for interim reporting purposes.

The preparation of these unaudited, condensed consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities at the date of the Company’s financial statements. Actual results may differ from these estimates under different assumptions or conditions. Estimates inherent in the preparation of these, consolidated financial statements relate to the collectability of account receivables, the valuation of inventories, estimated earnings on uncompleted contracts, useful lives and potential impairment of long-lived assets, and valuation of warrants and other derivative financial instruments. Based on information known before these unaudited, condensed consolidated financial statements were available to be issued, there are no estimates included in these statements for which it is reasonably possible that the estimate will change in the near term up to one year from the date of these financial statements and the effect of the change will be material, except for warrant liability further discussed below in this note and Note 10.

Foreign Currency Translation

The condensed consolidated financial statements are presented in United States Dollars, the reporting currency. The functional currency of the Company’s operations in Colombia is the Colombian Peso. The condensed consolidated financial statements of the Company’s foreign operations are prepared in the functional currency. The Statements of Operations and Comprehensive Income prepared in the functional currency are translated into the reporting currency using average exchange rates for the respective periods. Assets and liabilities on the condensed consolidated Balance Sheets are translated into the reporting currency using rates of exchange at the end of the period and the related translation adjustments are recorded as accumulated other comprehensive income, a component of equity in the condensed consolidated balance sheet.

Revenue Recognition

Our principal sources of revenue are derived from product sales of manufactured glass and aluminum products. Revenue is recognized when (i) persuasive evidence of an arrangement exists in the form of a signed purchase order or contract, (ii) delivery has occurred per contracted terms, (iii) fees and prices are fixed and determinable, and (iv) collectability of the sale is reasonably assured. All revenue is recognized net of discounts, returns and allowances. The Company recognizes revenue when goods are shipped, which is “FOB shipping point”. Delivery to the customer is deemed to have occurred when the customer takes title to the product. Generally, title passes to the customer upon shipment, but title transfer may occur when the customer receives the product based on the terms of the agreement

with the customer.

Revenues from fixed price contracts are recognized using the percentage-of-completion method, measured by the percentage of costs incurred to date to total estimated costs for each contract. Revenues recognized in advance of amounts billable pursuant to contracts terms are recorded as unbilled receivables on uncompleted contracts based on work performed and costs to date. Unbilled receivables on uncompleted contracts are billable upon various events, including the attainment of performance milestones, delivery of product and/or services, or completion of the contract. Revisions to cost estimates as contracts progress have the effect of increasing or decreasing expected profits each period. Changes in contract estimates occur for a variety of reasons, including changes in contract scope, estimated revenue and estimated costs to complete.

Trade Accounts Receivable

Trade accounts receivable are recorded net of allowances for cash discounts for prompt payment, doubtful accounts and sales returns. Estimates for cash discounts and sales returns are based on contractual terms, historical trends and expectations regarding the utilization rates for these clients. The Company's policy is to reserve for uncollectible accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance for doubtful accounts is necessary based on an analysis of past due accounts and other factors that may indicate that the collectability of an account may be in doubt. Account balances deemed uncollectible are charged to the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventories

Inventories, which consist primarily of purchased and processed glass, aluminum, parts and supplies held for use in the ordinary course of business, are valued at the lower of cost or market. Cost is determined using a weighted-average method. Inventory consisting of certain job specific materials not yet installed are valued using the specific identification method. Reserves for excess or slow-moving inventories are updated based on historical experience of a variety of factors including sales volume and levels of inventories at the end of the period. The Company does not maintain allowances for the lower of cost or market for inventories of finished products as its products are manufactured based on firm orders rather than built-to-stock.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Significant improvements and renewals that extend the useful life of the asset are capitalized. Repairs and maintenance are charged to expense as incurred. When property is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any related gains or losses are included in income as a reduction to, or increase in selling, general and administrative expenses. Depreciation is computed on a straight-line basis, based on the following estimated useful lives:

| | |
|-------------------------------|----------|
| Buildings | 20 years |
| Machinery and equipment | 10 years |
| Furniture and fixtures | 10 years |
| Office equipment and software | 5 years |
| Vehicles | 5 years |

Warrant liability

The Company accounts for the warrants against its ordinary shares as a derivative liability. The Company classifies the warrant instrument as a liability at its fair value because the warrants do not meet the criteria for equity treatment under guidance contained in ASC 815-40-15-7D. This liability is subject to re-measurement at each balance sheet date and adjusted at each reporting period until exercised or expired, and any change in fair value is recognized in the Company's condensed consolidated statement of operations.

The Company determines the fair value of warrant liability using the Binomial Lattice options pricing model. In general, the inputs used are unobservable and the fair value measurement of the warrant liability is classified as a Level 3 measurement under guidance for fair value measurements hierarchy of categorization to reflect the level of judgment and observability of the inputs involved in estimating fair values. Refer to Note 10 for additional details about the Company's warrants.

Income Taxes

Income taxes

The Company's operations in Colombia are subject to the taxing jurisdiction of the Republic of Colombia. Tecnoglass LLC and Tecnoglass RE LLC are subject to the taxing jurisdiction of the United States. TGI and Tecnoglass Holding are subject to the taxing jurisdiction of the Cayman Islands.

The Company recognizes deferred tax assets and liabilities for the expected impact of differences between the financial statements and tax bases of assets and liabilities and for the expected future tax benefit to be derived from tax losses and tax credit carry forwards if any.

The Company believes that its income tax positions and deductions used in its tax filings would be sustained on audit and does not anticipate any adjustments that would result in a material changes to its financial position.

Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of ordinary shares outstanding during the period, excluding the effects of any potentially dilutive securities. Income per share assuming dilution (diluted earnings per share) would give effect to dilutive options, warrants, and other potential ordinary shares outstanding during the period. Basic loss per share is computed by dividing loss available to common shareholders by the weighted-average number of common shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The Company considered the dilutive effect of warrants to purchase ordinary shares in the calculation of diluted income per share, which resulted in 28,114,251 shares of dilutive securities for the three month period ended March 31, 2015. The computation of diluted earnings per share for the three months ended March 31, 2014 excludes the effects of dilutive options, warrants and other potentially dilutive securities because their inclusion, given a net loss for the period, would be anti-dilutive.

The following table sets forth the computation of the basic and diluted earnings per share for the three-month periods ended March 31, 2015 and 2014:

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| | | |
|---|------------|------------|
| Numerator for basic and diluted earnings per shares | | |
| Net Income | \$9,881 | \$(4,681) |
| Denominator | | |
| Denominator for basic earnings per ordinary share - weighted average shares outstanding | 24,801,132 | 24,242,315 |
| Effect of dilutive warrants and earnout shares | 3,313,119 | - |
| Denominator for diluted earnings per ordinary share - weighted average shares outstanding | 28,114,251 | 24,242,315 |
| Basic earnings per ordinary share | \$0.40 | \$(0.20) |
| Diluted earnings per ordinary share | \$0.35 | \$(0.20) |

Product Warranties

The Company offers product warranties in connection with the sale and installation of its products that are competitive in the markets in which the products are sold. Standard warranties depend upon the product and service, and are generally from five to ten years for architectural glass, curtain wall, laminated and tempered glass, window and door products. Warranties are not priced or sold separately and do not provide the customer with services or coverages in addition to the assurance that the product complies with original agreed-upon specifications. Claims are settled by replacement of the warrantied products.

Non-Operating Revenues

The Company recognizes non - operating revenues from foreign currency transaction gains and losses, interest income on receivables, proceeds from sales of scrap materials and other activities not related to the Company's operations. Foreign currency transaction gains and losses occur when monetary assets, liabilities, payments and receipts that are denominated in currencies other than the Company's functional currency are recorded in the Colombian peso accounts of the Company in Columbia. During the quarters ended March 31, 2015 and 2014, the Company recorded net gains from foreign currency transactions of \$3,361 and \$602, respectively.

Reclassifications

Certain accounts in the prior year's consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements. These reclassifications have no effect on the previously reported net income.

Note 3 - Variable Interest Entities

The Company conducted an evaluation as a reporting entity of its involvement with certain significant related party business entities as of March 31, 2015 in order to determine whether these entities were variable interest entities requiring consolidation or disclosures in the financial statements of the Company. The Company evaluated two entities with whom it has maintained significant commercial relationships since 2004.

ES Windows LLC (“ESW LLC”), a Florida LLC, imports and resells the Company’s products in the United States and acts as a freight forwarder for certain raw materials inventory purchased in the United States. The Company’s CEO and COO, other family members, and other related parties own 100% of the equity in ESW LLC. The Company’s sales to ESW LLC for the three month periods ended March 31, 2015 and 2014 were \$11.9 million and \$8.5 million, respectively. Outstanding receivables from ESW LLC at March 31, 2015 and December 31, 2014 were \$18.9 million and \$13.8 million, respectively.

Ventanas Solar S.A. (“VS”), a Panama sociedad anonima, is an importer and installer of the Company’s products in Panama. Family members of the Company’s CEO and COO and other related parties own 100% of the equity in VS. The Company’s sales to VS for the three month periods ended March 31, 2015 and 2014 were \$1 million and \$3.7 million, respectively. Outstanding receivables from VS at March 31, 2015 and December 31, 2014 were \$11 million and \$12.2 million respectively, including a three-year payment agreement for trade receivables with a long term balance of \$3.4 million and \$4.2 million as of March 31, 2015 and December 31, 2014, respectively, related to a collection agreement between the Company and VS for trade receivables collection from customers in Panama.

Management evaluated several factors, including whether (i) these entities required subordinated financial support from the Company in order to operate, (ii) what variable interests existed in the risks and operations of the entities, (iii) what explicit or implicit interests the Company had in these entities as a result of the significant commercial relationships, (iv) whether the Company or its related parties had the controlling financial interests in these entities, and as a result, (v) who were the primary beneficiaries of those controlling variable interests. In order to evaluate these considerations, the Company analyzed the designs and initial purposes of these entities using available quantitative information, qualitative factors and guidance under ASC 810-10-25 Consolidation and related Subsections.

As of the date of the evaluation, the Company concluded that (i) both entities are deemed variable interest entities because of the presence and effect of significant related parties; (ii) neither variable interest entity requires subordinated financial support for its operations as these operations are designed to provide residual returns to their equity investors, (iii) the Company's explicit variable interests are its arms-length commercial relationships which do not absorb the entities' risks and variability, (iv) that neither the Company nor its related parties had the controlling financial interests, and finally (v) the CEO, COO, family members and other equity investors are more closely related to the ESW LLC and VS and were therefore the primary beneficiaries of those entities' variable interests and residual returns or eventual losses, not the Company. The Company concluded that consolidation of these entities was not indicated.

No subordinated financial support has been provided to these entities as of March 31, 2015 or as of December 31, 2014.

Note 4 – Inventories, net

Inventories are comprised of the following:

| | March 31, 2015 | December 31, 2014 |
|----------------------------|----------------------|-------------------------|
| Raw materials | \$24,432 | \$ 22,421 |
| Work in process | 2,270 | 2,136 |
| Finished goods | 2,589 | 2,158 |
| Stores and spares | 2,288 | 2,371 |
| Packing material | 165 | 171 |
| | 31,744 | 29,257 |
| Less: inventory allowances | (271) | (292) |
| | \$31,473 | \$ 28,965 |

Note 5. Property, Plant and Equipment, Net

Property, plant and equipment consist of the following:

| March 31, | December 31, |
|--------------|-----------------|
|--------------|-----------------|

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| | 2015 | 2014 |
|---|-----------|-----------|
| Building | \$34,677 | \$36,228 |
| Machinery and equipment | 82,350 | 76,497 |
| Office equipment and software | 4,327 | 2,868 |
| Vehicles | 1,309 | 1,412 |
| Furniture and fixtures | 1,604 | 1,651 |
| Total property, plant and equipment | 124,267 | 118,656 |
| Accumulated depreciation and amortization | (31,339) | (31,646) |
| Net value of property and equipment | 92,928 | 87,010 |
| Land | 15,309 | 16,970 |
| Total property, plant and equipment, net | \$108,237 | \$103,980 |

Depreciation and amortization expense, inclusive of capital lease amortization, for the three-month periods ended March 31, 2015 and 2014 amounted to \$2,501 and \$1,952, respectively.

Note 6. Long-Term Debt

At March 31, 2015, the Company owed approximately \$96,936 under its various borrowing arrangements with several banks in Colombia, Panama, the United States and including obligations under various capital leases. The bank obligations have maturities ranging from six months to 15 years that bear interest at rates ranging from 2.9% to 12.03%. These loans are generally secured by substantially all of the Company's accounts receivable and / or inventory. Certain obligations include covenants and events of default including requirements that the Company maintain a minimum debt to EBITDA ratio, a minimum debt service ratio, total debt to total assets ratio and sales growth ratios.

| | March 31, 2015 | December 31, 2014 |
|--|----------------------|-------------------------|
| Obligations under borrowing arrangements | \$96,936 | \$ 94,198 |
| Less: Current portion of long-term debt and other current borrowings | 59,886 | 54,925 |
| Long-term debt | \$37,050 | \$ 39,273 |

Revolving Lines of Credit

The Company has approximately \$1.7 million available in two lines of credit under a revolving note arrangement as of March 31, 2015. The floating interest rates on the revolving notes are between DTF+6% and DTF+7%. DTF is the primary measure of interest rates in Colombia. At March 31, 2015 and December 31, 2014, \$202 and \$375 was outstanding under these lines, respectively.

Proceeds from debt and repayments of debt for the three months ended March 31, 2015 and 2014 are as follows:

| | March 31, | |
|--------------------|-----------|----------|
| | 2015 | 2014 |
| Proceeds form debt | \$22,255 | \$23,229 |
| Repayments of debt | \$21,767 | \$16,530 |

The Company acquired assets under capital leases for the three months ended March 31, 2015 and 2014 for \$9,100 and \$55, respectively.

Interest expense for the three month periods ended March 31, 2015 and 2014 was \$2,152 and \$1,973, respectively.

Note 7. Income Taxes

The Company files income tax returns for TG and ES in the Republic of Colombia. Colombia's Tax Statute was reformed in December 2014. A general corporate income Tax Rate applies at 25% and a CREE Tax based on taxable income also applies at a rate of 9% to certain taxpayers including the Company. Prior to the reform, the CREE Tax would only apply up to tax years 2015. The reform makes the CREE tax rate of 9% permanent and an additional CREE Surtax will also apply for the years 2015 through 2018 at varying rates.

The following table summarizes income tax rates under the tax reform law:

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---------------------|------|------|------|------|------|
| Income Tax | 25 % | 25 % | 25 % | 25 % | 25 % |
| CREE Tax | 9 % | 9 % | 9 % | 9 % | 9 % |
| CREE Surtax | 5 % | 6 % | 8 % | 9 % | - |
| Total Tax on Income | 39 % | 40 % | 42 % | 43 % | 34 % |

The components of income tax expense (benefit) are as follows:

| | 2015 | 2014 |
|--------------------------------|----------|---------|
| Current income tax | | |
| Foreign | \$4,929 | \$2,423 |
| Deferred income tax | | |
| Foreign | \$(157) | \$548 |
| Total Provision for Income tax | 4,772 | 2,971 |
| Effective income tax rate | 33.1 % | -173 % |

The Company's lower effective tax rate for the three-month periods ended March 31, 2015 and 2014 reflect non-taxable revenues of \$5,078 from the change in fair value of warrant liability as of March 31, 2015, compared with a non-deductible loss of \$8,880 for the three month period ended March 31, 2014.

Note 8. Fair Value Measurements

The Company accounts for financial assets and liabilities in accordance with accounting standards that define fair value and establish a framework for measuring fair value. The hierarchy prioritizes the inputs into 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 Company's assumptions used to measure assets and liabilities at fair value. The classification of a financial asset or liability within the hierarchy is determined by the lowest level inputs that are significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at March 31, 2015:

| | Quotes Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|--|
| Warrant Liability | - | - | 14,913 |
| Interest Rate Swap Derivative Liability | - | 107 | - |

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| | | |
|---|-------|---|
| Long term receivable from related parties | 3,392 | - |
|---|-------|---|

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2014:

| | Quotes Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|--|
| Warrant Liability | - | - | 19,991 |
| Interest Rate Swap Derivative Liability | - | 134 | - |
| Long term receivable from related parties | | 4,220 | |

Note 9. Segment and Geographic Information

The Company operates a single segment business for product sales which consists of geographical sales territories as follows:

| | Three months ended March 31, | |
|----------------|---------------------------------|----------|
| | 2015 | 2014 |
| Colombia | \$17,382 | \$20,955 |
| United States | 31,678 | 21,867 |
| Panama | 1,468 | 4,415 |
| Other | 1,515 | 604 |
| Total Revenues | \$52,043 | \$47,841 |

Note 10. Warrant Liability

Prior to the Merger on December 20, 2013 the Company issued an aggregate of 9,200,000 warrants to purchase its ordinary shares as follows: 4,200,000 warrants issued in connection with Andina's Initial Public Offering, 4,800,000 warrants issued in connection with a Private Placement simultaneous with the Initial Public Offering and 200,000 working capital warrants issued upon conversion of a promissory note at the closing of the Merger. Following the Notice of Effectiveness of its Registration Statement on June 16, 2014, an aggregate of 102,570 warrants have been exercised by investors resulting in a net total of 9,097,430 warrants outstanding as of March 31, 2015. The fair value of the warrant liability was determined by the Company using the Binomial Lattice pricing model. This model is dependent upon several variables such as the instrument's expected term, expected strike price, expected risk-free interest rate over the expected instrument term, the expected dividend yield rate over the expected instrument term and the expected volatility of the Company's stock price over the expected term. The expected term represents the period of time that the instruments granted are expected to be outstanding. The expected strike price is based upon a weighted average probability analysis of the strike price changes expected during the term as a result of the down round protection. The risk-free rates are based on U.S. Treasury securities with similar maturities as the expected terms of the options at the date of valuation. Expected dividend yield is based on historical trends. The Company measures volatility using a blended weighted average of the volatility rates for a number of similar publicly-traded companies.

The inputs to the model were as follows:

March 31, 2015 December 31, 2014

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| | | | | |
|---------------------|---------|---|----------|---|
| Stock Price | \$ 9.30 | | \$ 10.15 | |
| Dividend Yield | N/A | | N/A | |
| Risk-free rate | 0.56 | % | 0.67 | % |
| Expected Term | 1.72 | | 1.97 | |
| Expected Volatility | 32.77 | % | 33.62 | % |

The table below provides a reconciliation of the beginning and ending balances for the warrant liability measured using significant unobservable inputs (Level 3):

| | |
|-----------------------------|----------|
| Balance - December 31, 2014 | \$19,991 |
| Fair value adjustment | (5,078) |
| Balance - March 31, 2015 | \$14,913 |

Note 11. Related Parties

The Company's major related party entities are: ESW LLC, a Florida limited liability company partially owned by the Company's Chief Executive Officer and Chief Operating Officer, VS, an importer and installer based in Panama owned by related party family members, and Union Temporal ESW ("UT ESW"), a temporary contractual joint venture under Colombian law with Ventanar S. A. managed by related parties that expires at the end of its applicable contracts.

The following is a summary of assets, liabilities, and income and expense transactions with all related parties, shareholders, directors and managers:

| | Three months ended March 31, 2015 2014 | |
|-------------------------------------|---|-------------------------|
| <u>Revenues</u> | | |
| Sales to ESW LLC | \$ 11,871 | \$ 8,513 |
| Sales to VS | 1,046 | 3,665 |
| Sales to UT ESW | 2 | 66 |
| <u>Expenses</u> | | |
| Fees paid to Directors and Officers | 389 | 117 |
| Paid to other related parties * | 443 | 89 |
| | | |
| | March 31, 2015 | December 31, 2014 |
| <u>Current Assets</u> | | |
| Due from ESW LLC | \$ 18,853 | \$ 13,814 |
| Due from VS | 7,654 | 7,979 |
| Due from UT ESW | 2,103 | 2,000 |
| Due from other related parties | 4,061 | 4,534 |
| | \$ 32,671 | \$ 28,327 |
| | | |
| Long term payment agreement from VS | \$ 3,392 | \$ 4,220 |
| <u>Liabilities</u> | | |
| Due to A Construir S.A. | \$(2,424) | \$(995) |
| Due to other related parties | (1,163) | (461) |

*Payments to other related parties in 2015 and 2014 consists of donations to Fundación Tecnoglass.

In December 2014, the Company and VS executed a three year payment agreement for recovery of trade receivables outstanding for \$6.6 million with an interest rate of Libor + 4.7% paid semiannually. The payment agreement was accounted for at fair value.

In 2013, the Company guaranteed a loan for \$163 used to develop a lot adjacent to the Alutions plant into a related party fuel service station Santa Maria del Mar S.A. At the March 31, 2015 the guarantee was in good standing and no liabilities have been recorded, and the Company was in the process of restructuring the guarantee to exclude the involvement of Tecnoglass, S.A., as required by the merger agreement.

In April 2014, the Company guaranteed approximately \$300 of bank loans for the Company's Foundation. As of March 31, 2015, the loan balance was \$300 and the guarantee is in good standing.

In December 2014, ESW LLC, a related party, guaranteed a mortgage loan for \$3,920 for the acquisition of real properties in Miami-Dade County, Florida in favor of Tecnoglass RE, a wholly owned subsidiary of the Company.

Note 12. Note Payable to Shareholder

From September 5, 2013 to November 7, 2013 A. Lorne Weil loaned the Company \$150 of which \$70 was paid at closing of the Merger and \$80 remained unpaid as of March 31, 2015 and December 31, 2014.

Note 13. Derivative Financial Instruments

In 2012, the Company entered into two interest rate swap (IRS) contracts as economic hedges against interest rate risk through 2017, and two currency forward contracts as economic hedges against foreign currency rate risk on U.S. dollar loans. The currency forwards expired in January 2014. Hedge accounting treatment per guidance in ASC 815-10 and related Subsections was not pursued at inception of the contracts. The derivative contracts are recorded on the balance sheet as liabilities as of March 31, 2015 at an aggregate fair value of \$107. Changes in the fair value of the derivatives are recorded in current earnings.

Note 14. Commitments and Contingencies

Guarantees

Guarantees on behalf of, or from related parties are disclosed in Note 11 - Related Parties

Legal Matters

Tecnoglass S.A. is also a named defendant in the matter of Diplomat Properties, Limited Partnership as assignee of Shower Concepts, Inc. v. Tecnoglass Colombia, S.A. in the 17th Judicial Circuit in and for Broward County, Florida. Plaintiff Diplomat Properties, Limited (“Diplomat”) has asserted a claim for indemnification against TG and Tecnoglass USA, Inc. The claim arises from the supplying of glass shower doors to a hotel/spa in Broward County, Florida. Specifically, in 2006, Diplomat commenced arbitration against Shower Concepts, Inc. seeking damages for breach of contract due to fractures in the installed glass shower doors. Diplomat initiated a complaint asserting various claims, which were dismissed with prejudice. The only remaining claim against the Tecnoglass entities is common law indemnification. TG denies liability and asserts that Shower Concepts was at fault and that as a joint tortfeasor, it cannot sue for indemnity. A trial date has not yet been set for this case. Management and TG’s counsel believes that a liability in this claim is remote and immaterial and there are no significant reasonably estimated amounts for a possible loss.

General Legal Matters

From time to time, the Company is involved in legal matters arising in the ordinary course of business. While management believes that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which the Company is, or could be, involved in litigation, will not have a material adverse effect on its business, financial condition or results of operations.

Note 15. Subsequent Events

The Company has evaluated events that occurred subsequent to March 31, 2015. Pursuant to the merger agreement and plan of reorganization and on filing of financial statements for the fiscal year ended December 31, 2014, Energy Holding Corporation received an aggregate of 500,000 ordinary shares based on the Company's achievement of specified EBITDA targets set forth in such agreement.

On April 14, 2015, the Company's Board of Directors authorized the payment of regular quarterly dividends to holders of its ordinary shares at a quarterly rate of \$0.125 per share (or \$0.50 per share on annual basis). The Board of Directors also approved an Exchange Offer to acquire all of the Company's outstanding warrants in exchange for ordinary shares of the Company at conversion ratio of three warrants in exchange for one ordinary share. The Exchange Offer will remain open for a period of 30 days once exchange documentation is sent to warrant holders and the first quarterly dividend payment will be made to shareholders of record 15 days after the end of the Exchange Offer.

Management concluded that no additional subsequent events required disclosure other than those disclosed in these financial statements.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “should,” “could,” “would,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “continue,” or the negative of such terms or similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in our other Securities and Exchange Commission (“SEC”) filings. References to “we,” “us” or “our” are to Tecnoglass Inc. (formerly Andina Acquisition Corporation), except where the context requires otherwise. The following discussion should be read in conjunction with our condensed consolidated financial statements and related notes thereto included elsewhere in this report.

Overview

The Company is a holding company operating through its indirect, wholly-owned subsidiaries: TG, which manufactures, markets and exports a variety of glass products since 1994 and established the Alutions plant in 2007 for aluminum products, and ES, a leader in the production of high-end windows and architectural glass systems. We have more than 30 years’ experience in the glass and aluminum structure assembly market in Colombia.

The Company manufactures hi-specification, architectural glass and windows for the global residential and commercial construction industries. Currently the Company offers design, production, marketing, and installation of architectural systems for buildings of high, medium and low elevation size. Products include windows and doors in glass and aluminum, office partitions and interior divisions, floating façades and commercial window showcases. The Company sells to more than 800 customers in North, Central and South America, and exports almost half of its production to foreign countries.

In Panama, ES sells products primarily to companies participating in large construction projects in the higher income areas of the city. ES products were supplied in the Soho Plaza, a complex of a shopping mall and two skyscrapers which brought in approximately \$18 million in revenues to the Company since the inception of the contract in 2012.

TG sells to its customers using several sales teams based out of Colombia to specifically target regional markets in South, Central and North America. In addition, TG has approximately ten free-lance sales representatives based in North America.

ES sells its products through four sales teams based out of Colombia, Peru, Panama and the US. The Colombia sales team is the largest sales group and has deep contacts throughout the construction industry, and markets ES's products and installation services. The sales team in Peru is responsible for sales in South America excluding Colombia. Sales forces in Panama and the US are not through subsidiaries but arms-length agreements with sales representatives.

Liquidity

As of March 31, 2015 and December 31, 2014, the Company had cash and cash equivalents of approximately \$15 million and \$16 million, respectively. The Company expects that cash flow from operations, proceeds from borrowings under the Company's lines of credit, and the proceeds from the merger will be its primary sources of liquidity and will be sufficient to fund the Company's cash requirements for the next twelve months.

Additionally, until the redemption of certain warrants and unit purchase options or their expiration in December 2016, we could receive up to \$89.4 million from the exercise of warrants and unit purchase options comprised of: up to \$40 million upon the exercise of all of the insider warrants and working capital warrants, up to \$9.4 million upon the exercise of the unit purchase options, up to \$7.2 million upon the exercise of the warrants underlying such unit purchase options and up to \$32.8 million upon the exercise of the warrants issued in our IPO. As of March 31, 2015, 102,570 warrants have been exercised for proceeds of \$0.8 million.

Capital Resources

New technology investments

During the quarter ended in March 31, 2015, the Company made significant capital expenditures of approximately \$13.9 million. This included the creation of a complete jumbo glass production line that includes washing, tempering, laminating, insulating, silk screening and cutting of glass pieces of up to three meters by six meters. In addition, four new state of the art glass tempering ovens were purchased which increased the plant efficiency and the quality of the finished products.

Results of Operations

| | For the three months ended March 31 | |
|-----------------------------|-------------------------------------|-----------|
| | 2015 | 2014 |
| Net operating revenues | \$ 52,043 | \$ 47,841 |
| Cost of sales | 34,861 | 33,245 |
| Operating expenses, net | 9,180 | 6,739 |
| Operating income | 8,002 | 7,857 |
| Non-operating revenues, net | 3,725 | 1,286 |
| Interest Expense | 2,152 | 1,973 |

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| | | | |
|---|----------|-----------|---|
| Change in fair value of warrant liability | 5,078 | (8,880 |) |
| Income tax provision | 4,772 | 2,971 | |
| Net income (loss) | \$ 9,881 | \$ (4,681 |) |

Comparison of quarterly periods ended March 31, 2015 and March 31, 2014

The Company's net operating revenues increased \$4.2 million or 8.8% from \$47.8 million to \$52.0 million for the quarterly period ended March 31, 2015 compared the quarterly period ended March 31, 2014.

Sales in the U.S. market for the quarterly period ended March 31, 2015 increased \$9.8 million or 44.9% when compared to the quarterly period ended March 31, 2014. The Company's sales in the American market continue to grow primarily in the South Florida region, where the Company has historically had a stronger presence as a supplier of windows and doors for high rise buildings. Sales in the Colombian market with a significant participation of long-term contracts priced in local currency, presented a \$3.6 million decline or 17.1% for the quarters ended March 31, 2015 compared to the same period of 2014, primarily as an effect of a decline in the Colombian peso. In terms of local currency, sales in Colombia decreased by 1.3% between the quarterly periods ended March 31, 2015 and 2014. Sales to Panama declined by \$2.9 million, or 66.7% from the first quarter of 2014 to the first quarter of 2015.

Sales margins increased from 30.5 % to 33.0% in the quarterly periods ended March 31, 2015 and 2014. Costs of sales increased \$1.6 million, or 4.9% in the quarters ended March 31, 2015 and 2014. The increase in indirect cost of manufacturing is below the growth level for sales as most of these are fixed costs.

Selling and Administrative Expenses increased 36.2% from \$6.7 million to \$9.2 million, or in the quarterly period ended March 31, 2015 when compared to the quarterly period ended March 31, 2014. The increase was primarily the result of a new temporary tax on equity in the most recent reform to the Colombian Tax Statute in December 2014 for taxable years 2015, 2016 and 2017 which amounted to \$0.8 million for 2015 and must be charged in January 1, 2015 for the taxable year, as well as increased sales commissions and shipping expenses for higher sales outside Colombia and amortizations of Notices of Acceptance purchased during 2014.

Non-operating revenues rose \$2.4 million or 190%, from \$1.3 million in the three months ended March 31, 2014 to \$3.7 million in the same period of 2015 as an effect of foreign currency transaction gains.

An extraordinary non-cash, non-operating gain of \$5.1 million arose from the increase in the fair value of the warrant liability in the three month period ended March 31, 2015 relative to its fair value at December 31, 2014. The fair value of the warrants liability changes in response to market factors not directly controlled by the Company such as the market price of the Company's shares and the volatility index of comparable companies. There are no income tax effects as the Company is registered in the Cayman Islands. See the footnotes to the financial statements.

As a result of the foregoing, the Company recorded a net income for the three month period ended March 31, 2015 of \$9.9 million (\$0.35 per diluted share), compared to a loss of \$4.7 million net income (\$0.20 per diluted share) in the three month period ended March 31, 2014.

During the three month periods ended March 31, 2015 and 2014, \$5.3 million and \$11.1 million were generated and used from operating activities, respectively. The principal use of cash was an increase in trade accounts receivable that occurred as a consequence of higher sales, in spite of days sales outstanding being reduced by 6 days. During the three

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months ended in March 31, 2015 the company made capital expenditures for \$13.9 million, of which \$9.1 million were financed with bank loans and capital leases.

| | Three months ended | |
|---|-------------------------------|----------------------|
| | March 31, | March 31, |
| | 2015 | 2014 |
| Cash Flow from Operating Activities | \$5,339 | (11,381) |
| Cash Flow from Investing Activities | (4,917) | (1,535) |
| Cash Flow from Financing Activities | 488 | 30,218 |
| Effect of exchange rates on Cash and Cash Equivalents | 292 | 100 |
| Cash Balance – Beginning of Period | 15,930 | 2,866 |
| Cash Balance – End of Period | \$17,132 | 20,268 |

Off-Balance Sheet Arrangements

None

Item 3. Quantitative and Qualitative Disclosures about Market Risk

None

Item 4. Controls and Procedures

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Rules 13a15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. 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 internal control over financial reporting considering certain aspects included in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) of 2013, taking into account the Company's intention to comply with these requirements.

Management's evaluation of the design and operating effectiveness of our internal controls over financial reporting identified material weaknesses resulting from design and operating deficiencies in the internal control system. A "material weakness" is defined as a significant deficiency or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. A "significant deficiency" is defined as a control deficiency, or combination of control deficiencies, that adversely affects the Company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Company's annual or interim financial statements that is more than inconsequential will not be prevented or detected.

Management identified the following material weaknesses in our internal control over financial reporting as of March 31, 2015:

Financial Closing and Reporting Process - We have not established an adequate control system for the preparation and revelation of financial information related to the process of the identification, classification and nature of non-routine, unusual transactions, inclusive of significant related party transactions and for policies related to management evaluation of certain accounting estimates, and the preparation of the statement of cash flows.

Significant related party transactions require adequate and frequent reconciliation in order to determine the appropriate recording in the financial statements.

Entity-Level Control - We have not established the proper design of Entity Level Controls which supports the effectiveness of the internal control of the financial reporting. Deficiencies in Entity Level Controls, will not assure the proper control environment for risk management and fraud.

Considering Information Technology General Controls (ITGC's) are part of the Entity Level Control, we acknowledge that we have not established the design and effectiveness of these controls to prevent detect and correct errors or prevent frauds of the Information Technology.

Revenue Accounting - We have not developed an adequate internal control that includes the validation sources of information of fixed price contracts, which is one of the parameter required to apply the Percentage of Completion (POC) method.

Management's Actions to Remediate Material Weaknesses

Management took the following steps to remediate some material weaknesses:

Significant implementation of the Information Technology General Controls, according to the PwC findings. The remaining findings are about to be implemented during Q2 and Q3, 2015.

Increased by 50% the financial and reporting headcount department with the requisite background, education, English language and experience.

Implemented procedures and controls that allowed a more accurate and reliable information related to revenue accounting such as projects information oversight and costs and sales prices updated recording.

Implemented formal procedures for estimating valuation allowances for inventories and formal review processes which consist on using an ERP transaction that allows identifying the slow moving inventories and subsequent analyses are performed by the logistic department in order to determine obsolete inventories.

Developed procedures that improved the interim and annual review and reconciliation process for certain key balance sheet accounts such as accounts receivable, inventories, property, plant and equipment, payables and debt.

Designed a formal training and education program under USGAAP for our international finance and accounting personnel considering relevant topics according to the company's transactions (i.e. revenue recognition, inventories, long-lived assets, financial instruments, deferred taxes, hedge accounting, etc.).

Management's Plan to Remediate Material Weaknesses

Management will be taking the following steps to remediate the remaining material weaknesses as follows:

Currently requesting proposals from risk advisory firms for a co-sourcing structure in order to strength our internal control area that will expedite the implementation of COSO 2013 and SOX compliance.

Continue structuring internal controls for obtaining key automatized information related to revenue accounting as well as continue formal revenue recognition training sessions for key accounting and sales personnel.

Implementing formal procedures for the consistent processing of and accounting for fixed asset transactions, including a formal review process.

Selecting a recognized audit and advisory firm to receive feedback about implementing a standard financial statement reporting process, such as an accounting and close checklist, and a formal reporting package, to be used by all departments in order for them to report information accurately, timely and in a standard format to our finance department.

Implementing a formalized accounting policy that addresses the appropriate procedures for significant, non-routine, unusual, or complex events or transactions.

Establishing procedures and controls related to the preparation of the cash flow statement as well as transactions analysis to ensure adequate classification by type of activity.

Increased management oversight by creating a new Disclosure Committee comprised of senior managers with responsibility for responding to issues raised during the financial reporting process.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

Tecnoglass S.A. is also a named defendant in the matter of Diplomat Properties, Limited Partnership as assignee of Shower Concepts, Inc. v. Tecnoglass Colombia, S.A. in the 17th Judicial Circuit in and for Broward County, Florida. Plaintiff Diplomat Properties, Limited (“Diplomat”) has asserted a claim for indemnification against TG and Tecnoglass USA, Inc. The claim arises from the supplying of glass shower doors to a hotel/spa in Broward County, Florida. Specifically, in 2006, Diplomat commenced arbitration against Shower Concepts, Inc. seeking damages for breach of contract due to fractures in the installed glass shower doors. Diplomat initiated a complaint asserting various claims which were dismissed with prejudice. The only remaining claim against the Tecnoglass entities is common law indemnification. TG denies liability and asserts that Shower Concepts was at fault and that as a joint tortfeasor, it cannot sue for indemnity. A trial date has not yet been set for this case. Management and TG’s counsel believes that a liability in this claim is remote and immaterial and there are no significant reasonably estimated amounts for a possible loss.

General Legal Matters

From time to time, the Company is involved in legal matters arising in the ordinary course of business. While management believes that such matters are currently not material, there can be no assurance that matters arising in the ordinary course of business for which the Company is, or could be, involved in litigation, will not have a material adverse effect on its business, financial condition or results of operations.

PART II-OTHER INFORMATION

Item 6. Exhibits

| Exhibit No. | Description |
|-------------|--|
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 | Certification of Chief Executive Officers pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | Financial statements from the Quarterly Report on Form 10-Q of Tecnoglass Inc. for the quarter ended March 31, 2015, formatted in XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statement of Changes in Stockholders' Equity, (iv) Condensed Consolidated Statement of Cash Flows and (v) Notes to Unaudited Condensed Consolidated Financial Statements, as blocks of text and in detail. |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TECNOGLASS INC.

By: /s/ Jose M. Daes
Jose M. Daes
Chief Executive Officer
(Principal executive officer)

By: /s/ Joaquin Fernandez
Joaquin Fernandez
Chief Financial Officer
(Principal financial and accounting officer)

Date: May 7, 2015