

Tecnoglass Inc.  
Form 10-Q/A  
May 31, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

**FORM 10-Q/A**

**(Amendment No. 1)**

(MARK ONE)

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

**For the quarterly period ended September 30, 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)

Edgar Filing: Tecnoglass Inc. - Form 10-Q/A

**Cayman Islands**

**98-1271120**

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

**Avenida Circunvalar a 100 mts de la Via 40, Barrio Las Flores Barranquilla, Colombia**

(Address of principal executive offices)

**(57)(5) 3734000**

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report):

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 past 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 26,914,764 ordinary shares as of March 31, 2016.

## EXPLANATORY NOTE

Tecnoglass Inc. (the “Company” or “we”) is filing this Amendment No. 1 (the “Amendment”) to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 (the “Original Filing”) to correct misstatements and errors in the Company’s previously issued financial statements for the nine months ended September 30, 2015.

In preparing the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015, the Company identified eight non-cash errors: (1) in the way the Company had accounted for the fair value and classification of its “earnout shares”, (2) in the classification and presentation of deferred tax assets and liabilities on the consolidated balance sheets, (3) in the classification of its shipping and handling costs in the consolidated statement of operations, (4) in the presentation of related party revenues on consolidated statements of operations and comprehensive income and adequate identification of certain related parties as such, (5) in the classification of purchases and sales of investments in the consolidated statements of cash flows, (6) in the calculation of diluted earnings per share, (7) in the Company’s conclusion on certain variable interest entities and (8) in the way the Company had accounted for the fair value of the Company’s warrants exercised for ordinary shares during the third and fourth quarter of 2015. In accordance with accounting guidance presented in ASC 250-10 and SEC Staff Accounting Bulletin No. 99, Materiality, the Company’s management assessed the materiality of the errors on a consolidated basis and concluded they were material to the financial statements for the year ended December 31, 2014 and the quarterly periods within both 2015 and 2014. The Company reported non-reliance on previously filed financial statements on a Form 8-k filed on April 6, 2016. With respect to the financial statements for the year ended December 31, 2014, the errors have been corrected in the Company’s 2015 10-K by form of a restatement. The corrections applicable to the three- and nine-month periods ended September 30, 2015 and 2014 are included in this Amendment No. 1 to the Original Filing, and are further described in Note 2, Correction of Misstatements and Errors.

No other changes have been made to the Original Filing other than to modify the information as described above. This Amendment should be read in conjunction with the Original Filing. This Amendment speaks as of the date of the Original Filing, does not reflect events that may have occurred after the date of the Original Filing and does not modify or update in any way the disclosures made in the Original Filing, except as required to reflect the revisions discussed above.

**TECNOGLASS INC.**

**FORM 10-Q FOR THE PERIOD ENDED SEPTEMBER 30, 2015**

**TABLE OF CONTENTS**

<u>Part I. Financial Information</u>	Page
<u>Item 1. Financial Statements (Unaudited)</u>	4
<u>Condensed Consolidated Balance Sheets</u>	4
<u>Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income</u>	5
<u>Condensed Consolidated Statements of Cash Flows</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	29
<u>Item 4. Controls and Procedures</u>	29
<u>Part II. Other Information</u>	30
<u>Item 6. Exhibits</u>	31
<u>Signatures</u>	32

**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)**

	September 30, 2015 (Restated)	December 31, 2014 (Restated)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 16,871	\$ 15,930
Trade accounts receivable, net	49,004	44,718
Due from related parties	31,991	28,564
Inventories, net	39,609	28,965
Other current assets	18,746	17,946
Total current assets	156,221	136,123
Long term assets:		
Property, plant and equipment, net	127,693	103,980
Long term receivables from related parties	2,536	4,220
Other long term assets	5,037	6,200
Total long term assets	135,266	114,400
Total assets	\$ 291,487	\$ 250,523
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 43,035	\$ 32,950
Due to related parties	1,713	1,999
Current portion of customer advances on uncompleted contracts	6,423	5,782
Short-term debt and current portion of long term debt	67,651	54,925
Note payable to shareholder	79	80
Earnout Share Liability	13,657	5,075
Other current liabilities	18,344	11,932
Total current liabilities	150,902	112,743

Edgar Filing: Tecnoglass Inc. - Form 10-Q/A

Long term liabilities:		
Warrant liability	34,450	19,991
Earnout Share Liability	19,830	23,986
Customer advances on uncompleted contracts	8,891	8,333
Other Long term liabilities	100	-
Long term debt	49,113	39,273
Total long term liabilities	112,384	91,583
Total liabilities	\$ 263,286	\$ 204,326
COMMITMENTS AND CONTINGENCIES		
Shareholders' equity		
Preferred shares, \$0.0001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	-	-
Ordinary shares, \$0.0001 par value, 100,000,000 shares authorized, 25,833,210 and 24,801,132 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	3	2
Legal Reserves	1,367	1,367
Additional paid-in capital	38,907	26,140
Retained earnings	19,043	30,119
Accumulated other comprehensive loss	(31,119 )	(11,431 )
Total shareholders' equity	\$ 28,201	\$ 46,197
Total liabilities and shareholders' equity	\$ 291,487	\$ 250,523

The accompanying notes are an integral part of these condensed consolidated financial statements.

**Tecnoglass Inc. and Subsidiaries****Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income****(Amounts in thousands, except share and per share amounts)****(Unaudited)**

	Three months ended September 30, 2015 (Restated)		Nine months ended September 30, 2015 (Restated)	
	2014 (Restated)		2014 (Restated)	
Operating Revenues:				
Customers	\$ 47,148	\$ 42,416	\$ 131,078	\$ 115,317
Related Parties	15,744	11,037	41,910	37,913
Total operating revenues	62,892	53,453	172,988	153,230
Cost of sales	39,186	35,803	109,798	101,974
Gross Profit	23,706	17,650	63,190	51,256
Operating expenses	12,890	10,000	35,064	27,330
Operating income	10,816	7,650	28,126	23,926
(Loss) Gain on change in fair value or Earnout Share Liability	(2,519 )	1,861	(10,191 )	(9,897 )
(Loss) Gain on change in fair value of warrant liability	(10,148 )	6,756	(21,461 )	(6,769 )
Non-operating revenues, net	10,744	1,003	15,886	3,480
Interest expense	(2,307 )	(2,380 )	(6,509 )	(6,647 )
Income before taxes	6,586	14,890	5,851	4,093
Income tax provision	8,524	1,770	16,927	7,004
Net income	\$ (1,938 )	\$ 13,120	\$ (11,076 )	\$ (2,911 )
Comprehensive (loss) income:				
Net income	\$ (1,938 )	\$ 13,120	\$ (11,076 )	\$ (2,911 )
Foreign currency translation adjustments	(14,111 )	(6,680 )	(19,688 )	(3,971 )
Total comprehensive (loss) income	\$ (16,049 )	\$ 6,440	\$ (30,764 )	\$ (6,882 )
Basic income per share	\$ (0.08 )	\$ 0.54	\$ (0.44 )	\$ (0.12 )



Edgar Filing: Tecnoglass Inc. - Form 10-Q/A

Diluted income per share	\$ (0.08	) \$ 0.46	\$ (0.44	) \$ (0.12	)
Basic weighted average common shares outstanding	25,426,250	24,364,014	25,127,179	24,306,288	
Diluted weighted average common shares outstanding	30,825,331	28,637,166	29,734,663	28,261,268	

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)**

	2015 (Restated)	2014 (Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$(11,076 )	\$(2,911 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for bad debts	1,210	21
Provision for obsolete inventory	(265 )	-
Depreciation and amortization	8,331	7,777
Equity method income	162	-
Change in value of derivative liability	(57 )	89
Change in value of Earnout share liability	10,191	9,897
Change in fair value of warrant liability	21,461	6,769
Deferred income taxes	(1,058 )	352
Changes in operating assets and liabilities:		
Trade accounts receivables	(18,429 )	(10,263 )
Inventories	(21,129 )	(3,535 )
Prepaid expenses	360	-
Other assets	(5,849 )	(11,989 )
Trade accounts payable	20,566	4,311
Advances from customers	5,324	(12,388 )
Related parties, net	(10,766 )	(8,333 )
Other current liabilities	11,266	6,051
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>10,242</b>	<b>(14,152 )</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	376	368
Proceeds from sale of property and equipment	143	-
Purchase of investments	(1,444 )	(1,028 )
Acquisition of property and equipment	(18,228 )	(24,918 )
Restricted cash	-	3,605
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(19,153 )</b>	<b>(21,973 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from debt	79,608	88,370
Proceeds from the sale of common stock	-	1,000
Repayments of debt	(72,461 )	(62,013 )
Merger proceeds held in trust	-	22,519

Edgar Filing: Tecnoglass Inc. - Form 10-Q/A

CASH PROVIDED BY FINANCING ACTIVITIES	7,147	49,876
Effect of exchange rate changes on cash and cash equivalents	2,705	1,127
NET INCREASE IN CASH	941	14,878
CASH - Beginning of period	15,930	2,866
CASH - End of period	\$ 16,871	\$ 17,744
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	\$ 4,778	\$ 4,031
Income Tax	\$ 11,938	\$ 7,785
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Assets acquired under capital lease	\$ 44,624	\$ 3,152
Warrant proceeds held by trasner agent	\$ -	\$ 741

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. Correction of Misstatements and Errors**

The Company identified and corrected eight non-cash errors: (1) in the way the Company had accounted for the fair value and classification of its EBITDA/Ordinary Share Price Shares or “earnout shares”, (2) in the classification and presentation of deferred tax assets and liabilities, (3) in the classification of its shipping and handling costs, (4) in the presentation of related party revenue on consolidated statements of operations and comprehensive income and adequate identification of certain related parties as such, (5) in the classification of purchases and sales of investments in the consolidated statements of cash flows, (6) in the calculation of diluted earnings per share, (7) in the Company’s conclusion on certain variable interest entities and (8) in the way the Company had accounted for the fair value of the Company’s warrants exercised for ordinary shares during the third and fourth quarter of 2015.

A description of each misstatement or error is provided below and additional detail is provided in other notes to these condensed consolidated financial statements:

(a) Earnout shares - The Company entered into an Agreement and Plan of Reorganization (the “Merger Agreement”) as of August 17, 2013. Pursuant to the Merger Agreement, on the closing date of December 20, 2013, the Company issued 3,000,000 Ordinary Shares (“Earnout Shares”) to be held in escrow and to be released after the closing based on the Company’s achievement of specified share price targets or targets based on Tecnoglass Holding’s net earnings before interest income or expense, income taxes, depreciation, amortization and any expenses arising solely from the merger charged to income (“EBITDA”) in the fiscal years ending December 31, 2014, 2015 or 2016.

The following table sets forth the targets and the number of Earnout Shares issuable upon the achievement of such targets:

	<b>Ordinary Share Price Target</b>	<b>EBITDA Target</b>		<b>Number of Earnout Shares</b>	
		<b>Minimum</b>	<b>Maximum</b>	<b>Minimum</b>	<b>Maximum</b>
Fiscal year ending 12/31/14	\$12.00 per share	\$30,000	\$36,000	416,667	500,000
Fiscal year ending 12/31/15	\$13.00 per share	\$35,000	\$40,000	875,000	1,000,000
Fiscal year ending 12/31/16	\$15.00 per share	\$40,000	\$45,000	1,333,333	1,500,000

Prior to December 31, 2015, the earnout shares were accounted for within equity at par value. In accordance with ASC 815 – Derivatives and Hedging, the earnout shares are not considered indexed to the Company’s own stock and therefore should have been accounted for as a liability with fair value changes being recorded in the consolidated statements of operations and comprehensive income, Correction of this error will affect the condensed consolidated financial statements in this Amendment No. 1

(b) Deferred tax assets and liabilities – The Company was presenting deferred tax assets and liabilities on a gross basis on the balance sheet as at December 31, 2014. Per ASC 740 – Income Taxes, for a particular tax-paying component of an entity and within a particular tax jurisdiction, all current deferred tax liabilities and assets shall be offset and presented as a single amount and all noncurrent deferred tax liabilities and assets shall be offset and presented as a single amount. The deferred tax assets and liabilities have been reclassified and presented in current and long-term assets and liabilities in the condensed consolidated balance sheets presented as of September 30, 2015 and December 31, 2014.

Correction of this error will affect the condensed consolidated financial statements in this Amendment No. 1.

(c) Shipping and handling costs – For the year ended December 31, 2015, the Company records and presents shipping and handling costs in selling expenses whereas in prior financial statements these expenses had been partially reported in cost of sales. The amounts of shipping and handling costs have been reclassified in the condensed consolidated statements of operations and comprehensive income for the three- and nine-month periods ended September 30, 2015 and 2014.

Correction of this error will affect the condensed consolidated financial statements in this Amendment No. 1.

(d) Related party revenue –Certain related parties were not adequately identified as such in previous reports and are now being considered in the amounts presented on the Condensed Consolidated Balance Sheet, the Consolidated condensed statement of operations, the Statement of cash flows and the related parties footnote.

(e) Cash flow from investing activities – Cash flows from the sale and purchase of investments were presented on a net basis within cash flow from investing activities amounting to \$126. The Company now presents the sales and purchases of investments on a gross basis within cash flow from investing activities. This did not result in a change in total cash flow from investing activities in the nine-month periods ended September 30, 2015 and 2014.

(f) Earnings per share – In previously filed financial statement for the three- and nine-month periods ended September 31, 2015 and 2014, the Company presented a diluted weighted average number of common shares outstanding for the calculation of diluted earnings per share that did not include the dilutive effect of earnout shares contingently issuable upon achievement of certain specified EBITDA or ordinary share price targets. This correction resulted in the inclusion of 1,000,000 additional dilutive shares included in the calculation of diluted earnings per share as of the three- and nine-month periods ended September 30, 2015 based upon the achievement of the 2015 ordinary share price target of \$13.00 as of August 17, 2015.

(g) Variable Interest Entities - The Company's analysis that was performed previously for the preparation of the financial statements as of December 31, 2014 concluded that these entities were VIEs. However, further analysis of the facts and circumstances surrounding the Company's accounting of ESW LLC and VS performed during 2015 determined that the prior analysis was in error. The correction resulted in no changes to the financial statements for the three- and nine- month periods ended September 30, 2015, other than associated related party footnote disclosures.

(h) Warrants exercises - In previously filed financial statement for the three- and nine-month periods ended September 30, 2015 and 2014, the Company had recorded the fair value of exercised warrants on the date of exercise in the condensed consolidated statement of operations and disclosed the net gain or loss on exercise as a component of the total change in the fair value of the warrant liability. The Company now records the change in fair value from the last reporting date to the date of exercise in the Company's condensed consolidated statement of operations and records the fair value of the exercised warrants on the date of exercise as a charge to additional paid-in capital in shareholders equity. The correction resulted in changes to the financial statements for the three- and nine- month periods ended September 30, 2015 as the associated warrant exercises commenced on July 6, 2015.

The following table includes the financial statements as originally reported and as adjusted and takes into account the following adjustments:

***Condensed Consolidated Balance Sheets***

	<b>September 30, 2015</b>			<b>December 31, 2014</b>			Reference
	As reported	Adjustment	as Restated	As reported	Adjustment	as Restated	
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	16,871		16,871	15,930		15,930	
Trade accounts receivable, net	49,380	(376 )	49,004	44,955	(237 )	44,718	d
Due from related parties	31,615	376	31,991	28,327	237	28,564	d
Inventories, net	39,609		39,609	28,965		28,965	
Other current assets	22,089	(3,343 )	18,746	23,319	(5,373 )	17,946	b
Total current assets	159,564	-3,343	156,221	141,496	-5,373	136,123	
Long term assets:							
Property, plant and equipment, net	127,693		127,693	103,980		103,980	
Long term receivables from related parties	2,536		2,536	4,220		4,220	
Other long term assets	5,037		5,037	6,195	5	6,200	b
Total long term assets	135,266	-	135,266	114,395	5	114,400	
Total assets	294,830	(3,343 )	291,487	255,891	-5,368	250,523	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
Current liabilities:							
Trade accounts payable	43,258	(223 )	43,035	33,493	(543 )	32,950	d
Due to related parties	1,490	223	1,713	1,456	543	1,999	d
Current portion of customer advances on uncompleted contracts	6,423		6,423	5,782		5,782	
Short-term debt and current portion of long term debt	67,651		67,651	54,925		54,925	
Note payable to shareholder	79		79	80		80	
Earnout Share Liability	-	13,657	13,657		5,075	5,075	a
Other current liabilities	21,787	(3,443 )	18,344	17,300	(5,368 )	11,932	b
Total current liabilities	140,688	10,214	150,902	113,036	(293 )	112,743	



Edgar Filing: Tecnoglass Inc. - Form 10-Q/A

Long term liabilities:							
Warrant liability	34,450		34,450	19,991		19,991	
Earnout Share Liability		19,830	19,830	-	23,986	23,986	a
Customer advances on uncompleted contracts	8,891		8,891	8,333		8,333	
Other Long term liabilities		100	100			-	b
Long term debt	49,113		49,113	39,273		39,273	
Total long term liabilities	92,454	19,930	112,384	67,597	23,986	91,583	
Total liabilities	233,142	30,144	263,286	180,633	23,693	204,326	
COMMITMENTS AND CONTINGENCIES							
Shareholders' equity							
Preferred shares, \$0.0001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	-		-	-		-	
Ordinary shares, \$0.0001 par value, 100,000,000 shares authorized, 25,833,210 and 24,801,132 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	3		3	2		2	
Legal Reserves	1,367		1,367	1,367		1,367	
Additional paid-in capital	46,514	(7,607 )	38,907	46,514	(20,374 )	26,140	a, h
Retained earnings	44,923	(25,880 )	19,043	38,806	(8,687 )	30,119	a, h
Accumulated other comprehensive loss	(31,119 )	-	(31,119 )	(11,431 )	-	(11,431 )	
Total shareholders' equity	61,688	-33,487	28,201	75,258	-29,061	46,197	
Total liabilities and shareholders' equity	294,830	-3,343	291,487	255,891	-5,368	250,523	

*Condensed Consolidated Statement of Operations*

	Three months ended September 30, 2015			Three months ended September 30, 2014			Reference
	As reported	Adjustment	Restated	As reported	Adjustment	Restated	
<b>Operating Revenues:</b>							
Customers	47,261	(113 )	47,148	42,889	(473 )	42,416	d
Related Parties	15,631	113	15,744	10,564	473	11,037	d
Total operating revenues	62,892	-	62,892	53,453	-	53,453	
Cost of sales	41,166	(1,980 )	39,186	37,008	(1,205 )	35,803	c
Gross Profit	21,726	1,980	23,706	16,445	1,205	17,650	
Operating expenses	10,910	1,980	12,890	8,795	1,205	10,000	c
Operating income	10,816	-	10,816	7,650	-	7,650	
(Loss) Gain on change in fair value or Earnout Share Liabilities	-	(2,519 )	(2,519 )	-	1,861	1,861	a
(Loss) Gain on change in fair value of warrant liability	(3,146 )	(7,002 )	(10,148 )	6,756		6,756	h
Non-operating revenues, net	10,744		10,744	1,003		1,003	
Interest expense	(2,307 )		(2,307 )	(2,380 )		(2,380 )	
Income before taxes	16,107	(9,521 )	6,586	13,029	1,861	14,890	
Income tax provision	8,524		8,524	1,770		1,770	
Net income	7,583	(9,521 )	(1,938 )	11,259	1,861	13,120	
<b>Comprehensive (loss) income:</b>							
Net income	7,583	(9,521 )	(1,938 )	11,259	1,861	13,120	
Foreign currency translation adjustments	(14,111 )		(14,111 )	(6,680 )		(6,680 )	
Total comprehensive (loss) income	(6,528 )	(9,521 )	(16,049 )	4,579	1,861	6,440	

Edgar Filing: Tecnoglass Inc. - Form 10-Q/A

Basic income per share	0.30	(0.37 )	(0.08 )	0.46	0.08	0.54
Diluted income per share	0.25	(0.33 )	(0.08 )	0.40	0.06	0.46
Basic weighted average common shares outstanding	25,426,250		25,426,250	24,364,014		24,364,014
Diluted weighted average common shares outstanding	29,825,331	1,000,000	30,825,331	28,137,166	500,000	28,637,166

Edgar Filing: Tecnoglass Inc. - Form 10-Q/A

	Nine months ended September 30, 2015			Nine months ended September 30, 2014			Reference
	As reported	Adjustment	Restated	As reported	Adjustment	Restated	
Operating Revenues:							
Customers	132,355	(1,277 )	131,078	117,164	(1,847 )	115,317	d
Related Parties	40,633	1,277	41,910	36,066	1,847	37,913	d
Total operating revenues	172,988	-	172,988	153,230	-	153,230	
Cost of sales	115,082	(5,284 )	109,798	105,540	(3,566 )	101,974	c
Gross Profit	57,906	5,284	63,190	47,690	3,566	51,256	
Operating expenses	29,780	5,284	35,064	23,764	3,566	27,330	c
Operating income	28,126	-	28,126	23,926	-	23,926	
Loss on change in fair value or Earnout Share Liabilities	-	(10,191 )	(10,191 )	-	(9,897 )	(9,897 )	a
Loss on change in fair value of warrant liability	(14,459 )	(7,002 )	(21,461 )	(6,769 )		(6,769 )	h
Non-operating revenues, net	15,886		15,886	3,480		3,480	
Interest expense	(6,509 )		(6,509 )	(6,647 )		(6,647 )	
Income before taxes	23,044	(17,193 )	5,851	13,990	(9,897 )	4,093	
Income tax provision	16,927		16,927	7,004		7,004	
Net income	6,117	(17,193 )	(11,076 )	6,986	(9,897 )	(2,911 )	
Comprehensive (loss) income:							
Net income	6,117	(17,193 )	(11,076 )	6,986	(9,897 )	(2,911 )	
Foreign currency translation adjustments	(19,688 )		(19,688 )	(3,971 )		(3,971 )	
Total comprehensive (loss) income	(13,571 )	(17,193 )	(30,764 )	3,015	(9,897 )	(6,882 )	
Basic income per share	0.24	(0.68 )	(0.44 )	0.29	(0.41 )	(0.12 )	
Diluted income per share	0.21	(0.65 )	(0.44 )	0.25	(0.37 )	(0.12 )	

Edgar Filing: Tecnoglass Inc. - Form 10-Q/A

Basic weighted average common shares outstanding	25,426,250		25,426,250	24,306,288		24,306,288
Diluted weighted average common shares outstanding	28,734,663	1,000,000	29,734,663	27,761,268	500,000	28,261,268

**Condensed Consolidated Statement of Cash Flows**

	2015			2014			Reference
	As reported	Adjustment	Restated	As reported	Adjustment	Restated	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Net loss	6,117	(17,193 )	(11,076)	6,986	(9,897 )	(2,911 )	
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			-			-	
Provision for bad debts	1,210		1,210	21		21	
Provision for obsolete inventory	(265 )		(265 )	-		-	
Depreciation and amortization	8,331		8,331	7,777		7,777	
Equity method income	162		162	-		-	
Change in value of derivative liability	(57 )		(57 )	89		89	
Change in value of Earnout share liability	-	10,191	10,191	-	9,897	9,897	a
Change in fair value of warrant liability	14,459	7,002	21,461	6,769		6,769	g
Deferred income taxes	(1,058 )		(1,058 )	352		352	
Changes in operating assets and liabilities:							
Trade accounts receivables	(18,869)	440	(18,429)	(10,710)	447	(10,263)	d
Inventories	(21,129)		(21,129)	(3,535 )		(3,535 )	
Prepaid expenses	360		360	-		-	
Other assets	(5,849 )		(5,849 )	(11,989)		(11,989)	
Accounts payable and accrued expenses	20,830	(264 )	20,566	4,344	(33 )	4,311	d
Advances from customers	5,324		5,324	(12,388)		(12,388)	
Related parties, net	(10,590)	(176 )	(10,766)	(7,919 )	(414 )	(8,333 )	d
Other current liabilities	11,266		11,266	6,051		6,051	
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>10,242</b>		<b>10,242</b>	<b>(14,152)</b>		<b>(14,152)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Proceeds from sale of investments	250	126	376	368		368	e
Proceeds from sale of property and equipment	143		143	-		-	
Purchase of investments	(1,318 )	(126 )	(1,444 )	(1,028 )		(1,028 )	e
Acquisition of property and equipment	(18,228)		(18,228)	(24,918)		(24,918)	
Restricted cash	-		-	3,605		3,605	
	(19,153)		(19,153)	(21,973)		(21,973)	

CASH USED IN INVESTING  
ACTIVITIES

CASH FLOWS FROM FINANCING  
ACTIVITIES

Proceeds from debt	79,608		79,608	88,370		88,370
Proceeds from the sale of common stock	-		-	1,000		1,000
Proceeds from the exercise of warrants	-		-	-		-
Repayments of debt	(72,461)		(72,461)	(62,013)		(62,013)
Merger proceeds held in trust	-		-	22,519		22,519
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>7,147</b>	<b>-</b>	<b>7,147</b>	<b>49,876</b>	<b>-</b>	<b>49,876</b>
Effect of exchange rate changes on cash and cash equivalents	2,705	-	2,705	1,127	-	1,127
<b>NET INCREASE IN CASH</b>	<b>941</b>	<b>-</b>	<b>941</b>	<b>14,878</b>	<b>-</b>	<b>14,878</b>
CASH - Beginning of period	15,930	-	15,930	2,866	-	2,866
CASH - End of period	16,871	-	16,871	17,744	-	17,744

SUPPLEMENTAL DISCLOSURES  
OF CASH FLOW INFORMATION

Cash paid during the period for:

Interest	4,778	-	4,778	4,031	-	4,031
Income Tax	11,938	-	11,938	7,785	-	7,785

NON-CASH INVESTING AND  
FINANCING ACTIVITIES:

Assets acquired under capital lease	44,624	-	44,624	3,152	-	3,152
Warrant proceeds held by transfer agent	-	-	-	741	-	741

**Note 3. Summary of significant accounting policies**

**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 Securities and Exchange Commission (“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 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, condensed 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, earnout share liability 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 earnout share liability and warrant liability further discussed below in this note and Note 10 and 11.

### **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 (Loss) 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 (loss) 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. Delivery to the customer is deemed to have occurred when the title is passed to the customer. 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. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in contract performance and estimated profitability may result in revisions to costs and income and are recognized in the period in which the revisions are determined and do not have a material effect on the Company's financial statements.

### **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. Interest caused while acquired property is under construction and installation 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

### **Earnout shares liability (Restated)**

In accordance with ASC 815 – Derivatives and hedging, the Company’s EBITDA/Ordinary Share Price Shares (“Earnout Shares”) are not considered indexed to the Company’s own stock and therefore are accounted for as a liability with fair value changes being recorded in the consolidated statements of operations and comprehensive income. This liability is subject to re-measurement at each balance sheet date and adjusted at each reporting period until released or until the expiration of the liability in December 31, 2016 under the governing agreement, and any change in fair value is recognized in the Company’s condensed consolidated statement of operations.

When the earnout shares are released from the escrow account upon achievement of the conditions set forth in the earnout share agreement, the Company records the fair value of the released shares out of the earnout share liability and into common stock and additional paid-in capital within the shareholders equity section of the Company’s condensed consolidated balance sheets.

### **Warrant liability (Restated)**

An aggregate 9,200,000 warrants were issued as a result of the Public Offering, the Private Placement and the Merger. Of the aggregate total, 4,200,000 warrants were issued in connection with the Public Offering (“IPO Warrants”), 4,800,000 warrants were issued in connection with the Private Placement (“Insider Warrants”), and 200,000 warrants were issued upon conversion of a promissory note at the closing of the Merger (“Working Capital Warrants”). The Company classifies the warrant instruments as a liability at their fair value because the warrants do not meet the criteria for equity treatment under guidance contained in ASC 815-40-15-7D. The aggregate 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 consolidated statement of operations.

The Company determines the fair value of warrant liability at each reporting period 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 11 for additional details about the Company’s warrants.

When the warrants are exercised for ordinary shares, the Company re-measures the fair value of the exercised warrants as of the date of exercise using available fair value methods and records the change in fair value in the consolidated statement of operations, and records the fair value of the exercised warrants as additional paid in capital in the shareholders equity section of the Company’s consolidated balance sheet.

In prior financial statements for the three- and nine- month periods ended September 30, 2015, the Company recorded the fair value of exercised warrants on the date of exercise in the condensed consolidated statement of operations and disclosed the net gain or loss as a component of the total change in the fair value of the warrant liability. Correcting the accounting for the fair value of exercised warrants resulted in a loss of \$7,002 charged to the condensed consolidated statement of operations and an increase to Additional Paid-In Capital in the Shareholders' Equity section of the condensed consolidated balance sheets as of September 30, 2015.

### **Unit Purchase Options**

The Unit Purchase Options ("UPOs") are derivative contracts in the entity's own equity in accordance with guidance in ASC 815-40, paragraphs 15-5 through 15-8 and are not accounted for as assets or liabilities requiring fair value estimates for the derivative contract in each reporting period. The Company accounted for issued UPOs, at issuance date in March 2012, at their fair market value calculated using a Black-Scholes option-pricing model, including the amount of \$500,100 received in cash payments, as an expense of the Public Offering resulting with a charge directly to shareholders equity. Because the UPOs are accounted for in shareholders' equity as instruments indexed to the Company's own equity, and no cash or other consideration is received or liabilities are settled, there is no measurement or re-measurement of fair value for the purposes of reclassification out of retained earnings into additional paid-in capital.

### **Income Taxes**

The Company's operations in Colombia are subject to the taxing jurisdiction of the Republic of Colombia. Tecno LLC and Tecno RE 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 (Restated)**

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 and options to purchase ordinary shares in the calculation of diluted income per share, which resulted in 3,773,152 shares of dilutive securities for the three-month period ended September 30, 2014. The calculation of diluted earnings per share for the three and nine-month period ended September 30, 2015 excludes the effect of 5,399,081 and 4,607,484 shares of dilutive securities, respectively because their inclusion would be antidilutive given the net loss for the periods, as well as 3,454,980 dilutive options for the nine months ended September 30, 2014. Earnings per share here presented differ from previously reported earnings per share as net income changed as explained in Note 2. Correction of Misstatements and Errors.

The following table sets forth the computation of the basic and diluted earnings per share for the three- and nine-month periods ended September 30, 2015 and 2014:

	(in thousands except per share amounts)			
	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net (Loss) Income	\$(1,938	) \$13,120	\$ (11,076	) \$ (2,911
Denominator				
Denominator for basic earnings per ordinary share - weighted average shares outstanding	25,426,250	24,364,014	25,127,179	24,306,288
Effect of dilutive warrants, unit purchase options and contingently issuable shares	5,399,081	4,273,152	4,607,484	3,954,980
Denominator for diluted earnings per ordinary share - weighted average shares outstanding	30,825,331	28,637,166	29,734,663	28,261,268
Basic earnings per ordinary share	\$(0.08	) \$0.54	\$ (0.44	) \$ (0.12
Diluted earnings per ordinary share	\$(0.08	) \$0.46	\$ (0.44	) \$ (0.12

**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 warranted products. The Company evaluated historical information regarding claims for replacements under warranties and concluded that the costs that the Company have incurred in relation to these warranties have not been material.

### **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 Colombia. During the three months ended September 30, 2015 and 2014, the Company recorded net gains from foreign currency transactions of \$8.1 million and less than \$0.1 million, respectively. During the nine months ended September 30, 2015 and 2014, the Company recorded net gains from foreign currency transactions of \$11.5 million and \$1.5 million, respectively.

### **Shipping and Handling Costs (Restated)**

The Company classifies amounts billed to customers related to shipping and handling as product revenues. The Company records and presents shipping and handling costs in selling expenses. Shipping and handling costs for the nine-month periods ended September 30, 2015 and 2014 were \$8,206 and \$5,801, respectively. The Company reclassified presentation of shipping and handling expenses compared to previously reported financial statements as discussed in Note 2. Correction of Misstatements and Errors.

### **Recently Issued Accounting Pronouncements**

In August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers – Deferral of the Effective Date.” ASU 2015-14 defers the effective date of Update 2014-09 for all entities by one year. Early adoption is permitted. Below is the description of ASU 2014-09 which the Company is currently evaluating.

In September 25, 2015, the FASB issued ASU 2015-16, “Simplifying the Accounting for Measurement-Period Adjustments”, that eliminates the requirement to restate prior period financial statements for measurement period adjustments. The new guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. Early adoption is permitted. The Company early adopted ASU 2015-16 and the impact on prior year is included in note 18.

On February 25, 2016, the FASB released ASU 2016-02, “Leases – ASC 842”, completing its project to overhaul lease accounting under ASC 840. The new guidance requires the recognition of most leases on its balance sheet. Also, a modified retrospective transition will be required, although there are significant elective transition reliefs available for both lessors and lessees. This standard is effective for public companies in fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is in the process of analyzing the new standard.

### **Note 4. Inventories, net**

Inventories are comprised of the following:

(In thousands)

	September 30, 2015	December 31, 2014
Raw materials	\$30,255	\$ 22,421
Work in process	4,067	2,136
Finished goods	2,592	2,158
Stores and spares	2,585	2,371
Packing material	110	171
Total Inventories	39,609	29,257
Less: inventory allowances	-	(292 )
Total inventories, net	\$39,609	\$ 28,965

### Note 5. Property, Plant and Equipment, Net

Property, plant and equipment, net consist of the following:

	(In thousands)	
	September 30, 2015	December 31, 2014
Land	\$19,307	\$ 16,970
Building	40,022	36,228
Machinery and equipment	90,738	76,497
Office equipment and software	4,013	2,868
Vehicles	1,401	1,412
Furniture and fixtures	1,392	1,651
Total property, plant and equipment	156,873	135,626
Accumulated depreciation and amortization	(29,180 )	(31,646 )
Total property, plant and equipment, net	\$127,693	\$ 103,980



Depreciation and amortization expense, inclusive of capital lease amortization, for the three-month period ended September 30, 2015 and 2014 was \$3.0 million and \$2.8 million respectively, and for the nine-month periods ended September 30, 2015 and 2014 was \$8.3 million and \$7.8 million, respectively.

**Note 6. Long-Term Debt**

At September 30, 2015, the Company owed approximately \$116.8 million under its various borrowing arrangements with several banks in Colombia, Panama and 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 2.8% to 14.7%. These loans are generally secured by substantially all of the Company's accounts receivable or inventory.

The mortgage loan from TD Bank N.A. for real property acquired in December 2014 by Tecno RE includes covenant requirements that the Company has to maintain debt service coverage ratio to be evaluated for the first time at December 31, 2015 and annually thereafter as well a loan to value ratio evaluation from time to time by the bank.

The Company had various lines of credit amounting to \$30.8 million and \$26.8 million as of September 30, 2015 and December 31, 2014, respectively. These lines of credit are secured by fixed assets amounting to \$5.9 million and \$7.4 million of September 30, 2015 and December 31, 2014, respectively, and other long-term assets amounting to \$0.3 million and \$0.4 million as of September 30, 2015 and December 31, 2014, respectively. The terms of the line of credit agreements do not restrict the Company's operation and use of the assets.

	(in thousands)	
	September 30, 2015	December 31, 2014
Obligations under borrowing arrangements	\$ 116,764	\$ 94,198
Less: Current portion of long-term debt and other current borrowings	(67,651 )	(54,925 )
Long-term debt	\$49,113	\$ 39,273

Maturities of long-term debt and other current borrowings are as follows as of September 30, 2015:

12 months ending September 30,	
2016	\$67,651

2017	16,114
2018	10,148
2019	10,055
Thereafter	12,796
Total	\$116,764

### Revolving Lines of Credit

The Company has approximately \$7.1 million available in two lines of credit under a revolving note arrangement as of September 30, 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. As of September 30, 2015 and December 31, 2014, we had \$6.7 million and \$0.4 million, respectively, of outstanding borrowings under these lines of credit.

The Company had \$7,186 and \$7,362 of property, plant and equipment as well as \$402 and \$435 of other long term assets pledged to secure \$ 48,056 and \$26,856 under various lines of credit as of September 30, 2015 and December 31, 2014, respectively.

Proceeds from debt and repayments of debt for the nine months ended September 30, 2015 and 2014 are as follows:

	(in thousands)	
	2015	2014
Proceeds from debt	\$79,608	\$88,370
Repayments of debt	\$72,461	\$62,013

The Company acquired assets under capital leases for the nine months ended September 30, 2015 and 2014 for \$ 44.6 million and \$3.1 million, respectively.

Interest expense for the nine-month periods ended September 30, 2015 and 2014 was \$ 6.5 million and \$6.6 million, 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 on December 23, 2014. A general corporate income Tax Rate applies at 25% and a CREE Tax based on taxable income 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 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:

	(in thousands)			
	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Current income tax				
Foreign	\$8,728	\$2,086	\$ 17,985	\$ 6,652
Deferred income tax				
Foreign	(204 )	(316 )	(1,058 )	352
Total Provision for Income tax	\$8,524	\$1,770	\$ 16,927	\$ 7,004
Effective tax rate	129 %	12 %	289 %	171 %

The Company's effective tax rates for the three and nine-month periods ended September 30, 2015 and 2014 reflect the non-cash, non-deductible losses and non-taxable gains from changes in the fair values of the Company's warrant and earnout shares liabilities in the table below:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Change in fair value of warrant liability	10,148	-6,756	21,461	6,769
Change in fair value of earnout shares liability	2,519	-1,861	10,191	9,897
Total non-cash, nontaxable effects of changes in fair value of liabilities	12,667	-8,617	31,652	16,666

In addition, the Company's statutory tax rate increased from 34% in 2014 to 39% in 2014 because of the tax reform mentioned above.

#### **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 recognized or disclosed at Fair Value on a Recurring Basis as of September 30, 2015:

	Quotes Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrant Liability	\$ -	\$ -	\$ 34,450
Earnout shares liability	\$ -	\$ -	\$ 33,487
Interest Rate Swap Derivative Liability	\$ -	\$ 55	\$ -
Long term debt	\$ -	\$ 53,671	\$ -

Assets and Liabilities recognized or disclosed at Fair Value on a Recurring Basis as of 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
Earnout shares liability	\$ -	\$ -	\$ 29,061
Interest Rate Swap Derivative Liability	\$ -	\$ 134	\$ -
Long term debt	\$ -	\$ 43,266	\$ -

#### Note 9. Segment and Geographic Information

The Company has one operating segment, Architectural Glass and Windows, which is also its reporting segment, comprising the design, manufacturing, distribution, marketing and installation of high-specification architectural glass and window products sold to the construction industry.

The following tables present geographical information about external revenues.

(in thousands)  
 Three months ended September      Nine months ended September 30,  
 ended September

	30, 2015	2014	2015	2014
Colombia	17,591	22,353	56,842	65,105
United States	42,942	26,812	107,964	74,720
Panama	2,000	2,649	4,823	10,482
Other	359	1,639	3,359	2,923
Total	62,892	53,453	172,988	153,230

#### **Note 10. Earnout Share Liability (Restated)**

The earnout shares liability is subject to re-measurement at each balance sheet date until the shares are released or until the expiration of the liability at December 31, 2016 under the governing agreement, and any change in fair value is recognized in the Company's condensed consolidated statement of operations.

When the earnout shares are released from the escrow account upon achievement of the conditions set forth in the earnout share agreement, the Company records the fair value of the released shares out of the earnout share liability and into common stock and additional paid-in capital within the shareholders equity section of the Company's condensed consolidated balance sheets.

The Company determines the fair value of the earnout share liability using a Monte Carlo simulation, which models future EBITDA and ordinary share stock prices during the earn-out period using the Geometric Brownian Motion. This model is dependent upon several variables such as the earnout share agreement's expected term, expected risk-free interest rate over the expected term, the equity volatility of the Company's stock price over the expected term, the asset volatility, and the Company's forecasted EBITDA. The expected term represents the period of time that the earnout shares agreement is expected to be outstanding. The risk-free rates are based on U.S. Treasury securities with similar maturities as the expected term of the earnout share agreement at the date of valuation. 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 stock price, risk-free rate, expected term and volatility. In general, the inputs used are unobservable; therefore unless indicated otherwise, the earnout share liability is classified as Level 3 under guidance for fair value measurements hierarchy.

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

Balance - December 31, 2014	\$29,061
Fair value adjustment - six months ended June 30, 2015	7,672
Reclassification to Additional Paid-In Capital on release of 2014 Earnout shares	-5,765
Balance - June 30, 2015	30,968
Fair value adjustment - three months ended September 30, 2015	2,519
Balance - September 30, 2015	\$33,487

#### Note 11. Warrant Liability (Restated)

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 1,382,217 warrants have been exercised by investors resulting in 7,817,783 warrants remaining outstanding as of September 30, 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 because 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:

	September 30, 2015	December 31, 2014
Stock Price	\$ 13.72	\$ 10.15
Dividend Yield (per quarter per share)	\$ 0.125	N/A
Risk-free rate	0.33	% 0.67 %

Edgar Filing: Tecnoglass Inc. - Form 10-Q/A

Expected Term (years)	1.22		1.97	
Expected Volatility	35.00	%	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 - six months ended June 30, 2015	11,313
Balance - June 30, 2015	31,304
Fair value adjustment - three months ended September 30, 2015	3,146
Balance - September 30, 2015	\$34,450

The Company's equity warrants are exercisable by the warrant holder in either of two modes: (i) by making a cash payment at the exercise price and receiving ordinary shares ("cash exercise"), or (ii) by applying a formula in the warrant agreement that is based on the market price of the shares on the NASDAQ market in order to receive ordinary shares for the warrant with no cash payment ("cashless exercise"). Of 1,382,217 aggregate warrants exercised since the merger in December 2013, warrant holders exercised 102,570 warrants on a cash basis and 1,279,647 warrants (14.1% of all warrants outstanding at June 30, 2015) for 532,078 ordinary shares on a cashless basis.

When the warrants are exercised for ordinary shares, the Company re-measures the fair value of the exercised warrants as of the date of exercise using quoted prices on the OTC Pink Markets and records the change in fair value in the consolidated statement of operations, and records the fair value of the exercised warrants as additional paid-in capital in the shareholders equity section of the Company's balance sheet. The Company recorded \$ 2,600 and \$4,212 respectively in the three- and nine-month periods ended September 30, 2015, in the consolidated statement of operations for the change in fair value of exercised warrants and recorded \$7,003 as additional paid-in capital in the shareholders equity of the Company's condensed consolidated balance sheet for the same periods.



	Number of Warrants	Average Value	Fair Value
Opening balance as of January 1, 2015	9,097,430	\$ 2.20	\$19,991
Balance as of June 30, 2015	9,097,430	\$ 3.44	\$31,304
Change in fair value to the date of cashless exercise charged to income statement	1,279,647	\$ 2.03	\$2,600
Fair value of exercised warrants credited to shareholders equity	1,279,647	\$ 5.47	\$(7,003 )
Change in fair value of unexercised warrants remaining at September 30, 2015	7,817,783	\$ 0.97	\$7,548
Closing balance as of September 30, 2015	7,817,783	\$ 4.41	\$34,450
Total change in warrant liability due exercise of warrants and change in fair value of remaining warrants for the three-month period ended September 30, 2015			\$3,145

## Note 12. 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:

	(in thousands)	
	September 30, 2015	December 31, 2014
Assets		
Due from ESW LLC	\$20,477	\$ 13,814
Due from VS	8,351	7,979
Due from UT ESW	-	2,000
Due from other related parties	3,277	4,771
	\$32,055	\$ 28,564
Long term payment agreement from VS	\$2,536	\$ 4,220
Liabilities		
Due to A Construir S.A.	\$550	\$ 995
Due to other related parties	1,204	1,004
	\$1,754	\$ 1,999

Edgar Filing: Tecnoglass Inc. - Form 10-Q/A

(in thousands)

Three months

ended September 30, 2015      2014      2015      2014

Revenues

Sales to ESW LLC	\$14,366	\$8,872	\$ 37,264	\$ 27,023
Sales to VS	1,229	1,662	3,828	8,898
Sales to other related parties	149	503	818	1,992
Sales to related parties	\$15,744	\$11,037	\$ 41,910	\$ 37,913

Expenses

Fees paid to directors and officers	\$235	\$32	\$ 1,012	\$ 653
Payments to other related parties*	385	(34 )	1,250	1,137

Sales to other related parties were less than \$0.7 million and \$0.4 million in the three months and the nine months ended September 30, 2015 and less than \$0.1 million for the three- and nine-month periods ended September 30, 2014, respectively.

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

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 \$0.2 million used to develop a lot adjacent to the Alutions plant into a related party fuel service station Santa Maria del Mar S.A. At September 30, 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 December 2014, ESW LLC, an entity controlled by related parties, guaranteed a mortgage loan for \$3.9 million for the acquisition of real properties in Miami-Dade County, Florida in favor of Tecnoglass RE, a wholly owned subsidiary of the Company.

### **Analysis of Variable Interest Entities**

The Company conducted an evaluation as a reporting entity of its involvement with certain significant related party business entities as of September 30, 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 the purpose for which these entities were created and the nature of the risks in the entities as required by the guidance under ASC 810-10-25 - Consolidation and related Subsections.

From all the entities analyzed, only two entities, ESW LLC and VS, resulted in having variable interests. However, as of the date of the initial evaluation and for the three and six months ended September 30, 2015, the Company concluded that both entities are not deemed VIEs and as such these entities should not be consolidated within the Company's consolidated financial statements.

The Company's analysis that was performed previously for the preparation of the financial statements as of December 31, 2014 concluded that these entities were VIEs. However, further analysis of the facts and circumstances surrounding the Company's accounting of ESW LLC and VS performed during 2015 determined that the prior analysis was in error. The Company considered a quantitative and qualitative materiality assessment of the disclosure error and concluded it was not material to the Company's previously reported financial statements.

### **Note 13. 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 December 31, 2014. During the second quarter of 2015, the Company paid \$1, \$79 remaining unpaid as of September 30, 2015.

### **Note 14. Derivative Financial Instruments**

In 2012, the Company entered into two interest rate swap (IRS) contracts as economic hedges against interest rate risk through 2017. 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 at an aggregate fair value of \$55 and \$134 as of September 30, 2015 and December 31, 2014, respectively. Changes in the fair value of the derivatives are recorded in current earnings.

### **Note 15. Commitments and Contingencies**

#### *Guarantees*

Guarantees on behalf of or from related parties are disclosed in Note 12 - 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 16. Equity**

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 in April 2015 based on the Company's achievement of specified EBITDA targets set forth in such agreement.

Starting July 6, 2014, warrant holders exercised 1,279,647 Company warrants on a cashless basis and received 532,078 ordinary shares as of September 30, 2015. On April 14, 2015, the Company's Board of Directors authorized the payment of regular dividends at a quarterly rate of \$0.125 per share (or \$0.50 per share on annual basis) to holders of its ordinary shares following the completion of a warrant exchange.

### **Note 17. Subsequent Events**

Through November 9, 2015, the Company has received \$20.8 million from a line of credit with a 10-year term that will be primarily used to repay short-term obligations.

On November 10, 2015, the Company filed an amendment to its Registration Statement on Form S-4 with the Securities and Exchange Commission ("SEC") in connection with a proposed exchange of its warrants for its ordinary shares. Under the terms of the warrant exchange offer, each of Tecnoglass' warrant holders will have the opportunity to receive one Tecnoglass ordinary share in exchange for every 2.3 of the Company's outstanding warrants tendered by the holder and exchanged pursuant to the offer. The Exchange Offer will commence as soon as practicable after the registration statement becomes effective and is expected to remain open for not less than 30 days.

Edgar Filing: Tecnoglass Inc. - Form 10-Q/A

On November 12, 2015, the Company issued an aggregate 566,162 ordinary shares relating to the exercise of unit purchase options and the underlying warrants.

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 of 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 that 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 target specific 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 September 30, 2015 and December 31, 2014, the Company had cash and cash equivalents of approximately \$16.9 million and \$15.9 million, respectively. The Company expects that cash flow from operations and proceeds from borrowings under the Company's lines of credit will be sufficient to fund the Company's cash requirements for the next twelve months.

As of September 30, 2015, the Company has secured approximately \$100 million in additional long-term loan availability for working capital or capital expenditures with maturities ranging from 5 to 10 years, which will be sufficient to fund anticipated requirements for the next twelve months. As of September 30, 2015 the Company has taken a number of bridge loans increasing its short-term debt profile while it continues negotiations with local and foreign banks in order to restructure and extend the maturities of its current debt profile by accessing the long-term debt facilities, which are available in the Colombian and international loan markets. If the Company is unable to refinance expiring portions of its short-term debt as they become due, the Company could be unable to meet payment obligations to suppliers and other creditors until additional debt is secured. The Company believes it will be able to restructure and refinance its short-term debt.

During the year 2014, the proceeds from the merger were one of our primary sources of liquidity as well.

Additionally, until the redemption of certain warrants and unit purchase options or their expiration in December 2016, we could receive up to \$79.1 million from the exercise of warrants and unit purchase options comprised of: up to \$34.5 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 \$28.0 million upon the exercise of the warrants issued in our IPO. As of September 30,

Edgar Filing: Tecnoglass Inc. - Form 10-Q/A

2015, 102,570 warrants have been exercised for proceeds of \$0.8 million and 1,279,647 warrants have been exercised on a cashless basis for 532,078 shares.

**Capital Resources****New technology investments**

During the nine months ended in September 30, 2015, the Company made significant capital expenditures of approximately \$ 62.9 million. This included the creation of a complete state of the art soft coat low emissivity glass manufacturing plant to produce low emissivity glass to satisfy our internal requirements and sell to external customers, as well as four new glass tempering ovens purchased which increased the plant efficiency and the quality of the finished products.

**Results of Operations**

	(in thousands)			
	Three Months Ended September 30 2015	Three Months Ended September 30 2014	Nine Months Ended September 30 2015	Nine Months Ended September 30 2014
Operating Revenues	\$62,892	\$ 53,453	\$ 172,988	\$ 153,230
Cost of sales	39,186	35,803	109,798	101,974
Gross profit	23,706	17,650	63,190	51,256
Selling, general and administrative expenses	12,890	10,000	35,064	27,330
Operating income	10,816	7,650	28,126	23,926
Non-operating revenues, net	10,744	1,003	15,886	3,480
Interest Expense	(2,307 )	(2,380 )	(6,509 )	(6,647 )
Change in fair value of earnout share liability	(2,519 )	1,861	(10,191 )	(9,897 )
Change in fair value of warrant liability	(10,148 )	6,756	(21,461 )	(6,769 )
Income tax provision	(8,524 )	(1,770 )	(16,927 )	(7,004 )
Net income	\$(1,938 )	13,120	(11,076 )	(2,911 )

**Comparison of quarterly periods ended September 30, 2015 and September 30, 2014****Revenues**

The Company's net operating revenues increased \$ 9.4 million or 18% from \$53.5 million to \$62.9 million for the quarterly period ended September 30, 2015 compared the quarterly period ended September 30, 2014. A total of \$2.4 and 4.1 million was related to the effect of price and product mix for the three months ended and nine months ended September 30, 2015, respectively. In addition, a total of \$2.9 and \$6.1 million was related to the increase in volume for the three months ended and nine months ended September 30, 2015, respectively.

Sales in the U.S. market for the quarterly period ended September 30, 2015 increased \$16.1 million or 60% when compared to the quarterly period ended September 30, 2014. The Company continued expansion of sales outside of traditional base in the South Florida region and is now selling in several regions including Baltimore-Washington, California, Texas, New York and New Jersey on the basis of timely delivery, competitive prices, and high quality. Sales in the Colombian market, with a significant participation of long-term contracts priced in local currency, increased 20% in terms of local currency, but because of unfavorable change in exchange rates, sales in Colombia decreased by \$4.8 million or 21% for the quarters ended September 30, 2015 compared to the same period of 2014. Sales to Panama and other territories decreased by \$0.6 million, or 24%, and \$1.3 million, or 78%, respectively from the third quarter of 2015 compared to the third quarter of 2014 as large projects the Company had in Panama were finalized.

### **Margins**

Sales margins increased to 38% from 33% in the quarterly periods ended September 30, 2015 and 2014. This variation results from slightly lower than normal margin in the three-month period ended September 30, 2014 that fell within normal fluctuations experienced by the Company depending on varied product mix over short periods of time, accompanied by improvement in 2014 due to a 35.8% favorable decrease in the average exchange rate for the Colombian Peso, currency in which much of the Company's fixed manufacturing costs are recorded. The sales margin for the nine-month period ended September 30, 2015 shows a smaller improvement over 2014, as further discussed below.

### **Expenses**

Selling and Administrative Expenses increased 29% from \$10.0 million to \$12.9 million in the quarterly period ended September 30, 2015 when compared to the quarterly period ended September 30, 2014. The increase was a result of \$0.8 million provision for bad debt, \$0.4 million higher sales commissions, \$2.5 million shipping expense and \$0.2 million more advertising as part of the Company's strategy to increase sales, as well as \$0.3 million in depreciation and amortization of Miami-Dade county Notices of Acceptance and other tangible and intangible assets that were purchased during the second half of 2014.

### **Loss – Earnout Shares Liability**

A non-cash, non-operating loss of \$2.5 million arose from the increase in the fair value of the earnout shares liability in the three-month period ended September 30, 2015 relative to its fair value at the end of the previous quarter ended June 30, 2015. The fair value of the earnout shares 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.

Management does not consider the effects of the change in the warrant liability to be indicative of the results of the Company's operations.

### **Loss - Warrants Liability**

A non-cash, non-operating loss of \$10.1 million arose from the increase in the fair value of the warrant liability (including exercised warrants) in the three-month period ended September 30, 2015 relative to its fair value at the end of the previous quarter ended June 30, 2015. 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.

Management does not consider the effects of the change in the warrant liability to be indicative of the results of the Company's operations.

## **Income Taxes**

The Company's effective tax rates were 129% and 12% for the quarterly periods ended September 30, 2015 and 2014. The Company's effective tax rate for the three-month periods ended September 30, 2015 reflect an increase in statutory tax rates in Colombia from 34% to 39%, as well as a non-deductible loss of \$3.1 million and \$2.5 million from the change in fair value of warrant liability and earnout share liability as of September 30, 2015, respectively, compared with a non-taxable gains of \$6.8 million and \$1.9 million for the same period ended September 30, 2014.

## **Results of operations for the nine-month period ended September 30, 2015 and 2014**

### **Revenues**

The Company's net operating revenues increased \$19.8 million or 13% from \$153.2 million to \$173.0 million for the nine-month period ended September 30, 2015 compared the same period ended September 30, 2014.

Growth was driven by sales in the U.S. market, which increased \$33.2 million, or 44% in the nine months ended September 30, 2015 when compared to the nine-month period ended September 30, 2014, which were offset by declines in sales in other markets. The Company continued its expansion of sales outside of its traditional base in the South Florida region and is with direct and contract sales in several regions including Baltimore-Washington, California, Texas, New York and New Jersey based on timely delivery, competitive prices, high quality and strategic alliances with major industry. Sales in the Colombian market, with a significant participation of long-term contracts priced in local currency, increased 19% in terms of local currency, but because of unfavorable changes in exchange rates, sales in Colombia declined \$8.3 million, or 13% for the nine months ended September 30, 2015 compared to the same period of 2014. Sales to Panama decreased by \$5.7 million, or 54%, from the nine months ended September 30, 2015 compared to the same period of 2014 as large projects the Company had in Panama were finalized.

### **Margins**

Sales margins increased from 33% to 37% in the nine-month periods ended September 30, 2015 and 2014. The Company believes the increase in sales margin is a result of a higher degree of vertical manufacturing integration and increased exports to markets in the United States where strict building codes require products with higher specifications.



### **Expenses**

During the nine-month periods ended September 30, 2015 and 2014, general selling and administrative increased \$7.7 million, or 28%, from \$27.3 million to \$35.1 million. The significant increase was primarily due to several factors that include a capital tax levied on the Company's Colombian subsidiaries and amounted to approximately \$0.9 million in 2015, with no comparable expense in 2014. Selling, general and administrative expenses also increased because of \$1.3 million higher sales commissions, \$2.4 million higher shipping expense and \$0.4 million higher advertising expense as part of the Company's strategy to increase sales. Additionally, the Company also recorded an increase of \$1.4 million in amortization and depreciation of assets purchased during the second half of 2014, as well \$1.2 million increase in bad debt write offs and \$0.3 million higher consulting fees offset by \$0.6 million decrease in personnel expense due to fluctuations in exchange rate of the Colombian Peso.

During the nine-month periods ended September 30, 2015 and 2014, interest expense decreased slightly from \$6.6 million to \$6.5 million. The decrease is partially due to a favorable decrease in exchange rate of the Colombian Peso, currency in which most of the Company's interest expense is incurred and paid, as well as a shift towards more short-term debt with lower interest rates while the Company negotiates with several domestic and foreign banks to improve the structure of debt at better terms.

### **Loss - Warrants Liability**

A non-cash, non-operating loss of \$14.5 million arose from the increase in the fair value of the warrant liability in the nine-month period ended September 30, 2015. The fair value of the warrant 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.

### **Non-operating Revenues**

During the nine-month periods ended September 30, 2015 and 2014 the Company recorded net non-operating revenues of \$15.9 million and \$3.5 million respectively. The Company's non-operating revenues are comprised primarily of net gains on foreign currency transactions that increased by \$10.1 million during the nine-month period ended September 30, 2015 compared to the same period of 2014, and an increase of \$8.1 million during the three-month period ended September 30, 2015 compared to the same period of 2014, as an effect of the devaluation of the Colombian Peso, the functional currency of the Company's operating subsidiaries TG and ES.



### **Loss – Earnout Shares Liability**

A non-cash, non-operating loss of \$10.2 million arose from the increase in the fair value of the earnout shares liability in the nine-month period ended September 30, 2015 relative to its fair value at December 31, 2014. The fair value of the earnout shares 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.

### **Income Taxes**

The Company's effective tax rates were 289% and 171% for the nine-month periods ended September 30, 2015 and 2014. The Company's effective tax rate for the nine-month periods ended September 30, 2015 reflect an increase in statutory tax rates in Colombia from 34% to 39%, as well as non-deductible losses of \$21.5 and \$10.2 million from the change in fair value of warrant liability and earnout share liability as of September 30, 2015, compared with a non-deductible loss of \$6.8 and \$9.9 million for the same period ended September 30, 2014.

### **Cash Flow from Operations, Investing and Financing Activities**

During the nine-month periods ended September 30, 2015 and 2014, \$10.2 million and \$14.2 million, respectively, were generated and used in operating activities. During the nine months ended September 30, 2015, the principal uses of cash were inventories and trade accounts receivable with cash flows of approximately \$21.1 million and \$18.4 million, respectively, partially offset by trade accounts payable and other current liabilities which generated \$20.6 million and \$11.3 million, respectively, as well as advances from customers which generated \$5.3 million due to new projects in the first half of 2015.

The Company used \$19.2 million and \$22.0 million in investing activities during the nine months ended September 30, 2015 and 2014 respectively. Principal use of cash for both periods has been purchase of fixed assets as part of the Company's growth strategy that requires investments in state of the art manufacturing equipment and facilities discussed under the Capital Resources section of this Management Discussion and Analysis.

Cash generated from financing activities was \$7.1 million and \$49.9 million during the nine-month periods ended September 30, 2015 and 2014, respectively. Cash flow from financing activities in the nine-month period ended September 30, 2014 included \$22.5 million of proceeds from the merger in December 2013 that were received in January 2014.



(in thousands)  
 Nine-month period ended  
**September**      **September 30,**  
**30,**

**2015**                      **2014**

Cash Flow from Operating Activities	\$ 10,242	\$ (14,152 )
Cash Flow from Investing Activities	(19,153 )	(21,973 )
Cash Flow from Financing Activities	7,147	49,876
Effect of exchange rates on cash and cash equivalents	2,705	1,127
Cash Balance - Beginning of Period	15,930	2,866
Cash Balance - End of Period	\$ 16,871	\$ 17,744

### Off-Balance Sheet Arrangements

None

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

None

### Item 4. Controls and Procedures

#### Evaluation of Disclosure Controls and Procedures

We carried out an evaluation required by Rule 13a-15 of the Securities Exchange Act of 1934 under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Tecnoglass, Inc. “disclosure controls and procedures” as of the end of the period covered by this Quarterly Report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, because of certain material weaknesses in our internal control over financial reporting as described in our Annual Report on Form 10-K for the year ended December 31, 2014, our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 were not effective as of September 30, 2015. To address the material weaknesses in our internal control over financial reporting the Company performed additional manual procedures and analysis such as validation of sources of

information that impact financial statements including revenue recognition, receivables, disbursements, reconciliation of accounting modules versus the general ledger, inventory count review and analysis, related party reconciliations, analytical reviews of property plant and equipment, gross margins, payroll and translation of financial statements into USGAAP and other post-closing procedures in order to prepare the consolidated financial statements included in this Quarterly Report on Form 10-Q.

Additionally, in preparing the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, we identified several controls deficiencies that resulted in audit adjustments to the Company's consolidated financial statements regarding, earnout shares, shipping costs, netting of deferred taxes and in the presentation of related party revenues on consolidated statements of operations and comprehensive income and adequate identification of certain related parties in the classification of purchases and sales of investments in the consolidated statements of cash flows, earnings per share calculations, and in the conclusion on certain variable interest entities and, accounted for at fair value of the warrants exercised. The corrections of these errors are being addressed within the 2015 Annual Report on Form 10-K (and corresponding 2014 period) and the amended quarterly reports on Form 10-Q for 2015 (and the corresponding 2014 periods).

Notwithstanding the material weaknesses in our internal control over financial reporting, we believe that the consolidated financial statements contained in this report present our financial condition, results of operations, and cash flows for the periods covered thereby in all material respects.

### **Changes in Internal Control Over Financial Reporting**

For the quarter ended September 30, 2015, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Tecnoglass S.A. is also a named defendant in 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 tort feisor, 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 September 30, 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 31, 2016