CYREN Ltd.
Form 6-K
July 25, 2014

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

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16
OR 15d-16 OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of July, 2014

Commission File Number 000-26495

CYREN Ltd.
(Translation of Registrant's name into English)

1 Sapir Road, 5th Floor, Beit Ampa, P.O. Box 4014, Herzliya 46140, Israel
(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x   Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):___

Preliminary Second Quarter Financial Results

In a preliminary prospectus supplement dated July 24, 2014, the Registrant disclosed certain preliminary estimates of its financial condition and results of operation for the quarter ended June 30, 2014. The Registrant estimates:

- to report total revenue between $8.1 million and $8.3 million for the three months ended June 30, 2014, compared to $8.1 million for the first quarter of 2014 and $8.1 million for the second quarter of 2013.

- to report total non-GAAP revenue between $8.1 million and $8.4 million for the three months ended June 30, 2014, compared to $8.1 million for the first quarter of 2014 and $8.2 million for the second quarter of 2013. The difference between non-GAAP and GAAP revenue is derived from the fact that deferred revenues consolidated from acquired companies are accounted under GAAP based on fair value.

- to report total operating loss between ($1.9 million) and ($2.3 million) for the three months ended June 30, 2014, compared to ($2.1 million) for the first quarter of 2014 and of ($0.7 million) for the second quarter of 2013.

The following table reconciles the Registrant's expected total non-GAAP revenue to our GAAP revenue for the three months ended June 30, 2014, and provides a comparison to the results from the three months ended March 31, 2014 as well as the three months ended June 30, 2013. The information presented in the following tables is preliminary and unaudited.

	Three months ended			
	June 30, 2014		March 31, 2014	June 30, 2013
	Low	High		
(in millions of U.S. dollars)		(unaudited)		
GAAP revenue	$ 8.1	$ 8.3	$ 8.1	$ 8.1
Fair value adjustment to deferred revenue	0.1	0.1	0.0	0.1
Non-GAAP revenue	$ 8.2	$ 8.4	$ 8.1	$ 8.2

The Registrant has provided ranges for the preliminary estimated financial results described above because its financial closing procedures for the three months ended June 30, 2014 are not complete. The preliminary estimated financial results presented above are subject to the completion of the Registrant's quarter-end financial closing procedures. The information presented above should not be considered a substitute for such full unaudited quarterly financial results once they become available.

The preliminary information presented above is the responsibility of management, reflects management's estimates based solely upon information available to the Registrant as of this date and is not a comprehensive statement of its financial results for the three months ended June 30, 2014. The Registrant's actual results may differ materially from these estimated ranges. The Registrant's independent registered public accounting firm, Kost Forer Gabbay & Kasierer, has not audited, reviewed, compiled or performed any procedures on this preliminary information. Accordingly, Kost Forer Gabbay & Kasierer does not express an opinion or any other form of assurance with respect thereto.

Supplemental Risk Factors

The Registrant provided the following supplemental risk factors in the preliminary prospectus supplement referred to above. These risk factors supplement the risk factors included in the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2013.

Risks Relating to Our Business

We need to raise additional capital and continue to generate the cash flow necessary to replenish our working capital, expand our operations and invest in new services and products, and our failure to do so could reduce our ability to compete and harm our business.

As a result of our acquisitions in 2012, net losses in 2013 and in the first quarter of 2014 and capital investments necessary for our move to a cloud-based solutions platform, we have been substantially cash flow negative since 2011, and continue to have significant liquidity needs. As of March 31, 2014, our cash on hand was $2.3 million, compared to $3.8 million as of December 31, 2013, and our availability under our credit line described below was $5.4 million.

On October 21, 2013, we repaid amounts outstanding under and terminated our prior credit agreements and entered into a credit agreement with a U.S. bank, under which we obtained a credit line equal to the lesser of (i) $7.5 million and (ii) a multiple of monthly recurring revenue (as defined in the credit agreement) that is currently 3x, and which decreases to 2.5x in September 2014 and 2x in January 2015. As subsequently amended, the duration and availability of this line is subject to several restrictions that significantly restrict our operations and may negatively affect our ability to operate our business and limit our ability to take advantage of potential business opportunities. These include: a requirement to conduct an equity offering resulting in net proceeds of at least $5 million (which this offering is anticipated to satisfy), maintaining a minimum level of monthly recurring revenue and limiting our total annual capital expenditures. A breach of any of these covenants could result in a default under our credit line, causing amounts outstanding under the credit line to become immediately due and payable and substantially reducing our available liquidity. Further, this credit line is secured by a security interest over all of our assets in favor of the lender. If we are unable to repay our bank indebtedness in such circumstances, the bank could foreclose on our assets in order to recover the amounts due, provided that any such foreclosure must be in accordance with the applicable Israeli laws and regulations including without limitation with respect to the technology and intellectual property developed with funding provided by the Office of the Chief Scientist of the Israeli Ministry of Economy, or OCS, as further elaborated below. Any such action might potentially require us to curtail or cease operations.

We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features to enhance our services and products, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, in addition to this offering, we may need to engage in equity or debt financings to secure additional funds. If we raise additional equity financing, our shareholders may experience significant dilution of their ownership interests and the per share value of our ordinary shares could decline. Furthermore, if we engage in debt financing, the holders of debt would have priority over the shareholders, and we may be required to accept terms that restrict our ability to incur additional indebtedness or that otherwise restrict our ability to operate our business. We may also be required to take other actions that would otherwise be in the interests of the debt holders and force us to maintain specified liquidity or other ratios, any of which could harm our business, operating results, and financial condition.

Following the completion of this offering, we expect our cash on hand and availability under our credit line will be sufficient to fund our current operations and anticipated investments for the next 12 months. However, if our cash flow from operations is insufficient to fund our obligations or if our credit line decreases or is breached, we may not be able to obtain additional financing on terms favorable to us, or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be adversely affected.

Because our solutions could be used to collect and store personal information of our customers', employees or users, privacy concerns could arise, which result in additional cost and liability to us or inhibit sales of our solutions.

Personal privacy has become a significant issue in the United States and in many other countries where we offer our solutions. The regulatory framework for privacy issues worldwide is currently complex and evolving, and it is likely to remain uncertain for the foreseeable future. Many federal, state and foreign government bodies and agencies have adopted or are considering adopting laws and regulations regarding the collection, use and disclosure of personal information. In the United States, these include rules and regulations promulgated under the authority of the Federal Trade Commission, the Health Insurance Portability and Accountability Act of 1996 and state breach notification laws and in Israel, the Israeli Protection of Privacy Law, 5741-1981. Internationally, virtually every jurisdiction in which we operate has established its own data security and privacy legal framework with which we or our customers must comply, including the Data Protection Directive established in the European Union (the "EU") and the Federal Data Protection Act recently passed in Germany.

In addition to government regulation, privacy advocacy and industry groups may propose new and different self-regulatory standards that either legally or contractually apply to us. Because the interpretation and application of privacy and data protection laws are still uncertain, it is possible that these laws may be interpreted and applied in a manner that is in conflict with one another, and is inconsistent with our existing data management practices or the features of our solutions. If so, in addition to the possibility of fines, lawsuits and other claims, we could be required to fundamentally change our business activities and practices or modify our software, which could have an adverse effect on our business. Any actual or perceived inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales and harm our business.

Furthermore, the costs of compliance with, and other burdens imposed by, the privacy laws, regulations and policies that are applicable to the businesses of our customers may limit the use and adoption of, and reduce the overall demand for, our solutions. Privacy concerns, whether valid or not valid, may inhibit market adoption of our solutions particularly in certain industries and foreign countries.

Risks Relating to Operations in Israel

Conditions in Israel may limit our ability to develop and sell our products, resulting in a decline in revenues.

We are incorporated under the laws of the State of Israel. Our principal research and development facilities are located in Israel. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries, as well as incidents of civil unrest, and a number of state and non-state actors have publicly committed to its destruction. In recent weeks, Hamas and Israel have been engaged in an escalating military conflict that has caused damage and disrupted economic activities in Israel. It is unclear how long this military conflict may last. Political, economic and military conditions in Israel could directly affect our operations. We could be adversely affected by any major hostilities involving Israel, including acts of terrorism or any other hostilities involving or threatening Israel, the interruption or curtailment of trade between Israel and its trading partners, a significant increase in inflation or a significant downturn in the economic or financial condition of Israel. Any on-going or future violence between Israel and the Palestinians, armed conflicts, terrorist activities, tension along the Israeli borders or with other countries in the region, including Iran, or political instability in the region could disrupt international trading activities in Israel and may materially and negatively affect our business and could harm our results of operations.

Certain countries, as well as certain companies and organizations, continue to participate in a boycott of Israeli companies, companies with large Israeli operations and others doing business with Israel and Israeli companies. In addition, such boycott, restrictive laws, policies or practices may change over time in unpredictable ways, and could, individually or in the aggregate, have a material adverse effect on our business in the future.

Some of our employees in Israel, including some of our executive officers, are obligated to perform annual military reserve duty in the Israel Defense Forces, depending on their age and position in the armed forces. Furthermore, they may be called to active reserve duty at any time under emergency circumstances for extended periods of time. For example, in 2013, four of our employees in Israel were called for active reserve duty, each serving for an average of approximately two weeks. Through June 30, 2014, four of our Israeli employees have been called for active reserve duty, largely as a result of the recent military engagement with Hamas. Our operations could be disrupted by the absence, for a significant period, of one or more of our executive officers or key employees due to military service, and any significant disruption in our operations could harm our business.

The government programs and benefits which we previously received require us to meet several conditions and may be terminated or reduced in the future.

Under the Encouragement of Industrial and Development Law, 5744-1984 (the “Research Law”), research and development programs which meet specified criteria and are approved by a committee of the Office of the Chief Scientist (the “OCS”) of the Israeli Ministry of Economy (formerly named the Ministry of Industry, Trade and Labor) are eligible for grants from the OCS. The grant amounts are determined by the research committee, and are typically a percentage of the project’s expenditures. Under most programs, the grantee is required to pay royalties to the State of Israel from the sale of products developed under the program. Regulations under the Research Law generally provide for the payment of royalties of 3% to 5% (and currently limited to 3.5%) on sales of products and services based on or incorporating technology developed using grants or know-how deriving therefrom, until 100% of the grant, linked to the dollar and bearing interest at the LIBOR rate, is repaid. The royalty rates and the aggregate repayment amount may be higher if manufacturing rights are transferred outside of Israel, as further detailed below. The terms of the Israeli government participation also generally require that products developed with government grants be manufactured in Israel, unless otherwise declared by the Company in its original applications and that the manufacturing rights of products incorporating technology developed thereunder may not be transferred outside of Israel, unless approval is received from the OCS and additional payments are made to the State of Israel. However, this does not restrict the export of products that incorporate the funded technology. The royalty rates may be increased and the repayment ceiling can reach up to three times the amount of the grant received if manufacturing is moved outside of Israel, and substantial payments may be required if the technology itself is transferred outside of Israel.

The Company has previously received grants from the OCS for development of its products under three approved programs, in an aggregate amount of $2.6 million. Two of the programs, under which we received $1.4 million were closed, and the Company is not required to report or pay royalties with respect to these programs. However, to the extent the Company will use, transfer or otherwise incorporate the know-how developed under the closed programs in any product, which the Company has no intentions or plans to do, it would need to pay royalties to the OCS with respect to such programs at the rates detailed above. In addition, any transfer of know-how developed under the closed programs or of manufacturing rights with respect to such know-how will require the consent of the OCS and may require payment to the OCS as detailed herein. Under the active program we received $1.2 million. As of July 16, 2014, we have paid the OCS $0.2 million in royalties under the active program, and royalties in the aggregate amount of $0.4 million under all three programs. As of July 16, 2014, we have a contingent obligation to the OCS in the total amount of $3.1 million under all three programs, of which a total of $2.1 million is attributed solely to the two abovementioned closed programs. An additional amount of $1.0 million is attributed to the Company's active program, which under the circumstances specified herein constitutes the Company's sole contingent obligation to the OCS.

Regardless of any royalty payment obligations, we are further required to comply with the Research Law as amended, and related regulations, with respect to the grants. When a company develops know-how, technology or products using OCS grants, the terms of these grants and the Research Law restrict the transfer of such know-how, and the transfer of manufacturing or manufacturing rights of such products, technologies or know-how inside or outside of Israel, without the prior approval of the OCS and payment of transfer fees. Maximal transfer fees with respect to the transfer of know how are as follows: up to three times the original grant received plus accrued interest as of the date of transfer, when the OCS Research Committee is satisfied that the core research and development activity will remain in Israel, and up to six times the value of the original grant in the case of liquidation of activities in Israel. Therefore, if aspects of our technologies are deemed to have been developed with OCS funding, the discretionary approval of an OCS committee would be required for any transfer to third parties inside or outside of Israel of know how or manufacturing or manufacturing rights related to those aspects of such technologies. We may not receive those approvals. Furthermore, the OCS may impose certain conditions on any arrangement under which it permits us to transfer technology or development out of Israel. In addition, the OCS has the discretion to permit overseas manufacture in excess of the declared percentage (deviations of up to 10% do not require consent, but the OCS must be notified). Consent is contingent upon payment of additional royalties, at rates and subject to ceilings set out in the relevant regulations, up to three times the amount of the grants.

In addition to the OCS programs described above, since 2012 we have participated in a research consortium in which high technology companies are members. This consortium is devoted to the development of generic technologies in the field of cyber security technologies. The OCS MAGNET program sponsors this consortium. Under the terms of the MAGNET program, the OCS contributes 66% of the consortium`s industry members' research budget that the OCS approves and the consortium industry members contribute the remaining 34%. No royalties are payable to the OCS with respect to this funding. Expenses in excess of the approved budget are borne by the consortium members. The Company's approved budget under the Magnet program was NIS 2.0 million, NIS 2.8 million and NIS 2.7 million for the years 2012, 2013 and 2014, respectively.

In general, any member of a consortium that develops technology in the framework of a consortium retains the intellectual property rights to this technology, but all other consortium members have the right to use and implement this technology without having to pay royalties to the developing consortium member, provided that the technology will not be transferred to any entity outside of the consortium. The terms of the program prohibit both the manufacture of products using technology developed in the context of the program outside of Israel and the transfer of technology developed under the program to any third party, without the prior written consent of the OCS and compliance with any applicable OCS or Research Law terms, as further detailed above.

None of our Intellectual Property described in this prospectus supplement was developed in the framework of the consortium, nor did we share with consortium members any Intellectual Property which is uniquely connected to our products and projects.

This report on Form 6-K is incorporated by reference into all effective registration statements filed by the Registrant under the Securities Act of 1933.

SIGNATURES

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

CYREN Ltd.
(Registrant)

Date: July 25, 2014

By /s/ Lior Samuelson
Lior Samuelson
Chief Executive Officer

---

font-size: 10pt; padding-bottom: 1pt"> 2,671 6,937 961 Income tax
provision 3,631 2,263 8,403 5,234 Net (loss)
income $(11,347) $408 $(1,466) $(4,273) Comprehensive (loss) income: Net (loss)
income $(11,347) $408 $(1,466) $(4,273) Foreign currency translation
adjustments (410) 2,885 (5,577) 2,709 Total comprehensive (loss)
income $(11,757) $3,293 $(7,043) $(1,564) Basic (loss) income per
share $(0.45) $0.02 $(0.06) $(0.18) Diluted (loss) income per
share $(0.45) $0.01 $(0.06) $(0.18) Basic weighted average common shares
outstanding 25,147,286 24,311,199 24,975,165 24,276,947 Diluted weighted average common shares
outstanding 25,147,286 27,986,839 24,975,165 24,276,947

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)

	Six Months Ended June 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(1,466)	$(4,273)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for bad debts	428	-
Provision for obsolete inventory	(281)	20
Depreciation and amortization	5,246	4,972
Equity method income	-	51
Change in value of derivative liability	(42)	(24)
Change in fair value of warrant liability	11,313	13,525
Deferred income taxes	(854)	818
Changes in operating assets and liabilities:		
Trade accounts receivables	(13,623)	(21,027)
Inventories	(13,721)	(432)
Prepaid expenses	198	(391)
Other assets	(4,297)	(6,470)
Accounts payable and accrued expenses	12,974	(4,073)
Advances from customers	8,254	634
Related parties, net	(2,300)	(3,517)
Other current liabilities	5,418	(2,700)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,247	(22,887)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	266	337
Proceeds from sale of property and equipment	34	-
Purchase of investments	(979)	(869)
Acquisition of property and equipment	(15,188)	(7,282)
Restricted cash	-	3,572
CASH USED IN INVESTING ACTIVITIES	(15,867)	(4,242)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt	57,462	55,080
Proceeds from the sale of common stock	-	1,000
Proceeds from the exercise of warrants	-	160

Repayments of debt	(49,093)	(37,568)
Merger proceeds held in trust	-	22,519
CASH PROVIDED BY FINANCING ACTIVITIES	8,369	41,191
Effect of exchange rate changes on cash and cash equivalents	339	516
NET INCREASE IN CASH	88	14,578
CASH - Beginning of period	15,930	2,866
CASH - End of period	$16,018	$17,444
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$3,239	$3,493
Income Tax	$7,188	$5,638
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Assets acquired under capital lease	$20,180	$2,462

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

Tecnoglass Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

Note 1. Organization, Plan of Business Operation

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

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

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

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

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

Note 2. Summary of significant accounting policies

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.

6

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 and other derivative financial instruments. Based on information known before these unaudited, condensed consolidated financial statements were available to be issued, there are no estimates included in these statements for which it is reasonably possible that the estimate will change in the near term up to one year from the date of these financial statements and the effect of the change will be material, except for warrant liability further discussed below in this note and Note 10.

Foreign Currency Translation

The condensed consolidated financial statements are presented in United States Dollars, the reporting currency. The functional currency of the Company's operations in Colombia is the Colombian Peso. The condensed consolidated financial statements of the Company's foreign operations are prepared in the functional currency. The Statements of Operations and Comprehensive (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. The Company recognizes revenue when goods are shipped, which is "FOB shipping point". Delivery to the customer is deemed to have occurred when the customer takes title to the product. Generally, title passes to the customer upon shipment, but title transfer may occur when the customer receives the product based on the terms of the agreement with the customer.

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

Trade Accounts Receivable

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

Inventories

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

Property, Plant and Equipment

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

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

Warrant liability

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

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

Income Taxes

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

Basic earnings per share is computed by dividing net income by the weighted-average number of ordinary shares outstanding during the period, excluding the effects of any potentially dilutive securities. Income per share assuming dilution (diluted earnings per share) would give effect to dilutive options, warrants, and other potential ordinary shares outstanding during the period. Basic loss per share is computed by dividing loss available to common shareholders by the weighted-average number of common shares outstanding. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The Company considered the dilutive effect of warrants to purchase ordinary shares in the calculation of diluted income per share, which resulted in 3,675,640 shares of dilutive securities for the three month period ended June 30, 2014. The computation of diluted earnings per share excludes the effects 3,419,463 and 3,299,989 dilutive options for the six months ended June 30, 2015 and 2014, as well as 3,927,132 dilutive options, warrants and other potentially dilutive securities for the three month period ended June 30, 2015, because their inclusion, given a net loss for the period, would be anti-dilutive.

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

Numerator for basic and diluted earnings per shares

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Net (Loss) Income	$(11,347)	$408	$(1,466)	$(4,273)
Denominator				
Denominator for basic earnings per ordinary share - weighted average shares outstanding	25,147,286	24,311,199	24,975,165	24,276,947
Effect of dilutive warrants and earnout shares	-	3,675,640	-	-
Denominator for diluted earnings per ordinary share - weighted average shares outstanding	25,147,286	27,986,839	24,975,165	24,276,947
Basic earnings per ordinary share	$(0.45)	$0.02	$(0.06)	$(0.18)
Diluted earnings per ordinary share	$(0.45)	$0.01	$(0.06)	$(0.18)

9

Product Warranties

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

Non-Operating Revenues

The Company recognizes non -operating revenues from foreign currency transaction gains and losses, interest income on receivables, proceeds from sales of scrap materials and other activities not related to the Company's operations. Foreign currency transaction gains and losses occur when monetary assets, liabilities, payments and receipts that are denominated in currencies other than the Company's functional currency are recorded in the Colombian peso accounts of the Company in Colombia. The Company´s non-operating revenues for the six months ended June 30, 2015 and 2014 were $5,142 and $2,477, respectively. During the six months ended June 30, 2015 and 2014, the Company recorded net gains from foreign currency transactions of $3,373 and $1,404, respectively.

Reclassifications

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

Note 3 - Variable Interest Entities

The Company conducted an evaluation as a reporting entity of its involvement with certain significant related party business entities as of June 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 two entities with whom it has maintained significant commercial relationships since 2004.

ES Windows LLC ("ESW LLC"), a Florida LLC, imports and resells the Company's products in the United States and acts as a freight forwarder for certain raw materials inventory purchased in the United States. The Company's CEO and COO, other family members, and other related parties own 100% of the equity in ESW LLC. The Company's sales to ESW LLC for the three month periods ended June 30, 2015 and 2014 were $11.0 million and $9.6 million, respectively, and for the six month periods ended June 30, 2015 and 2014 were $22.9 million and $18.1 million, respectively. Outstanding receivables from ESW LLC at June 30, 2015 and December 31, 2014 were $18.6 million and $13.8 million, respectively.

Ventanas Solar S.A. ("VS"), a Panama *sociedad anonima,* is an importer and installer of the Company's products in Panama. Family members of the Company's CEO and CFO and other related parties own 100% of the equity in VS. The Company's sales to VS for the three month and ended June 30, 2015 and 2014 were $1.6 million and $3.6 million, respectively. Sales for the six months ended June 30, 2015 and 2014 were $2.6 million and $7.2 million, respectively. Outstanding receivables from VS at June 30, 2015 and December 31, 2014 were $11.2 million and $12.2 million respectively, including a three-year payment agreement for trade receivables with a long term balance of $3.4 million and $4.2 million as of June 30, 2015 and December 31, 2014, respectively, related to a collection agreement between the Company and VS for trade receivables collection from customers in Panama.

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

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

No subordinated financial support has been provided to these entities as of June 30, 2015 or as of December 31, 2014.

Note 4 - Inventories, net

Inventories are comprised of the following:

	June 30, 2015	December 31, 2014
Raw materials	$30,986	$ 22,421
Work in process	3,511	2,136
Finished goods	2,879	2,158
Stores and spares	2,562	2,371
Packing material	159	171
	40,097	29,257
Less: inventory allowances	-	(292)
Total inventories, net	$40,097	$ 28,965

Note 5. Property, Plant and Equipment, Net

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

	June 30, 2015	December 31, 2014

Building	$37,871	$36,228
Machinery and equipment	94,770	76,497
Office equipment and software	4,347	2,868
Vehicles	1,528	1,412
Furniture and fixtures	1,534	1,651
Total property, plant and equipment	140,050	118,656
Accumulated depreciation and amortization	(33,484)	(31,646)
Net value of property and equipment	106,566	87,010
Land	19,774	16,970
Total property, plant and equipment, net	$126,340	$103,980

11

Depreciation and amortization expense, inclusive of capital lease amortization, for the three month periods ended June 30, 2015 and 2014 was $2,745 and $3,020, respectively, and for the six month periods ended June 30, 2015 and 2014 was $5,246 and $4,972 respectively.

Note 6. Long-Term Debt

At June 30, 2015, the Company owed approximately $114 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 2.9% to 12.03%. These loans are generally secured by substantially all of the Company's accounts receivable and / or inventory.

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

	June 30, 2015	December 31, 2014
Obligations under borrowing arrangements	$114,871	$ 94,198
Less: Current portion of long-term debt and other current borrowings	58,217	54,925
Long-term debt	$56,654	$ 39,273

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

12 months ending June 30,	
2017	$22,706
2018	12,210
2019	7,410
2020	6,785
Thereafter	7,543
Total	$56,654

Revolving Lines of Credit

The Company has approximately $8.5 million available in two lines of credit under a revolving note arrangement as of June 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. At June 30, 2015 and December 31, 2014, $7,823 and $375 was outstanding under these lines, respectively.

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

	2015	2014
Proceeds from debt	$57,462	$55,080
Repayments of debt	$49,093	$37,568

The Company acquired assets under capital leases for the six months ended June 30, 2015 and 2014 for $20,180 and $2,462, respectively.

12

Interest expense for the six month periods ended June 30, 2015 and 2014 was $4,202 and $4,267, 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 %

13

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Current income tax				
Foreign	$4,328	$1,900	$9,257	$4,416
Deferred income tax				
Foreign	(697)	363	(854)	818
Total Provision for Income tax	$3,631	$2,263	$8,403	$5,234

The Company's effective tax rates were (47.1%) and 121% for the three and six month periods ended June 30, 2015. The Company's effective tax rates were 84.7% and 545% for the three and six month periods ended June 30, 2014. The Company's effective tax rate for the three and six-month periods ended June 30, 2015 reflect non-deductible losses of $16,391 and $11,313 from the change in fair value of warrant liability as of June 30, 2015, compared with a non-deductible loss of $4,645 and $ 13,525 for the same periods ended June 30, 2014.

Note 8. Fair Value Measurements

The Company accounts for financial assets and liabilities in accordance with accounting standards that define fair value and establish a framework for measuring fair value. The hierarchy prioritizes the inputs into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's assumptions used to measure assets and liabilities at fair value. The classification of a financial asset or liability within the hierarchy is determined by the lowest level inputs that are significant to the fair value measurement.

Assets and Liabilities recognized or disclosed at Fair Value on a Recurring Basis at June 30, 2015:

	Quotes Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)

Warrant Liability	$ -	$ -	$ 31,304
Interest Rate Swap Derivative Liability	$ -	$ 84	$ -
Long term receivable from related parties	$ -	$ 3,392	$ -
Long term debt	$ -	$ 62,803	$ -

Assets and Liabilities recognized or disclosed at Fair Value on a Recurring Basis at December 31, 2014:

	Quotes Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Warrant Liability	$ -	$ -	$ 19,991
Interest Rate Swap Derivative Liability	$ -	$ 134	$ -
Long term receivable from related parties	$ -	$ 4,220	$ -
Long term debt	$ -	$ 43,266	$ -

14

Note 9. Segment and Geographic Information

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Colombia	$21,869	$21,797	$39,251	$42,752
United States	33,344	26,041	65,022	47,908
Panama	1,355	3,418	2,823	7,833
Other	1,485	680	3,000	1,284
Total Revenues	$58,053	$51,936	$110,096	$99,777

Note 10. Warrant Liability

Prior to the Merger on December 20, 2013 the Company issued an aggregate of 9,200,000 warrants to purchase its ordinary shares as follows: 4,200,000 warrants issued in connection with Andina's Initial Public Offering, 4,800,000 warrants issued in connection with a Private Placement simultaneous with the Initial Public Offering and 200,000 working capital warrants issued upon conversion of a promissory note at the closing of the Merger. Following the Notice of Effectiveness of its Registration Statement on June 16, 2014, an aggregate of 102,570 warrants have been exercised by investors resulting in a net total of 9,097,430 warrants outstanding as of June 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 as a result of the down round protection. The risk-free rates are based on U.S. Treasury securities with similar maturities as the expected terms of the options at the date of valuation. Expected dividend yield is based on historical trends. The Company measures volatility using a blended weighted average of the volatility rates for a number of similar publicly traded companies.

The inputs to the model were as follows:

	June 30,	December 31, 2014

	2015		
Stock Price	$12.63	$ 10.15	
Dividend Yield	$0.125	N/A	
Risk-free rate	0.46 %	0.67	%
Expected Term	1.72	1.97	
Expected Volatility	32.69%	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 – three months ended March 31, 2015	(5,078)
Balance – March 31, 2015	14,913
Fair value adjustment – three months ended June 30, 2015	16,391
Balance - June 30, 2015	$31,304

15

Note 11. Related Parties

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

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

	June 30, 2015	December 31, 2014
Assets		
Due from ESW LLC	$18,629	$ 13,814
Due from VS	7,849	7,979
Due from UT ESW	1,420	2,000
Due from other related parties	3,368	4,534
	$31,266	$ 28,327
Long term payment agreement from VS	$3,392	$ 4,220
Liabilities		
Due to A Construir S.A.	$3,219	$ 995
Due to other related parties	617	461
	$3,836	$ 1,456

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenues				
Sales to ESW LLC	$11,027	$9,638	$22,898	$18,151
Sales to VS	1,553	3,571	2,599	7,236
Sales to UT ESW	660	49	662	115
	13,240	9,744	26,159	18,362
Expenses				
Fees paid to directors and officers	$388	$621	$777	$621
Payments to other related parties*	395	1,162	838	1,162

Sales to other related parties were less than 0.1 million in the three months ended and six months ended June 30, 2015 and 2014.

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

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

In 2013, the Company guaranteed a loan for $163 used to develop a lot adjacent to the Alutions plant into a related party fuel service station Santa Maria del Mar S.A. At June 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, a related party, guaranteed a mortgage loan for $3,920 for the acquisition of real properties in Miami-Dade County, Florida in favor of Tecnoglass RE, a wholly owned subsidiary of the Company.

Note 12. Note Payable to Shareholder

From September 5, 2013 to November 7, 2013, A. Lorne Weil loaned the Company $150 of which $70 was paid at closing of the Merger and $80 remained unpaid as of December 31, 2014. During the second quarter of 2015, the Company paid $1, remaining $79 unpaid as of June 30, 2015.

Note 13. Derivative Financial Instruments

In 2012, the Company entered into two interest rate swap (IRS) contracts as economic hedges against interest rate risk through 2017. 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 $84 and $134 as of June 30, 2015 and December 31, 2014, respectively. Changes in the fair value of the derivatives are recorded in current earnings.

Note 14. Commitments and Contingencies

Guarantees

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

Legal Matters

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

General Legal Matters

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

Note 15. 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.

On April 14, 2015, the Company´s Board of Directors authorized the payment of regular quarterly dividends to holders of its ordinary shares at a quarterly rate of $0.125 per share (or $0.50 per share on annual basis).

Note 16. Subsequent Events

On July 9, 2015, the Company filed a 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 2.6 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.

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

17

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 te similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in our other Securities and Exchange Commission ("SEC") filings. References to "we", "us" or "our" are to Tecnoglass Inc. (formerly Andina Acquisition Corporation), except where the context requires otherwise. The following discussion should be read in conjunction with our condensed consolidated financial statements and related notes thereto included elsewhere in this report.

Overview

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

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

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

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

ES sells its products through four sales teams based out of Colombia, Peru, Panama and the US. The Colombia sales team is the largest sales group and has deep contacts throughout the construction industry, and markets ES's products and installation services.

The sales team in Peru is responsible for sales in South America excluding Colombia. Sales forces in Panama and the US are not through subsidiaries but arms-length agreements with sales representatives.

Liquidity

As of June 30, 2015 and December 31, 2014, the Company had cash and cash equivalents of approximately $16.0 million and $15.9 million, respectively. The Company expects that cash flow from operations, 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 June 30, 2015, the Company has approximately $60 million in additional loan availability for any additional working capital or capital expenditure requirements. During the year 2014, the proceeds from the merger were considered one of its 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 $89.4 million from the exercise of warrants and unit purchase options comprised of: up to $40 million upon the exercise of all of the insider warrants and working capital warrants, up to $9.4 million upon the exercise of the unit purchase options, up to $7.2 million upon the exercise of the warrants underlying such unit purchase options and up to $32.8 million upon the exercise of the warrants issued in our IPO. As of June 30, 2015, 102,570 warrants have been exercised for proceeds of $0.8 million.

Capital Resources

New technology investments

During the six months ended in June 30, 2015, the Company made significant capital expenditures of approximately $35.3 million. This included the creation of a complete jumbo glass production line that includes washing, tempering, laminating, insulating, silk screening and cutting of glass pieces of up to three meters by six meters. In addition, four new state of the art glass tempering ovens were purchased which increased the plant efficiency and the quality of the finished products.

18

<u>Results of Operations</u>

	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Operating Revenues	$58,053	$51,936	$110,096	$99,777
Cost of sales	39,055	35,287	73,916	68,532
Gross profit	18,998	16,649	36,180	31,245
Operating expenses	9,690	8,230	18,870	14,969
Operating income	9,308	8,419	17,310	16,276
Non-operating revenues, net	1,417	1,191	5,142	2,477
Interest Expense	2,050	2,294	4,202	4,267
Loss on change of fair value of warrant liability	(16,391)	(4,645)	(11,313)	(13,525)
Income tax provision	3,631	2,263	8,403	5,234
Net (loss) income	$(11,347)	$408	$(1,466)	$(4,273))

Comparison of quarterly periods ended June 30, 2015 and June 30, 2014

<u>Revenues</u>

The Company's net operating revenues increased $6.1 million or 11.6% from $52.0 million to $58.1 million for the quarterly period ended June 30, 2015 compared the quarterly period ended June 30, 2014.

Sales in the U.S. market for the quarterly period ended June 30, 2015 increased $7.3 million or 28.0% when compared to the quarterly period ended June 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 34.9% in terms of local currency, but because of unfavorable change in exchange rates, sales in Colombia increased less than $0.1 million or 0.3% for the quarters ended June 30, 2015 compared to the same period of 2014. Sales to Panama decreased by $2.0 million, or 60.3% from the first quarter of 2015 compared to the first quarter of 2014 as large projects the Company had in Panama were finalized.

Margins

Sales margins increased slightly to 32.7% from 32.1% in the quarterly periods ended June 30, 2015 and 2014. This variation is within normal fluctuations experienced by the company depending on varied product mix over short periods of time. The sales margin for the six month period ended June 30th 2015 shows a slight improvement over 2014, as further discussed below.

Expenses

Selling and Administrative Expenses increased 17.7% from \$8.2 million to \$9.7 million in the quarterly period ended June 30, 2015 when compared to the quarterly period ended June 30, 2014. The increase was a result of sales commissions and shipping costs.

Loss - Warrants Liability

A non-cash, non-operating loss of \$16.4 million arose from the increase in the fair value of the warrant liability in the three month period ended June 30, 2015 relative to its fair value at the end of the previous quarter ended March 31, 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 (47.1%) and 84.7% for the quarterly periods ended June 30, 2015 and 2014. The Company's effective tax rate for the three month periods ended June 30, 2015 reflect non-deductible losses of $16,391 from the change in fair value of warrant liability as of June 30, 2015, compared with a non-deductible loss of $4,645 for the same period ended June 30, 2014.

Results of operations for the six months ended June 30, 2015 and 2014

Revenues

The Company’s net operating revenues increased $10.3 million or 10.3% from $99.8 million to $110.1 million for the six month period ended June 30, 2015 compared the same period ended June 30, 2014.

Growth was driven by sales the U.S. market which increased $17.1 million or 35.7% in the six months ended June 30, 2015 when compared to the quarterly period ended June 30, 2014, which were offset by 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 on the basis of 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 17.7% in terms of local currency, but because of unfavorable changes in exchange rates, sales in Colombia declined $3.5 million, or 8.2% for the six months ended June 30, 2015 compared to the same period of 2014.

Margins

Sales margins increased from 31.3% to 32.9% in the six month periods ended June 30, 2015 and 2014. The company believes the slight 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 specification.

Expenses

During the six month periods ended June 30, 2015 and 2014, general selling and administrative increased $3.9 million, or 26.1%, from $14.9 million to $18.9 million. This increase was driven by an increase in expenses related to more sales commissions and shipping charges.

During the six month periods ended June 30, 2015 and 2014, interest expense remained stable at $4.2 million. The Company has been able to attract offers from several domestic and foreign banks to improve the structure of debt at better terms.

Non-operating Revenues

During the six month periods ended June 30, 2015 and 2014 the Company recorded net non-operating revenues of $5.1 million and $2.5 million respectively. The Company’s non-operating revenues are comprised primarily of net gains on foreign currency transactions that increased by $2.0 million to $3.4 million for the periods ended June 30, 2015 compared to $1.4 million during 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 - Warrants Liability

A non-cash, non-operating loss of $11.3 million arose from the increase in the fair value of the warrant liability in the six month period ended June 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.

Income Taxes

The Company’s effective tax rates were 121.1% and 545% for the six-month periods ended June 30, 2015 and 2014. The Company's effective tax rate for the six month periods ended June 30, 2015 reflect non-deductible losses of $11,313 from the change in fair value of warrant liability as of June 30, 2015, compared with a non-deductible loss of $13,525 for the same period ended June 30, 2014.

Cash Flow from Operations, Investing and Financing Activities

During the six month periods ended June 30, 2015 and 2014, $7.2 million and $22.9 million, respectively, were generated and used in operating activities. The principal use of cash was trade accounts receivable in both periods. During the six months ended June 30, 2015, the principal uses of cash were trade accounts receivable and inventories with cash flows of approximately $13.6 million and $13.7 million, respectively, partially offset by accounts payable and accrued expenses which generated $13.0 million, as well as advances from customers which generated $8.3million due to new projects in the first half of 2015.

The Company used $15.9 million and $4.2 million in investing activities during the six months ended June 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 $8.4 million and $41.2 million during the six month periods ended June 30, 2015 and 2014, respectively. Cash flow from financing activities in the six month period ended June 30, 2014 included $22.5 million of proceeds from the merger in December 2013 that were received in January 2014.

	Six months ended	
	June 30, 2015	**June 30, 2014**
Cash Flow from Operating Activities	$7,247	$(22,887)
Cash Flow from Investing Activities	(15,867)	(4,242)
Cash Flow from Financing Activities	8,369	41,191
Effect of exchange rates on cash and cash equivalents	340	516
Cash Balance - Beginning of Period	15,930	2,866
Cash Balance - End of Period	$16,018	$17,444

Off-Balance Sheet Arrangements

None

Item 3. Quantitative and Qualitative Disclosures about Market Risk

None

Item 4. Controls and Procedures

Management’s Report on Internal Control over Financial Reporting

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

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

Management identified the following material weaknesses in our internal control over financial reporting as of June 30, 2015:

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

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

21

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

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

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

Management's Actions to Remediate Material Weaknesses

Management took the following steps to remediate some material weaknesses:

1. Implementation of all the Information Technology General Controls.
2. Strengthened the internal control department by enrolling professionals with expertise in internal audit and USGAAP.
3. Implemented procedures and controls that allowed an accurate and reliable information related to revenue accounting such as projects information oversight and costs and sales prices updated recording.
4. Automated certain accounting processes that were calculated manually.
5. Developed procedures that improved the interim and annual review and reconciliation process for certain key balance sheet accounts such as accounts receivable, inventories, property, plant and equipment, payables and debt.
6. Designed a formal training and education program under USGAAP for our international finance and accounting personnel considering relevant topics according to the company´s transactions (i.e. revenue recognition, inventories, long-lived assets, financial instruments, deferred taxes, hedge accounting, etc.).
7. Increased management oversight by creating a new Disclosure Committee comprised of senior managers with responsibility for responding to issues raised during the financial reporting process.

Management's Plan to Remediate Material Weaknesses

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

1. Currently assessing proposals from risk advisory firms for a loan staff structure in order to strengthen our internal control area that will expedite the implementation of COSO 2013 and SOX compliance.
2. Continue structuring internal controls for obtaining key automatized information related to revenue accounting, debt management and consolidation.
3. Hiring additional staff in accounting and creating a USGAAP & SEC Reporting team in the U.S. to implement a standard financial statement reporting process.

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 feasor, 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 June 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: August 6, 2015