Tecnoglass Inc.
Form 10-K
March 10, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

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

For the transition period from _______________ to _______________

Commission File Number **001-35436**

TECNOGLASS INC.

(Exact Name of Registrant as Specified in Its Charter)

Cayman Islands **98-1271120**

(State or Other Jurisdiction of	(I.R.S. Employer
Incorporation or Organization)	Identification Number)

Avenida Circunvalar a 100 mts de la Via 40

Barrio Las Flores, Barranquilla

Colombia
(Address of Principal Executive Offices) (Zip Code)

(57)(5)3734000

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Name of each exchange on which registered
Ordinary Shares, par value $0.0001 per share	The NASDAQ Stock Market LLC

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

Yes [X] 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 [X] No [ ]

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

[X]

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

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

As of June 30, 2016 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the ordinary shares held by non-affiliates of the registrant was approximately $66,151,398 based on its last reported sales price of $11.31 on the NASDAQ Capital Market.

As of December 31, 2016, there were **33,172,144** ordinary shares, $0.0001 par value per share, outstanding.

Documents Incorporated by Reference: None.

TECNOGLASS INC.

FORM 10-K

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FORWARD LOOKING STATEMENTS AND INTRODUCTION

All statements other than statements of historical fact included in this Annual Report on Form 10-K (this “Form 10-K”) including, without limitation, statements under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding our financial position, business strategy and the plans and objectives of management for future operations, are forward looking statements. When used in this Form 10-K, words such as “anticipate,” “believe,” “estimate,” “expect,” “intend” and similar expressions, as they relate to us or our management, identify forward looking statements. Such forward looking statements are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those contemplated by the forward looking statements as a result of certain factors detailed in our filings with the Securities and Exchange Commission. All subsequent written or oral forward looking statements attributable to us or persons acting on our behalf are qualified in their entirety by this paragraph.

Unless the context otherwise requires:

references to the “Company” , “TGI” and to “we, “ “us” or “our” are to Tecnoglass Inc., a Cayman Islands exempted company, and its subsidiaries;

references to “Tecnoglass Holding” are to Tecno Corporation;

references to “Tecnoglass” and “TG” are to Tecnoglass S.A.;

references to “ES” are to C.I. Energía Solar S.A. E.S. Windows;

references to “ESW” are to ES Windows LLC, our indirect wholly-owned subsidiary, based in Florida. We recently acquired ESW, which was formerly a related party of ours.

References to “VS” are to Ventana Solar S.A., a Panama-based company with which we have a strategic commercial relationship

references to “Tecno LLC” are to Tecnoglass LLC;

references to “Tecno RE” are to Tecno RE LLC; and

references to “GM&P” are to Giovanni Monti and Partners Consulting and Glazing Contractors.

PART I

Item 1. Business.

Overview

We were originally formed under the name “Andina Acquisition Corporation” for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities. On March 22, 2012, we consummated our initial public offering (the “IPO”), and on December 20, 2013, we consummated our initial business combination (the “Merger”), whereby our wholly-owned subsidiary merged with and into Tecnoglass Holding. As a result of the Merger, Tecnoglass Holding and its indirect, wholly-owned subsidiaries, Tecnoglass and ES, became our direct and indirect subsidiaries. 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 Merger was accounted for as a reverse acquisition with Tecnoglass Holding being considered the accounting acquirer in the Merger. For accounting and financial purposes, we were treated as the acquired company, and Tecnoglass Holding was treated as the acquiring company. Accordingly, historical information, including historical financial information and the historical description of our business, for periods and dates prior to December 20, 2013, include information for Tecnoglass Holding and its subsidiaries.

In December 2016, as part of our strategy to vertically integrate our operations, we acquired 100% of the stock of ESW LLC, 85.06% of which was acquired directly by the Company and 14.94% by our subsidiary ES, for a total purchase price of $13.5 million, which consisted of (i) 734,400 ordinary shares issued in connection with the transaction for approximately $9.2 million based on a stock price of $12.50, (ii) approximately $2.3 million in cash, and (iii) approximately $2.0 million related to the assignment of certain accounts receivable.

As the Acquisition of ESW LLC was deemed to be a transaction between entities under common control, the assets and liabilities were transferred at the historical cost of ESW LLC, with prior periods retroactively adjusted to include the historical financial results of the acquired company for the period they were controlled by the previous owners of ESW LLC in the Company’s financial statements. The following information includes the financial information as originally reported and as adjusted.

December 31, 2015

	Prior to acquisition	Effect of Acquisition	After acquisition
Total Assets	$316,199	$ 5,212	$321,411
Total Sales	$238,833	$ 3,406	$242,239
Net income (loss)	$(12,765)	$ 1,745	$(11,020)
Basic income per share	$(0.50)	$ 0.09	$(0.42)
Diluted income per share	$(0.50)	$ 0.09	$(0.42)
Basic weighted average common shares outstanding	25,720,469	734,400	26,454,469
Diluted weighted average common shares outstanding	25,720,469	734,400	26,454,469

The number of basic and diluted weighted average common shares outstanding prior to the acquisition of ESW LLC includes 272,905 shares issued after the financial statements for the year ended December 31, 2015 were issued related to a stock dividend in November 2016.

The following table includes a reconciliation of the financial information for the year ended December 31, 2016 as being reported, the net effect of the ESW acquisition after elimination of intercompany transactions, and the financial information that would have been, had the Company not acquired ESW LLC:

	December 31, 2016		
	Without acquisition	Net effect of acquisition	Considering acquisition
Total Assets	$392,527	$ 2,203	$394,730
Total Sales	$299,972	$ 5,044	$305,016
Net income (loss)	$23,277	$ (97)	$23,180
Basic income per share	$0.82	$ (0.03)	$0.79
Diluted income per share	$0.79	$ (0.02)	$0.77
Basic weighted average common shares outstanding	28,497,054	734,400	29,231,054
Diluted weighted average common shares outstanding	29,519,068	734,400	30,253,068

Our Business

General

We are a leading manufacturer of hi-spec architectural glass and windows for the western hemisphere residential and commercial construction industries, operating through our direct and indirect subsidiaries. Headquartered in Barranquilla, Colombia, we operate out of a 2.7 million square foot vertically-integrated, state-of-the-art manufacturing complex that provides easy access to the Americas, the Caribbean, and the Pacific.

We sell our products to more than 900 customers in North, Central and South America. The United States accounted for approximately 62% and 59% of our combined revenues in 2016 and 2015, respectively, while Colombia accounted for approximately 32% and 34%, and Panama for approximately 3% and 3% of our combined revenues in those years, respectively. Our tailored, high-end products are found on some of the world’s most distinctive properties, including the 50 UN Plaza (New York), UB Law (Baltimore) Fordham University Law School (New York), Soho Mall (Panama), Brickell City Centre (Miami), Wesleyan (Houston) and the El Dorado Airport (Bogota).

The Company is a leading manufacturer of a variety of glass products installed primarily in commercial and residential buildings, including tempered safety, double thermo-acoustic and laminated glass. Tecnoglass products are installed in hotels, residential buildings, commercial and corporate centers, universities, airports and hospitals in a variety of applications such as floating facades, curtain walls, windows, doors, handrails, interior and bathroom spatial dividers. In 2015 Tecnoglass established its Solartec plant, to produce low emissivity glass with high thermal insulation specifications using soft coat technology.

Tecnoglass also produces aluminum products such as profiles, rods, bars, plates and other hardware used in the manufacture of windows. In 2007, Tecnoglass established its Alutions plant in Barranquilla, Colombia for extrusion, smelting, painting and anodizing processes, and for exporting, importing and marketing aluminum products. The Alutions plant contributes all of the raw materials needed for production of Tecnoglass aluminum products.

Glass Magazine ranked Tecnoglass as the second largest glass fabricator serving the U.S. market in 2016. We believe that it is the leading glass transformation company in Colombia, capturing 40% of the market share in the country by sales and volume.

The Company is also a leader in the production of high-end windows, with more than 33 years of experience in the glass and aluminum structure assembly market in Colombia. The Company 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.

The Company has an important and dominant presence in the Florida market, which has historically represented (and continues to represent) a substantial portion of our total sales and backlog. The Company grew in the Florida market not only through sustained organic growth, but also through the asset acquisitions of Glasswall LLC and RC Aluminum, both in 2014, and the recent acquisition of ESW (formerly a related party), which would reinforce our vertical integration strategy and expansion strategy into U.S. markets. ES has expanded its U.S. sales outside of the Florida market for windows, and into the high-tech market for curtain walls, a product that is in high demand and we believe represents a new trend in architecture, and floating façades. For example, it has been used in El Dorado Airport (Bogotá), University of Baltimore Law School (Baltimore) and Via 57 West (New York). Due to the sophistication of these new products, we believe that we can generate higher margins through the sale of curtain walls as compared to traditional window frames or floor-to-ceiling windows. Curtain walls produced by the Company are composed of high performance materials produced by Alutions, our aluminum smelting plant, and our glass treatment plant.

In 2014, we established two entities in South Florida, Tecno LLC and Tecno RE, to acquire manufacturing and warehousing facilities, customer lists and exclusive design permits in order to support sales growth in the United States. We will continue to manufacture our products at our facilities in Barranquilla, Colombia while performing select manufacturing and light assembly in the U.S. to enhance client service and create certain cost efficiencies.

In Panama, ES sells products primarily to companies participating in large construction projects in the exclusive areas of Panama City. For example, ES products were supplied in the construction of the tallest building in Central and South America, The Point, as well as in the construction of other modern hotels in the region, such as Megapolis, and in the development of the Soho Plaza, a complex consisting of a shopping mall and two skyscrapers.

As part of our strategy to vertically integrate our operations, on December 2, 2016 we acquired 100% of the stock of ESW LLC, for a total purchase price of $13.5 million. Since 2004, we have a strategic commercial relationship with ESW LLC, a Florida-based company partially owned by Christian T. Daes and José M. Daes, who are also our executive officers and directors, up onto recent acquisition. ESW LLC acts as one of ES's importers and distributors in the U.S. and is a member of the American Architectural Manufacturers Association, a technical information center for the architecture industry with highest standards. ESW LLC sends project specifications and orders from its clients to ES, and in turn, receives pricing quotes from ES which are conveyed to the client.

As a subsequent event, on March 1, 2017, the Company entered into and consummated a purchase agreement with Giovanni Monti, the owner of 100% of the outstanding shares of GM&P. GM&P is a consulting and glazing contracting company located in Miami, Florida with over 15 years of experience in the design and installation of various building enclosure systems such as curtain window walls and a long-standing commercial relationship with the Company, working alongside it in different projects within the U.S, by providing engineering and installation services to those projects. The Company acquired all of the shares of GM&P for a purchase price of $35 million, of which the Company will pay $6 million of the purchase price in cash within the 60 days following the closing date and the remaining $29 million of the purchase price to be payable on or before September 1, 2017 in cash, our ordinary shares or a combination of both, at our sole option.

Competitive Strengths

Vertical Integration

We believe we are unique in vertically integrating the purchase of raw materials, the manufacture of glass and aluminum products and the subsequent production and distribution of customized glass and windows for architectural and industrial settings. By vertically integrating these functions, we are able to price our products competitively while maintaining strict quality control measures to guarantee the high quality of our products. Additionally, we benefit from significant advantages in efficiency and time-to-market for new or customized products. This vertically integrated model provides attractive margins with significant operating leverage.

Ideally situated, with easy access to cost-efficient transport hubs

Our principal manufacturing facilities are located in Barranquilla, Colombia, which is strategically located near three of the country's major ports: Barranquilla, Cartagena and Santa Marta. These ports, which are no more than two hours' drive from each other, provide us with maritime access to all major markets globally. The Barranquilla port is just 16 kilometers away from our production facilities, and shipping to Miami's main port is a three-day journey, six days to New York and 11 days to Los Angeles (through the Panama Canal). Our location provides a significant competitive advantage in light of the relatively low cost of shipping our products from Barranquilla to the U.S. (particularly Florida) as compared to our main competitors located elsewhere, even including our competitors located in Midwest U.S. In addition to very positive impact on cost structure, our strategic location allows us to be more responsive to our customers' requirements.

High Barriers to Entry

Entry into many of the markets that we serve is limited due to the technical certifications required on high specification building projects such as IGCC, IqNet Icontec 14001 and ISO9001. Our success in those markets is due in large part to our ability to produce sophisticated products, the breadth of our product offering and our reputation for delivering high quality, made-to-order architectural glass on time. These factors are required to compete successfully for multimillion dollar projects typical of our business. Given the vertically-integrated nature of our operations, including the aluminum extrusion products provided by TG, there is a more limited set of competitors and entry into these markets. In addition, the equipment needed to operate in the glass and window industry is expensive, requiring a significant upfront capital investment. In addition, our ES Windows University provides training to our employees ensuring a dedicated and loyal work force, giving us an advantage that potential competitors lack, as they may not be able to bear the cost of providing similar training or retaining similarly trained employees.

Innovation

We have made significant investments in machinery and equipment in order to deploy the latest technology in our production lines. We have state-of-the-art glass making equipment, glass laminating lines and high-volume insulating equipment, which allow for a more precise and high quality manufacturing less raw material waste and the chance of developing new products. Being able to employ state-of-the-art technology is a competitive differentiator that (i) allows us to produce higher-quality products creating a competitive pricing advantage that can translate into higher margins, (ii) allows for less material waste and a more energy efficient process, and (iii) enables the manufacturing of a broader array of products.

During the last two years, we acquired three aluminum extrusion presses that together added more than 1,000 tons of production capacity per month, along with related aluminum paint line and a new foundry, which investments totaled $80.2 million in 2015 and $42.5 million in the year ended December 31, 2016.

In August 2014, we entered into a contract to purchase equipment to produce soft coated low emissivity glass as part of our improvement plan, which started production in the last quarter of 2015 and was in production throughout 2016.

We purchased two glass-laminating and tempering furnaces that use state-of the-art technologies to produce tempered glass with no distortion using air cushion technology (TecnoAir) and to produce curved glass in a broad range of easily modifiable curvatures (TecnoBend). TecnoAir technology glass sheets “float” on air pressing systems rather than running on metallic rolls. TecnoBend has a flexible mold that permits different curved shapes to be employed in architectural structures.

For certain of our products, we offer DuPont Sentryglass®, laminated glass interlayers recognized as industry-leading laminated glass solutions with five times the resistance strength of competing materials.

We also use a laminator and jumbo tempering oven capable of producing extra-large slabs of laminated glass, which are sought after in the high-end window market. For example, our extra-large glass slabs have been recently used in El Dorado Airport (Bogotá).

These investments in machinery and equipment, together with our highly trained labor force, allow us to offer state-of-the-art custom designed products that are tailored to meet customer demands.

Competitive cost structure

We provide high quality products to our customers at competitive prices primarily as a result of the efficiencies we achieve through vertical integration and comparatively low labor costs. Our ES Windows University provides training to our employees ensuring a dedicated and loyal work force that works efficiently and also is less susceptible to workplace injuries. These competitive advantages give us greater flexibility in pricing without adversely affecting our profit margins and allow our products to be competitive in a variety of markets.

Superior Customer Service

In addition to manufacturing high quality products, our value proposition to our customers is based on industry-leading lead times, on-time delivery and superior after-sale support. Through the coordinated efforts of our sales teams, product specialists, and field service teams, we deliver high quality service to our customers, from the time the initial order is placed through the delivery and installation of our products. By providing an efficient flow of product from order through delivery, our manufacturing processes allow us to deliver made-to-order products consistently on time, which we believe is an important competitive strength.

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Management Experience

José Daes, our chief executive officer, and Christian Daes, our chief operating officer, have more than 30 years of industry experience, respectively. In addition, our executive management teams have worked together for many years at our operating subsidiaries. This long tenure in the industry, and as a team, has enabled our management to build significant relationships with both clients and field level management. We believe that these relationships, coupled with management's strong technical expertise, create a significant competitive advantage.

Strong relationship with local communities

For several decades, we have had committed resources to improving the quality of life of our employees and the local communities surrounding our plants. As a result of these initiatives, we have developed close and cooperative relationships with local communities in Colombia, which are supported by several social responsibility initiatives we have undertaken. We view our employees as key to our historical and future success and therefore have focused initiatives of our non-for-profit, *Fundación Tecnoglass,* on offering our employees and their families the resources to purchase or improve their homes through the *Programa de Mejora de Vivienda*. Additionally, our foundation offers educational stipends for higher education pursuits. During 2016, 60 families were benefited from our *Programa de Mejora de Vivienda*, and currently we are sponsoring 128 employees and their children through our scholarship program, *Programa de Becas*. *Fundación Tecnoglass* also supports a school for primary and secondary education in the La Paz neighborhood in Barranquilla, Colombia, and, in collaboration with *Fundación Pacific Rubiales*, *Fundación Colombia Somos Todos* and soccer star James Rodriguez, we support children in vulnerable neighborhoods to thrive through sports, with around 400 children participating to date, among several other social welfare programs designed to lend support to the most vulnerable citizens in Barranquilla and its surrounding communities. All of these initiatives have allowed us to maintain an excellent relationship with our employees, in which we have been able to maintain a labor union free environment since our incorporation.

Strategy

We have identified the following items that we believe are important in advancing our business:

Development of additional high-value products supported by continued investments in equipment and state-of-the-art technology.

We have a track record of developing new products and will continue to focus on capitalizing on new product opportunities in the future. We constantly identify shifting global trends and growing marketplace needs, and design proposals to meet those needs. For instance, with the installation of our new soft coating facility, we are now able to manufacture low emissivity glass that is energy efficient and will allow us to service a growing market that demands “green” initiatives. We will seek to leverage our existing platform of cutting-edge production facilities to adapt our products to evolving demands for structural architectural glass in our current markets and evaluate opportunities to enter new markets. We expect our reputation and proven track-record of innovation will position us well to take advantage of these opportunities.

We made investments of an aggregate of $136.8 million from 2014 to 2015, and $42.5 million during the year ended December 31, 2016, including:

- state-of-the-art glass-making equipment;
- the installation of new laminating lines;
- high-volume insulating equipment;
- a new aluminum extrusion press with the capacity for an additional one thousand tons per month;
- a new paint line with the capacity to treat one million pounds of aluminum per month; and
- a new aluminum foundry.

Additionally, we are in the process of implementing new technologies to produce tempered glass that offers notably more transparency with significantly less distortion than industry standard using air cushion technology, as well as new technology used to produce curved glass in a broad range of easily modifiable curvatures. Additionally, in 2014 we started producing architectural systems that integrate LED lighting allowing the façade of the building to display different colors and patterns. We further intend to explore expanding our operation to provide value-added glass products such as our soft-coated low-emissivity window panes that minimize the effect of solar heat.

We believe these innovative products will provide us with a competitive edge. The continued development of new products with the corresponding investments in technology, allows us to support our track-record of innovation and allow for continued customer demand by fulfilling ever-changing needs.

Manufacture the highest quality products in the market through a rigorous quality assurance program

Our plants are organized internally by processes, each of which is independently and continually supervised by the Quality Assurance department. The Quality Assurance department maintains rigorous oversight over energy, water, recyclable waste and process optimization indicators, in order to produce high quality sustainable products. Our quality assurance control system has established the measures and indicators necessary for the inspections implemented over the reception of materials, production process and final products. Additionally, between 5% and 10% of our production, randomly chosen, is sent to our laboratories to verify compliance with a variety of quality standards, such as water leaks, functionality, manufacturing and accessories, through tests undertaken according to ASTM and AAMA rules. We have implemented these measures in order to reach an effective control in detecting potential issues and to take the specific actions to mitigate their occurrence. By providing the highest quality products and ensuring they meet the highest standards of quality, we seek to ensure customer satisfaction and loyalty.

Continued vertical integration provides margin enhancement

We benefit from having our key operating companies and processes operating together at a combined facility, providing advantages in meeting customer and market needs, controlling supply chain issues and managing operating costs. By continuing to operate as a vertically integrated company, we seek to further enhance productivity, create cost efficiencies and increase operating margins. In recent developments, we strive to further vertically integrate the operations of the Company through the acquisition of ESW LLC, an importer and distributor of Company products in the U.S in December 2016. Furthermore, on March 1, 2017, the Company acquired GM&P, a South Florida glazing contracting company to incorporate the design and installation of various building enclosure systems such as curtain window walls and a long-standing commercial relationship with the Company, working alongside it in different projects within the U.S, by providing engineering and installation services to those projects.

Leverage strength in Florida market to further penetrate U.S.

We believe we have an established and leading presence in the Florida construction market as providers of high value, impact-resistant glass products. ES’s hurricane-proof products are certified in compliance with the stringent requirements of hurricane-proof windows in accordance with applicable U.S. regulations. With a quality of product proven by our success and compliance in the impact-resistant market, we have successfully entered the U.S. remodeling and replacement parts market. In addition, we have grown geographically in the U.S., particularly into other coastal markets on the East Coast which are affected by hurricanes, significant temperature fluctuations and other extreme weather. As we continue to explore opportunities in other markets in the U.S., we intend to leverage the strong reputation we have developed in markets such as Florida to take advantage of a resurgent commercial and residential real estate sector.

Continue to leverage strength in Colombia market to further penetrate Latin America

With a strong base in Colombia, we have already successfully expanded into nearby geographies. Our glass products are featured in major construction projects in Argentina, Aruba, Costa Rica, Panama and Puerto Rico. As the construction market throughout Latin America grows, we are positioned to capture new growth in the markets we have currently penetrated, as well as in new high growth countries. We will also take advantage of our geographical location to deliver products to South American markets at relatively low shipping and operating cost.

Maintain fast and reliable delivery to customers due to strategic location

From the Port of Barranquilla, products can be transported to Panama by air in one hour and to Houston and Miami within two hours, within two days by sea to Panama and within four days by sea to Houston and Miami. Our ability to deliver our products on a timely basis complements the relatively low cost of shipping our products from Barranquilla to Florida and supports the value of our strategic location. As a result of this strategic location, we are able to meet the requirements of architectures and developers who seek to obtain building products on a schedule that does not interfere with their construction progress. As we target different projects and markets, we will seek to take advantage of our unique delivery capabilities to satisfy demands of the construction industry.

Products

The Company manufactures and sells the following products:

Soft Coat Glass - manufactured by depositing metal particles on the surface of the glass inside a vacuum chamber. This product offers excellent thermal insulation designed to improve energy efficiency of buildings.

Laminated/Thermo-Laminated Glass - produced by bonding two glass sheets with an intermediate film in-between. As a safety feature, this product fractures into small pieces if it breaks.

Thermo-Acoustic Glass - manufactured with two or more glass sheets separated by an aluminum or micro-perforated steel profile. This product has a double-seal system that ensures the unit's tightness, buffering noise and improving thermal control. This product serves as an excellent noise barrier, which is used especially in zones close to airports, traffic or wherever there are unpleasant sounds.

Tempered Glass - glass subject to a tempering process through elevated temperatures resulting in greater superficial elasticity and resistance than conventional glass.

Silk-Screened Glass - special paint is applied to glass using automatic machinery and numerical control which ensures paint homogeneity and an excellent finish.

Curved Glass - produced by bending a flat glass sheet over a mold, using an automated heat process, which maintains the glass' physical properties.

Digital Print Glass - digital printing allows any kind of appearance required by the client, offering versatility to projects.

The Company's aluminum products sold through its Alutions brand include bars, plates, profiles, rods and tubes used primarily in the manufacture of architectural glass settings including windows, doors, spatial separators and similar products.

Floating facades - act as a window screen hanging outside a building and are available in many technical specifications and profiles to define colors, thickness, glass types and finishes, and types of ventilation and design complements.

Windows and Doors - line of window and door products defined by the different types of glass finish, such as normal, impact resistant, hurricane-proof, safety, soundproof and thermal. Additionally, they are available in numerous structures, including fixed body, sliding windows, projecting windows, guillotine windows, sliding doors and swinging doors.

Commercial display windows - commercial and interior display windows with a broad range of profiles, colors and crystal finishes. Products combine functionality, aesthetics and elegance and are available in a broad range of structures and materials.

Hurricane-proof windows - combine heavy-duty aluminum or vinyl frames with special laminated glass to provide protection from hurricane-force winds up to 180 mph and wind-borne debris by maintaining their structural integrity and preventing penetration by impacting objects.

Automatic doors - exclusive representative in Colombia of Horton Automatics, a manufacturer of automatic doors including glass window systems.

Bathroom dividers - bathroom cubicle division systems, formed by combining glass panels, frames and doors.

Other - polyvinyl structures and other components of architectural systems.

Brands and Trademarks

Our brands include Tecnoglass, ES Windows and Alutions. Our registered trademarks include “Alutions by Tecnoglass” with the accompanying logo and “Alutions”.

Sales, Marketing and Customer Service

Sales and marketing

Our sales strategy primarily focuses on attracting and retaining customers by consistently providing exceptional customer service, leading product quality, and competitive pricing. Our customers also value our shorter lead times, knowledge of building code requirements and technical expertise, which collectively generate significant customer loyalty. Our products are marketed using a combination of internal sales representatives, independent sales representatives and directly to distributors. Our internal sales representatives receive a portion of their performance-based compensation based on sales and profitability metrics. We primarily market our products based on product quality, outstanding service, shorter lead times and on-time delivery.

We employ a highly efficient number of in-house sales employees. Most of our sales and marketing efforts are handled by area sales representatives who work on a commission basis.

We do not rely on significant traditional advertising expenditures to drive net sales. We have established and maintain credibility primarily through the strength of our products, our customer service and quality assurance, the speed at which we deliver finished products and the attractiveness of our pricing. Our advertising expenditures consist primarily of maintaining our subsidiaries' websites.

Customer Service

We believe that our ability to provide customers outstanding service quality serves as a strong competitive differentiator. Our customer relationships are established and maintained through the coordinated efforts of our sales and production teams. We employ a highly responsive and efficient team of professionals devoted to addressing customer support with the goal of resolving any issue in a timely manner. In order to promote customer loyalty and employee development, we developed ES Windows University with the primary objectives of training employees to be aware of client and supplier needs and familiarizing them with our strategic goals in order to improve the competitiveness, productivity and quality of all products offered.

Working Capital Requirements

Our principal use of cash is related to trade accounts receivable which amounted to $26.0 million and $29.4 million during the years ended December 31, 2016 and 2015, respectively. Such use is directly correlated with the company´s ongoing growth and an industry related longer cash cycle. These receivables are often associated to sophisticated, long-lead projects that typically have longer collection periods as distributors also have to collect from end-users, and for that, certain performance conditions must always be met. Additionally, the Company´s strategy continues to include further geographical diversification into more distant markets within the United States, which also may contribute to longer collection cycles. Albeit these factors, the Company doesn’t foresee a deterioration in its ability to collect from its direct or indirect clients (as evidenced by its relatively stable days sales outstanding relation without accounting for foreign currency translation) and by its very low receivables write-off. The Company continues to focus on ways to improve collection times with some of its most representative clients.

Our inventory requirements are not as significant since our products are made-to-order rather than build-to-stock and as such, inventory levels follow customer orders. During 2016, the Company spent a fair amount of time and resources undertaking “lean manufacturing” best practices with and external consultant and as a result, it was able to better manage inventory levels and improve turnover during the year.

Customers

Our customers include architects, building owners, general contractors and glazing subcontractors in the commercial construction market. We have over 900 customers. Of our 100 most representative customers, which represent over 88% of our sales, about 52% are located in North America, 4% in Central America and the Caribbean, and 44% in South America. Only one customer, GM&P Consulting and Glazing, accounted for more than 10% or more of our net sales during 2016 and 2015 with 26% and 14% of sales during the year ended December 31, 2016 and 2015, respectively. On March 1, 2017 the Company entered into and consummated a purchase agreement with Giovanni

Monti, the owner of 100% of the outstanding shares of GM&P. With the acquisition of GM&P, the Company has reduced its customer risk concentration and dependence on a single client.

Backlog

We had combined outstanding orders of $396 million as of December 31, 2016 as compared to $375 million as of December 31, 2015. We do not believe that backlog is indicative of our future results of operations or prospects. Although we seek commitments from customers well in advance of shipment dates, actual confirmed orders are typically not received until close to the required shipment dates.

Materials and Suppliers

Our primary manufacturing materials include glass, ionoplast, polyvinyl butyral, and aluminum and vinyl extrusions. Although in some instances we have agreements with our suppliers, these agreements are generally terminable by us or the supplier counterparties on limited notice. Typically, all of our materials are readily available from a number of sources, and no supplier delays or shortages are anticipated.

We source raw materials and glass necessary to manufacture our products from a variety of domestic and foreign suppliers. For the year ended December 31, 2016, three suppliers individually accounted for more than 10% of total raw material purchases, which in aggregate represent 38% of raw material purchases. For the year ended December 31, 2015, no single supplier accounted for more than 10% of raw material purchases.

Warranties

We offer product warranties which we believe are competitive for the markets in which our products are sold. The nature and extent of these warranties depend upon the product. Our standard warranties 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. In the event of a claim against a product for which we have received a warranty from the supplier, we transfer the claim back to the supplier. The Company evaluated historical information regarding claims for replacements under warranties and concluded that the costs that the Company has incurred in relation to these warranties have not been material.

Certifications

Among our many designations and certifications, Tecnoglass has earned the Miami-Dade County Notice of Acceptance (“NOA”), one of the most demanding certificates in the industry and a requirement to market hurricane-resistant glass in Florida. Tecnoglass’ products comply with Miami-Dade county’s safety code standards as its laminated anti-hurricane glass resists impact, pressure, water and wind. Tecnoglass is also the only company in Latin America authorized by PPG Industries and Guardian Industries to manufacture floating glass facades.

Our subsidiaries have received a number of other certifications from other national and international standard-setting bodies.

TG Certifications include:

NTC-1578
ASTM E774 1997
ISO 9001: 2008 Certificate of Quality Assurance
ISO 14001: 2004 Certificate of Environmental Management
Safety Glazing Certification Council (SGCC) for tempered and laminated glass: ANZI Z97 1-2004
International Glass Certification Council (IGCC) for insulated glass: ASTM E774 - 97
Pittsburgh Plate Glass (PPG) certified supplier
Member of ACOLVISE (Colombia Association of Safety Glass Transformers)

ES Certifications include:

NTC-ISO 9001: 2008 Certificate of Quality Assurance
NTC-ISO 14001: 2004 Certificate of Environmental Management
Member of the American Architectural Manufacturers Association (AAMA)
Complies with Miami-Dade County’s stringent safety code regulations for hurricane-proof windows

Competitors

We have local competitors in Colombia as well as competitors in the international markets in each of the glass, aluminum and finished products sectors. Glass Tecnología en Vidrios y Ventanas S.A., Arquicentro S.A., Aluminum

Estructural S.A. and Ventanar Ltda, compete with us in the finished products market in Colombia. Apogee Enterprises, Inc., PGT, Inc. and WinDoor Inc. compete with us in the U.S. finished products market. Golden Glass Security, Vid-plex Universal S.A., Aluace Ltda and Laminados y Blindados compete with us locally in the glass and aluminum markets. Oldcastle, Inc., Trulite Inc., and PRL Glass Systems are among others that compete with us in the U.S. glass and aluminum products markets.

The key factors on which we and our competitors compete for business include: quality, price and reputation, breadth of products and service offerings, and production speed. We face intense competition from both smaller and larger market players who compete against us in our various markets including glass, window and aluminum manufacturing.

The principal methods of competition in the window and door industry are the development of long-term relationships with window and door distributors and dealers, and the retention of customers by delivering a full range of high-quality customized products on demand with short turnaround times while offering competitive pricing. The vertical integration of our operations, our geographic scope, low labor costs and economies of scale have helped our subsidiaries consolidate their leading position in Colombia and bolstered their expansion in the U.S. and other foreign markets.

Government Regulations

We are subject to extensive and varied federal, state and local government regulation in the jurisdictions in which we operate, including laws and regulations relating to our relationships with our employees, public health and safety and fire codes. Additionally, certain of the jurisdictions in which we operate require that installation of doors and windows be approved by competent authorities that grant distribution licenses. Although our business and facilities are subject to federal, state and local environmental regulation, environmental regulation does not have a material impact on our operations.

Also, we are subject to a potential revision of the United States-Colombia Free Trade Agreement ("USCOFTA"), which allows Colombian entities to export to USA without any tariffs. Mr. Donald Trump, US President, has made public announcements about the intention to re-negotiate certain terms of free trade agreements, which could potentially implement a tariff. However, the Company can mitigate this risk by transferring the price to its consumers and diversifying its business operations.

Research and Development

During the years ended December 31, 2016 and December 31, 2015, we spent approximately $2.2 million and $2.0 million, respectively, in research and development. The Company incurs in costs related to the development of new products and pays for external tests that need to be performed on our products in order to comply with strict building codes. The Company is fully permitted to commercialize hurricane windows in the Miami-Dade County, Florida, which has one of the most demanding certifications in the world of window frames.

Employees

As of December 31, 2016, we had a total of 5,853 employees, with 3,373 employed by ES, 2,459 employed by Tecnoglass and 21 employed by ESW LLC, none of whom is represented by a union. As of December 31, 2015, we had a total of 5,399 employees, with 3,250 employed by ES, 2,149 employed by Tecnoglass and 20 employed by ESW LLC. Most of our employees are hired through seven temporary staffing companies and are employed under one-year fixed-term employment contracts. Management believes it has good relations with our employees. We provide ongoing training programs to our employees through the self-established E.S. Windows University.

Company History

We were formed under the name “Andina Acquisition Corporation” as an exempted company incorporated in the Cayman Islands on September 21, 2011 in order to effect a merger, share exchange, asset acquisition, share purchase, recapitalization, reorganization or other similar business combination with one or more businesses or entities.

In March, 2012, we closed our IPO of 4,200,000 units, with each unit consisting of one ordinary share and one warrant to purchase one ordinary share at an exercise price of $8.00 per share, at an offering price of $10.00 per unit, generating total gross proceeds of $42,000,000. Simultaneously with the consummation of the IPO, we consummated a private placement of 4,800,000 warrants (“private warrants”) at a price of $0.50 per warrant and, to the underwriters, options to purchase an aggregate of 900,000 units at a price of $500,100, generating total proceeds of $2,900,100. After deducting the underwriting discounts and commissions and the offering expenses, the total net proceeds to us were $43,163,000 of which $42,740,000 was deposited into a trust account. The remaining proceeds of $423,000 became available to be used as working capital to provide for business, legal and accounting due diligence on prospective business combinations and continuing general and administrative expenses. The IPO was conducted pursuant to a registration statement on Form S-1 (Reg. No. 333-178061), that became effective on March 16, 2012.

From the consummation of our IPO until August 17, 2013, we were searching for a suitable target business to acquire. On August 17, 2013, we entered into an agreement and plan of reorganization, pursuant to which agreement, as amended, we acquired Tecnoglass Holding, Tecnoglass and ES as direct and indirect subsidiaries. On December 20, 2013, we held an extraordinary general meeting of our shareholders, at which our shareholders approved the Merger and other related proposals. On the same date, we closed the Merger and Tecnoglass Holding and its indirect, wholly-owned subsidiaries, Tecnoglass and ES, became our direct and indirect subsidiaries.

Tecnoglass Holding is a corporation formed under the laws of the Cayman Islands that was founded in 2014 in connection with the Merger. Tecnoglass is a corporation formed under the laws of Colombia that was founded in 1994 by Jose M. Daes, our Chief Executive Officer, and Christian T. Daes, our Chief Operating Officer. ES is a corporation formed under the laws of Colombia that was founded in 1984 by Jose M. Daes and Christian T. Daes.

At the closing of the Business Combination, 2,251,853 of the 4,200,000 public shares sold in our IPO were converted to cash at a conversion price of approximately $10.18 per share, or an aggregate of approximately $22.9 million of the approximately $42.7 million held in the trust account. As consideration for the Business Combination, we issued Energy Holding Corp., a holding company and sole shareholder of Tecnoglass Holding, of which former shareholders of TG and ES were the sole shareholders, an aggregate of 20,567,141 ordinary shares, or approximately 87% of the outstanding ordinary shares. Pursuant to the agreement and plan of reorganization, we also issued to Energy Holding Corp. an additional 500,000 ordinary shares upon the achievement of the specified EBITDA targets in the fiscal year ended December 31, 2014, 1,000,000 ordinary shares upon achievement of the specified EBITDA target in the fiscal year ended December 31, 2015 and 1,500,000 ordinary shares upon the achievement of the specified EBITDA target in the fiscal year ended December 31, 2016.

In connection with the Business Combination, we changed our name to “Tecnoglass Inc.” We also changed our fiscal year end from February 28 to December 31 in order to coincide with the fiscal year end of Tecnoglass Holding and its subsidiaries.

In 2014, we established two entities in South Florida, Tecno LLC and Tecno RE, to acquire manufacturing and sales-related assets to support sales and customer service in the United States.

In September 2016, we completed a warrant exchange whereby each warrant holder was given the opportunity to exchange 2.5 outstanding warrants for one ordinary share. As a result of the warrant exchange, 5,479,049 warrants, or 82% of the outstanding warrants were validly tendered. As of September 30, 2016, 1,275,823 warrants remained outstanding following completion of the warrant exchange referenced above. Of these, 1,265,842 warrants were exercised prior to the December 20, 2016 expiration, resulting in the issuance of 478,218 Tecnoglass common shares. The remaining unexercised warrants expired by their own terms on December 20, 2016.

As part of our strategy to vertically integrate our operations, on December 2, 2016 we acquired 100% of the equity of ESW LLC, for a total purchase price of $13.5 million. The acquisition was recorded retroactively starting from the first date of common control. Instead of using fair value, the Company consolidates the financial statements of the entity acquired using the existing carrying values.

As a subsequent event, on March 1, 2017 the Company entered into and consummated a purchase agreement with Giovanni Monti, the owner of 100% of the outstanding shares of GM&P. The Company acquired all of the shares of GM&P for a purchase price of $35 million, of which the Company will pay $6 million of the purchase price in cash within the 60 days following the closing date and the remaining $29 million of the purchase price to be payable on or before September 1, 2017 in cash, our ordinary shares or a combination of both, at our sole option.

Additional Information About the Company

We maintain websites for our subsidiaries, TG and ES, which can be found at www.tecnoglass.com and www.energiasolarsa.com, respectively. Although we do not have a website dedicated to Tecnoglass Inc., the corporate filings of Tecnoglass Inc., including our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, our proxy statements and reports filed by our executive officers and directors under Section 16(a) of the Securities Exchange Act, and any amendments to those filings, are available free of charge on the Investor Relations page of each of the subsidiary websites, which are updated as soon as reasonably practicable after we electronically file (or furnish in certain cases) such material with the Securities and Exchange Commission, and can also be found at the SEC’s website at http://sec.gov. We do not intend for information contained in either subsidiary website, including the Investor Relations pages, to be a part of this Form 10-K. Also, the public may read and copy any materials the Company files with the SEC at the SEC' public reference room at 100 F St NE, Washington D.C, 20549 or by calling 1-800-SEC-0330.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act (or JOBS Act), and are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. However, we have irrevocably opted not to take advantage of one such exemption which would have allowed us an extended transition period for complying with new or revised accounting standards. We are, and will continue to be, subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We could remain an emerging growth company until the last day of our fiscal year following March 22, 2017 (the fifth anniversary of the consummation of our initial public offering). However, if our non-convertible debt issued within a three-year period or our total revenues exceed $1 billion or the market value of our ordinary shares that are held by non-affiliates exceeds $700 million on the last day of the second fiscal quarter of any given fiscal year, we would cease to be an emerging growth company as of the following fiscal year.

Item 1A. Risk Factors.

Not Applicable.

Item 1B. Unresolved Staff Comments.

Not Applicable.

Item 2. Properties.

We own and operate a 2.7 million square foot manufacturing complex located in Barranquilla, Colombia. This manufacturing campus houses a glass production plant, aluminum plant and window and facade assembly plant. The glass plant has four lamination machines with independent assembly rooms, six specialized tempering furnaces and glass molding furnaces, a computer numerical-controlled profile bending machine, as well as five silk-screening machines. The Alutions plant has an effective installed capacity of 1,000 tons per month and can create a variety of shapes and forms for windows, doors and related products. We also own three natural gas power generation plants with a capacity of 1,750 kilowatts each which supply the electricity requirements of the entire manufacturing complex and are supported by three emergency generators.

In December 2014, we acquired a 123,399 square foot manufacturing and warehousing facility in a 215,908 square foot lot size in Miami-Dade County, Florida, United States. The facility houses manufacturing and assembly equipment, warehouse space, and administrative and sales offices.

During the first week of July 2016, TG paid $10.5 million to acquire a lot adjacent to the Company's facilities to expand the manufacturing facilities.

We believe that our existing properties are adequate for the current operating requirements of our business and that additional space will be available as needed.

Item 3. Legal Proceedings.

On March 2, 2016 ES filed a lawsuit against Bagatelos Architectural Glass Systems, Inc. ("Bagatelos") in Colombia. In addition, we also filed a lawsuit against Bagatelos in the State of California for breach of contract. To lift the lien declared by the Court in California, Bagatelos submitted a bond for $2.0 million in favor of ES and its release is subject to the court's ruling. This bond is a "mechanics lien surety bond" which guarantees ES payment of the amounts due with interest and costs should the Company win the case. Mediation scheduled for February 17, 2017 was unsuccessful and parties continue discovery. Bagatelos as defendant presented a cross complaint on September 23, 2016 seeking damages of approximately $3 million. Although we already received a payment order from the Colombian judge, the Company continues to pursue its rights, remedies and defenses in the U.S. We received on January 31, 2017 a case update from our U.S. counsel stating that due to ES' favorable terms and conditions and the fact that Bagatelos has overstated their claim and ignored their contractual duties, it is probable that the Company will be able to recover the outstanding amount of $2.0 million.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

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

Market Information

Our ordinary shares are listed on the NASDAQ Capital Market under the symbol TGLS. Effective January 6, 2016, the Company's shares also commenced trading on the Bolsa de Valores de Colombia ("BVC"), the principal stock exchange of Colombia, under the symbol TGLSC. The listing of the Company's shares on the BVC is secondary to the primary listing on the NASDAQ Market. No new shares were issued in connection with the admission to trading on the BVC.

The following table sets forth the high and low sales prices for our ordinary shares for the periods indicated below and starting from the first quarter of 2015.

Period	Ordinary Shares High	Low
Fiscal 2017:		
First Quarter*	$12.34	$11.40
Fiscal 2016:		
Fourth Quarter	$12.70	$10.87
Third Quarter	$12.93	$10.20
Second Quarter	$12.49	$10.25
First Quarter	$14.30	$9.82
Fiscal 2015:		
Fourth Quarter	$15.59	$13.05
Third Quarter	$15.95	$12.39
Second Quarter	$13.74	$8.50
First Quarter	$10.73	$9.16

* Through March 1, 2017.

Holders

As of December 31, 2016, there were 339 holders of record of our ordinary shares.

Dividends

In August 2016, the Company's Board of Directors authorized the payment of four regular quarterly dividends at a quarterly rate of $0.125 per share, or $0.50 per share on an annual basis. The first quarterly dividend was paid on November 1, 2016, to shareholders of record date September 23, 2016. The dividend was declared to be paid in the form of cash or ordinary shares at the option of record date shareholders during an election period which ended October 14, 2016. Approximately 20% of dividends, or 6.32 million shares, opted for cash distributions with the remainder receiving stock distributions aggregating to ordinary shares totaling 275,049 shares in an aggregate. On February 1, 2017, the Company issued 306,579 ordinary shares and paid $564 in connection with the second quarterly dividend.

Purchases of Equity Securities by Issuer and Affiliates

No purchases of our equity securities have been made by us or affiliated purchasers within the fourth quarter of the fiscal year ended December 31, 2016.

Item 6. Selected Financial Data.

Not Applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Company's consolidated financial statements and notes to those statements included in this Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Please see the section entitled "Forward-Looking Statements and Introduction" in this Form 10-K.

Overview

We are a holding company operating through our wholly-owned subsidiaries: TG, which manufactures, transforms, 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.

We manufacture hi-specification architectural glass and windows for the global residential and commercial construction industries. Currently we offer 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, floating façades, office partitions and interior divisions, and commercial window showcases.

In recent years, we have expanded our US sales outside of the Florida market, entering into high-tech markets for curtain walls, obtaining a niche market access since this product is in high demand and marks a new trend in architecture. This product is a very sophisticated product and therefore garners high margins for us. These products involve high performance materials that are produced by Alutions and TG with state of the art technology.

ES sells products in Panama primarily to companies participating in large construction projects in the most exclusive areas of the city. For example, ES products were supplied in the construction of the tallest building in Central and South America, The Point, as well as in the construction of the most modern hotels in the region such as Megapolis. Based on ES's knowledge of the construction market in Central America, ES products were supplied in the Soho Plaza, a complex.

How We Generate Revenue

The Company is a leading manufacturer of hi-spec architectural glass and windows for the western hemisphere residential and commercial construction industries, operating through our direct and indirect subsidiaries. Headquartered in Barranquilla, Colombia, we operate out of a 2.7 million square foot vertically-integrated, state-of-the-art manufacturing complex that provides easy access to the Americas, the Caribbean, and the Pacific.

The Company' glass products include tempered glass, laminated glass, thermo-acoustic glass, curved glass, silk-screened glass, and digital print glass as well as mill finished, anodized, painted aluminum profiles and produces rods, tubes, bars and plates. Window production lines are defined depending on the different types of windows: normal, impact resistant, hurricane-proof, safety, soundproof and thermal. The Company produces fixed body, sliding windows, projecting windows, guillotine windows, sliding doors and swinging doors. ES produces façade products which include: floating facades, automatic doors, bathroom dividers and commercial display windows.

The Company sells to over 900 customers using several sales teams based out of Colombia to specifically target regional markets in South, Central and North America. The United States accounted for approximately 62% and 59% of our combined revenues in 2016 and 2015, respectively, while Colombia accounted for approximately 32% and 34%, and Panama for approximately 3% and 3% of our combined revenues in those years, respectively. Our tailored, high-end products are found on some of the world's most distinctive properties, including the 50 UN Plaza (New York), UB Law (Baltimore) Fordham University Law School (New York), Soho Mall (Panama), Brickell City Centre (Miami), Wesleyan (Houston) and the El Dorado Airport (Bogota).

The Company sells its products through four main offices/sales teams based out of Colombia, Panama and the US. The Colombia sales team is our largest sales group, which has deep contacts throughout the construction industry. The Colombia sales team markets both the Company's products as well as installation services. The Peruvian office is responsible for South American sales, excluding Colombia. Sales forces in Panama are not via subsidiaries but under agreements with sales representatives. The Company has two types of sales operations: Contract sales, which are the high-dollar, specifically-tailored customer projects; and Standard Form Sales.

In Colombia, the overall economy has slowed down as a direct result of the downturn in the commodity's cycle. That being said, certain sectors of the economy have been growing above the overall average and contributing to current GDP growth which for the 2016 is estimated at a range between 2.0% and 2.8% (based on several sources that include de FMI and the Colombian Central Bank). The principal sectors that continue to evidence positive results are mainly related to the company's manufacturing, infrastructure and construction activities. In relation to the construction industry, both commercial and residential construction activity has been growing at a steady pace during the last years; the Company's results in Colombia will be directly impacted by the level of residential and commercial construction going forward as a significant proportion of our revenues are expected to continue being derived from local sales.

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The U.S. market represents approximately 60% of our overall sales and is expected to continue being our most important market going forward. The U.S. construction market is currently experiencing a growth cycle as evidenced by the ABI (“Architectural Billing Index”) as of November 2016, and is showing expansion in the main sub-markets where Tecnoglass operates (mainly Florida, Texas and the Northeast Region). Our strategy going forward will be to continue to focus on the U.S. as our main geographical target given its significant size and business activity. The recent acquisition of ESW and GM&P reinforces this strategy. See the “Overview” section in Item 1 of this Form 10-K. Within the U.S., Tecnoglass is seeking to continue diversifying its presence across a broader footprint in order to mitigate its concentration risk, while searching for new partnerships and commercial relationships in large metropolitan areas other than those in Florida (where it has historically had a strong market position). Our relationship with distributors, installers and general contractors continue to be key in our market penetration strategy and in our sales efficiency in order to target a broad variety of end clients. Construction activity in both the commercial and the residential markets within the U.S. has a direct impact in our ability to grow sales and profit margins. Although our efficient cost structure enables us to better withstand fluctuations and cycles in construction activity, our overall results could be significantly correlated with such cycles.

As part of our strategy to vertically integrate our operations, on December 2, 2016 we acquired 100% of the stock of ESW LLC. Since 2004, we have a strategic commercial relationship with ESW LLC, a Florida-based company partially owned by Christian T. Daes and José M. Daes, who are also our executive officers and directors, up onto recent acquisition. ESW LLC acts as one of ES’s importers and distributors in the U.S. and is a member of the American Architectural Manufacturers Association, a technical information center for the architecture industry with highest standards. ESW LLC sends project specifications and orders from its clients to ES, and in turn, receives pricing quotes from ES which are conveyed to the client.

As a subsequent event, on March 1, 2017 the Company entered into and consummated a purchase agreement with Giovanni Monti, the owner of 100% of the outstanding shares of GM&P. GM&P is a consulting and glazing contracting company located in Miami, Florida with over 15 years of experience in the design and installation of various building enclosure systems such as curtain window walls and a long-standing commercial relationship with the Company, working alongside it in different projects within the U.S, by providing engineering and installation services to those projects.

Liquidity

As of December 31, 2016 and 2015, the Company had cash and cash equivalent of approximately $26.9 million and $22.7 respectively.

On January 7, 2016, we entered into a $109.5 million, seven-year senior secured credit facility. Proceeds from the new facility were used to refinance $83.5 million of existing debt, with the remaining $26.0 million available to the Company for capital expenditures and working capital needs. Approximately $51.6 million of the new facility were used to refinance current borrowings into long term debt. The Company's consolidated balance sheet as of December 31, 2015 reflects the effect of this refinance of the Company's current portion of long term debt and other current borrowings into long term debt based on the Company's intent as of that date. The new facility features two tranches, including one tranche denominated in USD representing 71% of the facility and another tranche denominated in Colombian Pesos (COP) representing the remaining 29%. Borrowings under the facility will bear interest at a weighted average interest rate of 7% for the first year, and thereafter at a rate of LIBOR plus 5.25% and DTF (Colombian index) plus 5.00% for the respective USD and COP denominated tranches.

During the years ended December 31, 2016 and 2015, $3.1 million and $2.5 million were used in and provided by operating activities, respectively. A discussion of our cash flow from operations is was included below in the sub-section headed "Cash flow from Operations, Investing and Financing Activities" under the Results of Operation section of this management discussion and analysis.

On January 23, 2017, the Company successfully issued a U.S. dollar denominated, $210 million offering of 5-year senior unsecured notes at a coupon rate of 8.2% in the international debt capital markets under Rule 144A of the Securities Act to qualified institutional investors. The Company will use approximately $179 million of the proceeds to repay outstanding indebtedness and as a result will achieve a lower cost of debt and strengthen its capital structure given the non-amortizing structure of the new bond. The Company's consolidated balance sheet as of December 31, 2016 reflects the effect of this refinance of the Company's current portion of long term debt and other current borrowings into long term debt based on the Company's intent as of that date.

Capital Resources

We transform glass and aluminum into high specification architectural glass which requires significant investments in state of the art technology. During the years ended December 31, 2016 and 2015, we made investments primarily in building and construction, and machinery and equipment in the amount of $42.7 million and $80.2 million, respectively.

In August 2014, we entered into a contract to purchase equipment from Magnetron Sputter Vacuum Deposition to produce soft coated low emissivity glass as part of our improvements plan that entered production in the last quarter of 2015. The investment for this project was approximately $45 million for the equipment and facilities, and was financed primarily with a credit facility with an export credit guarantee by the German Federal Government.

We expect that current installed capacity will be enough to service our backlog and expected sales through the year 2018. Capital expenditures in the near future are expected to be limited to maintaining installed capacity.

Results of Operations (Amounts in thousands)

	For the Years ended December 31,	
	2016	**2015** (1)
Net operating revenue	$305,016	$242,239
Cost of sales	192,369	151,381
Gross Profit	112,647	90,858
Operating expenses	64,799	51,267
Operating income	47,848	39,591
Change in fair value of warrant liability	776	(24,901)
Change in fair value of earnout share liability	4,674	(10,858)
Non-operating income, net	4,155	5,054
Foreign currency transaction gains (losses)	(1,387)	10,059
Interest expense	(16,814)	(9,274)
Income tax provision	(16,072)	(20,691)
Net income (loss)	$23,180	$(11,020)

(1) Prior-period financial information has been retroactively adjusted for the acquisitions transaction between entities under common control. See Notes 1 and 3 of our consolidated financial statements included in this Annual Report on Form 10-K for additional information.

Comparison of years ended December 31, 2016 and December 31, 2015

Revenue

Our operating revenue increased from $242.2 million in 2015 to $305.0 million in 2016, or 26%. The increase was mostly driven by a successful executing of our strategy to continue increasing our participation in the U.S. market as well as by construction growth in the other markets in which we participate.

The increase is partially due to high quality, reliability, and competitive prices which allowed us to further penetrate our existing markets and sell a larger volume of Company products. Sales in the U.S. market amounted to $190.0 million, an increase of $44.8 million or 31% over 2015. The increase is also partially due to a successful penetration of different markets within the country, especially the north east, going from a more Florida based business into a more diversified effort. Sales to the US markets include, in average, more sophisticated products than the other markets in which the Company participates which also makes them higher priced products. In December 31, 2016, the Company acquired ESW LLC, and as a result, sales to the U.S. market for the year ended December 31, 2015 are $3.4 million higher than the amount previously reported, as prior period financial information has been retroactively adjusted for the acquisition transaction between entities under common control. This acquisition had an impact of $4.9 million on U.S. sales during the year ended December 31, 2016.

Sales in Colombia, priced in Colombian pesos, increased by $17.5 million, or approximately 22%, however, in terms of local currency represented a 35% increase, offset by unfavorable exchange rates. Sales in Panama increased by $2.1 million, or 28.9%, and sales to other territories decreased by $1.6 million, which represents a 16% decrease, mainly related to a larger focus into the U.S market.

Cost of sales and gross profit margins

Cost of sales increased $41.0 million or 27% from $151.4 million during the year ended December 31, 2015 to $192.4 million during the year ended December 31, 2016, relatively proportional with growth in the Company's operating revenue. Sales margins calculated by dividing the gross profit by operating revenue decreased slightly from 37.5% to 36.9% between the years ended December 31, 2016 and 2015, respectively. While the cost of raw material as a percentage of revenues decreased slightly, the improvement in raw material efficiency was offset by a $5.6 million increase in labor cost related to the hiring of new employees to be trained into the new lines and for the Low Emissivity glass plant and a $4.0 million increase in depreciation charged to the cost of goods sold as a result of the Company's recent capital expenditures further discussed above in the capital resources section of this discussion.

Operating Expenses

Operating expenses increased 26%, or $13.5 million, from the year ended December 31, 2015 to December 31, 2016. Selling expense increased $4.6 million, or 17%, from $27.6 million in 2015 to $32.3 million in 2016. The principal factors of this increase was an increase of $3.6 million in shipping expense associated with incremental business in more distant markets within the United States that require more land transportation to reach its final destination. Additionally, personnel expense increased $0.6 million or 11%. The Company's provision for bad debt and write off increased $3.2 million, from $1.5 million to $4.7 million.

General and Administrative expenses increased $5.7 million, or 26%, from $22.2 million to $27.9 million between the years ended December 31, 2015 and 2016.Main increase was associated with increases in personnel expense, which increased $1.9 million, an increase of $0.8 million in professional fees associated with business, accounting and legal and consulting. Additionally, the Company incurred in $1.4 million higher expenses associated with bank charges, fees and an increase in a Colombian tax on financial transactions associated with the refinance of a significant portion of the Company's debt in January of 2016.

Change in Fair Value of Warrant Liability

We had a non-cash, non-operating gain of $0.8 related to the change in fair value of warrant liability during the year before its expiration on December 20, 2016. The Company had a loss of $24.9 million in the year ended December 31, 2015 from the change in fair value of the warrant liability. The change in fair value of the warrants is associated to external market factors such as the market price of our shares and the volatility index of comparable companies. There are no income tax effects of this warrant liability due to our Company being registered in the Cayman Islands. Management does not consider the effects of the change in the fair value of the warrants to be indicative of our ongoing operating performance and does not expect any such charges going forward as the totality of its warrants have either being exchanged, exercised, or expired by their own terms on December 20, 2016.

Change in Fair Value of Earnout share liability

We had a non-cash, non-operating gain of $4.7 million related to the change in fair value of the earnout liability during the year before the extinguishment of the liability on December 20, 2016. Through November 30, 2016, the Company had achieved an EBITDA substantially higher than the required EBITDA to release the shares. As a result, the Company instructed the Escrow Agent to release the remaining 1,500,000 ordinary shares of the Company held in escrow to Energy Holding Corp., the former stockholder of Tecnoglass, in accordance with the terms of the Escrow Agreement governing the EBITDA shares. The release of the shares under the Escrow Agreement prior to December 31, 2016 resulted in the reclassification of the earnout share liability to equity, once adjusted to fair value at the date of the release. In conjunction with the release of the shares, the Escrow Agreement has been terminated. The Company had a loss of $10.9 million in the year ended December 31, 2015 from the change in fair value of earnout share liability. The fair value of the earnout shares changes in response to market factors such as the market price of our shares and the volatility index of comparable companies and the Company's forecasted EBITDA. There are no income tax effects of this earnout liability due to our Company being registered in the Cayman Islands. Management does not consider the effects of the change in the fair value of the earnout shares to be indicative of our ongoing operating performance.

Interest Expense

Between the years ended December 31, 2016 and 2015, interest expense increased by $7.5 million, or approximately 81%, from $9.3 million to $16.8 million as our debt increased from $139.1 million as of December 31, 2015 to $199.6 million in December 31, 2016 mainly as a result of our growth capital expenditure initiatives geared toward increasing our installed capacity.

Non-Operating Income and Foreign Currency Transaction Gains and Losses

Non-operating income decreased $0.9 million, from $5.1 million in the year ended December 31, 2015 to $4.2 million in the year ended December 31, 2016, primarily as a result of a decrease in interest income on receivable, as well as recoveries of scrap. During the year ended December 31, 2016, the Company recorded a foreign currency transaction loss of $1.4 million, compared with a gain of $10.1 million during the year ended December 31, 2015, related to the Company's Colombian subsidiaries ES and TG which have the Colombian Peso as functional currency, yet have important US Dollar denominated transactions. Foreign currency transaction gains during the year ended December 31, 2015 are associated with foreign currency transactions as the Colombian peso devaluated 32% during the year ended December 2015 but remained relatively stable during the year ended December 31, 2016.

Income Tax Expense

Income tax expense decreased $4.6 million, from $20.7 million in 2015 to $16.1 million in 2016. This was primarily the result of lower taxable income in the Colombian subsidiaries which generate all of the Company's income tax expense until the acquisition of ESW LLC in December, 2016. The reduction of taxable income in the Colombian subsidiaries is strongly related to the reduction of non-operating gains during fiscal year 2016. The Company's effective tax rate of 261% for the year ended December 31, 2015 differs widely from the statutory rate of 39% because of the non-taxable non-operating losses due to changes in the fair value of warrant liability and earnout shares.

Cash flow from Operations, Investing and Financing Activities

During the years ended December 31, 2016 and 2015, $3.1 million and $2.5 million were used in and provided by operating activities, respectively. The principal use of cash was an increase in trade accounts receivable which amounted to $26.0 million and $29.4 million during the years ended December 31, 2016 and 2015, respectively, as a direct result of the company´s ongoing growth and an industry related longer cash cycle. The aforementioned factor influencing the cash flow uses as it relates to the Company’s account receivables are associated to more sophisticated, long-lead projects in which the Company is currently bidding. These projects typically have a longer cash cycle as distributors also have to collect from end-users, and for that, certain performance conditions must always be met. Secondly, the Company´s strategy continues to be to further penetrate additional, more distant markets within the United States, which also may contribute to longer collection cycles. Albeit these factors, the Company does not foresee a deterioration in its ability to collect from its direct or indirect clients (as evidenced by its relatively stable days sales outstanding relation without accounting for foreign currency translation). During the year ended December 31, 2016, the Company recorded a write off for $3.2 million of unbilled receivables as a onetime adjustment to a large project in which the Company has participated as well as $1.3 million write off of ESW LLC’s receivables prior to the acquisition by the Company, as well as $0.2 million of other provisions. The Company continues to focus on ways to improve collection times with some of its most representative clients.

Trade accounts payable during the year ended December 31, 2016 generated $1.6 million compared with $15.4 million generated during 2015 as the Company’s sought lean manufacturing initiatives to optimize inventory purchases and operate with lower levels. As a comparison, one of our main uses of cash in 2015 was related to the purchase of inventories which amounted to $29.2 million as the Company built up raw materials taking advantage of opportunistic buys, and commensurate with expected future sales at the time. In contrast, for 2016 we had a use of $4.3 million despite the robust growth during the year.

Customer advances on uncompleted contracts, mainly comprised of ES long term projects, resulted in a use of $6.8 million during the year ended December 31, 2016 compared with $6.3 million provided the previous year as numerous projects reached stages closer to completion in which the advances applied.

Taxes payable used $2.3 million during the year ended December 31, 2016 compared to $14.1 million generated during the year ended December 31, 2015. This is the result of the Colombian subsidiaries, which required a use of cash as the income tax provision for the year ended December 31, 2015 was $12.2 million higher than for the year ended December 31, 2014.

During the year ended December 31, 2016, cash used in investing activities increased to $24.7 million compared with $9.4 million during 2015 primarily as a $8.0 million increase in the acquisition of property, plant and equipment paid for with cash, while total acquisitions of property, and equipment, including property acquired through debt and capital lease decreased $37.7 million when comparing the year ended December 31, 2016 and 2015. During the year ended December 31, 2016, and in addition to the cash capital expenditures of $22.9 million during the period, the Company made capital expenditures for $19.6 million that were financed with bank loans and capital leases. The decrease in capital expenditures is related to the completion of the company´s growth phase to get its installed capacity to a more appropriate level to address future growth.

Cash provided by financing activities increased from $9.5 million during the year ended December 31, 2015 to $31.5 million the year ended December 31, 2016, primarily due to increases in proceeds from debt. As can be seen in the statement of cash flows, the Company has used the proceeds of the debt increase to repay short term obligations while preparing to close on the issuance of a long term note further described in the liquidity section above, as well as support its rapid expansion and the related capital expenditures and working capital needs.

Off-Balance Sheet Arrangements

We did not have any material off-balance sheet arrangements as of December 31, 2016.

Contractual Obligations

Future contractual obligations represent an impact to future cash flows as shown in the table for the period ended December 31, 2016:

	Payments Due by Period (In thousands)				
Contractual Obligations	TOTAL	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long Term Debt Obligations	$175,901	$2,651	$4,615	$4,657	$163,978
Capital Lease Obligations	23,696	-	-	-	23,696
Interest Obligations	68,373	15,101	29,999	14,897	8,376
Total	$267,970	$17,752	$34,614	$19,554	$196,050

Future interest obligations are estimated assuming constant reference rates for obligations with variable interest rates. The average interest rate is approximately 8.6% per annum for long term debt obligations respectively, and varies up or down in accordance with money market rates in Colombia. On January 23, 2017, the Company successfully issued a U.S. dollar denominated, $210 million offering of 5-year senior unsecured notes at a coupon rate of 8.2% in the international debt capital markets under Rule 144A of the Securities Act to qualified institutional investors. The Company will use approximately $179 million of the proceeds to repay outstanding indebtedness and as a result will achieve a lower cost of debt and strengthen its capital structure given the non-amortizing structure of the new bond. The Company’s consolidated balance sheets as of December 31, 2016 reflects the effect of this refinance of the Company’s current portion of long term debt and other current borrowings into long term debt based on the Company’s intent as of that date. The Company's capital lease obligations amounting to $23,696 was prepaid in 2017 with proceeds from the 5 year senior note.

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Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires that management make significant estimates and assumptions that affect the assets, liabilities, revenues and expenses, and other related amounts during the periods covered by the financial statements. Management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increases, these judgments become more subjective and complex. We have identified the following accounting policies as the most important to the portrayal of our current financial condition and results of operations.

Revenue Recognition

Our principal sources of revenue are derived from product sales of manufactured glass and aluminum products. Delivery to the customer is deemed to have occurred when the title is passed to the customer. Generally, the title passes to the customer upon shipment, but could occur when the customer receives the product based on the terms of the agreement with the customer. The selling prices of all goods that the Company sells are fixed, and agreed to with the customer, prior to shipment. Selling prices are generally based on established list prices.

The Company recognizes revenue for standard form sales. Standard form sales are customer sales comprising low value installations that are of short duration. A standard form agreement is executed between the Company and its customer. Services are performed by the Company during the installation process. The price quote is determined by the Company, based on the requested installation, and approved by the customer before the Company proceeds with the installation. The customer’s credit worthiness and payment capacity is evaluated before the Company will proceed with the initial order process.

Revenues from fixed price contracts, which represent approximately 16.0% and 21.6% of the Company’s sales for the year ended December 31, 2016 and 2015, respectively, are recognized using the percentage-of-completion method, measured by the percentage of costs incurred to date to total estimated costs for each contract. These contracts typically have a duration ranging between one and three years. 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 and installation of product, 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 cost estimates. Change in contract estimates have not had a material effect on our financial statements.

Related party transactions

The Company has related party transactions such as sales, purchases, leases, guarantees, and other payments. We perform a related party analysis to identify transactions to disclose quarterly. Depending on the transactions, we aggregate some related party information by type. When necessary we also disclose the name of a related party, if doing so is required to understand the relationship.

Estimation of Fair Value of warrant liability

The best evidence of fair value is current prices in an active market for similar financial instruments. We determine the fair value of warrant liability 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 stock price, dividend yield, risk-free rate, expected term and volatility.

In general, the inputs used are unobservable; therefore unless indicated otherwise, warrant liability is classified as level 3 under guidance for fair value measurements hierarchy.

Given the fact that the totality of our warrants has been either exchanged, exercised or expired by their own terms on December 20th, 2016, we do not expect to have to account for the fair value of these instruments going forward.

Estimation of Fair Value of Earnout share liability

The best evidence of fair value is current prices in an active market for similar financial instruments. We determine the fair value of earnout share liability by the Company using Monte Carlo simulation, which models future EBITDA and stock prices during the earn-out period using the Geometric Brownian Motion. This model is dependent upon several variables such as the instrument's expected term, expected risk-free interest rate over the expected instrument 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 instruments granted are expected to be outstanding. 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. 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, earnout share liability is classified as level 3 under guidance for fair value measurements hierarchy.

Given the fact that the 1,500,000 remaining earnout shares were awarded as a result of the Company meeting the required EBITDA target for 2016, we do not expect to have to account for the fair value of these instruments going forward.

Derivative Financial Instruments

We conduct interest rate swap (IRS) transaction with key non-related financial entities to reduce the effect of interest rate fluctuations as economic hedges against interest rate risk. We have designated these derivatives at fair value and the accounting for changes is recorded in the statement of operations. The inputs used are similar to the prices for similar assets and liabilities in active markets directly or indirectly through market corroboration; therefore unless indicated otherwise, derivatives are classified as level 2 under guidance for fair value measurements hierarchy.

Foreign currency transactions

The functional currency of most of the Company's foreign subsidiaries and branches is the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the average exchange rates during the period. The resulting translation adjustments are recorded as a component of accumulated other comprehensive earnings within stockholders' equity. The Company also recognizes gains and losses associated with transactions that are denominated in foreign currencies within non-operating income in the Company's consolidated statement of operations. The average exchange rate for the Colombian peso, the functional currency of the Company's main subsidiaries, was 3,050.98 pesos per USD $1 and 2,743.39 pesos per USD $1 during the years ended December 31, 2016 and December 31, 2015, respectively. The spot exchange rate for the Colombian peso, as of December 31, 2016 and December 31, 2015, was 3,000.71 pesos per USD $1 and 3,149.39 pesos per USD $1, respectively.

Income taxes

The Company is subject to income taxes in some jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Business combinations

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

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

sales volume, pricing and future cash flows of the business overall

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future expected cash flows from customer relationships, and other identifiable intangible assets, including future price levels, rates of increase in revenue and appropriate attrition rate

the acquired company’s brand and competitive position, royalty rate, as well as assumptions about the period of time the acquired brand will continue to benefit to the combined company’s product portfolio

cost of capital, risk-adjusted discount rates and income tax rates

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

Acquisitions under common control are recorded retroactively starting from the first date of common control. Instead of using fair value, the Company consolidates the financial statements of the entity acquired using the existing carrying values.

Dividend payments

We account for dividends declared as a liability under ASC 480, Distinguishing Liabilities from Equity, since our shareholders has the option to elect cash or stock. When the dividend is declared, we record the transaction as a reduction to retained earnings and an increase to dividends payable. We then reclassify stock dividends from dividends payable to additional paid-in capital when the shareholder elect a stock dividend instead of cash. The dividend payable is not subject to remeasurement at each balance sheet date since the dividend is a fixed monetary amount known at inception and thus no change in fair value adjustment is necessary.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not Applicable.

Item 8. Financial Statements and Supplementary Data.

This information appears following Item 15 of this Report and is included herein by reference.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We performed an evaluation required by Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of Tecnoglass, Inc.´s design and operating effectiveness of the internal controls over financial reporting as of the end of the period covered by this Annual Report. Based on this evaluation, our principal executive officer and principal financial officer concluded that, due to the material weakness in our internal control over financial reporting described below, our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, were not effective as of December 31, 2016. Notwithstanding the material weakness in our internal control over financial reporting as of December 31, 2016 described below, we believe the consolidated financial statements are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States of America for each of the periods presented herein.

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 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended.

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

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Our management, including the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting, as of December 31, 2016, based on criteria set forth in the "*Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*".

Based on this evaluation, our management concluded that, due to the material weakness described below, our internal control over financial reporting as of December 31, 2016, was not effective.

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

We have identified, as of December 31, 2016, the following material weakness in our internal control over financial reporting:

Entity-Level Controls - The Company has not completed the process of establishing the proper design of the Entity Level Controls which support the effectiveness of the internal control over financial reporting, therefore, certain deficiencies in these controls may not provide reasonable assurance that the control environment for risk and fraud management is effective.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

Remediation of Material Weaknesses regarding the Financial Closing and Reporting Process and the Information Technology General Controls (ITGC´s) identified for the Fiscal Year Ended December 31, 2015

As stated in our annual report on Form 10K, for the fiscal year ended December 31, 2015, management identified some material weaknesses regarding the Financial Closing and Reporting Process and the Information Technology General Controls (ITGC´s).

During 2016, the Company implemented the required controls and performed additional procedures in order to determine the effectiveness of the design and operation of such controls. The Company's remediation actions included:

Financial Closing and Reporting Process: Implemented controls and enhanced procedures regarding warrant liabilities and earnout shares liabilities in order to account for changes in fair value accurately and properly at each reporting period until exercised or expired. Regarding the basis for calculating diluted earnings per share, we took into account the effect of dilutive earnout shares. Established common practices and procedures to record and present our shipping and handling costs in selling expenses. Established procedures for netting deferred taxes according to GAAP requirements. Implemented controls over the identification, accounting treatment, classification and nature of non-routine, unusual transactions, inclusive of significant related party transactions. Designed accounting policies, implemented quarterly and annual financial reporting timelines and constituted a Disclosure Committee where relevant matters regarding financial reporting are discussed and disclosures completeness and appropriateness is assessed.

Information Technology General Controls: Analyzed the information systems accesses and roles and identified Segregation of Duties conflicts. Implemented softwares for users and roles management and tracking and documenting Information Systems versioning. Constituted the IT Committee that ensures the adequate analysis and mitigation of inherent Segregation of Duties conflicts and ensures an adequate risk and impact analysis for the approval of changes to the company's Information Systems. Controls to ensure appropriate software implementation were designed and implemented.

Management's Actions to Remediate the Entity Level Controls Material Weakness

Management took the following steps to remediate this material weakness:

Designed and communicated our Code of Conduct for our employees and suppliers.

Implemented the reporting channel (i.e. Web Case Management and Hotline) with NAVEX Global.

The Ethics and Compliance and Financial Planning and Analysis divisions were created.

Implemented controls to prevent and deter Money Laundering practices.

Enhanced and expanded our USGAAP training program for our finance and accounting personnel considering relevant topics according the company´s transactions.

Assessed the Conflict of Interests of our employees.

Assessed the illegal acts, fraud and corruption risks and designed our anti-fraud and corruption policy. Related controls will be implemented and monitored during 2017.

Prepared the budget for the year 2017 which will be approved by the Board of Directors during the first quarter of 2017.

Developed the internal audit plan for strengthening our independent oversight of internal controls over financial reporting, enhancing our Entity Level Controls.

Internal Control Over Financial Reporting for recent acquisitions

As stated in Item 1 - “Our business”, during December, 2016, we acquired complete ownership of ESWindows LLC. For purposes of evaluating internal controls over financial reporting, we determined that the internal controls of the acquired company would be excluded from our internal control assessment as of December 31, 2016, due to the timing of the closing of this acquisition. For the year ended December 31, 2016, ESWindows LLC contributed approximately 0.6% of total assets, and 1.7% of total revenues.

Changes in Internal Control Over Financial Reporting

As discussed in the sections “Remediation of Material Weaknesses in Internal Control over Financial Reporting” and “Managements Actions to Remediate Material Weaknesses”, there were changes in our internal control over financial reporting during the year 2016.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

Our current directors and executive officers are as follows:

Name	Age	Position
José M. Daes	56	Chief Executive Officer and Director
Christian T. Daes	52	Chief Operating Officer and Director
Joaquin Fernandez	56	Chief Financial Officer
A. Lorne Weil	66	Non-Executive Chairman of the Board
Samuel R. Azout	57	Independent Director
Juan Carlos Vilariño	54	Independent Director
Martha (Stormy) L. Byorum	62	Independent Director
Julio A. Torres	49	Independent Director

José M. Daes has served as our chief executive officer and a director since December 2013 and has been involved with TG and ES since its inception. Mr. Daes has over 30 years' experience starting and operating various businesses in Colombia and the U.S. Mr. Daes has served as chief executive officer of ES since its inception in 1984, responsible for all aspects of ES's operations. Mr. Daes began his career in textiles, importing textiles from Japan to Colombia and later owned and operated an upscale clothing store with multiple locations in Miami. Mr. Daes is the older brother of Christian T. Daes, our chief operating officer and director.

We believe Mr. Daes is well-qualified to serve as a member of our board of directors due to his operational experience with ES and TG and his knowledge of the industry within which they operate.

Christian T. Daes has served as our chief operating officer and a director since December 2013 and has been involved with TG and ES since their inception. Mr. Daes has served as the chief executive officer of Tecnoglass since its inception in 1994, responsible for all aspects of Tecnoglass' operations. Mr. Daes' philanthropic activities include founding the Tecnoglass-ES Windows Foundation, which promotes local development, health and social programs in Barranquilla, Colombia. Mr. Daes is the younger brother of José M. Daes, our chief executive officer and director.

We believe Mr. Daes is well-qualified to serve as a member of our board of directors due to his operational experience with ES and TG and his knowledge of the industry within which they operate.

Joaquín F. Fernández has served as our chief financial officer since December 2013 and the chief financial officer for TG and ES since 2007. He has also served as a director of ES since January 2002. Mr. Fernández oversees the gathering, reporting, presentation and interpretation of the historical financial information for us and our subsidiaries, as well as implementation of financial strategy for us. Prior to joining TG and ES, Mr. Fernández worked at fuel distribution, outsourcing, and public utility companies.

A. Lorne Weil has served as a member of our board of directors and non-executive chairman of the board since our inception. He has also served as a director of Sportech Plc, one of the largest suppliers and operators of pools/tote (often also referred to as pari-mutuel) betting in the world, since October 2010. From October 1991 to November 2013, Mr. Weil served as chairman of the board of Scientific Games Corporation, a supplier of technology-based products, systems and services to gaming markets worldwide, and served as its chief executive officer from April 1992 until November 2013. Mr. Weil also served as president of Scientific Games from August 1997 to June 2005. From 1979 to November 1992, Mr. Weil was president of Lorne Weil, Inc., a firm providing strategic planning and corporate development services to high technology industries. Previously, Mr. Weil was vice president of corporate development at General Instrument Corporation, working with wagering and cable systems.

We believe Mr. Weil is well-qualified to serve as a member of our board of directors due to his extensive business experience in strategic planning and corporate development, his contacts he has fostered throughout his career, as well as his operational experience.

Samuel R. Azout has served on our board of directors since December 2013 and on the board of TG since February 2009. Since March 2013, Mr. Azout has served as an investment manager for Abacus Real Estate. From January 2012 to March 2013, Mr. Azout served as the chief executive officer of the National Agency for Overcoming Extreme Poverty in Colombia, an organization formed by the government of Colombia to assist families in poverty. From September 2008 to January 2012, Mr. Azout was the senior presidential advisor for Social Prosperity, employed by the administration of the President of Colombia. Prior to this, Mr. Azout served as chief executive officer of Carulla Vivero S.A., the second largest retailer in Colombia, for 10 years, until he led its sale to Grupo Exito in 2006.

Juan Carlos Vilariño has served on our board of directors since December 2013, on the board of TG since November 1995 and on the board of ES since March 1997. Mr. Vilariño has worked as the general manager of various business highway concession consortiums in Colombia including the Malla Vial del Atlántico Highway Concession Consortium since 1993 and the Barranquilla-Ciénaga Highway Concession consortium since 1999. Mr. Vilariño began his career as the assistant vice president in the general consulting department of Finance Corporation of the North, S.A. We believe Mr. Vilariño is well-qualified to serve as a member of our board of directors due to his contacts and business relationships in Colombia.

Martha (Stormy) L. Byorum has served as a member of our board of directors since November 2011. Ms. Byorum is founder and chief executive officer of Cori Investment Advisors, LLC (Cori Capital), a financial services entity that was most recently (January 2005 through August 2013) a division of Stephens Inc., a private investment banking firm founded in 1933. Ms. Byorum was also an executive vice president of Stephens Inc. from January 2005 until August 2013. From March 2003 to December 2004, Ms. Byorum served as chief executive officer of Cori Investment Advisors, LLC, which was spun off from VB&P in 2003. Ms. Byorum co-founded VB&P in 1996 and served as a Partner until February 2003. Prior to co-founding VB&P in 1996, Ms. Byorum had a 24-year career at Citibank, where, among other things, she served as chief of staff and chief financial officer for Citibank's Latin American Banking Group from 1986 to 1990, overseeing $15 billion of loans and coordinating activities in 22 countries. She was later appointed the head of Citibank's U.S. Corporate Banking Business and a member of the bank's Operating Committee and a Customer Group Executive with global responsibilities.

Ms. Byorum is a Life Trustee of Amherst College and a chairman of the finance committee of the board of directors of Northwest Natural Gas, a large distributor of natural gas services in the Pacific Northwest.

We believe Ms. Byorum is well-qualified to serve as a member of the board of directors due to her operational experience with Cori Capital Advisors, VB&P and Citibank and her financial background, which includes having served on the audit committees of four publicly-traded companies.

Julio A. Torres has served on our board of directors since October 2011. He previously served as our co-chief executive officer from October 2011 through January 2013. Since March 2008, Mr. Torres has served as managing director of Nexus Capital Partners, a private equity firm. From April 2006 to February 2008, Mr. Torres served with the Colombian Ministry of Finance acting as general director of public credit and the treasury. From June 2002 to April 2006, Mr. Torres served as managing director of Diligo Advisory Group, an investment banking firm. From September 1994 to June 2002, Mr. Torres served as vice president with JPMorgan Chase Bank.

We believe Mr. Torres is well-qualified to serve as a member of our board of directors due to his operational experience with Nexus Capital Partners, his work with the Colombian government and his extensive contacts he has fostered while working at Nexus Capital Partners, JPMorgan Chase Bank and in the Colombian government.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our officers, directors and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and ten percent shareholders are required by regulation to furnish us with copies of all Section 16(a) reports they file. Based solely on a review of such reports received by us and written representations from certain reporting persons that no Form 5s were required for those persons, we believe that, during the fiscal year ended December 31, 2016, all reports required to be filed by our officers, directors and persons who own more than ten percent of a registered class of our equity securities were filed on a timely basis.

Code of Ethics

In March 2012, we adopted a code of ethics that applies to all of our executive officers, directors and employees. The code of ethics codifies the business and ethical principles that govern all aspects of our business. We will provide, without charge, upon request, copies of our code of ethics. Requests for copies of our code of ethics should be sent in writing to Tecnoglass Inc., Avenida Circunvalar a 100 mts de la Via 40, Barrio Las Flores, Barranquilla, Colombia, Attn: Corporate Secretary.

Corporate Governance

Audit Committee

We have a standing audit committee of the board of directors, which consists of Martha L. Byorum, Samuel R. Azout and Julio Torres, with Martha L. Byorum serving as chairman. Each of the members of the audit committee is independent under the applicable NASDAQ listing standards.

The audit committee has a written charter, a copy of which was filed with our Definitive Proxy Statement on Schedule 14A filed with the SEC on October 5, 2016. The purpose of the audit committee is to appoint, retain, set compensation of, and supervise our independent accountants, review the results and scope of the audit and other accounting related services and review our accounting practices and systems of internal accounting and disclosure controls. The audit committee's duties, which are specified in the audit committee charter, include, but are not limited to:

reviewing and discussing with management and the independent auditor the annual audited financial statements, and recommending to the board whether the audited financial statements should be included in our Form 10-K;

discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of our financial statements;

discussing with management major risk assessment and risk management policies;

monitoring the independence of the independent auditor;

verifying the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;

reviewing and approving all related-party transactions;

inquiring and discussing with management our compliance with applicable laws and regulations;

pre-approving all audit services and permitted non-audit services to be performed by our independent auditor, including the fees and terms of the services to be performed;

appointing or replacing the independent auditor;

determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work; and establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or reports which raise material issues regarding its financial statements or accounting policies.

The audit committee has discussed with the independent auditors the matters required by the Public Company Accounting Oversight Board ("PCAOB") auditing standard No. 16 - Communication with Audit Committees, including independent accountant's independence.

Financial Experts on Audit Committee

The audit committee will at all times be composed exclusively of "independent directors," as defined for audit committee members under the NASDAQ listing standards and the rules and regulations of the Securities and Exchange Commission, who are "financially literate," as defined under NASDAQ's listing standards. NASDAQ's listing standards define "financially literate" as being able to read and understand fundamental financial statements, including a company's balance sheet, statement of operations and cash flow statement. The board of directors has determined that Martha Byorum satisfies NASDAQ's definition of financial sophistication and also qualifies as an "audit committee financial expert" as defined under rules and regulations of the Securities and Exchange Commission.

Nominating Committee

We have a standing nominating committee, which consists of A. Lorne Weil, Martha L. Byorum, Samuel R. Azout and Juan Carlos Vilariño, with A. Lorne Weil serving as chairperson. Each member of the nominating committee is an "independent director" as defined under NASDAQ listing standards. Pursuant to its written charter, a copy of which was filed with our Definitive Proxy Statement on Schedule 14A filed with the SEC on October 5, 2016, our nominating committee is responsible for overseeing the selection of persons to be nominated to serve on our board of directors.

Guidelines for Selecting Director Nominees

The nominating committee considers persons identified by its members, management, shareholders, investment bankers and others. Currently, the guidelines for selecting nominees, which are specified in the nominating committee charter, generally provide that persons to be nominated:

should have demonstrated notable or significant achievements in business, education or public service;

should possess the requisite intelligence, education and experience to make a significant contribution to the board of directors and bring a range of skills, diverse perspectives and backgrounds to its deliberations; and

should have the highest ethical standards, a strong sense of professionalism and intense dedication to serving the interests of the shareholders.

The nominating committee will consider a number of qualifications relating to management and leadership experience, background and integrity and professionalism in evaluating a person's candidacy for membership on the board of directors. The nominating committee may require certain skills or attributes, such as financial or accounting experience, to meet specific board needs that arise from time to time and will also consider the overall experience and makeup of its members to obtain a broad and diverse mix of board members. The nominating committee does not distinguish among nominees recommended by shareholders and other persons.

There have been no material changes to the procedures by which shareholders may recommend nominees to the nominating committee.

Compensation Committee

We have a standing compensation committee consisting of Julio Torres, Samuel R. Azout and Juan Carlos Vilariño, with Julio Torres serving as chairperson. Pursuant to the compensation committee charter, a copy of which was filed with our Definitive Proxy Statement on Schedule 14A filed with the SEC on October 5, 2016, the compensation committee oversees our compensation and employee benefit plans and practices, including our executive, director and other incentive and equity-based compensation plans. The specific responsibilities of the compensation committee include making recommendations to the board regarding executive compensation of our executive officers and non-employee directors, administering our 2013 Long-Term Incentive Equity Plan, and preparing and reviewing compensation-related disclosure, including a compensation discussion and analysis and compensation committee report (if required), for our filings with the Securities and Exchange Commission.

Indemnification of Directors and Officers

Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Islands courts to be contrary to public policy, such as to provide indemnification against willful fraud, willful misconduct, civil fraud or the consequences of committing a crime. Our third amended and restated memorandum and articles of association provides for indemnification of our officers and directors to the maximum extent permitted by law, including for any liability incurred in their capacities as such, except through their own actual fraud or willful neglect or willful default.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the notes unless the Issuer is listed on the Cayman Islands Stock Exchange.

Item 11. Executive Compensation.

Overview

Our policies with respect to the compensation of our executive officers are administered by our board in consultation with our compensation committee. Our compensation policies are intended to provide for compensation that is sufficient to attract, motivate and retain executives of outstanding ability and potential and to establish an appropriate relationship between executive compensation and the creation of shareholder value. To meet these goals, the compensation committee is charged with recommending executive compensation packages to our board.

Prior to consummation of the Business Combination in December 2013, none of our executive officers or directors received compensation for services rendered to the Company. No compensation or fees of any kind, including finders, consulting or other similar fees, were paid to any of our initial shareholders, including our officers and directors, or any of their respective affiliates, prior to, or for any services they rendered in order to effectuate, the consummation of the initial business combination.

Summary Compensation Table

The following table summarizes the total compensation for the years ended December 31, 2016 and 2015 of each of our named executive officers.

Name and principal position	Year	Salary	Bonus	Total
Jose M. Daes (1)	2016	$720,000	$412,213	$1,132,213
Chief Executive Officer	2015	$720,000	$132,000	$852,000
Christian T. Daes (2)	2016	$720,000	$288,723	$1,008,723
Chief Operating Officer	2015	$438,000	$-	$438,000
Joaquin Fernández (3)	2016	$133,897	$-	$133,897
Chief Financial Officer	2015	$142,200	$12,000	$154,200

(1) Mr. Daes was appointed Chief Executive Officer in December 2013 in connection with the Business Combination. Mr. Daes also serves as Chief Executive Officer of ES.

(2) Mr. Daes was appointed Chief Operating Officer in December 2013 in connection with the Business Combination. Mr. Daes also serves as Chief Executive Officer of Tecnoglass.

(3) Mr. Fernández was appointed Chief Financial Officer in December 2013 in connection the Business Combination. Mr. Fernández also serves as Chief Financial Officer of TG and ES.

Compensation Arrangements with Named Executive Officers

At present, we do not have employment agreements in place for our current executive officers. We have determined to continue the compensation arrangements that were in place for each Messrs. Daes and Daes with ES and Tecnoglass, respectively, prior to the Business Combination in December 2013 providing for an annual base salary of $720,000, and to provide an annual base salary to Mr. Fernandez equal to approximately $140,000. Fluctuation of the exact compensation per year is subject to local currency. Our Compensation Committee may determine to award a discretionary cash bonus to such executive officers as has been awarded in the past by Tecnoglass and ES, and may also determine to award to such executive officers share options, share appreciation rights or other awards under our 2013 Long-Term Equity Incentive Plan. We anticipate continuing these compensation arrangements until we enter into employment agreements with our executive officers. Upon entry into employment agreements with our executive officers, we will file a Current Report on Form 8-K to disclose the material terms of such agreements.

Equity Awards at Fiscal Year End

As of December 31, 2016, we had not granted any share options, share appreciation rights or any other awards under long-term incentive plans to any of our executive officers.

Director Compensation

For the year ended December 31, 2015, we did not compensate any of our directors for their service on the board. However, we did reimburse our directors for out-of-pocket expenses incurred by them in connection with activities on our behalf such as identifying potential target businesses and performing due diligence on suitable business combinations. Additionally, in October 2015, the Company authorized to grant each non-employee director $50,000 worth of ordinary shares of the Company payable annually. The first payment was made in October 2016. In November 2016 the Company authorized additional payment of $8,000 on an annual basis to members of the Company´s Audit Committee and $18,000 on an annual basis to the chair of the Audit Committee, all of whom are members of the Board of Directors.

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

The following table sets forth information as of December 31, 2016 regarding the beneficial ownership of our ordinary shares by:

Each person known to be the beneficial owner of more than 5% of our outstanding ordinary shares;
Each director and each named executive officer; and
All current executive officers and directors as a group.

Unless otherwise indicated, we believe that all persons named in the table have sole voting and investment power with respect to all ordinary shares beneficially owned by them. This table is prepared solely based on information supplied to us by the listed beneficial owners, any Schedules 13D or 13G and other public documents filed with the SEC. The percentage of beneficial ownership is calculated based on 33,172,144 ordinary shares outstanding as of December 31, 2016.

Name and Address of Beneficial Owner[1]	Amount and Nature of Beneficial Ownership		Approximate Percentage of Beneficial Ownership	
Directors and Named Executive Officers				
Jose M. Daes Chief Executive Officer and Director	227,664	(2)	*	
Christian T. Daes Chief Operating Officer and Director	168,912	(2)	*	
Samuel R. Azout Director	4,374		*	
Juan Carlos Vilariño Director	20,251		*	
Joaquin F. Fernandez Chief Financial Officer	21,621,442	(3)	65,18	%
A. Lorne Weil Chairman of the Board	99,902	(4)	*	
Julio A. Torres Director	104,374		*	
Martha L. Byorum Director	115,579		*	
All directors and executive officers as a group (8 persons)	22,362,498		67,41	%
Five Percent Holders:				
Energy Holding Corporation	21,621,442	(3)	65,18	%
Red Oak Partners, LLC 304 Park Avenue South, 11th Floor, New York NY 10010	1,969,021		5,94	%

* Less than 1%

(1) Unless otherwise indicated, the business address of each of the individuals is Avenida Circunvalar a 100 mts de la Via 40, Barrio Las Flores, Barranquilla, Colombia.

(2) Does not include shares held by Energy Holding Corporation, in which this person has an indirect ownership interest.

(3) Represents all ordinary shares held by Energy Holding Corporation, of which Messrs. Joaquin Fernandez and Alberto Velilla Becerra are directors and may be deemed to share voting and dispositive power over such shares.

(4)

Does not include 253,000 ordinary shares held by Child's Trust f/b/o Francesca Weil u/a dated March 4, 2010 and 253,000 ordinary shares held by Child's Trust f/b/o Alexander Weil u/a dated March 4, 2010, irrevocable trusts established for the benefit of Mr. Weil's children.

Equity Compensation Plans

Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column
Equity compensation plans approved by security holders	-	-	1,593,917
Equity compensation plans not approved by security holders	-	-	-
Total	-	-	1,593,917

On December 20, 2013, our shareholders approved our 2013 Long-Term Equity Incentive Plan ("2013 Plan"). Under the 2013 Plan, 1,593,917 ordinary shares are reserved for issuance in accordance with the plan's terms to eligible employees, officers, directors and consultants. As of December 31, 2016, no awards had been made under the 2013 Plan.

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

Related Transactions

E.S. Windows, LLC

As part of our strategy to vertically integrate our operations, on December 2, 2016 we acquired 100% of the stock of ESW, 85.06% of which was acquired directly by Tecnoglass and 14.94% by our subsidiary ES, for a total purchase price of $13.5 million, which consisted of (i) 734,400 ordinary shares issued in connection with the transaction for approximately $9.2 million based on a stock price of $12.50, (ii) approximately $2.3 million in cash and (iii) approximately $2.0 million related to the assignment of certain accounts receivable. This transaction is not considered a significant acquisition, as defined under Rule 1-02 (W) of Regulation S-X, and was accounted for as a common control acquisition under ASC 805.

In accordance with procedures established in our Code of Ethics, the transaction was approved by our Audit Committee, comprised exclusively of independent directors, and consummation of the transaction was ratified by our full Board of Directors and the satisfaction of customary closing conditions.

Ventanas Solar S.A.

Ventanas Solar S.A., a Panama *sociedad anonima,* is an importer and installer of the Company's products in Panama. Family members of the Company's CEO and COO and other related parties own 100% of the equity in US. The Company's sales to VS for the year ended December 31, 2016 and 2015 were $8.3 million and $5.4 million, respectively. Outstanding receivables from VS at December 31, 2016 and 2015 were $9.1 million and $9.4 million, respectively.

We intend to directly or indirectly acquire 100% of the stock of VS in the near future, likely during the first half of 2017. Following the procedures established in our Code of Ethics, we also expect the terms of such transaction, when available, to be subject to review and approval by our Audit Committee and our Board of Directors based on analysis conducted by external advisor.

Business Combination Consideration

Energy Holding Corporation, the sole shareholder of Tecnoglass Holding whose shareholders are all of the former shareholders of Tecnoglass and ES, received 20,567,141 ordinary shares in consideration of all of the outstanding and issued ordinary shares of Tecnoglass Holding.

Pursuant to the agreement and plan of reorganization, we issued to Energy Holding Corp. an aggregate of 500,000 ordinary shares based on its achievement of specified EBITDA targets set forth in such agreement for the fiscal year ended December 31, 2014, 1,000,000 ordinary shares upon achievement of specified EBITDA targets in the fiscal year ended December 31, 2015 and 1,500,000 ordinary shares upon achievement of specified EBITDA targets in the fiscal year ended December 31, 2016.

Indemnification Agreements

Effective March 5, 2014, we entered into indemnification agreements with each of our executive officers and members of our board of directors. The indemnification agreements supplement our Third Amended and Restated Memorandum and Articles of Association and Cayman Islands law in providing certain indemnification rights to these individuals. The indemnification agreements provide, among other things that we will indemnify these individuals to the fullest extent permitted by Cayman Islands law and to any greater extent that Cayman Islands law may in the future permit, including the advancement of attorneys' fees and other expenses incurred by such individuals in connection with any threatened, pending or completed action, suit or other proceeding, whether of a civil, criminal, administrative, regulatory, legislative or investigative nature, relating to any occurrence or event before or after the date of the indemnification agreements, by reason of the fact that such individuals is or were our directors or executive officers, subject to certain exclusions and procedures set forth in the indemnification agreements, including the absence of fraud or willful default on the part of the indemnitee and, with respect to any criminal proceeding, that the indemnitee had no reasonable cause to believe his conduct was unlawful.

Private Placement with Affiliate of A. Lorne Weil

On March 5, 2014, we entered into a subscription agreement with an affiliate of A. Lorne Weil, our Non-Executive Chairman of the Board, pursuant to which such affiliate agreed to purchase an aggregate of 95,693 ordinary shares at an aggregate price of $1,000,000, or approximately $10.45 per share, representing a slight premium to the closing price of our ordinary shares immediately prior to the execution of the subscription agreement. The closing of the purchase took place on March 14, 2014. A registration statement covering the resale of these shares was originally declared effective on June 16, 2014.

Related Person Policy

Our Code of Ethics requires us to avoid, wherever possible, all related party transactions that could result in actual or potential conflicts of interests, except under guidelines approved by the board of directors (or the audit committee). Related-party transactions are defined as transactions in which (1) the aggregate amount involved will or may be expected to exceed $120,000 in any calendar year, (2) we or any of our subsidiaries are a participant, and (3) any (a) executive officer, director or nominee for election as a director, (b) greater than 5% beneficial owner of our ordinary shares, or (c) immediate family member, of the persons referred to in clauses (a) and (b), has or will have a direct or indirect material interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity). A conflict of interest situation can arise when a person takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest may also arise if a person, or a member of his or her family, receives improper personal benefits as a result of his or her position.

Our audit committee, pursuant to its written charter, is responsible for reviewing and approving related-party transactions to the extent we enter into such transactions. The audit committee will consider all relevant factors when determining whether to approve a related party transaction, including whether the related party transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction. No director may participate in the approval of any transaction in which he is a related party, but that director is required to provide the audit committee with all material information concerning the transaction. Additionally, we require each of our directors and executive officers to complete directors' and officers' questionnaires that elicit information about related party transactions.

These procedures are intended to determine whether any such related party transaction impairs the independence of a director or presents a conflict of interest on the part of a director, employee or officer.

Director Independence

We adhere to the NASDAQ listing standards in determining whether a director is independent. Our board of directors consults with its counsel to ensure that the board's determinations are consistent with those rules and all relevant securities and other laws and regulations regarding the independence of directors.

The NASDAQ listing standards define an "independent director" as a person, other than an executive officer of a company or any other individual having a relationship which, in the opinion of the issuer's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Consistent with these considerations, we have affirmatively determined that Messrs. Weil, Azout, Vilariño, Torres and Ms. Byorum qualify as independent directors. Our independent directors have regularly scheduled meetings at which only independent directors are present.

Item 14. Principal Accounting Fees and Services.

Effective December 30, 2014, the firm of PricewaterhouseCoopers Ltda. acts as our independent registered public accounting firm. Prior to December 30, 2014, the firm of Marcum LLP acted as our independent registered public accounting firm.

During 2016, the Company paid $0.9 million to PWC and less than $0.1 million to Marcum for audit and audit related fees. During 2015, the Company paid $0.6 million to PwC and $0.1 million to Marcum for audit and audit related fees.

Audit Committee Approval

Our audit committee pre-approved all the services performed by PricewaterhouseCoopers Ltda. and Marcum LLP. In accordance with Section 10A(i) of the Securities Exchange Act of 1934, before we engage our independent accountant to render audit or non-audit services on a going-forward basis, the engagement will be approved by our audit committee.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Form 10-K:

(1) Consolidated Financial Statements:

(2) Financial Statement Schedules:

None.

(3) The following exhibits are filed as part of this Form 10-K

Exhibit No.	Description	Included	Form	Filing Date
2.1	Agreement and Plan of Reorganization dated as of August 17, 2013 and as amended November 6, 2013, by and among the Company, Andina Merger Sub, Inc., Tecnoglass S.A., C.I. Energia Solar S.A. E.S. Windows and Tecno Corporation	By Reference	Schedule 14A	December 4, 2013
3.1	Third Amended and Restated Memorandum and Articles of Association.	By Reference	Schedule 14A	December 4, 2013
4.1	Specimen Ordinary Share Certificate.	By Reference	S-1/A	January 23, 2012
4.2	Specimen Warrant Certificate.	By Reference	S-1/A	December 28, 2011
4.3	Warrant Agreement between Continental Stock Transfer & Trust Company and the Company.	By Reference	8-K	March 22, 2012
4.4	Form of First Unit Purchase Option issued to EarlyBirdCapital, Inc.		S-1/A	

		By Reference		March 12, 2012
4.5	Form of Second Unit Purchase Option issued to EarlyBirdCapital, Inc.	By Reference	S-1/A	March 7, 2012
10.1	Amended and Restated Registration Rights Agreement among the Company, the Initial Shareholders and Energy Holding Corporation.	By Reference	8-K	December 27, 2013
10.2	Indemnity Escrow Agreement dated as of December 20, 2013, by and among the Company, Representative, Committee and Continental Stock Transfer and Trust Company.	By Reference	8-K	December 27, 2013
10.3	Additional Shares Escrow Agreement dated as of December 20, 2013, by and among the Company, Representative, Committee and Continental Stock Transfer and Trust Company.	By Reference	8-K	December 27, 2013
10.4	Form of Lock-Up Agreement between the Company and Energy Holding Corporation	By Reference	8-K	August 22, 2013
10.5	2013 Long-Term Incentive Equity Plan	By Reference	Schedule 14A	December 4, 2013
10.6	Form of Subscription Agreement	By Reference	8-K	December 19, 2013
10.7	Form of Indemnification Agreement	By Reference	8-K	March 6, 2014
10.7	Purchase Agreement with E.S. Windows, LLC	Herewith		
21	List of subsidiaries.	Herewith		
24	Power of Attorney (included on signature page of this Form 10-K).	Herewith		

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Exhibit No.	Description	Included	Form	Filing Date
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Herewith		
31.2	Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Herewith		
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Herewith		

101.INS	XBRL Instance Document	Herewith
101.SCH	XBRL Taxonomy Extension Schema	Herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase	Herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Herewith

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 10th day of March, 2017.

TECNOGLASS INC.

By:	*/s/ Joaquin Fernandez*
Name:	Joaquin Fernandez
Title:	Chief Financial Officer (Principal Financial and Accounting Officer)

POWER OF ATTORNEY

The undersigned directors and officers of Tecnoglass Inc. hereby constitute and appoint Jose Daes and Joaquin Fernandez with full power to act as our true and lawful attorney-in-fact with full power to execute in our name and behalf in the capacities indicated below, this annual report on Form 10-K and any and all amendments thereto and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, and hereby ratify and confirm all that such attorneys-in-fact, or any of them, or their substitutes shall lawfully do or cause to be done by virtue hereof.

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Jose M. Daes Jose M. Daes	Chief Executive Officer (Principal Executive Officer)	March 10, 2017
/s/ Christian T. Daes Christian T. Daes	Chief Operating Officer	March 10, 2017
/s/ Joaquin Fernandez Joaquin Fernandez	Chief Financial Officer (Principal Financial and Accounting Officer)	March 10, 2017
/s/ A. Lorne Weil	Director (Non-Executive Chairman)	March 10, 2017

A. Lorne Weil

/s/ Samuel R. Azout Samuel R. Azout	Director	March 10, 2017
/s/ Juan Carlos Vilariño Juan Carlos Vilariño	Director	March 10, 2017
/s/ Martha Byorum Martha Byorum	Director	March 10, 2017
/s/ Julio A. Torres Julio A. Torres	Director	March 10, 2017

Tecnoglass Inc.

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