OMNICELL INC /CA/
Form DEF 14A
March 28, 2006

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

OMNICELL, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(6) Amount Previously Paid:

(7) Form, Schedule or Registration Statement No.:

(8) Filing Party:

(9) Date Filed:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OMNICELL, INC.
1201 Charleston Road
Mountain View, CA 94043

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On April 25, 2006

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Omnicell, Inc., a Delaware corporation (the Company). The meeting will be held on April 25, 2006 at 8:30 a.m. local time at the Monterey Plaza Hotel and Spa, 400 Cannery Row, Monterey, California, 93940 for the following purposes:

1. To elect three (3) directors to hold office until the 2009 Annual Meeting of Stockholders.

2. To ratify the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2006.

3. To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the Annual Meeting of Stockholders is March 10, 2006. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

By Order of the Board of Directors
/s/ ROBERT J. BRIGHAM
Robert J. Brigham,
Secretary

Mountain View, California
March 28, 2006

You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy, or vote over the telephone or the Internet as instructed in these materials, as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other nominee and you wish to vote at the meeting, you must obtain a proxy issued in your name from that record holder.

OMNICELL, INC.
1201 Charleston Road
Mountain View, CA 94043

PROXY STATEMENT
FOR THE 2006 ANNUAL MEETING OF STOCKHOLDERS

April 25, 2006

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We sent you this proxy statement and the enclosed proxy card because the Board of Directors of Omnicell, Inc. (sometimes referred to as the Company or Omnicell) is soliciting your proxy to vote at the 2006 Annual Meeting of Stockholders. You are invited to attend the annual meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or follow the instructions below to submit your proxy over the telephone or on the Internet.

The Company intends to mail this proxy statement and accompanying proxy card on or about March 28, 2006 to all stockholders of record entitled to vote at the annual meeting.

Who can vote at the annual meeting?

Only stockholders of record at the close of business on March 10, 2006 will be entitled to vote at the annual meeting. On this record date, there were 26,578,016 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on March 10, 2006 your shares were registered directly in your name with Omnicell s transfer agent, Computershare Trust Company, N.A. (formerly EquiServe Trust Company, N.A.), then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card or vote by proxy over the telephone or on the Internet as instructed below to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on March 10, 2006 your shares were held, not in your name, but rather in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in street name and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered to be the stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the annual meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

What am I voting on?

There are two matters scheduled for a vote:

- Election of three (3) directors;
- Ratification of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2006.

How do I vote?

You may either vote For all the nominees to the Board of Directors or you may Withhold your vote for any nominee you specify. For each of the other matters to be voted on, you may vote For or Against or abstain from voting. The procedures for voting are as follows:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the annual meeting, vote by proxy using the enclosed proxy card, vote by proxy over the telephone, or vote by proxy on the Internet. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy.

- To vote in person, come to the annual meeting and we will give you a ballot when you arrive.

- To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the annual meeting, we will vote your shares as you direct.

- To vote over the telephone, dial toll-free 1-877-PRX-VOTE (1-877-8683) using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m. on April 24, 2006 to be counted.

- To vote on the Internet, go to http://www.eproxyvote.com/omcl to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m. on April 24, 2006 to be counted.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank, or other agent, you should have received a proxy card and voting instructions with these proxy materials from that organization rather than from Omnicell. Simply complete and mail the proxy card to ensure that your vote is counted. Alternatively, you may vote by telephone or over the Internet as instructed by your broker or bank. To vote in person at the annual meeting, you must obtain a valid proxy from your broker, bank, or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

We provide Internet proxy voting to allow you to vote your shares on-line, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of common stock you own as of March 10, 2006.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted For the election of all three (3) nominees for director, and For the ratification of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2006. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the meeting. If you are the record holder of your shares, you may revoke your proxy in any one of three ways:

- You may submit another properly completed proxy card with a later date;
- You may send a written notice that you are revoking your proxy to Omnicell s Secretary at 1201 Charleston Road, Mountain View, CA 94043; or
- You may attend the annual meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

If your shares are held by your broker or bank as a nominee or agent, you should follow the instructions provided by your broker or bank.

When are stockholder proposals due for next year s annual meeting?

To be considered for inclusion in next year s proxy materials, your proposal must be submitted in writing by November 28, 2006, to Omnicell s Secretary at 1201 Charleston Road, Mountain View, California 94043. However, if Omnicell s 2007 Annual Meeting of Stockholders is not held between March 26, 2007 and May 25, 2007, then the deadline will be a reasonable time prior to the time we begin to print and mail our proxy materials. If you wish to bring a proposal before the stockholders at next year s annual meeting that is not to be included in next year s proxy materials, you must notify Omnicell s Secretary, in writing, no earlier than close of business on December 26, 2006 and no later than the close of business on January 25, 2007. We also advise you to review Omnicell s Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations. If you do not comply with these requirements, you will not be able to make a stockholder proposal or nomination at next year s Annual Meeting.

How are votes counted?

Votes will be counted by the inspector of election appointed for the meeting, who will separately count For and Withhold and, with respect to proposals other than the election of directors, Against votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal, and will have the same effect as Against votes. Broker non-votes have no effect and will not be counted towards the vote total for any proposal.

If your shares are held by your broker as your nominee (that is, in street name), you will need to obtain a proxy form from the institution that holds your shares and follow the instructions included on that form regarding how to instruct your broker to vote your shares. If you do not give instructions to your broker, your broker can vote your shares with respect to discretionary items, but not with respect to non-discretionary items. Discretionary items are proposals considered routine under the rules of the New York Stock Exchange on which your broker may vote shares held in street name in the absence of your voting instructions. On non-discretionary items for which you do not give your broker instructions, the shares will be treated as broker non-votes.

How many votes are needed to approve each proposal?

- For the election of directors, the three (3) nominees receiving the most For votes (among votes properly cast in person or by proxy) will be elected.

- For the ratification of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2006, Proposal No. 2 must receive a For vote from the majority of shares present and entitled to vote either in person or by proxy. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares are represented by stockholders present at the meeting or by proxy. On the record date, there were 26,578,016 shares outstanding and entitled to vote. Therefore, 13,289,009 shares must be represented by stockholders present at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy (or one is submitted on your behalf by your broker, bank or other nominee) or if you vote in person at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, a majority of the votes present at the meeting may adjourn the meeting to another date.

How can I find out the results of the voting at the annual meeting?

Preliminary voting results will be announced at the annual meeting. Final voting results will be published in the Company s quarterly report on Form 10-Q for the second quarter of 2006.

PROPOSAL 1

ELECTION OF DIRECTORS

Omnicell s Board of Directors is divided into three classes. Each class consists, as nearly as possible, of one-third of the total number of directors, and each class has a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy in a class shall serve for the remainder of the full term of that class, and until the director s successor is elected and qualified. This includes vacancies created by an increase in the number of directors.

The Board of Directors presently has ten (10) members. There are three (3) directors in the class whose term of office expires in 2006. Each of the nominees listed below, is currently a director of the Company who was previously elected by the stockholders. If elected at the annual meeting, each of these nominees would serve until the 2009 Annual Meeting and until his or her successor is elected and has qualified, or until the director s death, resignation or removal. It is the Company s policy to encourage directors to attend the Annual Meeting of Stockholders. Two (2) of the nominees for election as a director at the 2005 Annual Meeting of Stockholders and six (6) of the ten (10) directors who were members of the Board at the time attended the 2005 Annual Meeting of Stockholders.

The following is a brief biography of each nominee and each director whose term will continue after the annual meeting.

CLASS II NOMINEES FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT THE 2009 ANNUAL MEETING

Randall A. Lipps

Randall A. Lipps, age 48, has served as Chairman of the Board and a Director of Omnicell since founding Omnicell in September 1992 and as its President and Chief Executive Officer since October 2002. From 1989 to 1992, Mr. Lipps served as the Senior Vice President of ST. Holdings, Inc., a travel and marketing company. From 1987 to 1989, he served as Assistant Vice President of Sales & Operations for a subsidiary of AMR, the parent company of American Airlines, Inc. Mr. Lipps received both a B.S. in economics and a B.B.A. from Southern Methodist University.

Brock D. Nelson

Brock D. Nelson, age 55, has served as a Director of Omnicell since May 2003. Since February 2003, Mr. Nelson has served as the President and Chief Executive Officer of Regions Hospital, a private, full service hospital and part of HealthPartners, Inc. Mr. Nelson served as the Chief Executive of Children s Hospitals and Clinics from 1994 to January 2003 and served as the President of Children s Hospital St. Paul from 1983 to 1994. Mr. Nelson received a B.A. in economics from St. Olaf College and a master s degree in health care administration from the University of Minnesota.

Joseph E. Whitters

Joseph E. Whitters, age 48, has served as a Director of Omnicell since May 2003. From 1986 to January 2005, Mr. Whitters was employed in various capacities with First Health Group Corp., a national health benefits company, most recently as Executive Vice President. Mr. Whitters is a certified public accountant and received a bachelor s degree in accounting from Luther College. Mr. Whitters is also Chairman of the Board of Mentor Corporation and a director of Luminent Mortgage Capital, Inc.

THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF EACH NAMED NOMINEE.

5

CLASS III DIRECTORS CONTINUING IN OFFICE UNTIL THE 2007 ANNUAL MEETING

Kevin L. Roberg

Kevin L. Roberg, age 55, has served as a Director of Omnicell since June 1997 and served as Lead Director from February 2003 to August 2005. He has been a general partner of Delphi Ventures, a venture capital firm, since October 1999. From August 1998 to September 1999, Mr. Roberg was an independent venture capitalist. From December 1995 to June 1998, Mr. Roberg served as Chief Executive Officer and President of ValueRx, a pharmacy benefit and medication management company and a former subsidiary of Value Health, Inc., a healthcare benefit and information service provider. Mr. Roberg received a B.S. from the University of Iowa. Mr. Roberg is also a director of several privately held companies.

Donald C. Wegmiller

Donald C. Wegmiller, age 67, has served as a Director of Omnicell since May 2004 and as Lead Director since August 2005. Since 2003, Mr. Wegmiller has served as the Chairman of Clark Consulting - Healthcare Group, a national executive and physician compensation and benefits consulting firm. From 1993 to 2003, Mr. Wegmiller was the President and Chief Executive Officer of the predecessor firm, Healthcare Compensation Strategies. Mr. Wegmiller received both a bachelor s degree and master s degree in health administration from the University of Minnesota. Mr. Wegmiller serves as a director of ADESA, Inc., Possis Medical, Inc. and several privately held companies.

James T. Judson

James T. Judson, age 51, will become a Director of Omnicell effective April 1, 2006. Mr. Judson is currently the Vice President of Corporate Development at Omnicell. Mr. Judson joined Omnicell in February 2005 as Vice President of Finance, and was later appointed Executive Vice President of Finance and Interim Chief Financial Officer in April 2005, serving in that position until March 2006. Mr. Judson has over 20 years of financial management experience, most of it with Sun Microsystems, Inc. Mr. Judson served as Vice President of Finance and Planning for the worldwide operations group of Sun Microsystems, Inc., a computer software and platform company from 1998 until his retirement from the company in January 2002. Mr. Judson received a B.S. degree in industrial management from Purdue University and an M.B.A. in finance from Indiana University.

CLASS I DIRECTORS CONTINUING IN OFFICE UNTIL THE 2008 ANNUAL MEETING

Mary E. Foley

Mary E. Foley, age 54, has served as a Director of Omnicell since May 2005. Since 2004, Ms. Foley has served as the Associate Director of the Center for Research and Nursing Innovation at the University of California, San Francisco (UCSF), where she is also a Ph.D. student in nursing policy. From 2002 to 2004, Ms. Foley was a Regents Lecturer at UCSF and Visiting Assistant Professor in the Masters entry program. Ms. Foley has also served as the vice president of the American Nurses Association since 2004. From 1981 to 2000, Ms. Foley was a staff nurse and chief nurse executive at Saint Francis Memorial Hospital in San Francisco, a member of Catholic Healthcare West and from 1994 to 1999 was a part-time clinical faculty member at San Francisco State University School of Nursing, and was the faculty adviser for the student nurses association. Ms. Foley received a nursing diploma from New England Deaconess Hospital School of Nursing, a B.S.N. from Boston University School of Nursing, and an M.S. in nursing administration and occupational health from UCSF.

Randy D. Lindholm

Randy D. Lindholm, age 50, has served as a director of Omnicell since May 2003. Since April 2002, Mr. Lindholm has served as a consultant to medical device companies. From June 1999 to April 2002,

6

Mr. Lindholm was the chairman, president and CEO of VidaMed, Inc. a medical device company, and served as its executive vice president, sales and marketing. From 1993 to 1998, Lindholm held senior field operations positions at Nellcor Puritan Bennett, a provider of solutions to diagnose, monitor and treat the respiratory-impaired patient. Mr. Lindholm received a B.S. in electrical engineering from Michigan Tech University. Mr. Lindholm is also a director of Rita Medical Systems, Inc. and several privately held companies.

Sara J. White

Sara J. White, age 60, has served as a Director of Omnicell since April 2003. Since 2004, Ms. White has served as a pharmacy leadership consultant. From 1992 to 2004, Ms. White was a clinical professor at the School of Pharmacy at the University of California, San Francisco and from 1995 to 2004 was an adjunct professor at the University of the Pacific, School of Pharmacy. From 1998 to 2003, she served as the Director of Pharmacy for Stanford Hospital and Clinics. Ms. White received a B.S. in pharmacy from Oregon State University and an M.S. in hospital pharmacy management from Ohio State University.

William H. Younger, Jr.

William H. Younger, Jr., age 56, has served as a Director of Omnicell since September 1992. Mr. Younger is a managing director of Sutter Hill Ventures, a venture capital firm, where he has been employed since 1981. Mr. Younger received a B.S. in electrical engineering from the University of Michigan and an M.B.A. from Stanford University. Mr. Younger is also a director of Cardica, Inc., and several privately held companies.

INDEPENDENCE OF THE BOARD OF DIRECTORS

As required under the Nasdaq Stock Market (Nasdaq) listing standards, a majority of the members of a listed company s Board of Directors must qualify as independent, as affirmatively determined by the Board of Directors. The Board consults with the Company s counsel to ensure that the Board s determinations are consistent with all relevant securities and other laws and regulations regarding the definition of independent, including those set forth in pertinent listing standards of the Nasdaq, as in effect from time to time.

Consistent with these considerations, after review of all relevant transactions or relationships between each director, or any of his or her family members, and the Company, its senior management and its independent registered public accounting firm, the Board has affirmatively determined that all of the Company s directors are independent directors within the meaning of the applicable Nasdaq listing standards, except for Mr. Lipps, the President and Chief Executive Officer of the Company and Mr. Judson, the Company s Vice President of Corporate Development.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND ITS COMMITTEES

As required under applicable Nasdaq listing standards, in fiscal 2005 the Company s independent directors met in regularly scheduled executive sessions at which only independent directors were present. During fiscal year 2005, our Lead Director, who presided over such executive sessions, was Mr. Roberg from January 1, 2005 to July 31, 2005, and has been Mr. Wegmiller since August 1, 2005. Persons interested in communicating with the independent directors with their concerns or issues may address correspondence to a particular director, or to the independent directors generally, in care of Lead Director, Omnicell, Inc. at 1201 Charleston Road, Mountain View, California 94043. If no particular director is named, letters will be forwarded, depending on the subject matter, to the Chair of the Audit, Compensation, or Nominating and Corporate Governance Committee.

The Board has three committees: an Audit Committee, a Compensation Committee, and a Corporate Governance Committee. The following table provides membership and meeting information for fiscal 2005 for each of the Board committees:

Name	Audit	Compensation	Corporate Governance
Mary E. Foley			X
Randy D. Lindholm		X	
Brock D. Nelson		X	
Kevin L. Roberg	X		X *
Donald C. Wegmiller	X		
Sara J. White			X
Joseph E. Whitters	X *		
William H. Younger, Jr.		X *	
Total meetings in fiscal year 2005	4	10	4

* Committee Chairperson

Below is a description of each committee of the Board of Directors. The Board of Directors has determined that each member of each committee meets the applicable requirements regarding independence and that each member is free of any relationship that would interfere with this or her individual exercise of independent judgment with regard to the Company.

AUDIT COMMITTEE

The Audit Committee of the Board of Directors oversees the Company s corporate accounting and financial reporting process. For this purpose, the Audit Committee performs several functions: it recommends annually to the Board of Directors the firm of certified public accountants to be employed by the Company as its independent auditors for the ensuing year, which firm is ultimately accountable to the Audit Committee and the Board, as representatives of the Company s stockholders; reviews the engagement of the independent auditors, including the scope, extent and procedures of the audit; evaluates the performance of the independent auditors; receives written statements from the independent auditors delineating all relationships between them and the Company consistent with Independence Standards Board Standard No. 1 to consider and discuss with them any disclosed relationships or services that could affect the independent auditor s objectivity and independence; reviews the annual audited financial statements with management, including major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Company s financial statements; discusses with the Company s independent auditors the results of the annual audit, including the firm s assessment of the quality of accounting principles, the reasonableness of significant financial reporting issues and judgments, the nature of significant risks and exposures, and the adequacy of the disclosures in the financial statements; meets to review the Company s annual audited financial statements and quarterly financial statements with management and the independent auditors, including reviewing the Company s disclosures under Management s Discussion and Analysis of Financial Condition and Results of Operations, and investigates any matter brought to the attention of the Audit Committee within the scope of its duties. The Audit Committee has the authority to engage legal counsel or other experts or consultants, as it deems appropriate to carry out its responsibilities. The Audit Committee has adopted a written Audit Committee Charter that is attached as Appendix A to these proxy materials.

Three (3) directors comprise the Audit Committee: Messrs. Roberg, Wegmiller, and Whitters. Mr. Whitters serves as the chair of the Audit Committee. The Audit Committee met four (4) times during the fiscal year. The Board of Directors annually reviews the Nasdaq listing standards definition of independence for Audit Committee members and has determined that all members of the Company s Audit Committee are independent (as independence is currently defined in Rule 4350(d)(2)(A)(i) and (ii) of the Nasdaq listing standards). Mr. Whitters qualifies as an Audit Committee Financial Expert as defined in applicable SEC rules.

COMPENSATION COMMITTEE

The Compensation Committee of the Board of Directors reviews and approves the overall compensation strategy and policies for the Company. The Compensation Committee reviews and approves corporate performance goals and objectives relevant to the compensation of the Company s executive officers and other senior management; reviews and approves the compensation and other terms of employment of the Company s Chief Executive Officer and other executive officers; establishes guidelines pursuant to which the Chief Executive Officer shall administer the Company s stock option plans with respect to options granted thereunder to all the Company s employees and consultants, other than the Company s executive officers, and oversees administration of the Company s stock option and purchase plans, profit sharing plans, stock bonus plans, deferred compensation plans and other similar programs.

Three (3) directors comprise the Compensation Committee: Messrs. Lindholm, Nelson and Younger. Mr. Younger serves as chair of the Compensation Committee. All members of the Company s Compensation Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the Nasdaq listing standards). The Compensation Committee met ten (10) times during the fiscal year.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee of the Board of Directors administers and oversees all aspects of the Company s corporate governance functions on behalf of the Board. For this purpose, the Corporate Governance Committee performs several functions: it develops and reviews the corporate governance principles to be applied to the Company and makes recommendations to the Board regarding corporate governance issues; it oversees and reviews the processes and procedures used by the Company to provide information to the Board and its committees; it identifies, reviews and evaluates candidates to serve as directors of the Company and recommends such candidates to the Board; it assesses the performance of the Board, including Board committees and individual Board members; and it makes such other recommendations to the Board regarding affairs relating to the directors of the Company as the Committee deems appropriate. The Corporate Governance Committee has the authority to engage legal counsel or other experts or consultants, as it deems appropriate to carry out its responsibilities. Our Corporate Governance Committee charter can be found in the Corporate Governance section on our corporate website at *www.omnicell.com*, under Investor Relations.

Three (3) directors comprise the Corporate Governance Committee: Ms. Foley, Mr. Roberg and Ms. White. Mr. Roberg serves as chair of the Corporate Governance Committee. All members of the Corporate Governance Committee are independent (as independence is currently defined in Rule 4200(a)(15) of the Nasdaq listing standards). The Corporate Governance Committee met four (4) times during the fiscal year.

The Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including being able to read and understand basic financial statements, being over 21 years of age and having the highest personal integrity and ethics. The Committee also intends to consider such factors as possessing relevant expertise upon which to be able to offer advice and guidance to management, having sufficient time to devote to the affairs of the Company, demonstrated excellence in his or her field, having the ability to exercise sound business judgment and having the commitment to rigorously represent the long-term interests of the Company s stockholders. However, the Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of the Board, the operating requirements of the Company and the long-term interests of stockholders.

In conducting this assessment, the Committee considers diversity, age, skills and such other factors as it deems appropriate given the current needs of the Board and the Company, to maintain a balance of knowledge, experience and capability. In the case of incumbent directors whose terms of office are set to expire, the Corporate Governance Committee reviews such directors overall service to the Company during their term, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair such directors independence. In the case of new director candidates, the committee also determines whether the nominee must be independent for Nasdaq purposes, which determination is based upon applicable Nasdaq listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Committee then uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board. The Committee meets to discuss and consider such candidates qualifications and then selects a nominee for recommendation to the Board by majority vote. To date, the Corporate Governance Committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates.

At this time, the Corporate Governance Committee does not consider director candidates recommended by stockholders. The Committee believes that it is in the best position to identify, review, evaluate and select qualified candidates for Board membership, based on the comprehensive criteria for Board membership approved by the Board.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met ten (10) times during the last fiscal year. Each Board member attended 75% or more of the aggregate of the meetings of the Board and of the committees on which he or she served, held during the period for which he or she was a director or committee member, respectively.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

The Company s Board has adopted a formal process by which stockholders may communicate with the Board or any of its directors. Stockholders who wish to communicate with the Board may do so by sending written communications addressed to the Lead Director of Omnicell, Inc. at 1201 Charleston Road, Mountain View, California 94043. These communications will be reviewed by the Lead Director, who will determine whether they should be presented to the Board. The purpose of this screening is to allow the Board to avoid having to consider irrelevant or inappropriate communications (such as advertisements, solicitations and hostile communications). The screening procedures have been approved by a majority of the independent Directors of the Board. All communications directed to the Audit Committee in accordance with the Company s Open Door Policy for Reporting Complaints Regarding Accounting and Auditing Matters (the Omnicell Open Door Policy) that relate to questionable accounting or auditing matters involving the Company will be promptly and directly forwarded to the Audit Committee. The Omnicell Open Door Policy is available on our website *www.omnicell.com* under Investor Relations.

CODE OF CONDUCT

We have adopted the Omnicell Code of Conduct, a code of ethics with which every person who works for us is expected to comply. The Omnicell Code of Conduct is available in the Corporate Governance section on our corporate web site at *www.omnicell.com* under Investor Relations. If we make any substantive amendments to our Code of Conduct or grant any waiver from a provision of the Code to any executive officer or director, we will promptly disclose the nature of the amendment or waiver on our web site.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS(1)

The Audit Committee oversees Omnicell s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements in our Annual Report with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with Ernst & Young LLP (E&Y), the Company s independent registered public accounting firm, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of Omnicell s accounting principles and such other matters as are required by Statement on Auditing Standards No. 61. In addition, the Audit Committee has discussed with E&Y its independence from management and Omnicell, including the matters in the written disclosures required by Independence Standards Board Standard No. 1, and considered the compatibility of any non-audit services with E&Y s independence.

The Audit Committee discussed with E&Y the overall scope and plans for their audit. The Audit Committee met with E&Y, with and without management present, to discuss the results of their examination, their evaluation of Omnicell s internal controls and the overall quality of Omnicell s financial reporting. The Audit Committee held four (4) meetings during 2005.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2005 for filing with the Securities and Exchange Commission. The Audit Committee and the Board have also recommended, subject to stockholder ratification, the selection of E&Y as Omnicell s independent registered public accounting firm for the year ending December 31, 2006.

AUDIT COMMITTEE
Joseph E. Whitters, Chairman
Kevin L. Roberg
Donald C. Wegmiller

---

(1) The material in this report is not soliciting material, is not deemed filed with the SEC, and is not to be incorporated by reference into any filing of the Company under the 1933 Act or 1934 Act.

PROPOSAL 2

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2006 and has further directed that management submit the selection of an independent registered public accounting firm for ratification by the stockholders at the Annual Meeting of Stockholders. Ernst & Young LLP has audited the Company s financial statements since 1997. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting of Stockholders. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither the Company s Bylaws nor other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as the Company s independent registered public accounting firm. However, the Audit Committee of the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee of the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee of the Board in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting of Stockholders will be required to ratify the selection of Ernst & Young LLP. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM S FEES

The following table represents aggregate fees billed to the Company for fiscal years ended December 31, 2004 and December 31, 2005, by Ernst & Young LLP, the Company s principal accountant.

	Fiscal Year Ended	
	2005	**2004**
	(in thousands)	
Audit Fees	$ 1,183	$ 1,074
Tax Fees	6	93
Total Fees	$ 1,189	$ 1,167

Audit Fees. Consists of fees billed for professional services rendered for the audit of the Company s financial statements and review of the interim financial statements included in quarterly reports, professional services associated with SEC registration statements and other documents filed with the SEC, consultations with the Company s management as to the accounting treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB or other standard-setting bodies, and other services that are normally provided by Ernst & Young LLP in connection with statutory and regulatory filings or engagements.

Tax Fees. Consists of fees billed for professional services for tax compliance, tax advice and tax planning. During each of the fiscal years ended December 31, 2005 and 2004, these services included general tax advice and planning. During 2004 these services also included studies of the Company s net operating loss carry-forwards and Research and Development credits.

The Audit Committee has determined that the rendering of the services other than audit services by Ernst & Young LLP is compatible with maintaining the principal accountant s independence.

PRE-APPROVAL OF THE AUDIT AND NON-AUDIT SERVICES

The Audit Committee pre-approves all audit and permissible non-audit services provided by its independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Prior to engaging Omnicell s independent registered public accounting firm to render an audit or permissible non-audit service, the Audit Committee specifically approves the engagement of Omnicell s independent registered public accounting firm to render that service. The pre-approval of services may be delegated to one or more of the Audit Committee s members, but the decision must be reported to the full Audit Committee at its next scheduled meeting. The Audit Committee has determined that the rendering of the services other than audit services by Ernst & Young LLP is compatible with maintaining the principal accountant s independence.

THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF PROPOSAL 2.

SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the ownership of the Company s common stock as of March 10, 2006 by: (i) each director and nominee for director; (ii) each of the executive officers and directors named in the Summary of Compensation table; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than five percent of its common stock.

	Beneficial Ownership (1)		
Beneficial Owner	**Number of Shares**	**Percent of Total**	
Perry Corp.	2,677,609	10.07	%
767 Fifth Avenue, 19th Floor			
New York, NY 10153			
Entities affiliated with Sutter Hill Ventures(2)	2,587,564	9.74	%
755 Page Mill Road			
Suite A-200			
Palo Alto, CA 94304			
Cannell Capital, LLC	1,517,410	5.71	%
150 California Street, 5th Floor			
San Francisco, CA 94111			
Janus Venture Fund	1,474,009	5.55	%
151 Detroit Street			
Denver, Colorado 80206			
Mary E. Foley(6)	13,367	*	
Randy D. Lindholm(6)	34,583	*	
Randall A. Lipps(3)(6)	1,482,612	5.42	%
Brock D. Nelson(6)	42,534	*	
Kevin L. Roberg(4)(6)	126,979	*	
John D. Stobo, Jr.(6)	23,438	*	
Donald C. Wegmiller(6)	43,783	*	
Sara J. White(6)	37,229	*	
Joseph E. Whitters(6)	232,117	*	
William H. Younger, Jr.(5)(6)	1,303,829	4.89	%
J. Christopher Drew(6)	260,372	*	
Dan S. Johnston(6)	104,164	*	
James T. Judson(6)	116,665	*	
Gary E. Wright(6)	264,862	*	
All executive officers and directors as a group (16 persons)	4,161,239	14.57	%

* Less than one percent.

(1) This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13D and 13G filed with the Securities and Exchange Commission (the SEC). Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 26,578,016 shares outstanding on March 10, 2006, adjusted as required by

14

rules promulgated by the SEC. Unless otherwise indicated, the address of each of the individuals and entities listed below is c/o Omnicell, Inc., 1201 Charleston Road, Mountain View, CA 94043.

(2) Includes 624,821 shares held by Sutter Hill Ventures, a California Limited Partnership, (Sutter Hill), 16,326 shares held by Sutter Hill Entrepreneurs Fund (AI), L.P. (Sutter Hill AI), 41,344 shares held by Sutter Hill Entrepreneurs Fund (QP), L.P. (Sutter Hill QP), 454,236 shares held by David L. Anderson, a Managing Director of Sutter Hill, 533,452 shares held by G. Leonard Baker, Jr., a Managing Director of Sutter Hill, 620,297 shares held by William H. Younger, Jr., a Managing Director of Sutter Hill, 236,781 shares held by Tench Coxe, a Managing Director of Sutter Hill, 17,942 shares held by Gregory P. Sands a Managing Director of Sutter Hill, 14,483 held by James C. Gaither, a Managing Director of Sutter Hill, 7,632 shares held by Jeffrey W. Bird, a Managing Director of Sutter Hill, and 20,250 shares held by David E. Sweet, a Managing Director of Sutter Hill.

(3) Includes 165,988 shares held directly by Mr. Lipps; 458,749 shares held in trust jointly with Mr. Lipps spouse; 76,368 shares held in trusts for the benefit of Mr. Lipps children; and 6,350 shares held directly by Mr. Lipps son.

(4) Includes 1,500 shares held by Mr. Roberg s spouse.

(5) Includes 624,821 shares held by Sutter Hill Ventures, A California Limited Partnership (Sutter Hill), 16,326 shares held by Sutter Hill Entrepreneurs Fund (AI), L.P. (Sutter Hill AI), 41,344 shares held by Sutter Hill Entrepreneurs Fund (QP), L.P. (Sutter Hill QP), 120,826 shares held directly by Mr. Younger, 229,497 shares held in trust for the benefit of Mr. Younger s family and 203,411 shares held by a retirement trust for the benefit of Mr. Younger. Mr. Younger, a director of the Company, is a Managing Director of the General Partner of Sutter Hill, and as such, may be deemed to share voting and investment power over all of such shares and therefore may be deemed a beneficial owner of such shares. Mr. Younger disclaims beneficial ownership of shares held by Sutter Hill, Sutter Hill AI or Sutter Hill QP except to the extent of his direct pecuniary interest therein. Mr. Younger also disclaims beneficial ownership of the trusts shares except as to Mr. Younger s pecuniary interest in the trusts.

(6) Includes shares which certain executive officers and directors of the Company have the right to acquire within 60 days after March 10, 2006 pursuant to outstanding options as follows: Randall A. Lipps, 775,157 shares; Mary E. Foley, 13,367 shares; Randy D. Lindholm, 28,583 shares; Brock D. Nelson, 42,534 shares; Kevin L. Roberg, 114,479 shares; John D. Stobo, Jr., 23,438 shares; Donald C. Wegmiller, 43,783 shares; Sara J. White, 35,229 shares; Joseph E. Whitters, 32,117 shares; William H. Younger, Jr., 67,604 shares; Gary E. Wright, 264,862 shares; J. Christopher Drew, 251,743 shares; Dan S. Johnston, 104,164 shares; James T. Judson, 116,665 shares; and all executive officers and directors as a group, 1,987,602 shares.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the 1934 Act) requires the Company s directors and executive officers, and persons who own more than ten percent of a registered class of the Company s equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company s knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2005, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent (10%) beneficial owners were complied with.

EXECUTIVE COMPENSATION

COMPENSATION OF DIRECTORS

The members of our Board of Directors currently receive cash compensation in the amount of $5,000.00 per quarter for their services, and while they receive no per meeting fees, they are eligible for reimbursement for their expenses incurred in attending Board meetings in accordance with Company policy. The Board of Directors may, in the future, elect to modify the cash compensation terms for its non-employee directors.

Each non-employee director of the Company also receives stock option grants under the 1999 Equity Incentive Plan (which shall be referred to as the 1999 Plan). Options granted under the 1999 Plan to our non-employee directors are intended by the Company not to qualify as incentive stock options under the Internal Revenue Code.

Upon initial election or appointment to our Board of Directors, each person who is not an employee of Omnicell will be granted an initial grant on the date of his or her election or appointment to purchase 25,000 shares of our common stock. The 1999 Plan also provides that on the day following each annual stockholders meeting, each non-employee director will be granted an annual stock option grant to purchase 6,250 shares of our common stock. The exercise price of options granted under the 1999 Plan is 100% of the fair market value of the common stock subject to the option on the date of the option grant. The initial option shall become exercisable as to 1/36th of the option shares each month following the date of grant in accordance with its terms and any subsequent annual grant to a non-employee director shall become exercisable as to 1/12th of the option shares each month following the date of grant. The term of options granted to non-employee directors under the 1999 Plan is 10 years. In the event of a merger of the Company with or into another corporation or a consolidation, acquisition of assets or other change-in-control transaction involving the Company, each option will continue in full force and effect if the Company is the surviving entity. If the Company is not the surviving entity, each option will be assumed or an equivalent option will be substituted by the successor corporation. In the event any surviving corporation refuses to assume or continue such options, or to substitute similar stock awards for those outstanding, the time during which such options may be exercised shall be accelerated, and the options terminated if not exercised prior to such event.

In May 2005, each of Ms. Foley, Messrs. Lindholm, Nelson, Roberg, Stobo, Wegmiller, Whitters and Younger and Ms. White were granted an option to purchase 6,250 shares of the Common Stock of the Company, each at an exercise price per share of $6.40. In addition, Ms. Foley, as a new director, and Mr. Wegmiller, in connection with his appointment as Lead Director, were also granted options to purchase 25,000 shares of the Common Stock of the Company at exercise prices of $6.40 and $9.34, respectively. The exercise prices of all of the options granted to directors under the 1999 Plan during the last fiscal year are equal to the fair market value of such common stock on the date of grant.

COMPENSATION OF EXECUTIVE OFFICERS

SUMMARY OF COMPENSATION

The following table shows for the fiscal years ended December 31, 2003, 2004 and 2005, compensation awarded or paid to, or earned by, the Company s Chief Executive Officer, and its other four most highly compensated executive officers as of December 31, 2005 (the Named Executive Officers):

Summary Compensation Table

		Annual Compensation			Long-Term Compensation Awards	
					Securities	
				Other Annual	Underlying	All Other
		Salary	Bonus	Compensation(1)	Options/	Compensation
Name and Principal Position	**Year**	**($)**	**($)**	**($)**	**(#)**	**($)**
Randall A. Lipps	2005	400,250	85,470	2,983 (5)	150,000	
Chairman, President and	2004	380,000			200,000	
Diluted weighted average common shares outstanding	35,935,442	35,763,650		36,362,493	35,759,895	

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

4

Tecnoglass Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Amounts in thousands)

(Unaudited)

	Six months ended June 30,	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$6,749	$(2,541)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for bad debts	(413)	2,617
Provision for obsolete inventory	27	58
Depreciation and amortization	11,458	10,366
Deferred income taxes	2,126	(6,870)
Extinguishment of debt	-	2,585
Director stock compensation	142	142
Other non-cash adjustments	679	519
Changes in operating assets and liabilities:		
Trade accounts receivables	(3,952)	5,830
Inventories	(7,329)	(6,811)
Prepaid expenses	(425)	83
Other assets	(91)	1,984
Trade accounts payable and accrued expenses	(2,274)	8,224
Accrued interest expense	41	7,175
Taxes payable	(10,617)	(15,104)
Labor liabilities	(114)	(130)
Related parties	1,279	1,784
Contract assets and liabilities	(3,735)	-
Customer advances on uncompleted contracts	-	2,283
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$(6,449)	$12,194
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	367	358
Aquisition of businesses	(6,000)	(7,873)
Purchase of investments	(662)	(727)
Acquisition of property and equipment	(4,889)	(4,295)
CASH USED IN INVESTING ACTIVITIES	$(11,184)	$(12,537)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from debt	9,067	20,915
Cash Dividend	(1,359)	(1,219)

Proceeds from bond issuance	-	201,716
Repayments of debt	(1,934)	(203,754)
CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	$5,774	$17,658
Effect of exchange rate changes on cash and cash equivalents	$861	$(551)
NET (DECREASE) INCREASE IN CASH	(10,998)	16,764
CASH - Beginning of period	40,923	26,918
CASH - End of period	$29,925	$43,682
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$9,074	$6,864
Income Tax	$5,517	$15,168
NON-CASH INVESTING AND FINANCING ACTIVITES:		
Assets acquired under capital lease and debt	$703	$-
Gain in extinguishment of GM&P payment settlement	$3,606	$-

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

5

Tecnoglass Inc. and Subsidiaries

Condensed Consolidated Statements of Shareholders' Equity

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

(Unaudited)

	Ordinary Shares, $0.0001 Par Value Shares	Amount	Additional Paid in Capital	Legal Reserve	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Non-Controlling Interest	Total Shareholders' Equity and Non-Controlling Interest
Balance at December 31, 2017	**34,836,575**	**3**	**125,317**	**1,367**	**22,212**	**(28,651)**	**120,248**	**1,417**	**121,665**
Issuance of common stock	1,242,659	-	14,534	-	-	-	**14,534**	-	**14,534**
Adoption of ASC 606	-	-	-	-	(187)	-	**(187)**	-	**(187)**
Stock dividend	962,435	1	8,524	-	(10,029)	-	**(1,504)**	-	**(1,504)**
Foreign currency translation	-	-	-	-	-	2,562	**2,562**	-	**2,562**
Net income	-	-	-	-	7,033	-	**7,033**	(284)	6,749
Balance at June 30, 2018	**37,041,669**	**4**	**148,375**	**1,367**	**19,029**	**(26,089)**	**142,686**	**1,133**	**143,819**

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

6

Tecnoglass Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements

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

Note 1. General

Business Description

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

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

The Company also 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.

On March 1, 2017, the Company entered into and consummated a purchase agreement, as amended, with Giovanni Monti, the owner of 100% of the outstanding shares of Giovanni Monti and Partners Consulting and Glazing Contractors ("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 the past in different projects within the U.S, by providing engineering and installation services to those projects.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying unaudited, condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and pursuant to the accounting and disclosure rules and regulations of the Securities and Exchange Commission ("SEC") for interim reporting purposes. The results reported in these unaudited condensed consolidated financial statements are not necessarily indicative of results that may be expected for the entire year. These unaudited condensed consolidated financial statements should be read in conjunction with the information contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2017. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by US GAAP.

The preparation of these unaudited, condensed consolidated financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities at the date of the Company's financial statements. Actual results may differ from these estimates under different assumptions and conditions. Estimates inherent in the preparation of these condensed consolidated financial statements relate to the collectability of account receivables, the valuation of inventories, estimated earnings on uncompleted contracts, useful lives and potential impairment of long-lived assets. Changes in estimates are reflected in the periods during which they become known. Actual amounts may differ from these estimates and could differ materially These financial statements reflect all adjustments that in the opinion of management are necessary for a fair statement of the financial position, results of operations and cash flows for the period presented, and are of a normal, recurring nature.

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

Principles of Consolidation

These unaudited condensed consolidated financial statements consolidate TGI, its subsidiaries TG, ES and ESW LLC, Tecno LLC, Tecno RE, GM&P and Componenti USA LLC ("Componenti"), which are entities in which we have a controlling financial interest because we hold a majority voting interest. To determine if we hold a controlling financial interest in an entity, we first evaluate if we are required to apply the variable interest entity ("VIE") model to the entity, otherwise the entity is evaluated under the voting interest model. All significant intercompany accounts and transactions are eliminated in consolidation, including unrealized intercompany profits and losses.

Non-controlling interest

When the Company owns a majority (but less than 100%) of a subsidiary's stock, the Company includes in its condensed consolidated Financial Statements the non-controlling interest in the subsidiary. The non-controlling interest in the Condensed Consolidated Statements of Operations and Other Comprehensive Income is equal to the non-controlling proportionate share of the subsidiary's net income and, as included in Shareholders' Equity on the Consolidated Balance Sheet, is equal to the non-controlling proportionate share of the subsidiary's net assets.

Foreign Currency Translation

The condensed consolidated financial statements are presented in U.S. Dollars, the reporting currency. Some of our foreign subsidiaries' local currency is the Colombian Peso, which is also their functional currency as determined by the analysis of markets, costs and expenses, assets, liabilities, financing and cash flow indicators. As such, our subsidiaries' assets and liabilities are translated at the exchange rate in effect at the balance sheet date, with equity being translated at the historical rates. Revenues and expenses of our foreign subsidiaries are translated at the average exchange rates for the period. The resulting cumulative foreign currency translation adjustments from this process are included as a component of accumulated other comprehensive income (loss). Therefore, the U.S. Dollar value of these items in our financial statements fluctuates from period to period.

Also, exchange gains and losses arising from transactions denominated in a currency other than the functional currency are included in the condensed consolidated statement of operations as foreign exchange gains and losses.

Revenue Recognition

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

Effective January 1, 2018, the Company adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers,* as amended (commonly referred to as ASC 606) using the modified retrospective transition method. The cumulative effect of applying the standard was a decrease of $187 to shareholders' equity as of January 1, 2018. The Company's statement of operations for the six-month period ended June 30, 2018 and the Company's balance sheet as of June 30, 2018 are presented under ASC 606, while the Company's statement of operations for the quarterly period ended June 30, 2017 and the Company's balance sheet as of December 31, 2017 are presented under ASC 605, *Revenue Recognition*. See Note 3 for disclosure of the impact of the adoption of ASC 606 on the Company's statement of operations and balance sheet for the quarterly period ended June 30, 2018, and the effect of changes made to the Company's consolidated balance sheet as of January 1, 2018.

Approximately 45% of the Company's consolidated net sales is generated from long-term contracts with customers that require to design, develop, test, manufacture, and install windows according to the customers' specifications. These contracts are primarily multi-year contracts with real estate general contractors and are generally priced on a fixed-price basis and are invoiced based on contract progress.

To determine the proper revenue recognition method, the Company first evaluates each of its contractual arrangements to identify its performance obligations. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. All the Company’s contracts have a single performance obligation because the promise to transfer the individual good or service is not separately identifiable from other promises within the contract and is, therefore, not distinct. These contractual arrangements either require the use of a highly specialized manufacturing process to provide goods according to customer specifications or represent a bundle of contracted goods and services that are integrated and together represent a combined output, which may include the delivery of multiple units.

A substantial amount of the Company’s sales are from performance obligations satisfied over time and are primarily with general contractors to real estate developers. Sales are recognized over time when control is continuously transferred to the customer during the contract. The continuous transfer of control to the customer is supported by contract clauses that provide for progress or performance-based payments. Generally, if a customer unilaterally terminate a contract, the Company has the right to receive payment for costs incurred plus a reasonable profit for products and services that do not have alternative use to the Company.

Sales are recorded using the cost-to-cost method on fixed price contracts that include performance obligations satisfied over time are generally recorded at amounts equal to the ratio of actual cumulative costs incurred divided by total estimated costs at completion, multiplied by (i) the transaction price, less (ii) the cumulative sales recognized in prior periods.

Accounting for the sales and profits on performance obligations for which progress is measured using the cost-to-cost method involves the preparation of estimates of: (1) transaction price and (2) total costs at completion, which is equal to the sum of the actual incurred costs to date on the contract and the estimated costs to complete the contract’s statement of work. Incurred costs include labor, material, and overhead and represent work performed, which corresponds with and thereby represents the transfer of ownership to the customer. Performance obligations are satisfied over time when the risk of ownership has been passed to the customer and/or services are performed. The estimated profit or loss at completion on a contract is equal to the difference between the transaction price and the total estimated cost at completion.

Contract modifications routinely occur to account for changes in contract specifications or requirements. In most cases, contract modifications are for goods or services that are not distinct and, therefore, are accounted for as part of the existing contract. Transaction price estimates include additional consideration for submitted contract modifications or claims when the Company believes it has an enforceable right to the modification or claim, the amount can be reliably estimated and its realization is reasonably assured. Amounts representing modifications accounted for as part of the existing contract are included in the transaction price and recognized as an adjustment to sales on a cumulative catch-up basis.

The Company's fixed-price type contracts allow for progress payments to bill the customer as contract costs are incurred and the customer often retains a small portion of the contract price until satisfactory completion of the contractual statement of work, which is a retainage of approximately 10%. The Company records an asset for unbilled receivables due to completing more work than the progress payment schedule allows to collect at a point in time. For certain fixed-price contracts, the Company receives advance payments. Advanced payments are not considered a significant financing component because they are a negotiated contract term to ensure the customer meets its financial obligation, particularly when there are significant upfront working capital requirements. The Company records a liability for advance payments received in excess of sales recognized, which is presented as a contract liability on the balance sheet.

Revisions or adjustments to estimates of the transaction price, estimated costs at completion and estimated profit or loss of a performance obligation are often required as work progresses under a contract, as experience is gained, as facts and circumstances change and as new information is obtained, even though the scope of work required under the contract may not change. Revisions or adjustments may also be required if contract modifications occur. The impact of revisions in profit or loss estimates are recognized on a cumulative catch-up basis in the period in which the revisions are made. The revisions in contract estimates, if significant, can materially affect the Company's results of operations and cash flows, as well as reduce the valuations of contract assets and inventories, and in some cases result in liabilities to complete contracts in a loss position. The Company recognizes a liability for non-recurring obligations as situations considering that projects actual costs are usually adjusted to estimated costs. The Company did not recognize sales for performance obligations satisfied in prior periods during the three and six months ended June 30, 2018.

Remaining Performance Obligations

On June 30, 2018, the Company had $273 million of remaining performance obligations, which represents the transaction price of firm orders minus sales recognized from inception to date. Remaining performance obligations exclude unexercised contract options, verbal commitments and potential orders under basic ordering agreements. The Company expects to recognize 100% of sales relating to existing performance obligations within three years.

Income Taxes

The Company's operations in Colombia are subject to the taxing jurisdiction of the Republic of Colombia. Tecnoglass LLC and Tecnoglass RE LLC are subject to the taxing jurisdiction of the United States. TGI and Tecnoglass Holding are subject to the taxing jurisdiction of the Cayman Islands. Annual tax periods prior to December 2015 are no longer subject to examination by taxing authorities in Colombia. GM&P, Componenti and ESW LLC are U.S. entities based in Florida subject to U.S. federal and state income taxes.

The Company accounts for income taxes using the asset and liability approach of accounting for income taxes (ASC 740 "Income Taxes"). Under this approach, deferred taxes represent the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year. Deferred taxes result from differences between the financial and tax basis of the Company's assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. For each tax jurisdiction in which the Company operates, deferred tax assets and liabilities are offset against one another and are presented as a single noncurrent amount within the consolidated balance sheets.

The Company recognizes the financial statement effects of uncertain income tax positions when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest accrued related to unrecognized tax and income tax related penalties are included in the provision for income taxes. The uncertain income taxes positions are recorded in "Taxes payable" in the consolidated balance sheets.

Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of ordinary shares outstanding during the period. Income per share assuming dilution (diluted earnings per share) would give effect to dilutive options and other potential ordinary shares outstanding during the period. Diluted loss per share is computed similar to basic loss per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

The following table sets forth the computation of the basic and diluted earnings per share for the three and six months ended June 30, 2018 and 2017:

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Numerator for basic and diluted earnings per shares				
Net (Loss) Income	$(3,870)	$(3,500)	$6,749	$(2,469)
Denominator				
Denominator for basic earnings per ordinary share - weighted average shares outstanding	35,935,442	35,763,650	35,869,746	35,759,895
Effect of dilutive securities and stock dividend	-	-	492,747	-
Denominator for diluted earnings per ordinary share - weighted average shares outstanding	35,935,442	35,763,650	36,362,493	35,759,895
Basic earnings per ordinary share	$(0.11)	$(0.10)	$0.19	$(0.07)
Diluted earnings per ordinary share	$(0.11)	$(0.10)	$0.19	$(0.07)

The effect of dilutive securities includes 492,747 as of June 30, 2018 for shares potentially issued in relation to the dividends declared. The denominator for basic and diluted earnings per ordinary share for the six months ended June 30, 2018 and the three and six months ended June 30, 2017, exclude 321,594 and 492,747 shares, respectively, issued in relation to the dividends declares due to the net loss for the period as their inclusion would be anti-dilutive.

Product Warranties

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

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.

Non-Operating Income, net

The Company recognizes non-operating income from foreign currency transaction gains and losses, interest income on receivables, proceeds from sales of scrap materials and other activities not related to the Company’s operations. Foreign currency transaction gains and losses occur when monetary assets, liabilities, payments and receipts that are denominated in currencies other than the Company’s functional currency are recorded in the Colombian peso accounts of the Company in Colombia.

Shipping and Handling Costs

The Company classifies amounts billed to customers related to shipping and handling as product revenues. The Company records and presents shipping and handling costs in selling expenses. Shipping and handling costs for the three months ended June 30, 2018 and 2017 were $3,764 and $3,057, respectively. Shipping and handling costs for the six months ended June 30, 2018 and 2017 were $8,496 and $6,189, respectively.

Dividends Payable

The company accounts for its dividend declared as a liability under ASC 480 - Distinguishing Liabilities from Equity since the shareholder have the option to elect cash or stock and reclassifies from dividend payable to additional paid-in capital when shareholders elects a stock dividend instead of cash. The dividend payable is not subject to re-measurement 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.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”). ASU 2016-15 reduces diversity in practice by providing guidance on the classification of certain cash receipts and payments in the statement of cash flows. ASU 2016-15 clarifies that when cash receipts and cash payments have aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use. ASU 2016-15 is effective on a retrospective basis for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. Adoption of this ASU has no material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 “Leases (Topic 842)” (“ASU 2016-02”). The FASB issued ASU 2016-02 to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under ASU 2016-02, a lessee will recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-to-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current GAAP. ASU 2016-02 retains a distinction between finance leases (i.e. capital leases under current GAAP) and operating leases. The classification criteria for distinguishing between finance leases and operating leases will be substantially similar to the classification criteria for distinguishing between capital leases and operating leases under current GAAP. The amendments of this ASU are effective for reporting periods beginning after December 15, 2018, with early adoption permitted. An entity will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the potential effect of this ASU on its consolidated financial statements.

Note 3. New Accounting Standards Implemented

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, as amended (commonly referred to as ASC 606), which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers and significantly expanded the disclosure requirements for revenue arrangements. The new standard, as amended, was effective for the Company for interim and annual reporting periods beginning on January 1, 2018.

As discussed in Note 2, the Company adopted ASC 606 using the modified retrospective transition method. Results for reporting periods beginning after December 31, 2017 are presented under ASC 606, while prior period comparative information has not been restated and continues to be reported in accordance with ASC 605, *Revenue Recognition,* the accounting standard in effect for periods ending prior to January 1, 2018. With the adoption of ASC 606, the Company recognizes sales over time by using the percentage of completion method on all of its fixed-type contracts and measures the extent of progress toward completion using the cost-to-cost method after adjusting inventory for uninstalled materials and that the risk of ownership has not been passed to the customer. Previously, under ASC 605, the Company recognized sales over time by using the percentage of completion method on all of its fixed-type contracts and measured the extent of progress toward completion using the cost-to-cost method but adjusted inventory for uninstalled materials only for those projects were this method was not appropriately reflecting the progress on the contracts. Accordingly, the adoption of ASC 606 impacted all contracts that had uninstalled materials were the risk of ownership has not been passed to the customer regardless of the extent of progress toward completion.

Based on the analysis performed of the uninstalled materials at January 1, 2018, the Company recorded, upon adoption of ASC 606, a net decrease to retained earnings of $187, as shown on the table below. The adjustment to retained earnings primarily relates to contracts that had uninstalled material that were not previously included in inventory since the cost-to-cost method was appropriately reflecting the progress of these contracts.

The Company made certain presentation changes to its consolidated balance sheet on January 1, 2018 to comply with ASC 606. The components of contracts in process as reported under ASC 605, which included unbilled contract receivables and inventoried contract costs, have been reclassified as contract assets and inventories, respectively, after certain adjustments described below under ASC 606. The remainder of inventoried contract costs, primarily related to inventories not controlled by the Company’s customers, were reclassified to inventories. The Company expenses costs to obtain a contract and costs to fulfill a contract as incurred. Other revenues not related to fixed-type contracts did not result in any changes under ASC 606 and the revenues are still been recognized when the risk of ownership is transfered to the customer based on the sales terms.

13

The table below presents the cumulative effect of the changes made to the consolidated January 1, 2018 balance sheet due to the adoption of ASC 606.

	December 31, 2017 As Reported Under ASC 605	Adjustments Due to ASC 606	January 1, 2018 As Adjusted Under ASC 606
ASSETS			
Trade accounts receivable, net	$110,464	$ (30,223)	$80,241
Inventories	71,656	1,975	73,631
Unbilled receivables on uncompleted contracts	9,996	(9,996)	-
Contract assets	-	45,468	45,468
Other Assets	275,884	-	275,884
Total Assets	$468,000	$ 7,224	$475,224
LIABILITIES			
Contract liabilities - current	-	18,945	18,945
Current portion of customer advances on uncompleted contracts	11,429	(11,429)	-
Other current liabilities	13,626	(105)	13,521
Current portion of customer advances on uncompleted contracts	1,571	(1,571)	-
Contract liabilities - current	-	1,571	1,571
Other Liabilities	319,709	-	319,709
Total liabilities	$346,335	$ 7,411	$353,746
SHAREHOLDERS' EQUITY			
Retained earnings	22,212	(187)	22,025
Total shareholders' equity	$121,665	$ (187)	$121,478

The adjustment of trade accounts receivable upon adoption of ASC 606 is related to the reclassification of retainage receivables to contract assets. See breakdown of contract assets further below.

The table below presents the impact of the adoption of ASC 606 on the Company's statement of operations.

Three months ended June 30, 2018

	Under ASC 605	Effect of ASC 606	As Reported Under ASC 606
Operating Revenues	$88,874	$ 95	$ 88,969
Cost of Sales	64,243	84	64,327
Gross Profit	24,631	11	24,642
Operating Expenses	(17,644)	-	(17,644)
Other Income and Expenses	(12,335)	-	(12,335)
Income Before Tax	(5,348)	11	(5,337)
Income Tax Benefit (Provision)	1,469	(2)	1,467
Net Income	(3,870)	-	(3,870)
Net Income Attributable to Parent	$(3,658)	$ -	$ (3,658)
Basic earnings per share	$(0.11)	$ -	$ (0.11)
Diluted earnings per share	$(0.11)	$ -	$ (0.11)

	Six months ended June 30, 2018		
	Under ASC 605	Effect of ASC 606	As Reported Under ASC 606
Operating Revenues	$177,960	$(1,831)	$ 176,129
Cost of Sales	126,388	(1,649)	124,739
Gross Profit	51,572	(182)	51,390
Operating Expenses	(34,402)	-	(34,402)
Other Income and Expenses	(6,313)	-	(6,313)
Income Before Tax	10,857	(182)	10,675
Income Tax Provision	(3,973)	47	(3,926)
Net Income	6,893	(144)	6,749
Net Income Attributable to Parent	$7,177	$(144)	$ 7,033
Basic earnings per share	$0.19	$-	$ 0.19
Diluted earnings per share	$0.19	$-	$ 0.19

The table below presents the impact of the adoption of ASC 606 on the Company's balance sheet.

	June 30, 2018		
	Under ASC 605	**Effect of ASC 606**	**As Reported Under ASC 606**
ASSETS			
Trade accounts receivable, net	$116,788	$(29,356)	$87,432
Inventories	78,254	1,649	79,903
Unbilled receivables on uncompleted contracts	14,312	(14,312)	-
Contract assets - current portion	-	46,677	46,677
Other Assets	262,656	43	262,699
Contract assets - Non-current	-	925	925
Total Assets	**$472,010**	**$5,626**	**$477,636**
LIABILITIES			
Contract liabilities - current	-	16,079	16,079
Current portion of customer advances on uncompleted contracts	10,315	(10,315)	-
Other current liabilities	92,516	(2)	92,514
Customer advances on uncompleted contracts - non-current	1,586	(1,586)	-
Contract liabilities - non-current	-	1,586	1,586
Other Liabilities	223,638	-	223,638
Total liabilities	**$328,055**	**$5,762**	**$333,817**
SHAREHOLDERS' EQUITY			
Retained earnings	19,165	(136)	19,029
Total shareholders' equity	**$143,955**	**$(136)**	**$143,819**

Disaggregation of Total Net Sales

The Company disaggregates its sales with customers by revenue recognition method for its only segment, as the Company believes these factors affect the nature, amount, timing, and uncertainty of the Company's revenue and cash flows.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Fixed price contracts	$37,814	$40,820	$80,030	$62,540

Product sales	51,155	40,156	96,099	84,253
Total Revenues	$88,969	$80,976	$176,129	$146,793

The following table presents geographical information about revenues.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Colombia	$15,557	$15,525	$37,381	$31,953
United States	69,852	60,342	132,845	106,650
Panama	1,043	830	1,857	2,093
Other	2,517	4,279	4,046	6,097
Total Revenues	$88,969	$80,976	$176,129	$146,793

Contract Assets and Contract Liabilities

Contract assets represent accumulated incurred costs and earned profits on contracts with customers that have been recorded as sales but have not been billed to customers and are classified as current. Contract liabilities consist of advance payments and billings in excess of costs incurred and deferred revenue, and represent amounts received in excess of sales recognized on contracts. The Company classifies advance payments and billings in excess of costs incurred as current, and deferred revenue as current or non-current based on the expected timing of sales recognition. Contract assets and contract liabilities are determined on a contract by contract basis at the end of each reporting period. The non-current portion of contract liabilities is included in other liabilities in the Company's consolidated balance sheets.

The table below presents the components of net contract assets (liabilities).

	June 30, 2018	**January 1 2018**
Contract assets — current	$46,677	$45,468
Contract assets — non-current	925	-
Contract liabilities — current	(16,079)	(18,945)
Contract liabilities — non-current	(1,586)	(1,571)
Net contract assets (liabilities)	$29,937	$24,952

The components of contract assets are presented in the table below.

	June 30, 2018	January 1 2018
Unbilled contract receivables, gross	$18,246	$15,245
Retainage	29,356	30,223
Total contract assets	47,602	45,468
Less: current portion	46,677	45,468
Contract Assets – non-current	$925	$-

The components of contract liabilities are presented in the table below.

	June 30, 2018	January 1 2018
Billings in excess of costs	$5,571	$7,516
Advances from customers on uncompleted contracts	12,094	13,000
Total contract liabilties	17,665	20,516
Less: current portion	16,079	18,945
Contract liabilities – non-current	$1,586	$1,571

For the six months ended June 30, 2018, the Company recognized $2,306 of sales related to its contract liabilities at January 1, 2018.

Note 4. GM&P Acquisition

On March 1, 2017, the Company entered into and consummated a purchase agreement, as amended, with Giovanni Monti, the owner of 100% of the outstanding shares of Giovanni Monti and Partners Consulting and Glazing Contractors (“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 the past 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 paid $6 million of the purchase price in cash within 60 days following the closing date with the remaining $29 million of the purchase price to be paid by May 15, 2018. The Company paid an additional $6 million in cash on April 2018 and entered into a Debt Settlement Agreement to pay the remaining consideration price through a combination of stock, by issuing 1,238,095 ordinary shares valued at $10.50 per share and a $10 million Subordinated Seller´s Note. The Seller´s Note was subsequently reduced to $8.5 million to atone the Buyer for adjustments and process inefficiencies caused by changes in GM&P´s supply chain and other business optimization costs seen during the second quarter of 2018. Following our process optimization and changes in the supply chain process, we believe the associated cost impacts to be non-recurring.

Based on the implicit price at which the shares were issued, which at the time of the issuance in June 2018 was higher than the market price of those shares, the Company recorded a gain of $2,106. Additionally, including the reduction of the nominal amount of the Seller´s Note by $1,500, the Company recorded a gain on extinguishment of debt of $3,606. The gain on extinguishment of debt was recorded into Additional Paid-In Capital per guidance of ASC 470-50-40 because it is considered a related party transaction as the former owner of GM&P holds a management position within the Company.

With the acquisition of GM&P, the Company also acquired a 60% equity interest in Componenti, a subsidiary of GM&P that provides architectural specialties in the US, specializing in design-build systems for individual projects and with experience in value engineering to create products that comply with the architects’ original design intent, while maintaining focus on affordable construction methods and materials.

The following table summarizes the consideration transferred to acquire GM&P and the amounts of identified assets acquired and liabilities assumed at the acquisition date, as well as the fair value of the non-controlling interest in Componenti as of the acquisition date. Under ASC 805, a company can apply measurement period adjustments during the twelve-month period after the date of acquisition. During this period, the acquirer may adjust preliminary amounts recognized at the acquisition date to their subsequently determined final fair values. The allocation of the consideration transferred was based on management’s judgment after evaluation of several factors, including a preliminary valuation assessment. The analysis has been completed and results in measurement period adjustments are included in the final purchase price allocation as shown on the table below. The goodwill from the GM&P acquisition represents the expected synergies from combining operations with Tecnoglass Inc., and is not deductible for tax purposes

The following table summarizes the purchase price allocation of the total consideration transferred:

Consideration Transferred:	
Notes payable (Cash or Stock)	$35,000
Fair value of the non-controlling interest in Componenti	1,141

17

Recognized amounts of identifiable assets acquired and liabilities assumed:	Preliminary Purchase Price Allocation	Measurement Period Adjustments	Final Purchase Price Allocation
Cash and equivalents	$ 509		509
Accounts receivable	42,314		42,314
Other current assets	5,287	242	5,529
Property, plant, and equipment	684		684
Other non-current tangible assets	59		59
Trade name	980		980
Non-compete agreement	165		165
Contract backlog	3,090		3,090
Customer relationships	4,140		4,140
Accounts payable	(22,330)	275	(22,055)
Other current liabilities assumed	(13,967)	(673)	(14,640
Non-current liabilities assumed	(3,634)	(3,231)	(6,865)
Total identifiable net assets	17,297	(3,387)	13,910
Goodwill (including Workforce)	$ 18,844	3,387	$ 22,231

The adjustment made to the preliminary purchase price allocation to Non-current liabilities assumed is related to an adjustment in deferred tax liability and billings in excess of cost incurred. The excess of the consideration transferred over the estimated fair values of assets acquired and liabilities assumed was recorded as goodwill. The identifiable intangible asset subject to amortization was the tradename, customer relationships, non-compete agreement, and backlog, which have a remaining useful life of two to five years. See Note 6 – Goodwill and Intangible Assets for additional information.

The following unaudited pro forma financial information assumes the acquisition had occurred as of January 1, 2017 which does not include GM&P actual results for the entire period. Pro forma results have been prepared by adjusting our historical results to include the results of GM&P adjusted for the amortization expense related to the intangible assets arising from the acquisition. The unaudited pro forma results below do not necessarily reflect the results of operations that would have resulted had the acquisition been completed at the beginning of the earliest periods presented, nor does it indicate the results of operations in future periods. The unaudited pro forma results do not include the impact of synergies, nor any potential impacts on current or future market conditions which could alter the following unaudited pro forma results.

(in thousands, except per share amounts)	Pro-Forma Six Months Ended June 30, 2017
Pro Forma Results	

Net sales	$ 156,780
Net (loss) income attributable to parent	$ (3,595)
Net income per common share:	
Basic	$ (0.11)
Diluted	$ (0.11)

Non-controlling interest

The Company has 60% equity interest in Componenti. The 40% non-controlling interest in Componenti is included in the opening balance sheet as of the acquisition date and its fair value amounted to $1,141. When the company owns a majority (but less than 100%) of a subsidiary's stock, the Company includes in its Consolidated Financial Statements the non-controlling interest in the subsidiary. The non-controlling interest in the Condensed Consolidated Statements of Operations and Other Comprehensive Income is equal to the non-controlling interests' proportionate share of the subsidiary's net income and, as included in Shareholders' Equity on the Condensed Consolidated Balance Sheet, is equal to the non-controlling interests' proportionate share of the subsidiary's net assets. In determining the fair value we used the income approach and the market approach which was performed by third party valuation specialists under management.

Note 5. - Inventories, net

Inventories are comprised of the following:

	June 30, 2018	December 31, 2017
Raw materials	$38,229	$40,509
Work in process	20,995	11,468
Finished goods	13,217	13,236
Stores and spares	7,218	6,134
Packing material	379	438
	80,038	71,785
Less: Inventory allowance	(135)	(129)
	$79,903	$71,656

Note 6. Goodwill and Intangible Assets

Goodwill

The table below provides a reconciliation of the beginning and ending balances of the Goodwill recorded on the Company's balance sheet:

Beginning balance - December 31, 2017	$23,130
GM&P measurement period adjustment	431
Ending balance – June 30, 2018	$23,561

Intangible Assets, Net

Intangible assets include Miami-Dade County Notices of Acceptances (NOA's), which are certificates in the required to market hurricane- resistant glass in Florida. Also, it includes the intangibles acquired from the acquisition of GM&P.

	June 30, 2018		
	Gross	Acc. Amort.	Net
Trade Names	$980	$(261)	$719
Notice of Acceptances (NOAs), product designs and other intellectual property	10,764	(5,008)	5,756
Non-compete Agreement	165	(44)	121
Contract Backlog	3,090	(2,060)	1,030
Customer Relationships	4,140	(1,183)	2,957
Total	$19,139	$(8,556)	$10,583

	December 31, 2017		
	Gross	Acc. Amort.	Net
Trade Names	$980	$(163)	$817
Notice of Acceptances (NOAs), product designs and other intellectual property	10,826	(5,467)	5,359
Non-compete Agreement	165	(28)	137
Contract Backlog	3,090	(1,287)	1,803
Customer Relationships	4,140	(739)	3,401
Total	$19,201	$(7,684)	$11,517

The weighted average amortization period is 4.9 years.

During the three months ended June 30, 2018 and 2017, the amortization expense amounted to $875 and $930, respectively, and was included within the general and administration expenses in our consolidated statement of operations. During the six months ended June 30, 2018 and 2017, amortization expense was $1,738 and $1,546, respectively.

The estimated aggregate amortization expense for each of the five succeeding years as of June 30, 2018 is as follows:

Year ending	(in thousands)
2018	$ 1,889
2019	2,507
2020	2,127
2021	2,097
2022	1,211
Thereafter	752
	$ 10,583

Note 7. Debt

The Company’s debt is comprised of the following:

	June 30, 2018	December 31, 2017

Revolving lines of credit	$8,389	$638
Capital lease	199	245
Unsecured senior note	210,000	210,000
Other loans	19,660	20,293
Less: Deferred cost of financing	(6,358)	(6,918)
Total obligations under borrowing arrangements	231,890	224,258
Less: Current portion of long-term debt and other current borrowings	11,498	3,260
Long-term debt	$220,392	$220,998

20

As of June 30, 2018, and December 31, 2017, the Company had $231,197 and $224,041 of debt denominated in US Dollars with the remaining amounts denominated in Colombian Pesos.

On January 23, 2017, the Company 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 Buyers. The Company used approximately $179 million of the proceeds to repay outstanding indebtedness, including Capital leases, and as a result achieved a lower cost of funding and strengthened its capital structure given the non-amortizing structure of the bond. Of these repayments, $59,444 were used to refinance short term debt into long term debt. The senior note does not have negative covenants with an acceleration clause, however requires the Company to meet certain performance indicators in order to take on incremental debt.

The Company had $4,784 and $4,758 of property, plant and equipment pledged as collateral for various lines of credit as of June 30, 2018 and December 31, 2017, respectively.

As of June 30, 2018, the Company was obligated under various capital leases under which the aggregate present value of the minimum lease payments amounted to $199. Differences between capital lease obligations and the value of property, plant and equipment under capital lease arises from differences between the maturities of capital lease obligations and the useful lives of the underlying assets.

Maturities of long term debt and other current borrowings are as follows as of June 30, 2018:

2019	$11,498
2020	2,410
2021	2,361
2022	212,359
2023	2,360
Thereafter	7,260
Total	$238,248

The Company’s loans have maturities ranging from a few weeks to 11 years. Our credit facilities bear interest at a weighted average of rate 7.7%.

Note 8. Income Taxes

The Company files income tax returns for TG and ES in the Republic of Colombia. On December 28, 2016, the Colombian congress enacted a structural tax reform that took effect on January 1, 2017 which reduces corporate income tax from 42% to 40% for fiscal year 2017, 37% in 2018 and 33% in 2019 and thereafter.

GM&P, Componenti and ESW LLC are U.S. entities based in Florida subject to U.S. federal and state income taxes. The estimated combined state and federal income tax rate is estimated at a rate of 25% based on the recently enacted U.S. Tax Reform. Tecnoglass Inc. as well as all the other subsidiaries in the Cayman Islands and Panama do not currently have any tax obligations.

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

	Three months ended June 30,		**Six months ended June 30,**	
	2018	**2017**	**2018**	**2017**
Current income tax				
United States	$1,129	$1,759	$722	$2,211
Colombia	(317)	(630)	(2,522)	1,650
	(812)	1,129	(1,800)	3,861
Deferred income Tax				
United States	(992)	(377)	(1,161)	3
Colombia	1,647	(4,804)	(965)	(6,874)
	655	(5,181)	(2,126)	(6,871)
Total income tax benefit (provision)	$1,467	$4,052	$(3,926)	$3,010
Effective tax rate	27 %	54 %	37 %	55 %

The Company's effective tax rate of 27% and 37% for the three and six months ended June 30, 2018 differ from the average statutory rate of 34% primarily because of non-deductible expenses and non-taxable income recorded in tax-exempt subsidiaries. The Company's effective tax rate of 54% and 55% for the three and six-month period ended June 30, 2017, respectively, reflects the adoption of the Colombian tax reform described above, which became effective January 1, 2017.

As of June 30, 2018, the Company had settled an uncertain tax position concluding amounting to $2,073 related to $8,351 gross unrecognized tax benefit as of March 31, 2018 associated with a conversion of GM&P's cash basis accounting for tax purposes to accrual basis for Fiscal years 2016 and 2015 after culminating an audit from the Internal Revenue Service. Before 2015, GM&P was using the cash method of accounting and due to IRS regulations, it needed to convert to accrual method and pay the IRS taxes over the gross unrecognized tax benefit associated with the conversion. The unrecognized tax benefits may increase or change during the next year for items that arise in the ordinary course of business and may be subject to inspection by the Colombian tax authorities for a period of up to two years until the statute of limitations period elapses and US tax authorities for a period of up to six years until the statute of limitations period elapses.

Note 9. Fair Value Measurements

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

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and advances from customers approximate their fair value due to their relatively short-term maturities. The Company bases its fair value estimate for long term debt obligations on its internal valuation that all debt is floating rate debt based on current interest rates in Colombia.

As of December 31, 2017, financial instruments carried at amortized cost that do not approximate fair value consist of long-term debt. See Note 7 - Debt. The fair value of long term debt was calculated based on an analysis of future cash flows discounted with our average cost of debt which is based on market rates, which are level 2 inputs.

The following table summarizes the fair value and carrying amounts of our long-term debt:

	June 30, 2018	December 31, 2017
Fair Value	236,952	240,057
Carrying Value	220,392	220,998

22

Note 10. Related Parties

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Sales to related parties	$1,184	$1,091	$2,137	$2,465
Fees paid to directors and officers	$801	$662	$1,628	$1,372
Payments to other related parties	$674	$1,066	$1,662	$1,872

	June 30, 2018	December 31, 2017
Current Assets:		
Due from VS	$5,261	$ 6,240
Due from other related parties	2,167	2,260
	$7,428	$ 8,500
Liabilities:		
Due to related parties	$1,002	$ 975

Ventanas Solar S.A. (“VS”), a Panama *sociedad anonima,* is an importer and installer of the Company’s products in Panama. Family members of the Company’s CEO and COO and other related parties own 100% of the equity in VS. The Company’s sales to VS for the three months ended June 30, 2018 and 2017 were $588 and $739, respectively. The Company’s sales to VS for the six months ended June 30, 2018 and 2017 were $1,214 and $1,889, respectively.

Payments to other related parties during three and six months ended June 30, 2018 and 2017 include the following:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Charitable contributions	$296	$742	$567	$1,158

Sales commissions	$336	$179	$677	$420

Charitable contributions are donations made to the Company's foundation Fundación Tecnoglass-ESW.

23

Note 11. Dividends Payable

The Company originally authorized the payment of four regular quarterly dividends to holders of ordinary shares at a quarterly rate of $0.125 per share, or $0.50 per share on an annual basis, with the first quarterly dividend being paid on November 1, 2016. The dividends are payable in cash or ordinary shares, at the option of the holders of ordinary shares. On May 11, 2017, the Company announced that commencing with the declared quarterly dividend for the third quarter of 2017 through any future dividends to be declared and paid through the second quarter of 2018, a 12% increase to $0.14 per share, or $0.56 per share on an annual basis would apply.

As a result, the Company has declared dividends for $10,029 as of June 30, 2018 and recorded a dividend payable amounting to $734 as of June 30, 2018. The Company issued 956,102 shares for the share dividends resulting in $8,524 being credited to Capital and paid $1,359 in cash during the six months ended June 30, 2018.

The Company analyzed the accounting guidance under ASC 505 and determined that this guidance is not applicable since the dividend are shares of the same class in which each shareholder is given an election to receive cash or shares. As such, the Company analyzed the dividend under ASC 480 — Distinguishing Liabilities from Equity and concluded that the dividend should be accounted for as a liability since the dividend is a fixed monetary amount known at inception. A reclassification from dividend payable to additional paid-in capital was done for the stocks dividend elections.

Energy Holding Corp., the majority shareholder of the Company, has irrevocably elected to receive any quarterly dividends declared through the second quarter of 2018 in ordinary shares, as opposed to cash.

Dividend declarations and the establishment of future record and payment dates are subject to the Board of Directors' continuing determination that the dividend policy is in the best interests of the Company and its shareholders. The dividend policy may be changed or cancelled at the discretion of the Board of Directors at any time.

Note 12. Commitments and Contingencies

Commitments

As of June 30, 2018, the Company has an outstanding obligation to purchase an aggregate of at least $39,140 of certain raw materials from a specific supplier before May 2026.

General Legal Matters

From time to time, the Company is involved in legal matters arising in the regular course of business. Some disputes are derived directly from our construction projects, related to supply and installation, and even though deemed ordinary, they may involve significant monetary damages. We are also subject to other type of litigations arising from employment practices, worker's compensation, automobile claims and general liability. It is very difficult to predict precisely what the outcome of these litigations might be. However, with the information at out disposition as this time, there are no indications that such claims will result in a material adverse effect on the business, financial condition or results of operations of the Company.

Note 13. Subsequent Events

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

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

Forward-Looking Statements

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

Overview

The Company is a 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, as well as facade products which include: floating facades, automatic doors, bathroom dividers and commercial display windows.

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.

The U.S. market represents approximately 75% of our overall sales and is expected to continue being our most important market going forward. The U.S. construction market has been experiencing a growth cycle as evidenced by the ABI ("Architectural Billing Index") as of May 2018 and is indicating business conditions remain strong throughout the country, especially in the South region, where Tecnoglass mainly operates (Florida and Texas). 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. 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.

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.

RESULTS OF OPERATIONS

	Three Months Ended June 30,		Six months ended June,	
	2018	2017	2018	2017
Operating Revenues	$88,969	$80,976	$176,129	$146,793
Cost of sales	64,327	58,432	124,739	101,997
Gross profit	24,642	22,544	51,390	44,796
Operating expenses	(17,020)	(17,128)	(33,778)	(32,518)
Operating income	7,622	5,416	17,612	12,278
Non-operating income	709	922	1,808	1,949
Foreign currency transactions (losses) gains	(8,307)	(8,713)	1,666	(6,288)
Loss on extinguishment of debt	-	(2)	-	(3,161)
Interest Expense and deferred cost of financing	(5,361)	(5,175)	(10,411)	(10,257)
Income tax benefit (provision)	1,467	4,052	(3,926)	3,010
Net (loss) income	(3,870)	(3,500)	6,749	(2,469)
Income attributable to non-controlling interest	212	(60)	284	(72)
Net (loss) income attributable to parent	$(3,658)	$(3,560)	$7,033	$(2,541)

Comparison of quarterly periods ended June 30, 2018 and March 31, 2017

Revenues

The Company's net operating revenues increased $8.0 million or 9.9% from $81.0 million to $89.0 million for the quarterly period ended June 30, 2018 compared with the quarterly period ended June 30, 2017.

Sales in the U.S. market for the second quarter of 2018 increased $9.5 million or 15.8% compared to the same period of 2017. The Company's sales in the American market continue to have a large component coming out of the South Florida market but constantly diversifying into other regions. U.S. revenues contributed 79% and 75% of total sales during the second quarter of 2018 and 2017, respectively, as the Company maintains its focus on expanding U.S. operations to new regions and new end markets.

Sales in the Colombian market remained stable at $15.6 million and $15.5 million in the second quarter of 2018 and 2017, respectively. The Colombian market during the second quarter of 2018 was characterized by uncertainty generated by Colombian presidential elections which were held in June 2018, which caused delays in projects attaining financial closing.

Gross profit

Gross profit increased 9.3% to $24.6 million during the three months ended June 30, 2018, compared with 2017. Gross profit margins remained relatively stable at 27.7% and 27.8% during the second quarter of 2018 and 2017, respectively.

Expenses

Operating expenses remained stable $17.0 million to $17.1 million for the quarterly period ended June 30, 2018 and 2017, respectively. This was primarily related to an increase of $0.7 million increase in shipping expenses due to a higher overall amount of sales during the quarter and a larger amount of exports into the United States, $0.3million higher personnel expense, and U.S. aluminum and steel tariff implemented in 2018 resulted in an expense of $0.5 million related to the importation of aluminum products manufactured in Colombia, which are being fully passed on to our clients through our sales prices. These increases were offset by a reduction of provisions for bad debt, which decreased from $1.6 in the second quarter of 2017 to a net recovery of previously provisioned amounts of $0.5 million in 2018.

Non-operating Income

During the three months ended June 30, 2018 and 2017, the Company recorded net non-operating gain of $0.7 million and $0.9 million, respectively. Non-operating income is comprised primarily of income from rental properties and gains on sale of scrap materials.

Foreign currency transaction gains and losses

During the quarter ended June 30, 2018, the Company recorded a cashless loss of $8.3 million associated with the devaluation of the Colombian peso of 5.4%. Similarly, the Company recorded a loss of $8.7 million associated with the devaluation of the Colombian Peso of 5.5% during the second quarter of 2017. While the exchange rates between the Colombian Peso and US dollar have devaluated by roughly similar rates during each of the quarters here reported, the exchange rates have remained relatively stable year over year devaluating approximately 3.5% between June 2017 and 2018. The foreign exchange gain and losses account for changes in USD denominated assets and liabilities against the company’s functional currency (the Colombian Peso).

Interest Expense

Interest expense was $5.4 million and $5.2 million during the quarters ended June 30, 2018 and 2017, respectively. The 4% increase in interest expense is related to an increase of 2% in the Company’s total debt at June 30, 2018 compared with June 30, 2017, as well as an increase in floating interest rates affecting a portion of our debt indexed to Libor.

As a result of the foregoing, the Company recorded net loss for the three months ended June 30, 2018 of $3.9 million compared to $3.5 million in the three months ended June 30, 2017.

Comparison of six-month periods ended June 30, 2018 and June 30, 2017

Revenues

The Company’s net operating revenues increased $29.3 million or 20% from $146.8 million to $176.1 million in the six-month period ended June 30, 2018 compared with the six-month period ended June 30, 2017.

Sales in the U.S. market for the first half of 2018 increased $26.2 million or 24.6% compared to the same period of 2017. The Company’s sales in the American market continue to have a large component out of the South Florida market but constantly diversifying into other regions. We are also expanding our business to dealers with our products aimed toward retail and residential markets. Our increase in sales in overall terms and into the U.S market were in part derived from the acquisition of GM&P which contributed its results from March 1, 2017, date of the acquisition versus a full six-month period in 2018. U.S. revenues contributed 75% and 73% of total sales during the first half of 2018 and 2017, respectively, as the Company maintains its focus on expanding U.S. operations to new regions and new end markets.

Sales in the Colombian market increased $5.4 million, or 17.0%, in the first half of 2018 compared with the first half of 2017. Colombian sales in 2018 reflect a rebound in construction put in place during the first quarter after a general delay in construction during early 2017 while the country underwent a structural tax reform, which was preceded by a high inflation and high interest rate period, partially offset by a still second quarter characterized by uncertainty generated by Colombian presidential elections held in June 2018 which caused delays in projects attaining financial closing.

Gross profit

Gross profit increased 14.7% to $51.4 million during the six months ended June 30, 2018, compared with 2017. Gross profit margins decreased from 30.5% during the first six months of 2017 to 29.2% during the first half of 2018 mainly as a result of incremental installation costs and other non-recurring costs on a handful of now completed projects.

Expenses

Operating expenses increased $1.3 million, or 3.9% from $32.5 million to $33.7 million, for the six-month period ended June 30, 2018 compared to the six-month period ended June 30, 2017. As a percentage of total revenues, operating expenses were 19.2% compared to 22.2% in the prior year period. The nominal amount increase is mainly attributable to increases in shipping expense, from $6.2 million to $8.5 million due to a higher overall amount of sales during the period and a larger amount of exports into the United States, offset by a reduction in accounts receivable provision, which decreased from $2.6 in the six months ended June 30, 2017, to a net recovery of previously provisioned amounts for $0.4 million in 2018. Additionally, U.S. aluminum and steel tariff implemented in 2018 resulted in an expense of $0.5 million related to the importation of aluminum products manufactured in Colombia, which are now being fully passed on to our clients through our sales prices.

Loss on extinguishment of debt

Upon the issuance of the 5-year senior unsecured note under Rule 144A mentioned below in the liquidity section, the Company determined that issuance was not considered a modification or exchange of the seven-year senior secured credit facility issued in January 2016; however, proceeds from the new issuance were used to repay the previous credit facility and the new issuance was accounted for as a liability equal to the proceeds received. As such, the payoff of the January 2016 credit facility was determined to be an extinguishment of the existing debt. As a result, we recorded a loss on the extinguishment of debt in the amount of $3.2 million during 2017 in the line item “Loss on Extinguishment of Debt” in our Condensed Consolidated Statements of Operations and Comprehensive Income. The loss represented the write off of deferred financing fees related to the extinguished debt facilities and penalties fees related to the early payoff of several loans and capital leases.

Non-operating Income

During the six months ended June 30, 2018 and 2017, the Company reported net non-operating gain of $1.8 million and $1.9 million, respectively. Other non-operating income is comprised primarily of income from rental properties and gains on sale of scrap materials.

Foreign currency transaction gains and losses

During the six-month period ended June 30, 2018, the Company recorded a cashless gain of $1.7 million associated with a 1.8% revaluation of the Colombian peso. Similarly, the Company recorded a loss of $6.3 million associated with the devaluation of the Colombian peso of 1.3% during the six-month period ended June 30, 2017, in part as the net position of the Company's monetary assets and liabilities shifted during the period as a result of the refinance of Colombian peso denominated debt to US dollar denominated debt under the $210 million senior unsecured note.

Interest Expense

Interest expense remained stable at $10.4 million and $10.3 million during the six-month periods ended June 30, 2018 and 2017, respectively, despite a 2% increase in the Company's total debt at June 30, 2018 compared with June 30, 2017, as well as an increase in floating interest rates affecting a portion of our debt indexed to Libor. The moderate increase is also partially due to lower interest expense during the first quarter of 2018, compared to 2017 during which we refinanced our debt and incurred in one month of double interest expense in the time between the issuance of the new senior note and repayment of the previous obligations.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2018, and December 31, 2017, the Company had cash and cash equivalents of approximately $29.9 million and $40.9 million, respectively. The primary difference between both periods is associated with the use of working capital required to support inventory purchases in anticipation of a higher amount of sales and with the interest payment of our Senior notes during the quarter. The Company's primary sources of liquidity to support its working capital needs and short-term capital expenditures will be its readily available cash balance, cash generated from financing activities and moderating cash flow used in operating activities.

Cash Flow from Operations, Investing and Financing Activities

	Six months ended June,	
	2018	2017
Cash Flow (used in) provided by Operating Activities	$(6,449)	$12,194
Cash Flow used in Investing Activities	(11,184)	(12,537)
Cash Flow from Financing Activities	5,774	17,658
Effect of exchange rates on cash and cash equivalents	861	(551)
Cash Balance - Beginning of Period	40,923	26,918
Cash Balance - End of Period	$29,925	$43,682

During the six months ended June 30, 2018 and 2017, $6.4 million and $12.2 million were used in and provided by operating activities, respectively. The use of cash in operating activities in the six-month period ended June 30, 2018 provides for the working capital required during the period in order to support incremental inventory purchasing and a higher amount of receivables associated with the Company´s ongoing revenue growth.

Trade accounts receivable used $4.0 million during the six-month period ended June 30, 2018, which in large part is related to the revenue growth experienced between the last twelve-month comparable period. Whereas the nominal amount of receivables (including the netting of Contract Assets and Liabilities to make a “like for like” comparison that adjusts for the inception of ASC 606) has increased during the year, the Days Sales Outstanding ratio has presented a slight improvement given the reduction of receivables associated to retainage which inherently carry a longer collection period. As per industry common practice, retainage receivables are associated with installation work, built up throughout the life of a project and released upon completion. Despite the apparent decrease of trade account receivables on the Consolidated Balance sheet relative to fiscal year end at December 31, 2017, trade accounts receivable used cash because of the effect of adopting the new ASC 606 revenue recognition accounting standard for fiscal year end. Under this new standard, retainage receivables are now presented within “Contract Assets and Liabilities”, which also contains unbilled receivables and advances from customers. Comparably, trade accounts receivable (including retainage receivables) generated $5.8 million during the first six months of 2017 which was a period of much more tempered growth.

Inventory purchases used $7.3 million as the Company’s inventories grew in relation to the short term expected growth; nevertheless improving inventory turnover by 5 days at quarter end relative to fiscal year end. While it is expected that the Company will have working capital needs as it undergoes continued growth, management continues to seek ways of optimizing the collection of its receivables and its inventory procurement.

Taxes payable are main use of operating cash flow during both periods ended June 30, 2018 and 2017 as the Company’s operating subsidiaries have filed and paid their tax obligations for the preceding fiscal year, using $10.6

million and $15.1 million during the six months periods ended June 30, 2018 and 2017 respectively.

During the six months ended June 30, 2018, cash used in investing activities decreased to $11.2 million compared with $12.5 million during the same period of 2017. Capital expenditures remain moderate at $4.9 million and $4.3 million during the six months ended June 30, 2018 and 2017, respectively, as we expect that current installed capacity will be enough to service our backlog and expected sales through the year 2018. During both periods, the Company paid $6.0 million and $7.9 million, respectively, for the acquisition of businesses, primarily GM&P, of which $6.0 million where paid in cash during each of the two periods and the remainder of the purchase price settled with the issuance of shares and a note payable.

Cash provided by financing activities, decreased from $17.7 million during the six months of 2017 to $5.8 million during the six months of 2018. During the six months ended June 2018, the debt generated $9.1 million through short term debt to finance working capital required during a period of growing sales. In 2017, the significant source of cash was associated to a U.S. dollar denominated, $210 million offering of a 5-year senior unsecured note at a coupon rate of 8.2% in the international debt capital markets under Rule 144A of the Securities Act to Qualified Institutional Buyers issued by the Company in January 23, 2017. The Company used approximately $182.2 million of the proceeds to repay outstanding indebtedness and as a result achieved a lower cost of debt and strengthened its capital structure given the non-amortizing structure of the new facility. Cash proceeds in excess of the amount used to pay down outstanding debt have been used to support ongoing growth and general corporate purposes.

Off-Balance Sheet Arrangements

None

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to ongoing market risk related to changes in interest rates and foreign currency exchange rates.

A rise in interest rates could negatively affect the cost of financing for a portion of our debt with variable interest rates. If interest rates were to increase by 200 basis points, net earnings would decrease by approximately $0.5 million over a six-month period. Conversely, if interest rates were to decrease by 200 basis points, net earnings would increase by approximately $0.5 million over a six-month period. We currently do not use derivative financial instruments to manage interest rate risk.

We are also subject to market risk due to changes in the value of foreign currencies in relation to our reporting currency, the U.S. dollar. Two of our subsidiaries with significant operations are based in Colombia, and primarily transact business in local currency. A significant portion of the revenues and costs of these subsidiaries are generally denominated in Colombian pesos, thereby mitigating some of the risk associated with changes in foreign exchange rates. As of the six months ended June 30, 2018, a 1% devaluation of the Colombian Peso would result in our revenues decreasing by $0.4 million and our expenses decreasing by approximately $0.6 million, resulting in a $0.2 million increase to net earnings during the six-month period. A strengthening of the Colombian Peso by 1% would increase our revenues by $0.4 million and expenses by $0.6 million resulting in $0.2 lower earnings during the six-month period.

Similarly, a significant portion of the monetary assets and liabilities of these subsidiaries are generally denominated in US Dollars, while their functional currency is the Colombian peso, thereby resulting in gains or losses from remeasurement of assets and liabilities using end of period spot exchange rate. These subsidiaries have both monetary assets and monetary liabilities denominated in US Dollars, thereby mitigating some of the risk associated with changes in foreign exchange rate. However, the Colombian subsidiaries' US Dollar denominated monetary liabilities exceed their monetary assets by $152.4 million, such that a 1% devaluation of the Colombian peso will result in a loss of $1.5 million recorded in the Company's Consolidated Statement of Operations. Conversely, an appreciation of the peso would result in a gain to be recorded as a Foreign exchange gain within the consolidated statement of operations (based on the same relation of monetary assets and liabilities).

Additionally, the results of the foreign subsidiaries have to be translated into US Dollar, our reporting currency, in the Company's consolidated financial statements. The currency translation of the financial statements using different exchange rates, as appropriate, for different parts of the financial statements generates a translation adjustment which is recorded within other comprehensive income on the Company's Consolidated Statement of Comprehensive Income and Consolidated Balance Sheet.

Item 4. 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 of the internal controls over financial reporting as of the end of the period covered by this Quarterly Report. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, because of the material weakness in our internal control over financial reporting described below, our disclosure controls and procedures were not effective as of June 30, 2018. Notwithstanding the material weakness, we believe the condensed 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.

As of June 30, we have identified a deficiency in our internal control over financial reporting related the Company's valuation, accuracy and presentation of deferred income tax balances that would have resulted in understating net income by $1.2 million for the three and six-month period ended June 30, 2018. Specifically, the Company's monitoring and control activities on the valuation and presentation of our interim deferred income tax due to unrealized foreign exchange and on the accuracy of the effective tax rate were ineffective. This deficiency in internal control over financial reporting, could result in a material misstatement of the Company's annual or interim financial statements that would not be prevented or detected on a timely basis. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

The Company intends to strengthen the existing internal controls related to estimating and accounting for deferred income taxes and determining the effective tax rate so that this deficiency is remediated. We expect to remediate this prior to the end of fiscal year 2018.

Changes in Internal Control over Financial Reporting

As discussed in the section above, there were changes in our internal control over financial reporting during the quarter ended June 30, 2018.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

General Legal Matters

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

Item 6. Exhibits

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officers pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from the Quarterly Report on Form 10-Q of Tecnoglass Inc. for the quarter ended March 31, 2018, formatted in XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statement of Changes in Stockholders’ Equity, (iv) Condensed Consolidated Statement of Cash Flows and (v) Notes to Unaudited Condensed Consolidated Financial Statements, as blocks of text and in detail.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

TECNOGLASS INC.

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

By:*/s/ Santiago Giraldo*
Santiago Giraldo
Chief Financial Officer
(Principal financial and accounting officer)

Date: August 10, 2018