

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

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended March 31, 2024

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

For the transition period from to

Commission file number: 001-35436

TECNOGLASS INC.

(Exact Name of Registrant as Specified in Its Charter)

Cayman Islands
(State or other jurisdiction
of incorporation or organization)

98-1271120
(I.R.S. Employer
Identification No.)

3550 NW 49th Street, Miami, Florida 33142, USA

Avenida Circunvalar a 100 mts de la Via 40, Barrio Las Flores Barranquilla, Colombia
(Address of principal executive offices)

+1 305 638 5151
(Issuer's telephone number)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares	TGLS	The New York Stock Exchange

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

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐
Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Yes ☐ No ☒

As of May 1, 2024, there were 46,996,708 ordinary shares, \$0.0001 par value per share, outstanding.

TECNOGLASS INC.

FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 2024

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

Tecnoglass Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except share and per share data)
(Unaudited)

	March 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 135,881	\$ 129,508
Investments	2,897	2,907
Trade accounts receivable, net	170,591	166,498
Due from related parties	1,608	1,387
Inventories	144,212	159,070
Contract assets – current portion	20,982	17,800
Other current assets	73,474	58,590
Total current assets	\$ 549,645	\$ 535,760
Long-term assets:		
Property, plant and equipment, net	\$ 329,238	\$ 324,591
Deferred income taxes	266	169
Contract assets – non-current	8,169	8,797
Intangible assets	3,311	3,475
Goodwill	23,561	23,561
Long-term investments	61,616	60,570
Other long-term assets	5,764	5,794
Total long-term assets	431,925	426,957
Total assets	\$ 981,570	\$ 962,717
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt	\$ 3,338	\$ 7,002
Trade accounts payable and accrued expenses	79,180	82,784
Due to related parties	8,406	7,498
Dividends payable	5,196	4,265
Contract liability – current portion	71,928	72,543
Other current liabilities	67,613	61,794
Total current liabilities	\$ 235,661	\$ 235,886
Long-term liabilities:		
Deferred income taxes	\$ 17,695	\$ 15,793
Contract liability – non-current	-	14
Long-term debt	154,567	163,004
Total long-term liabilities	172,262	178,811
Total liabilities	\$ 407,923	\$ 414,697
SHAREHOLDERS' EQUITY		
Preferred shares, \$0.0001 par value, 1,000,000 shares authorized, 0 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	\$ -	\$ -
Ordinary shares, \$0.0001 par value, 100,000,000 shares authorized, 46,996,708 and 46,996,708 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	5	5
Legal Reserves	1,458	1,458
Additional paid-in capital	192,385	192,385
Retained earnings	424,596	400,035
Accumulated other comprehensive loss	(44,797)	(45,863)
Total shareholders' equity	573,647	548,020
Total liabilities and shareholders' equity	\$ 981,570	\$ 962,717

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

	Three months ended March 31,	
	2024	2023
Operating revenues:		
External customers	\$ 192,089	\$ 202,306
Related parties	538	333
Total operating revenues	192,627	202,639
Cost of sales	(117,967)	(94,884)
Gross profit	74,660	107,755
Operating expenses:		
Selling expense	(17,583)	(16,320)
General and administrative expense	(16,055)	(17,755)
Total operating expenses	(33,638)	(34,075)
Operating income	41,022	73,680
Non-operating income, net	1,080	1,287
Equity method income	1,046	1,449
Foreign currency transactions (loss) gains	(153)	(1,100)
Interest expense and deferred cost of financing	(2,106)	(2,273)
Income before taxes	40,889	73,043
Income tax provision	(11,159)	(24,671)
Net income	\$ 29,730	\$ 48,372
Income attributable to non-controlling interest	-	(137)
Income attributable to parent	\$ 29,730	\$ 48,235
Basic income per share	\$ 0.63	\$ 1.01
Diluted income per share	\$ 0.63	1.01
Basic weighted average common shares outstanding	46,996,708	47,674,773
Diluted weighted average common shares outstanding	46,996,708	47,674,773
Other comprehensive income:		
Foreign currency translation adjustments	30	7,811
Change in fair value of derivative contracts	1,036	(1,837)
Other comprehensive income	1,066	5,974
Total comprehensive income	\$ 30,796	\$ 54,346
Income attributable to non-controlling interest	-	(137)
Total comprehensive income attributable to parent	\$ 30,796	\$ 54,209

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

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

	Three months ended March 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 29,730	\$ 48,372
Adjustments to reconcile net income to net cash provided by operating activities:		
Allowance for credit losses	125	914
Depreciation and amortization	6,313	4,767
Deferred income taxes	3,518	156
Equity method income	(1,046)	(1,449)
Realized gain on derivative instruments	-	(1,951)
Deferred cost of financing	322	312
Other non-cash adjustments	3	(16)
Unrealized currency translation (gains) loss	(4,227)	410
Changes in operating assets and liabilities:		
Trade accounts receivable	3,840	(8,644)
Inventories	13,737	(13,048)
Prepaid expenses	(300)	(864)
Other assets	(9,250)	(14,338)
Trade accounts payable and accrued expenses	(8,059)	(9,681)
Taxes payable	7,068	25,488
Labor liabilities	(1,076)	(447)
Other liabilities	61	(7)
Contract assets and liabilities	(8,029)	12,425
Related parties	717	664

CASH PROVIDED BY OPERATING ACTIVITIES	\$	33,447	\$	43,063
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments		(306)		(134)
Acquisition of property and equipment		(9,886)		(15,554)
CASH USED IN INVESTING ACTIVITIES	\$	(10,192)	\$	(15,688)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash dividend		(4,239)		(3,579)
Proceeds from debt		2,766		292
Repayments of debt		(15,213)		-
CASH USED IN FINANCING ACTIVITIES	\$	(16,686)	\$	(3,287)
Effect of exchange rate changes on cash and cash equivalents	\$	(196)	\$	778
NET INCREASE IN CASH		6,373		24,866
CASH - Beginning of period		129,508		103,672
CASH - End of period	\$	135,881	\$	128,538
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Cash paid during the period for:				
Interest	\$	2,827	\$	2,717
Income Tax	\$	14,094	\$	26,342
NON-CASH INVESTING AND FINANCING ACTIVITIES:				
Assets acquired under credit or debt	\$	1,305	\$	4,790

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

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		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
	Shares	Amount							
Balance at December 31, 2023	46,996,708	5	192,385	1,458	400,035	(45,863)	548,020	-	548,020
Dividend (0.11 per share)	-	-	-	-	(5,169)	-	(5,169)	-	(5,169)
Derivative financial instruments	-	-	-	-	-	1,036	1,036	-	1,036
Foreign currency translation	-	-	-	-	-	30	30	-	30
Net income	-	-	-	-	29,730	-	29,730	-	29,730
Balance at March 31, 2024	46,996,708	5	192,385	1,458	424,596	(44,797)	573,647	-	573,647
	Ordinary Shares, \$0.0001 Par Value		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
	Shares	Amount							
Balance at December 31, 2022	47,674,773	5	219,290	1,458	234,254	(106,187)	348,820	1,505	350,325
Dividend (0.09 per share)	-	-	-	-	(4,291)	-	(4,291)	-	(4,291)
Derivative financial instruments	-	-	-	-	-	(1,837)	(1,837)	-	(1,837)
Foreign currency translation	-	-	-	-	-	7,811	7,811	-	7,811
Net income	-	-	-	-	48,235	-	48,235	137	48,372

Balance at March 31, 2023	47,674,773	5	219,290	1,458	278,198	(100,213)	398,738	1,642	400,380
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The accompanying notes are an integral part of these condensed consolidated financial statements.

Tecnoglass Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Amounts in thousands, except share and per share data)
(Unaudited)

Note 1. General

Business Description

Tecnoglass Inc., a Cayman Islands exempted company (the "Company", "Tecnoglass," "TGI," "we," "us" or "our") 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, aluminum, and vinyl, office partitions and interior divisions, floating facades and commercial window showcases. The Company sells to customers in North, Central and South America, and exports more than 95% of its production to foreign countries.

The Company manufactures glass, aluminum, and vinyl 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. Its newly installed vinyl assembling lines manufacture and distributes cutting-edge vinyl windows for new and existing customers.

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

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, 2023. The year-end condensed balance sheet data was derived from the audited financial statements in the Annual Report on Form 10-K 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 utilized in the preparation of these unaudited 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 products sold to the construction industry.

Principles of Consolidation

These unaudited condensed consolidated financial statements consolidate TGI and its subsidiaries Tecnoglass S.A.S ("TG"), C.I. Energía Solar S.A.S E.S. Windows ("ES"), ES Windows LLC ("ESW LLC"), GM&P Consulting and Glazing Contractors ("GM&P"), Componenti USA LLC, ES Metals SAS ("ES Metals"), and Ventanas Solar S.A ("VS"), 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 and if we are not, 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. The equity method of accounting is used for investments in affiliates and other joint ventures over which the Company has significant influence but does not have effective control.

TGI and certain wholly owned subsidiaries with functional currency different than the U.S. dollar have long-term intercompany loan balances denominated in foreign currencies that are remeasured at the exchange rate in effect at the balance sheet date. Such loan balances are not expected to be settled in the foreseeable future. Any gains and losses relating to these loans are included in the accumulated other comprehensive income (loss), which is reflected as a separate component of shareholders' equity.

Derivative Financial Instruments

The Company recognizes all derivative financial instruments as either assets or liabilities at fair value on the condensed consolidated balance sheet. The unrealized gains or losses arising from changes in fair value of derivative instruments that are designated and qualify as cash flow hedges, are recorded in the condensed consolidated statement of comprehensive income. Amounts in accumulated other comprehensive loss on the condensed consolidated balance sheet are reclassified into the condensed consolidated statement of income in the same period or periods during which the hedged transactions are settled.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". Investors, lenders, creditors, and other allocators of capital (collectively, "investors") have observed that segment information is critically important in understanding a public entity's different business activities. That information enables investors to better understand an entity's overall performance and assists in assessing potential future cash flows. The amendments in this Update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the potential effect of this ASU on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The Board is issuing the amendments in this Update to enhance the transparency and decision usefulness of income tax disclosures. Investors, lenders, creditors, and other allocators of capital (collectively, "investors") indicated that the existing income tax disclosures should be enhanced to provide information to better assess how an entity's operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows. Investors currently rely on the rate reconciliation table and other disclosures, including total income taxes paid, to evaluate income tax risks and opportunities. While investors find these disclosures helpful, they suggested possible enhancements to better (1) understand an entity's exposure to potential changes in jurisdictional tax legislation and the ensuing risks and opportunities, (2) assess income tax information that affects cash flow forecasts and capital allocation decisions, and (3) identify potential opportunities to increase future cash flows. The amendments in this Update address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This Update also includes certain other amendments to improve the effectiveness of income tax disclosures. The amendments in this Update are effective for annual periods beginning after December 15, 2024, with early adoption permitted, and should be applied on a prospective basis. The Company is currently evaluating the potential effect of this ASU on its consolidated financial statements.

Note 3. - Inventories, net

	March 31, 2024	December 31, 2023
Raw materials	\$ 91,937	\$ 100,828
Work in process	20,108	19,738
Finished goods	4,753	9,941
Spares and accessories	26,194	27,057
Packing material	1,424	1,715
Total Inventories, gross	144,416	159,279
Less: Inventory allowance	(204)	(209)
Total inventories, net	\$ 144,212	\$ 159,070

Note 4. – Revenues, Trade Accounts Receivable, Contract Assets and Contract Liabilities

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 March 31,	
	2024	2023
Fixed price contracts	\$ 32,632	\$ 29,093
Product sales	159,995	173,546
Total Revenues	\$ 192,627	\$ 202,639

The following table presents geographical information about revenues.

	Three months ended March 31,	
	2024	2023
Colombia	\$ 5,239	\$ 5,740
United States	184,003	194,839
Panama	94	270
Other	3,291	1,790
Total Revenues	\$ 192,627	\$ 202,639

The following table presents revenues breakdown by market.

	Three months ended March 31,	
	2024	2023
Residential	\$ 73,154	\$ 83,595
Commercial	119,473	119,044
Total Revenues	\$ 192,627	\$ 202,639

Trade Accounts Receivable

In the ordinary course of business, we extend credit to customers on a generally non-collateralized basis. The Company maintains an allowance for expected credit losses which is based on management's assessments of the amount which may become uncollectible in the future and is determined through consideration of our write-off history, specific identification of uncollectible accounts based in part on the customer's past due balance (based on contractual terms), and consideration of prevailing economic and industry conditions. Uncollectible accounts are written off after repeated attempts to collect from the customer have been unsuccessful.

Trade accounts receivable consist of the following:

	March 31, 2024	December 31, 2023
Trade accounts receivable	172,993	168,778
Less: Allowance for credit losses	(2,402)	(2,280)
Total	\$ 170,591	\$ 166,498

The changes in the allowance for credit losses for the three months ended March 31, 2024, are:

	Three months ended March 31, 2024
Balance at beginning of period	\$ 2,280
Provisions for credit losses	125
Deductions and write-offs, net of foreign currency adjustment	(3)
Balance at end of period	\$ 2,402

Contract Assets and 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. In addition, a portion of the amounts billed on certain fixed price contracts that are withheld by the customer as a retainage until a final good receipt of the complete project to the customers satisfaction. 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 long-term liabilities in the Company's condensed consolidated balance sheets.

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

	March 31, 2024	December 31, 2023
Contract assets — current	\$ 20,982	\$ 17,800
Contract assets — non-current	8,169	8,797
Contract liabilities — current	(71,928)	(72,543)
Contract liabilities — non-current	-	(14)
Net contract liability	\$ (42,777)	\$ (45,960)

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

	March 31, 2024	December 31, 2023
Unbilled contract receivables, gross	\$ 4,669	\$ 4,501
Retainage	24,482	22,096
Total contract assets	29,151	26,597
Less: current portion	20,982	17,800
Contract Assets – non-current	\$ 8,169	\$ 8,797

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

	March 31, 2024	December 31, 2023
Billings in excess of costs	\$ 36,127	35,949
Advances from customers on uncompleted contracts	35,801	36,608
Total contract liabilities	71,928	72,557
Less: current portion	71,928	72,543
Contract liabilities – non-current	\$ -	14

During the three months ended March 31, 2024, the Company recognized \$ 6,732 of sales related to its contract liabilities on January 1, 2024. During the three months ended March 31, 2023, the Company recognized \$2,945 of sales related to its contract liabilities on January 1, 2023.

Remaining Performance Obligations

As of March 31, 2024, the Company had \$ 438.2 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, Letters of Intent or written mandates, and potential orders under basic ordering agreements. The Company expects to recognize 100% of sales relating to existing performance obligations within three years, of which \$123.5 million are expected to be recognized during the year ending December 31, 2024, \$ 296.1 million during the year ending December 31, 2025, and \$135.0 million during the year ending December 31, 2026.

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Note 5. Intangible Assets

Intangible assets include Miami-Dade County Notices of Acceptances (NOA's), which are certificates issued for approved products and required to market hurricane-resistant glass in Florida. Intangibles assets also include the intangibles acquired during the acquisition of GM&P.

March 31, 2024

	Gross	Acc. Amort.	Net
Notice of Acceptances (NOAs), product designs and other intellectual property	12,171	(8,860)	3,311

December 31, 2023

	Gross	Acc. Amort.	Net
Notice of Acceptances (NOAs), product designs and other intellectual property	12,231	(8,756)	3,475

The weighted average amortization period is 4.7 years.

During the three months ended March 31, 2024, the amortization expense amounted to \$ 342, and was included within the general and administration expenses in our unaudited Condensed Consolidated Statement of Operations. Similarly, during the three months ended March 31, 2023, the amortization expense amounted to \$322.

The estimated aggregate amortization expense for each of the five succeeding years as of March 31, 2024, is as follows:

Year ending	(in thousands)
2024	\$ 902
2025	632
2026	522
2027	460
2028	353
Thereafter	442
	<u>\$ 3,311</u>

Note 6. Supplier Finance Program

Tecnoglass has established payment terms to suppliers for the purchase of goods and services, which normally range between 30 and 60 days. In the normal course of business, suppliers may require liquidity and manage, through third parties, the advanced payment of invoices. The Company allows its suppliers the option to payments in advance of an invoice due date, through a third-party finance provider or intermediary, with the purpose of allowing suppliers to obtain the required liquidity. For these purposes, suppliers present to Tecnoglass the third-party finance provider or intermediary with whom they will carry out the finance program and establish an agreement, through which the invoices will be paid by the third-party finance provider or intermediary once Tecnoglass has confirmed the invoices as valid. Once the Company confirms the invoices are valid, the third-party finance provider or intermediary proceeds with the payment to the supplier. Subsequently, Tecnoglass pays the invoices for goods or services to the third-party finance provider or intermediary selected by the supplier. Payment times do not vary from those initially agreed with the supplier, as stated in the invoices factored by the supplier (i.e. between 30 and 60 days). Pursuant to the supplier finance programs, the Company has not been required to pledge any assets as security nor to provide any guarantee to third-party finance provider or intermediary.

As of March 31, 2024, the obligations outstanding related to the supplier finance program amounted to \$ 1,190 recorded as current liabilities, compared to \$2,722 outstanding as of December 31, 2023; with \$898 classified as "Trade accounts payable and accrued expenses", compared to \$ 2,330, as of December 31, 2023, and \$292 classified as "Due to related parties", compared to \$ 392 as of December 31, 2023.

Note 7. Debt

The Company's debt is comprised of the following:

	March 31, 2024	December 31, 2023
Revolving lines of credit	\$ 736	\$ 525
Finance lease	284	327
Other current debt	2,386	-
Senior Secured Credit Facility	157,500	172,500
Less: Deferred cost of financing	(3,001)	(3,346)
Total obligations under borrowing arrangements	<u>157,905</u>	<u>170,006</u>
Less: Current portion of long-term debt and other current borrowings	<u>3,338</u>	<u>7,002</u>
Long-term debt	<u>\$ 154,567</u>	<u>\$ 163,004</u>

In November 2021, the Company amended its Senior Secured Credit Facility to (i) increase the borrowing capacity under its committed line of credit from \$50 million to \$150 million, (ii) reduce its borrowing costs by an approximate 130 basis points and (iii) extend the initial maturity date by one year to the end of 2026. Borrowings under the credit facility now bear interest at a rate of LIBOR with no floor plus a spread of 1.50%, based on the Company's net leverage ratio, compared to a prior rate of LIBOR with a floor of 0.75% plus a spread of 2.50%, resulting on total annual savings of approximately \$15 million at current levels of outstanding borrowings, since entering into our inaugural US Bank syndicated facility in October 2020. The effective interest rate for this credit facility including deferred issuance costs is 7.71%. In relation to this transaction, the Company accounted for costs related to fees paid of \$1,496. This was accounted for as a debt modification and \$ 1,346 of fees paid to banks were capitalized as deferred cost of financing and \$150 paid to third parties recorded as an operating expense on the consolidated statements of operations for the year ended December 31, 2021. Beginning on July 1, 2023, the interest rate on this credit facility was updated to SOFR plus the same spread of 1.5%. On January 2024, we voluntarily prepaid \$15 million of capital to this credit facility which has decreased our net leverage ratio and triggered a step down in the applicable interest rate spread to 1.5%.

Maturities of long-term debt and other current borrowings are as follows as of March 31, 2024:

2024	\$ 3,338
2025	10,068
2026	147,500
Total	<u>\$ 160,906</u>

The Company's loans have maturities ranging from a several weeks to 4 years. Our credit facilities bear a weighted average interest rate of 6.98% as of March 31, 2024.

Note 8. Hedging Activity and Fair Value Measurements

Hedging Activity

During the quarter ended March 31, 2022, we entered into several interest rate swap contracts to hedge the interest rate fluctuations related to our outstanding debt. The effective date of the contract is December 31, 2022 and, thus, we shall have payment dates each quarter, commencing March, 31 2023. During the quarter ended December 31, 2022, we entered into several foreign currency non-delivery forward contracts to hedge the fluctuations in the exchange rate between the Colombian Peso and the U.S. Dollar. Our contracts are designated as cash flow hedges since they are highly effective in offsetting changes in the cash flows attributable to forecasted LIBOR and Colombian Peso denominated costs and expenses, respectively.

We record our hedge contracts at fair value and consider our credit risk for contracts in a liability position, and our counter-party's credit risk for contracts in an asset position, in determining fair value. We assess our counter-party's risk of non-performance when measuring the fair value of financial instruments in an asset position by evaluating their financial position, including cash on hand, as well as their credit ratings.

Due to the Libor discontinuance, on June 21, 2023, the Company amended the Interest Rate Swap contract from Libor 1 Month plus spread to SOFR 3 Months plus spread. The settlements of the instruments remain under the existing conditions; however, the fixed leg goes from 1.93% to 1.87%. Regarding the conditions of our outstanding debt, only Libor was replaced by SOFR, maintaining the other initial conditions.

As of March 31, 2024, the fair value of our interest rate swap was in a net asset position of \$ 7.5 million. We had 12 outstanding interest rate swap contracts to hedge \$125 million related to our outstanding debt through November 2026. We assessed the risk of non-performance of the Company to these contracts and determined it was insignificant and, therefore, did not record any adjustment to fair value as of March 31, 2024.

We assess the effectiveness of our interest rate swap contracts by comparing the change in the fair value of the interest rate swap contracts to the change in the expected cash to be paid for the hedged item. The effective portion of the gain or loss on our interest rate swap contracts is reported as a component of accumulated other comprehensive income and is reclassified into earnings in the same line item in the income statement as the hedged item in the same period or periods during which the transaction affects earnings. The amount of gains, net, recognized in the "accumulated other comprehensive income" line item in the accompanying consolidated balance sheet as of March 31, 2024, that we expect will be reclassified to earnings within the next twelve months, is \$3.7 million.

The fair value of our interest rate swap hedges is classified in the accompanying consolidated balance sheets, as of March 31, 2024, as follows:

Derivatives designated as hedging instruments under Subtopic 815-20:	Derivative Assets		Derivative Liabilities	
	March 31, 2024		March 31, 2024	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivative instruments:				
Interest rate swap contracts	Other current assets	\$ 7,489	Accrued liabilities	\$ -
Total derivative instruments	Total derivative assets	\$ 7,489	Total derivative liabilities	\$ -

The ending accumulated balance for the interest rate swap contracts included in accumulated other comprehensive income was \$ 7,489 as of March 31, 2024.

The following table presents the gains (losses) on derivative financial instruments, and their classifications within the accompanying consolidated financial statements, for the quarter ended March 31, 2024:

	Derivatives in Cash Flow Hedging Relationships					
	Amount of Gain or (Loss) Recognized in OCI (Loss) on Derivatives		Location of Gain or (Loss) Reclassified from Accumulated OCI (Loss) into Income	Amount of Gain or (Loss) Reclassified from Accumulated OCI (Loss) into Income		
	Three Months Ended		Three Months Ended			
March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023			
Interest Rate Swap and foreign currency non-delivery forwards Contracts	\$ 1.036	\$ (1.837)	Interest expense and operating income	\$ 1.099	\$ 3.193	

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.

The fair values of derivatives used to manage interest rate risks are based on SOFR rates and interest rate swap curves. Measurement of our derivative assets and liabilities is considered a level 2 measurement. To carry out the swap valuation, the definition of the fixed leg (obligation) and variable leg (right) is used. Once the projected flows are obtained in both fixed and variable rates, the regression analysis is performed for prospective effectiveness

test. The projection curve contains the forward interest rates to project flows at a variable rate and the discount curve contains the interest rates to discount future flows, using the one-month USD Libor curve.

As of March 31, 2024, 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 at current market rates, which are level 2 inputs.

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

	March 31, 2024	December 31, 2023
Fair Value	155,366	166,041
Carrying Value	154,567	163,004

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Note 9. Income Taxes

The Company files income tax returns for TG, ES and ES Metals in the Republic of Colombia. GM&P, Componenti and ESW LLC are U.S. entities based in Florida subject to U.S. federal and state income taxes. Tecnoglass as well as all the other subsidiaries in the Cayman Islands do not currently have any tax obligations.

The components of income tax expense are as follows:

	Three months ended March 31,	
	2024	2023
Current income tax		
United States	\$ (3,832)	\$ (3,464)
Colombia	(3,808)	(21,048)
Panama	(1)	(3)
	<u>(7,641)</u>	<u>(24,515)</u>
Deferred income Tax		
United States	(1,178)	(284)
Colombia	(2,340)	128
	<u>(3,518)</u>	<u>(156)</u>
Total income provision	<u>\$ (11,159)</u>	<u>\$ (24,671)</u>
Effective tax rate	27.3%	33.8%

The effective income tax rate for 2024 and 2023, was 27.3%, and 33.8%, respectively. The effective income tax rate of 27.3% during the three months ended March 31, 2024, is below the statutory rate as the Colombian subsidiaries which bear a higher corporate income tax rate recorded a proportionally lower share of the consolidated income.

Note 10. Related Parties

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

	March 31, 2024	December 31, 2023
Due from related parties:		
Studio Avanti SAS	548	460
Alutrafic Led SAS	276	322
Prisma Glass LLC	142	281
Due from other related parties	642	324
Total due from related parties	\$ 1,608	\$ 1,387
Due to related parties:		
Vidrio Andino	4,746	3,927
Incantesimo SAS	2,500	2,500
Due to other related parties	1,160	1,071
Total due to related parties	\$ 8,406	\$ 7,498
	Three months ended March 31,	
	2024	2023
Sales to related parties:		
Studio Avanti SAS	196	156
Prisma-Glass SAS	193	-
Alutrafic Led SAS	139	173
Sales to other related parties	10	4
	<u>\$ 538</u>	<u>\$ 333</u>

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Alutrafic Led SAS

In the ordinary course of business, we sell products to Alutrafic Led SAS ("Alutrafic"), a fabricator of electrical lighting equipment. Affiliates of Jose Daes and Christian Daes, the Company's Chief Executive Officer and Chief Operating Officer, respectively, have an ownership stake in Alutrafic. During the three months ended March 31, 2024, we sold \$139, compared to \$173 during the three months ended March 31, 2023. Additionally, we had

outstanding accounts receivable from Alutrafic of \$276 and \$322 as of March 31, 2024, and December 31, 2023, respectively.

Fundacion Tecnoglass-ESWindows

Fundacion Tecnoglass-ESWindows is a non-profit organization set up by the Company to carry out social causes in the communities around where we operate. We made charitable contributions during the three months ended March 31, 2024 of \$749, compared to \$664 during the three months ended March 31, 2023.

Incantesimo SAS

On November 10, 2023, we acquired the 30% equity interest in ESMetals previously not owned by us for an aggregate of \$ 5,500 from Incantesimo SAS, a Colombia domiciled company of which the primary beneficiary is Carlos Peña, who holds a senior management position at the Company. The Company paid \$3,000 during November and December 2023, and \$ 2,500 remain outstanding as of March 31, 2024, [(which amount was paid on April 10, 2024)].

Prisma-Glass LLC

In the ordinary course of business, we sell products to Prisma-Glass LLC a distributor and installer of architectural systems in Florida that. is owned and controlled by family members of Christian Daes. We sold \$193 to Prisma-Glass LLC during the three months ended March 31, 2024, and had outstanding accounts receivable of \$142 as of March 31, 2024.

Santa Maria del Mar SAS

In the ordinary course of business, we purchase fuel for use at our manufacturing facilities from Estación Santa Maria del Mar SAS, a gas station located in the vicinity of our manufacturing campus which is owned by affiliates of Jose Daes and Christian Daes. During the three months ended March 31, 2024, we purchased \$151, compared to \$236 purchased during the three months ended March 31, 2023.

Studio Avanti SAS

In the ordinary course of business, we sell products to Studio Avanti SAS ("Avanti"), a distributor and installer of architectural systems in Colombia. Avanti is owned and controlled by Alberto Velilla, who is director of Energy Holding Corporation, the controlling shareholder of the Company. As of March 31, 2024, and December 31, 2023, the Company had outstanding accounts receivable from Avanti of \$548 and \$460, respectively. During the three months ended March 31, 2024, we sold \$196 of products to Avanti, compared to \$ 156 during the three months ended March 31, 2023.

Vidrio Andino Joint Venture

On May 3, 2019, we consummated a joint venture agreement with Saint-Gobain, a world leader in the production of float glass, a key component of our manufacturing process, whereby we acquired a 25.8% minority ownership interest in Vidrio Andino, a Colombia-based subsidiary of Saint-Gobain. The purchase price for our interest in Vidrio Andino was \$45 million, of which \$34.1 million was paid in cash and \$10.9 million paid through the contribution of land on December 9, 2020. On October 28, 2020, we acquired said land from a related party and paid for it with the issuance of an aggregate of 1,557,142 ordinary shares of the Company, valued at \$ 7.00 per share, which represented an approximate 33% premium based on the closing stock price as of October 27, 2020.

The land will serve the purpose of developing a second float glass plant nearby our existing manufacturing facilities which we expect will carry significant efficiencies for us once it becomes operative, in which we will also have a 25.8% interest. The new plant will be funded with proceeds from the original cash contribution made by the Company, operating cashflows from the Bogota plant, debt incurred at the joint venture level that will not consolidate into the Company and an additional contribution by us of approximately \$12.5 million if needed (based on debt availability as a first option).

In the ordinary course of business, we purchased \$ 6,881 of materials from Vidrio Andino during the three months ended March 31, 2024, compared to \$6,345, during the three months ended March 31, 2023. We also had outstanding payables to Vidrio Andino of \$ 4,746 and \$3,927 as of March 31, 2024, and December 31, 2023, respectively. We recorded equity method income of \$1,046 on our Consolidated Statement of Operations during the three months ended March 31, 2024, compared to \$1,449 recorded during the three months ended March 31, 2023.

Zofracosta SA

We have an investment in Zofracosta SA, a real estate holding company located in the vicinity of the proposed glass plant being built through our Vidrio Andino joint venture, recorded at \$792 and \$796 as of March 31, 2024, and December 31, 2023, respectively. Affiliates of Jose Daes and Christian Daes have a majority ownership stake in Zofracosta SA.

Note 11. Shareholders' Equity

Dividends

On February 29, 2024, the Company declared a regular quarterly dividend of \$ 0.11 per share, or \$0.44 per share on an annualized basis. The dividend was paid on April 30, 2024, to shareholders of record as of the close of business on March 29, 2024.

Earnings per Share

The following table sets forth the computation of the basic and diluted earnings per share for the three months ended March 31, 2024, and 2023:

	Three months ended March 31,	
	2024	2023
Numerator for basic and diluted earnings per share		
Net income attributable to parent	\$ 29,730	\$ 48,235
Denominator		
Denominator for basic earnings per ordinary share - weighted average shares outstanding	46,996,708	47,674,773
Effect of dilutive securities and stock dividend	-	-
Denominator for diluted earnings per ordinary share - weighted average shares outstanding	46,996,708	47,674,773
Basic earnings per ordinary share	\$ 0.63	\$ 1.01
Diluted earnings per ordinary share	\$ 0.63	\$ 1.01

Note 12. Commitments and Contingencies

Commitments

As of March 31, 2024, the Company had outstanding obligations to purchase an aggregate of at least \$ 59,314 of certain raw materials from a specific supplier before November 30, 2030, and an aggregate of at least \$10,035 of certain raw materials from a specific supplier through 2028.

On May 3, 2019, we consummated a joint venture agreement with Saint-Gobain whereby we acquired a 25.8% minority ownership interest in Vidrio Andino. The purchase price for our interest in Vidrio Andino was \$45 million, of which \$34.1 million was paid in cash and \$ 10.9 million was contributed through a parcel of land to be used for the building of a second factory. On October 28, 2020, the land was paid for through the issuance of an aggregate of 1,557,142 ordinary shares of the Company, at \$ 7.00 per share, which represented an approximate 33% premium based on the Company's share price as of October 27, 2020.

The joint venture agreement includes plans to build a new plant in Galapa, Colombia that will be located approximately 20 miles from our primary manufacturing facility, in which we will also have a 25.8% interest. The new plant will be funded with proceeds from the original cash contribution made by the Company, operating cashflows from the Bogota plant, debt incurred at the joint venture level that will not consolidate into the Company and an additional contribution by us of approximately \$12.5 million to be paid if needed (based on debt availability as a first option).

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 our 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.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such terms or other 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., except where the context requires otherwise. The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and related notes thereto included elsewhere in this report.

Overview

We are experienced and highly skilled in the vertical integration of architectural glass manufacturing, distribution, and professional fitting. Our expertise extends to the production of top-quality windows, as well as the supply of aluminum, vinyl, and other components. Our dedicated and knowledgeable team serves a diverse range of commercial and residential construction projects worldwide, guaranteeing outstanding products and seamless installation services. With a focus on innovation, combined with providing highly specified products with the highest quality standards at competitive prices, we have earned #1 spot in the Forbe's list of America's 100 most successful small-cap companies for 2024, and developed a leadership position in each of our core markets. In the United States, which is our largest market, we were ranked as the third largest glass fabricator serving the United States in 2023 by Glass Magazine. In addition, we believe we are the leading glass transformation company in Colombia. Our customers, which include developers, general contractors or installers for hotels, office buildings, shopping centers, airports, universities, hospitals and multi-family and residential buildings, look to us as a value-added partner based on our product development capabilities, our high-quality products and our unwavering commitment to exceptional service.

With over 40 years of experience in architectural glass and aluminum assembly, we specialize in transforming various glass products. Our offerings include tempered safety glass, double thermo-acoustic glass, and laminated glass. Our wide range of finished glass products are utilized in diverse buildings for floating facades, curtain walls, windows, doors, handrails, as well as interior and bathroom spatial dividers. In addition to glass, we manufacture aluminum and vinyl products such as profiles, rods, bars, plates, and other hardware specifically designed for window manufacturing.

Our products are manufactured in a 5.6 million square foot, state-of-the-art manufacturing complex in Barranquilla, Colombia that provides easy access to North, Central and South America, the Caribbean and the Pacific. Our products can be found on some of the most distinctive buildings in these regions, including 100 Hood Park Drive (Boston), 601 West 29th St (New York), Norwegian Cruise Line Terminal B (Miami), Paramount Miami Worldcenter (Miami), Via 57 West (New York), One65 Main (Cambridge), AE'O Tower (Honolulu), Salesforce Tower (San Francisco), and One Thousand Museum (Miami). Our track record of successfully delivering high profile projects has earned us an increasing number of opportunities across the United States, evidenced by our expanding backlog and overall revenue growth.

Our structural competitive advantage is underpinned by our low-cost manufacturing footprint, vertically integrated business model and geographic location. Our integrated facilities in Colombia and distribution and services operations in Florida provide us with a significant cost advantage in both manufacturing and distribution, and we continue to invest in these operations to expand our operational capabilities. Our lower cost manufacturing footprint allows us to offer competitive prices for our customers, while also providing innovative, high quality and high value-added products, together with consistent and reliable service. We have historically generated high margin organic growth based on our position as a value-added solutions provider for our customers.

We have a strong presence in the Florida market, which represents a substantial portion of our revenue stream and backlog. Our success in Florida has primarily been achieved through sustained organic growth, with further penetration now taking place into other highly populated areas of the United States. As part of our strategy to become a fully vertically integrated company, we have supplemented our organic growth with some acquisitions that have allowed us added control over our supply chain allowed for further vertical integration of our business and will act as a platform for our future expansion in the United States. In 2016, we completed the acquisition of ESW, which gave us control over the distribution of products into the United

States from our manufacturing facilities in Colombia. In March 2017, we completed the acquisition of GM&P, a consulting and glazing installation business that was previously our largest installation customer.

On May 3, 2019, we consummated the joint venture agreement with Saint-Gobain, acquiring a 25.8% minority ownership interest in Vidrio Andino, a Colombia-based subsidiary of Saint-Gobain, solidifying our vertical integration strategy by acquiring an interest in the first stage of our production chain, while securing ample glass supply for our expected production needs. Additionally, in April 2019, we acquired a 70% equity interest in ESMetals, which has been consolidated in our financial statements since. In November 2023, we acquired the remaining 30% equity interest in ESMetals. ESMetals is a Colombian entity that serves as a metalwork contractor to supply us with steel accessories used in the assembly of certain architectural systems as part of our vertical integration strategy.

The continued diversification of the group's presence and product portfolio is a core component of our strategy. In particular, we are actively seeking to expand our presence in United States outside of Florida. We also launched a residential window offering which, we believe, will help us expand our presence in the United States and generate additional organic growth. We believe that the quality of our products, coupled with our ability to price competitively given our structural advantages on cost, will allow us to generate further growth in the future.

We have focused on working with *The Power of Quality*, always making sure that our vision of sustainability is immersed into every aspect of our business, including social, environmental, economic and governance variables, that help us make decisions and create value for our stakeholders. We carry out a series of initiatives based on our global sustainability strategy, which is supported on three fundamental pillars: promoting an ethical and responsible continuous growth, leading eco-efficiency and innovation, and empowering our environment. As part of this strategy we have voluntarily adhered to UN Global Compact Principles since 2017 and in pursuit of our cooperation with the attainment of the SDGs joined in 2021 a program to dynamize, strengthen and make visible the management of greenhouse gas emissions as a carbon neutral strategy set out by the Colombian government for 2050.

RESULTS OF OPERATIONS

	Three months ended March 31,	
	2024	2023
Operating Revenues	\$ 192,627	\$ 202,639
Cost of sales	(117,967)	(94,884)
Gross profit	74,660	107,755
Operating expenses	(33,638)	(34,075)
Operating income	41,022	73,680
Non-operating income and expenses, net	1,080	1,287
Equity method income	1,046	1,449
Foreign currency transactions losses	(153)	(1,100)
Interest Expense and deferred cost of financing	(2,106)	(2,273)
Income tax provision	(11,159)	(24,671)
Net income	29,730	48,372
Income attributable to non-controlling interest	-	(137)
Income attributable to parent	\$ 29,730	\$ 48,235

Comparison of quarterly periods ended March 31, 2024, and 2023

Revenues

Operating revenues during the quarter ended March 31, 2024, was \$192.6 million, compared to \$202.6 million during the quarter ended March 31, 2023, a decrease of \$10.0 million or 4.9%, year over year. The decrease was driven by seasonally slow single family residential revenues, down \$10.4 million, or 12.5% year over year, impacted by high interest and mortgage rates. Despite the aforementioned higher rates, the commercial market actually grew slightly year over year as the Company continues to execute on its growing backlog.

Gross profit

Gross profit during the three months ended March 31, 2024, was \$74.7 million, a decrease of \$33.1 million, or 30.7%, from \$107.8 million during the three months ended March 31, 2023. The gross profit margin during the three months ended March 31, 2024, of 38.8% was down from 53.2% during the first quarter of 2023, primarily related to a 17.8% appreciation of the Colombian Peso impacting our costs denominated in Colombian Pesos against our predominantly US Dollar revenue stream, accounting for an estimated 308-basis points year over year decrease on margin. Additionally, this unfavorable FX dynamic impacted inventories that were recorded into the balance sheet at a weaker Peso and then accounted for under raw material costs at a much stronger Peso, translating into more US Dollars at the time the revenues are recognized. This effect contributed to a 197-basis point decrease year-over-year when assessing the same effect during the comparable period. Finally, margins were impacted by our revenue mix which included more installation and stand-alone product sales during the current period. Installation revenues increased to 16.9% of total revenue, compared with 14.4% during the prior year quarter, and stand-alone architectural glass and frames sales increased to 10.9% of total sales, in comparison with 8.3%, as a result of recent manufacturing capacity expansion unlocking the opportunity to sell stand-alone product.

Expenses

Operating expenses decreased \$0.4 million, or 1.3%, from \$34.1 million to \$33.6 million for the quarters ended March 31, 2023, and 2024, respectively. The decrease resulted primarily from \$0.8 million decrease in Accounts receivable provision partially offset by mostly flat operating expenses, despite the unfavorable pressure on Colombian Peso denominated cost, as the peso strengthened 17.8% year over year.

Non-operating income and expenses, net

During the three months ended March 31, 2024, and 2023, the Company recorded non-operating income of \$1.1 million and \$1.3 million, respectively. Non-operating income is comprised of interest income from short term investments, as well as non-operating expenses related to certain charitable contributions outside of the Company's direct sphere of influence.

Foreign currency transaction gains and losses

During the three months ended March 31, 2024, the Company recorded a non-operating loss of \$0.2 million associated with foreign currency

transactions compared to a net non-operating loss of \$1.1 million during the three months ended March 31, 2023.

Interest Expense and deferred cost of financing

Interest expense and deferred cost of financing decreased \$0.2 million, or 7.3%, to \$2.1 million during the quarter ended March 31, 2024, as the Company voluntarily prepaid \$15 million to reduce its debt balance and benefited from having a favorable interest rate hedge in place for approximately 75% of its outstanding debt.

Income Taxes

The effective income tax rate for 2024 and 2023, was 27.3% and 33.8%, respectively. The effective income tax rate of 27.3% during the three months ended March 31, 2024, is below the statutory rate as the Colombian subsidiaries which bear a higher corporate income tax rate recorded a proportionally lower share of the consolidated income.

As a result of the foregoing, the Company recorded net income for the three months ended March 31, 2024, of \$29.7 million compared to net income of \$48.4 million for the three months ended March 31, 2023.

Liquidity

As of March 31, 2024 and December 31, 2023, we had cash and cash equivalents of approximately \$135.9 million and \$129.5 million, respectively. Additionally, we currently have approximately \$170.0 million available under different lines of credit.

We anticipate that the Company will continue to generate positive cashflow from operating activities through, at least twelve months from the date of this report, which we believe, in addition to our current liquidity position, provides ample flexibility to service our obligations through the next twelve months.

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Capital Resources

We transform glass and aluminum into high specification architectural glass and custom-made aluminum profiles which require significant investments in state-of-the-art technology. During the Three months ended March 31, 2024 and 2023, we made investments primarily in building and construction and machinery and equipment in the amounts of \$11.2 million and \$20.3 million, respectively. These investments across our vertically-integrated operations include further automating our glass and window assembly production lines, adding glass production lines, expanding our aluminum facilities, putting new vinyl windows lines to penetrate this new product segment and purchasing land to grow beyond current installed capacity. The Company estimates that current manufacturing operating capacity has reached approximately \$1.2 billion which does not account for incremental installation revenue capacity. Additionally, the Company expects the resulting increase in output to improve efficiency throughout its operations while reducing material waste and overall lead times.

Cash Flow from Operations, Investing and Financing Activities

	Three months ended March 31,	
	2024	2023
Cash Flow provided by Operating Activities	\$ 33,447	\$ 43,063
Cash Flow used in Investing Activities	(10,192)	(15,688)
Cash Flow used in Financing Activities	(16,686)	(3,287)
Effect of exchange rates on cash and cash equivalents	(196)	778
Cash Balance - Beginning of Period	129,508	103,672
Cash Balance - End of Period	\$ 135,881	\$ 128,538

During the three months ended March 31, 2024, and 2023, operating activities generated approximately \$33.4 million and \$43.1 million, respectively. The main sources of operating cash during the three months ended March 31, 2024, were driven by an improvement in working capital associated with inventories and trade accounts receivable. Inventories generated \$13.7 million, mostly due to a faster raw material and Finished goods turnover during the three months ended March 31, 2024, as main projects are being executed; compared to a net use of \$13.0 million during the three months ended March 31, 2023, as we procured materials to meet our growing operations. In addition, Trade Accounts receivable generated \$3.8 million, compared with a use of \$8.6 million during the three months ended March 31, 2023. The largest use of cash in operating activities were other assets, comprised primarily of prepaid taxes, which used \$9.2 million during the three months ended March 31, 2024, resulting from a higher taxable income year over year for fiscal year that will be paid in 2024; and trade accounts payable which used an additional \$8.0 million. Comparatively, other assets used \$14.3 million during the three months ended March 31, 2023, and Trade accounts receivable used \$9.7 million.

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We used \$10.2 million and \$15.7 million in investing activities during the three months ended March 31, 2024, and 2023, respectively. The main use of cash in investing activities during the three months ended March 31, 2024, related to the automation of our architectural system assembly processes further described above in the "Capital Resources" section. During the three months ended March 31, 2024, we paid \$9.9 million to acquire property plant and equipment, which in combination with \$1.3 million acquired under credit or debt, amount to total capital expenditures of \$11.2 million. During the three months ended March 31, 2023, we used \$15.5 million for the acquisition of property and equipment. Including assets acquired with debt or supplier credit, total capital expenditures during the period were \$20.3 million.

Financing activities used \$16.7 million and \$3.3 million during the three months ended March 31, 2024 and 2023, respectively. We paid \$4.2 million and \$3.6 million of dividends to holders of our ordinary shares during the Three months ended March 2024 and 2023, respectively. Additionally, during the three months ended March 31, 2024, we used \$15.2 million to repay debt from our Senior Secured Line of Credit.

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, foreign currency exchange rates and commodity market prices.

A rise in interest rates could negatively affect the cost of financing for a significant portion of our debt with variable interest rates. If interest rates were to increase over the next 12 months by 100 basis points, net earnings would decrease by approximately \$0.3 million based the current composition

of our indebtedness. This market risk exposure is net of the effect from interest rate hedging derivative financial instruments further described in the footnotes to the financial statements.

We are subject to market risk due to changes in the value of foreign currencies in relation to our reporting currency, the U.S. dollar. Some of our subsidiaries' operations are based in Colombia, and primarily transact business in local currency. Approximately 3% of our consolidated revenues and 24% of our costs and expenses are effectively incurred in Colombian pesos, thereby mitigating some of the risk associated with changes in foreign exchange rates. This portion of costs and expenses denominated in Colombian Peso excludes certain items which are transacted in Colombia using Colombian Peso but are priced in U.S. Dollars or are otherwise indexed to U.S. Dollar rates. However, as our costs and expenses in Colombian Pesos exceed, a 5% appreciation of the Colombian Peso relative to the US Dollar would result in our quarter revenues increasing by \$0.3 million and our costs and expenses increasing by approximately \$2.2 million, resulting in a \$1.9 million decrease to net earnings based on results for the three months ended March 31, 2024.

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 the 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. Furthermore, we record a portion of the non-cash foreign currency transaction gains and losses from remeasurement of certain intercompany loans as other comprehensive income. Net of this, the Colombian subsidiaries' US Dollar denominated monetary liabilities exceed their monetary assets by \$29.4 million, such that a 1% devaluation of the Colombian peso will result in a loss of \$0.3 million recorded in the Company's Consolidated Statement of Operations as of March 31, 2024.

Additionally, the results of the foreign subsidiaries must be translated into US Dollars, 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.

We are also subject to market risk exposure related to volatility in the prices of aluminum, one of the principal raw materials used for our manufacturing. The commodities markets, which include the aluminum industry, are highly cyclical in nature, and as a result, prices can be volatile. Commodity costs are influenced by numerous factors beyond our control, including general economic conditions, the availability of raw materials, competition, labor costs, freight and transportation costs, production costs, import duties and other trade restrictions. Our selling prices are also impacted by changes in commodity costs base our pricing of aluminum products based on the quoted price on the London Metals Exchange plus a manufacturing premium with the intention of aligning cost of our raw materials with selling prices to attempt to pass commodity price changes through to our customers.

We cannot accurately estimate the impact a one percent change in the commodity costs of would have on our results of operation, as the change in commodity costs would both impact the cost to purchase materials and our selling prices. The impact to our results of operations depends on the conditions of the market for our products, which could impact our ability to pass commodities costs to our customers.

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 and operating effectiveness 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 concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, were effective as of March 31, 2024, in order to provide reasonable assurance that the information disclosed in our reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

For the quarter ended March 31, 2024, there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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 5. Other Information

During the three months ended March 31, 2024, no director or officer adopted or terminated any (i) "Rule 10b5-1 trading arrangement," as defined in Item 408(a) of Regulation S-K intending to satisfy the affirmative defense conditions of Rule 10b5-1(c) or (ii) "non-Rule 10b5-1 trading arrangement," as defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32	<u>Certification of Chief Executive Officers pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>

101	Financial statements from the Quarterly Report on Form 10-Q of Tecnoglass Inc. for the quarter ended March 31, 2024, 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	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL 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: May 9, 2024

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jose M. Daes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tecnoglass Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

/s/ Jose M. Daes
Jose M. Daes
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Santiago Giraldo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tecnoglass Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

/s/ Santiago Giraldo

Santiago Giraldo
Chief Financial Officer
(Principal financial and accounting officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Tecnoglass Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission (the "Report"), the undersigned, in the capacities and on the date indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated May 9, 2024

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)
