MERCADOLIBRE 2Q14 EARNINGS CONFERENCE CALL SCRIPT

Date: August 7th, 2014

Part I: Introduction and Disclaimer – Investor Relations

Hello everyone, and welcome to the MercadoLibre earnings conference call for the quarter ended June 30th, 2014. I'm Martin de los Santos, the head of Investor Relations for MercadoLibre. Our senior manager presenting today is Pedro Arnt, Chief Financial Officer. Additionally, Osvaldo Gimenez, Executive VP of Payments will be available during today's Q&A session. This conference call is also being broadcast over the Internet and is available through the investor relations section of our website. [PAUSE]

I remind you that management may make forward-looking statements relating to such matters as continued growth prospects for the company, industry trends and product and technology initiatives. These statements are based on currently available information and our current assumptions, expectations and projections about future events. While we believe that our assumptions, expectations and projections are reasonable in view of the currently available information, you are cautioned not to place undue reliance on these forward-looking statements. Our actual results may differ materially from those discussed in this call, for a variety of reasons, including those described in the forward-looking statements and risk factors sections of our 10-K and other filings with the Securities and Exchange Commission, which are available on our investor relations website. Finally, I would like to remind you that during the course of this conference call we may discuss some non- GAAP measures. A reconciliation of those measures to the nearest comparable GAAP measures can be found in our second quarter 2014 earnings press release available on our investor relations website.[PAUSE]

Now let me turn the call over to Pedro.

Part II: Overview & Financial Results – Pedro Arnt

Thank you Martin. Good afternoon and welcome everyone to MercadoLibre's second quarter 2014 earnings call. We are pleased to provide an update on the company's operational and financial progress for the second quarter of 2014.

We made solid progress on all fronts over the last three months, growing our business on the basis of the substantial upgrades we are bringing our users as we integrate payments and shipping into their buying and selling, as we introduce new formats for the sale of specific products and brands, and as we perfect the user experience that we offer buyers across all screens. We are increasingly delivering a shopping experience that integrates all aspects of our ecosystem, and the added value to our users translates to solid business performance.

Let me start by giving you a quick snapshot of key metrics and areas of progress for the period. [PAUSE]

Reviewing key 2014 vs 2013 quarterly metrics for the second quarter:

- Registered users continued growing past the hundred million marker, now at 109.6 million registered users, up 21.5% year on year
- Successful items grew 18%, reaching 23.6 million items sold
- Gross merchandise volume surpassed $1.8 billion, up 67% in local currencies, and up 22% in local currencies when we exclude Venezuela
- Total payment transactions grew 40% to 10.3 million
- Total payment volume grew 77% in local currencies, growing to $785 million
- Revenue growth in local currencies came in at 66% YoY. Excluding our Venezuelan operations, revenue growth in local currencies came in at 47% YoY.

Additionally, during the quarter we made significant progress across our strategic initiatives. Mobile sales reached 16% of GMV, MercadoEnvios almost doubled its units shipped approaching a combined 3 million in Brazil and Argentina, and our "Mall" initiative continued to trend well as in the first quarter. This helped vertical categories gain share of volume from consumer electronics, as we onboarded brands to the mall at a faster pace than in the first quarter of the year. By the end of June we had 226 official stores. That's 141 more stores than last quarter.

[PAUSE]

What this illustrates is that we continue working diligently to deliver on all of our stated goals, advancing on our roadmap to offer the best online shopping experience in our region by combining the assets of our ecosystem into a comprehensive trading platform for buyers and sellers. We are uniquely positioned to deliver on this. Already providing the deepest selection across multiple product categories, we are also stretching across brand and merchant segments, delivering seamless payments and convenient shipping, both becoming the norm on MercadoLibre at a fast pace, and all the while delivering solid improvements to the customer service we offer.

- As previewed a moment ago, shipping is making strides, penetrating our GMVe at rates that exceed our expectations. Shipped units grew an impressive 91% quarter on quarter, reaching 8% of sold items in Argentina and 25% of sold items in Brazil by June.
- Payments also keep outpacing marketplace growth. Our 40% year on year growth in payment transactions accelerated versus 36% last quarter, and results from great momentum across all our MercadoPago country operations, Brazil leading the way robustly, with its own number of transactions also accelerating to 42% year on year. Total payment volume in local currencies accelerated across the board. On our platform, total payment volume grew 82%YoY in local currencies, vs 65% in the prior quarter. Off our platform, total payment volume grew 61%YoY in local currencies, vs 59% in the prior quarter, while our off-platform technology posted significant advances, better check out flows and new solutions for merchant partners. No doubt MercadoPago is a key facilitator for future e-commerce growth on and beyond our platform, and as it continues to expand at a faster pace than overall e-commerce, we are paving the way for higher transaction quality and frequency going forward.

[PAUSE]

In the second quarter we also kept developing our mobile and vertical capabilities, aware that a superlative online shopping experience must be customized by type of product and by type of screen.

- Our marketplace is adapting very well to new verticals as they kept gaining share of volume and as we diversify away from consumer electronics, while on the apparel front we onboarded new brands which by now include the likes of Reef, Prince, New Balance, Swatch, Puma and many more.

- When it comes to mobile, this quarter downloads of our native app continued to grow at a fast clip while we also made significant improvements to our web mobile experience, posting usability upgrades as we integrated buyer and registration flows on those screens, which also proved good for business, accelerating mobile web registrations and generating more purchases per registered user. These innovations brought total mobile registrations to a record 31% of all new user sign-ups in June.

[PAUSE]

- We also kept promoting our open platform, making our services increasingly accessible to third parties. These are, for example, developers building e-commerce tools, or first-party retailers wishing to integrate their ERP systems with our platforms. We are also having increasingly frequent interactions with third party integrators that offer their services directly to brands and retailers. By partnering with these integrators, be they credit facilitators, billing engines, marketing engines, or e-builders of online storefronts for name brands, we are generating a useful network and a bridge to large retail. Our open platform brought 27% of our new paid listings in June. At this time last year that contribution was 5%. We look forward to the continued growth of this initiative.

[PAUSE]

- Again, all this takes place while we redouble our efforts to provide world-class customer experience. In addition to devoting ample resources via dedicated staff and technology, we also track our progress. And the results are promising. Our Net Promoter Score increased by over 10 percentage points year on year during the second quarter.

[PAUSE]

At the core of all these initiatives we've just covered, is a commitment to a constant process of innovation and iteration that allows us to understand our users more and more as we go, transforming their experience for the better, and raising the bar in terms of quality and breadth of services in this nascent but rapidly growing e-commerce space. This commitment allows us to deepen our penetration in an e-commerce market that is growing, spanning new products categories, new services and new business models.

[PAUSE]

Now lets me make some comments on the corporate finance front:

- In April we completed the acquisition of Portal Inmobiliario, a real estate classifieds site with online market leadership in Chile, and a strong brand presence which will complement our own in Mexico. In both cases we see interesting sales and distribution capabilities that we can leverage across our entire ecosystem. Along with these strategic value points, we've added on a respected team of 161 employees, bringing MercadoLibre's total to over 2,300.

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- In June, MercadoLibre successfully strengthened its balance sheet with the completed issuance of $330 million in convertible notes maturing in 2019. A currently constructive market context for this type of issuance allowed us to achieve the most favorable end of the pricing terms: a 2.25% coupon and 37.5% conversion premium.
- The proceeds will allow us to take on future growth opportunities. We see the digital ecosystem in Latin America really coming of age and we are confident there will be interesting M&A opportunities over the next 5 years. This added cash gives us greater flexibility to move quickly when opportunities arise.

[PAUSE]

Moving onto our financial results for the second quarter, let me begin by reminding you that as of May 16, the Company adopted the SICAD 2 exchange rate in Venezuela, as reported in a press release on that date. The move confirms our commitment to full transparency, having been one of the earliest Corporate Issuers to adopt this exchange rate, which also reduces our overall financial exposure to the Venezuelan market. During the second quarter, the SICAD 2 rate traded within a tight range around 50 bolivars per U.S. dollar, considerably more devalued than our previously employed SICAD 1 rate, which was approximately 11 bolivars to the dollar in the first quarter. As a result, Venezuela's share of our total business has been reduced considerably, also mitigating Venezuelan macro impact on our results going forward.

Let me remind you also of the unusual items impacting the quarter, all related to the adoption of the SICAD 2 exchange rate in Venezuela. During the quarter, we've taken a one-time hit of $57.4 million which includes:

- A $49.5 million impairment on our long-lived fixed assets, primarily commercial real estate we own and either use or rent, remeasured at the SICAD2 exchange rate
- A forex loss of $16.5 million resulting from the devaluation of our local currency net monetary assets in Venezuela.
- A deferred income tax gain of $8.6 million derived from the loss on foreign exchange related to the revaluation of U.S. dollar-denominated liabilities during the quarter.

This covers the one-timers associated with the transition in exchange rate mechanisms in Venezuela.

Additionally, our business in Venezuela was also affected by the impact of re-measuring our Venezuelan P&L at SICAD2. During the second quarter, the first half of the period was re-measured at the SICAD1 rate of roughly $10 Bs. to the dollar, while the second half was re-measured at the SICAD2 rate, leaving the weighted average exchange rate for the quarter at approximately 18 bolivars to the dollar.

The third quarter will be the first quarter where SICAD2, which currently remains close to 50 bolivars to the dollar, would apply from start to finish. Therefore, all things equal, this implies further quarter on quarter FX headwinds in Venezuela for one more quarter, assuming the weighted average exchange rate remains at current levels.

Summarizing, we believe Venezuela's share of our business is more accurately reflected at SICAD2, and we have already been able to access the FX market at this rate, converting bolivares to dollars on a limited basis.

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With those clarifications out of the way, I will now call out our consolidated financial highlights, also providing pro-forma values where they apply, to better illustrate our performance excluding the one-timers just discussed:

- Net revenues were $131.8 million, 66% growth in local currencies and 18% growth in USD. Excluding Venezuela, Net Revenues grew 47% in local currencies and 22% in dollars.
- Income from operations was -$5.9 million. Excluding the one-off impairment charge due to the devaluation in Venezuela, Income from Operations would have been $43.6M, up 23% from $35.4M in Q2 of last year
- Net Income before Income/Asset Tax Expense was negative $19.1 million. Excluding the one-off impairment and FOREX loss due to the Venezuela devaluation, it would have been $46.9M, 15% higher than in Q2 of 2013
- Net income was negative $25.6 million, but would have been $31.8 million excluding the impairment, FOREX, and tax effects of the Venezuelan devaluation, up 5.9% from $30.0M in Q2 of 2013. All this resulting in earnings per share that were negative 58 cents for the quarter. Excluding the impacts of the devaluation in Venezuela, earnings per share for the quarter would have been 72 cents.

[LONG PAUSE]

Analyzing our topline growth for the quarter, consolidated revenues accelerated their year on year growth in USD and in local currencies. This happened despite a deceleration in sold items which we anticipated, as Latin America, along with the rest of the world, paused to enjoy the World Cup, and as we also faced Easter calendar headwinds.

Revenues derived specifically from our marketplace accelerated in local currencies in each of our top four countries and also on a consolidated basis as better monetization offset slower growth in sold units.

Brazil, for example, saw sold items slow their year on year growth by 4pp due to the World Cup, to 21%, with local currency marketplace revenues accelerating to 33% on the basis of monetization improvements.

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Turning to non-marketplace revenues, these grew 49% year on year in local currencies, with clear acceleration on a consolidated basis and also in each of our top four countries.

The main contributions to this growth came, in order of relevance, from:

- Financing revenues sustaining growth above 40% year on year in local currencies for the third consecutive quarter, driven by growth both on and off platform.
- MercadoPago processing revenues grew 62% in local currencies, driven by the solid growth of payments volume outside of our platform.
- Advertising revenues, though a small component of non-marketplace, also growing very well.

- The acquisition of Portal Inmobiliario provided a significant boost to growth in Classifieds Revenues, which was 39% year on year in local currencies.

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Overall, our total net revenues accelerated to 66% year over year growth in local currencies, also accelerating to 47% year on year excluding Venezuela. In addition, each of the major countries where we operate showed accelerating year on year growth in local currencies in their consolidated revenues, which were: 34% for Brazil, 76% for Argentina, 25% for Mexico, and 167% for Venezuela.

[LONG PAUSE]

Moving down our P&L:

Gross profit grew 18% year over year in the second quarter, to $95.5 million. Gross profit margin was 72.4% of revenues, versus 72.3% in the second quarter of 2013, and 72.7% in the first quarter of 2014.

139 bps of margin contraction due to growth in MercadoPago were offset by scale in certain Sales Taxes, Customer Experience and Fraud Prevention, leaving gross margins practically unchanged versus last year. [PAUSE]

Operating expenses for the period totaled $101.4 million, or $51.9 million excluding the one-off impairment charge from our Venezuela devaluation, which would imply a 14% apples to apples growth versus last year. Excluding the impairment charge, operating expenses would have been 39.4% of revenue in the second quarter, versus 40.7% in the same quarter last year, and 43.2% in the first quarter of this year.

Let me break this down for you line item by line item.

[PAUSE]

Sales & marketing grew 27% year over year to $26.5 million, or 20.1% of revenues, vs. 18.6% for the same period last year.

This growth represents a loss of 151 bps of margin primarily from 222 bps of higher chargeback costs, and 120 bps of additional on-line customer acquisition costs, which were partially offset by offline marketing scale since we did not renew the offline marketing campaign that was in full force during the second quarter of last year.

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Product Development expenses grew 20% to $11.7 million, representing 8.9% of revenues in the second quarter versus 8.7% in the same period last year and 10.6% in the first quarter of 2014.

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G&A decreased 9% year over year to $13.7 million, representing 10.4% of revenues, versus 13.4% a year ago and 13.2% in the first quarter of 2014. Year on year scale was driven by salaries and wages, accounting for 279 bps of improvement, 134 of which came from long-term retention plan.

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Finally, also included in OPEX was the aforementioned one-time charge of $49.5 million for impairment on our long-lived fixed assets remeasured at the SICAD2 exchange rate. Per U.S. GAAP, in hyperinflationary economies such as Venezuela this charge does not qualify as an extraordinary item and does not go below EBIT.

[PAUSE]

As a result, operating income for the quarter was negative $5.9M, or negative 4.5% of Revenues. However, excluding the one-time impairment charge, Operating Income would have been $43.6 million, or 33.1% of Revenues, versus 31.6% in the second quarter of 2013, and 29.5% last quarter.

Note that currency is a relevant driver for scale excluding the one-time impairment charge. Of the 150 bps improvement in EBIT margin year on year, approximately 180 bps can be attributed to the devaluation of the Argentine peso.

[PAUSE]

Below Operating Income, we benefited from $3.6 million of interest income, up 62% year on year thanks to higher interest rates on larger amounts invested versus a prior year quarter in which we realized certain losses on our portfolio. [PAUSE]

In our forex line, we saw a $16.0 million loss versus a $3.6 million gain in the second quarter last year. The adoption of SICAD 2 in Venezuela generates an FX loss of $16.5 million, which was partially offset by a small net increase in the value of our other forex holdings.

These effects led to a net income before taxes of negative $19.1 million, which would have been positive $46.9 million excluding the impairment charge and FOREX loss resulting from the devaluation in Venezuela, that is 15.1% above last year's second quarter.

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Income tax expense was $6.5 million in the second quarter. However, as they did with the switch to SICAD 1 last quarter, USD liabilities on Venezuela's balance sheet appreciated further this quarter, resulting in losses recognized under Venezuelan GAAP for a one-off tax benefit of $8.6 million. Excluding the devaluation's impacts on G&A, FOREX, and taxes, the blended tax rate for the first quarter would have been 32.2%.

[PAUSE]

Net income came in at negative $25.6 million or negative 19.4% of revenues in the second quarter, resulting in a basic net income per common share of negative 58 cents. Excluding the impairment charge, foreign exchange loss, and income tax effect resulting from Venezuela's devaluation, net income would have been $31.8 million, a margin of 24.1%, and an EPS of 72 cents.

Purchases of property, equipment, intangible assets, and acquired businesses net of cash acquired during the quarter totaled $41.6 million. For the period ended June, 2014, this resulted in Free cash flow, defined as cash from operating activities less payment for the acquisition of property, equipment, intangible assets and acquired businesses net of cash acquired, was $18.7 million, versus negative $6.2 million last year. Cash, short-term investments and long-term investments at the end of the quarter totaled $542.9 million.

Wrapping up, we declared our quarterly dividend of $7.3 million, or 16.6 cents per share, payable on October 15, 2014 to shareholders of record as of the close of business on September 30, 2014.

[PAUSE]

This concludes my review of the business for the second quarter. Summarizing what we've seen, the Company shows strong business drivers as we keep integrating key value components into our ecosystem, making them part of the core shopping experience that we offer. Our suite of services is working well together, and this is gradually improving the ease and convenience of buying and selling on MercadoLibre. As can be seen, our growing value proposition to users also clearly translates to the growth of our business and its financial health. I look forward to keeping you updated as we keep perfecting our entire platform to capture the huge opportunity implied in our region's budding e-commerce.