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MercadoLibre, Inc. to Report Venezuela Results at SICAD II Exchange Rate

BUENOS AIRES, Argentina, May 16, 2014 (GLOBE NEWSWIRE) -- MercadoLibre, Inc. (Nasdaq:MELI) (<http://www.mercadolibre.com>), Latin America's leading e-commerce technology company, announced today that it will no longer use Venezuela's SICAD 1 floating exchange rate, which is currently at 10 bolivars per U.S. dollar, and that the company has adopted the SICAD 2 floating rate of approximately 50 bolivars per U.S. dollar.

Pedro Arnt, Chief Financial Officer, commented, "MercadoLibre remains committed to our business in Venezuela, which continues to show consistent growth in underlying business metrics. At this moment, given the existence of an additional legal exchange rate, it makes sense for us to report our Venezuela segment at SICAD 2 in order to provide a more accurate representation of our earnings in the country."

Since January 24, MercadoLibre reported its Venezuela results at the SICAD 1 rate, which fluctuated between 10 and 11.8 bolivars per dollar, but the company was never able to access this rate to convert currency. MercadoLibre had previously used the official rate of 6.3 bolivars per dollar, the only published legal rate allowable for translation of currencies at the time according to U.S. GAAP.

Given its lack of access to the SICAD 1 rate and the greater likelihood of settling transactions at the SICAD 2 rate, MercadoLibre has determined that it will use SICAD 2 as the exchange rate to re-measure its bolivar-denominated monetary assets and liabilities and to re-measure the revenues and expenses of its Venezuelan subsidiaries, effective as of May 16.

As a result of this change, MercadoLibre expects to incur a one-time re-measurement charge between \$47 million and \$57 million dollars in the second quarter due to the write-down of all of its bolivar-denominated assets.

Furthermore, the company also expects to recognize a foreign exchange loss of between \$14.5 million and \$21.5 million and a deferred income tax gain of between \$6.5 million and \$9.5 million derived from the loss on foreign exchange related to the revaluation of its dollar-denominated liabilities during the second quarter of 2014.

Finally, MercadoLibre estimates that the change to SICAD 2 will reduce second quarter revenues from its Venezuelan segment by approximately \$12 million to \$18 million versus same period revenues had the change in exchange rate not occurred.

"Along with MercadoLibre's significant growth opportunities comes the volatility and uncertainty inherent to developing economies, and we manage our business to seize these opportunities over the long run. Venezuela is a major Latin American economy, one of the world's largest energy producers, and has a sizable and active internet population," Arnt concluded.

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