



MercadoLibre, Inc. Reports Financial Results for Fourth Quarter and Full Year 2008

Full Year Revenue Increases 61% to \$137.0 Million

Full Year Net Income Increases 94.1% to \$18.8 Million

Generates \$49.6 Million in Full Year Free Cash Flow

BUENOS AIRES, Argentina, Feb. 24, 2009 (GLOBE NEWSWIRE) -- MercadoLibre, Inc. (Nasdaq:MELI) (<http://www.mercadolibre.com>), host of the largest online commerce platform in Latin America, today reported financial results for the fourth quarter and full year ended December 31, 2008.

Marcos Galperin, President and Chief Executive Officer of MercadoLibre, Inc. commented, "Fiscal year 2008 was a very good year for us. We grew our business on a number of fronts, and despite the global economic slowdown in the latter months of the year, still produced a very solid fourth quarter and only moderately felt the impact of the macro economy on our business. As we enter a new fiscal year, we remain optimistic about our prospects as we remain well positioned to leverage the positive growth trends influencing Internet, broadband and PC penetration rates in Latin America. We believe these trends will allow us to capture additional revenue and grow our total presence as users and content evolve and improve over time."

Financial Results

Fourth Quarter Results Summary

MercadoLibre reported consolidated net revenues for the three months ended December 31, 2008 of \$33.4 million, representing a quarterly year over year growth rate of 24.4%. Revenue growth was solid in both the Marketplace and Payments businesses despite a challenging consumer environment and the unfavorable impact of foreign exchange rates changes throughout the quarter. Marketplace revenue grew 23.5% to \$26.0 million while Payments revenue grew 27.6% to \$7.4 million.

Gross profit grew 28.6% compared with the fourth quarter of 2007 to \$27.0 million. Gross profit margin expanded to 80.7% from 78.0% for the prior year period.

Income from operations grew 47.7% to \$11.2 million in the fourth quarter, compared to \$7.6 million in the fourth quarter of 2007. Operating income margin, defined as income from operations as a percentage of revenues, for the fourth quarter of 2008 was 33.4%.

Net income for the three-month period ending December 31, 2008 was \$7.9 million, an increase of 48.8% over the \$5.3 million of net income for the same period of 2007. Earnings per share for the quarter were \$0.18. Non GAAP net income for the quarter was \$4.8 million and Non GAAP earnings per share were \$0.11.

Full Year Results Summary

Revenue for the full year ended December 31, 2008 increased 61.0% to \$137.0 million compared with \$85.1 million for the full year ended December 31, 2007. Marketplace revenue for the full year 2008 grew 57.6% over 2007 to \$109.6 million while Payments revenue grew 75.8% to \$27.4 million.

Gross profit increased 63.8% to \$109.5 million from \$66.9 million from the prior year. Gross profit margin expanded to 79.9% from 78.5% for the prior year period.

Operating expenses were \$72.0 million in 2008, representing 52.5% of net revenues, compared to \$45.2 million during 2007, or 53.1% of revenues.

Income from operations increased 73.2% to \$37.5 million from \$21.7 million for the year ended December 31, 2007. Operating income margin for the full year increased to 27.4% from 25.4% for the previous year.

Other expenses increased to \$8.1 million during 2008, compared with other expenses of \$7.2 million in 2007.

The blended tax rate for the fiscal year 2008 was 36.1% compared with 32.8% for the prior year, while the effective tax rate for 2008 and 2007 was 27.7% and 33.2% respectively.

Net income for the full year ended December 31, 2008 was \$18.8 million, compared to \$9.7 million during 2007, an increase of 94.1%. Earnings per share for the year were \$0.43. Non GAAP net income for the year was \$18.7 million and Non GAAP earnings per share were \$0.42.

Net cash provided by operating activities for 2008 totaled \$54.5 million as compared to \$6.8 million for 2007, and increase of 706.6%. The main driver for improved operating cash generation was the discounting of credit card receivables from the Payments operation. Free cash flow, a non-GAAP metric defined as net cash provided by operating activities less property, plant and equipment investments, for 2008 totaled \$49.6 million compared to \$3.7 million for 2007.

As of December 31, 2008, cash and cash equivalents, short-term investments and long-term investments totaled \$58.3 million.

Key Performance Metrics

The following table summarizes certain key performance metrics for the year and quarter ended December 31:

(in millions)	Year ended December 31,		Three Months ended December 31,	
	2007	2008	2007	2008
Total confirmed registered users at end of period/year	24.9	33.7	24.9	33.7
New confirmed registered users during period/year	6.7	8.8	1.6	1.7
Gross merchandise volume	\$1,511.5	\$2,078.9	\$ 461.0	\$ 523.7
Successful items	17.5	21.1	4.8	5.8
Total payment volume	\$ 158.0	\$ 255.9	\$ 56.8	\$ 55.3
Total payment transactions	1.3	1.9	0.4	0.5

Conference Call and Webcast

MercadoLibre will host a conference call and audio webcast on February 24, 2009 at 4:30 p.m. Eastern Time. The conference call may be accessed by dialing 719-325-2159 and requesting inclusion in the call for MercadoLibre. The live conference call can be accessed via audio webcast at the investor relations section of the Company's website, at <http://investor.mercadolibre.com>. An archive of the webcast will be available for one week following the conclusion of the conference call.

Non-GAAP Financial Measures

This press release includes the following financial measures defined as "non-GAAP financial measures" by the Securities and Exchange Commission (SEC). See "Non GAAP Measures of Financial Performance" for more information about these measures.

Definition of Selected Operational Metrics

New confirmed registered users -- Measure of the number of new users who have registered on the MercadoLibre Marketplace and confirmed their registration.

Total confirmed registered users -- Measure of the cumulative number of users who have registered on the MercadoLibre

Marketplace and confirmed their registration.

Gross merchandise volume -- Measure of the total U.S. dollar sum of all transactions completed through the MercadoLibre Marketplace, excluding motor vehicles, vessels, aircraft, real estate, and services.

Successful items -- Measure of the number of items sold/purchased through the MercadoLibre Marketplace.

Total payment volume -- Measure of total U.S. dollar sum of all transactions paid for using MercadoPago.

Total payment transactions -- Measure of the number of all transactions paid for using MercadoPago.

Gross profit margin -- Defined as gross profit as a percentage of net revenues.

Operating margin -- Defined as income from operations as a percentage of net revenues.

Blended tax rate -- Defined as income and alternative income taxes plus deferred income tax as a percentage of pre-tax income.

Effective tax rate -- Defined as the provision for income taxes as a percentage of pre-tax income.

About MercadoLibre

MercadoLibre is the largest online commerce platform in Latin America. We are market leaders in e-commerce in each of Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela, based on unique visitors and page views during 2008. Additionally, we have recently launched online trading platforms in Costa Rica, the Dominican Republic and Panama. With a population of over 550 million people and a region with one of the world's fastest-growing Internet penetration rates, we provide buyers and sellers a robust online trading environment that fosters the development of a large and growing e-commerce community. We offer a technological and commercial solution that addresses the distinctive cultural and geographic challenges of operating an online trading platform in Latin America.

The MercadoLibre, Inc. logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=4193>

Forward-Looking Statements

Any statements contained in this press release that are not statements of historical fact, including statements about the company's beliefs and expectations, are forward-looking statements and should be evaluated as such. Such forward-looking statements reflect, among other things, the company's current expectations, plans, projections and strategies, anticipated financial results, future events and financial trends affecting the company's business, all of which are subject to known or unknown risk and uncertainties that may cause the company's actual results to differ materially from those expressed or implied by these forward-looking statements, including general market conditions, adverse changes in the company's markets and other risks disclosed in the company filings with the Securities and Exchange Commission. Because of the risks, uncertainties and assumptions, investors should not place undue reliance on any forward-looking statements.

Financial Tables

Consolidated balance sheets

	December 31, 2008	December 31, 2007
	-----	-----
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,474,112	\$ 15,677,407
Short-term investments	31,639,400	52,300,007
Accounts receivable, net	3,856,392	3,211,252
Funds receivable from customers	2,322,416	29,162,763
Prepaid expenses	426,869	283,477
Deferred tax assets	1,628,871	3,445,101

Other assets	2,953,164	894,163
	-----	-----
Total current assets	60,301,224	104,974,170
Non-current assets:		
Long-term investments	9,218,153	1,323,789
Property and equipment, net	5,940,160	4,143,204
Goodwill and intangible assets, net	72,911,546	23,428,646
Deferred tax assets	14,270	269,596
Other assets	8,353,396	353,395
	-----	-----
Total non-current assets	96,437,525	29,518,630
Total assets	\$156,738,749	\$134,492,800
	-----	-----
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 16,941,173	\$ 9,278,138
Funds payable to customers	14,727,891	16,418,177
Social security payable	4,387,943	3,778,236
Taxes payable	4,989,704	2,493,749
Loans payable and other financial liabilities	14,963,421	9,713,227
Provisions	299,753	69,979
	-----	-----
Total current liabilities	56,309,885	41,751,506
Non-current liabilities:		
Social security payable	339,854	--
Loans payable	3,050,061	--
Deferred tax liabilities	2,556,120	--
Other liabilities	1,058,848	1,068,155
	-----	-----
Total non-current liabilities	7,004,883	1,068,155
Total liabilities	\$ 63,314,768	\$ 42,819,661
	=====	=====
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.001 par value, 110,000,000 shares authorized, 44,070,367 and 44,226,563 shares issued and outstanding at December 31, 2008 and December 31, 2007, respectively	44,071	44,227
Additional paid-in capital	119,807,007	121,890,138
Accumulated deficit	(15,552,256)	(34,363,917)
Accumulated other comprehensive (loss) income	(10,874,841)	4,102,691
	-----	-----
Total shareholders' equity	93,423,981	91,673,139
	-----	-----
Total liabilities and shareholders' equity	\$156,738,749	\$134,492,800
	=====	=====

Consolidated statements of income

	Year Ended December 31,		
	2008	2007	2006
	-----	-----	-----
Net revenues	\$137,022,620	\$ 85,126,341	\$ 52,058,890
Cost of net revenues	(27,536,573)	(18,272,940)	(12,085,648)
Gross profit	109,486,047	66,853,401	39,973,242
Operating expenses:			
Product and technology development	(7,307,008)	(4,369,376)	(3,066,304)
Sales and marketing	(39,975,307)	(27,598,683)	(23,358,510)
General and administrative	(22,759,931)	(13,223,522)	(8,150,499)
Compensation Cost related to acquisitions	(1,919,870)	--	--
Total operating expenses	(71,962,116)	(45,191,581)	(34,575,313)
Income from operations	37,523,931	21,661,820	5,397,929
Other income (expenses):			
Interest income and other financial gains	1,822,385	1,609,403	520,508
Interest expense and other financial charge	(8,442,427)	(2,737,901)	(1,743,315)
Foreign currency loss	(1,531,144)	(3,106,515)	(391,981)
Other income (expenses), net	73,159	(3,006,416)	(1,468,220)
Net income before income / asset tax expense	29,445,904	14,420,391	2,314,921
Income / asset tax expense	(10,634,243)	(4,727,451)	(1,242,838)
Net income	\$ 18,811,661	\$ 9,692,940	\$ 1,072,083
	=====	=====	=====
Accretion of preferred stock	--	(309,299)	(494,878)
Net income available to common shareholders	\$ 18,811,661	\$ 9,383,641	\$ 577,205
	=====	=====	=====

Year Ended December 31,

2008 2007 2006 (1)

Basic EPS			
Basic net income per share	\$ 0.43	\$ 0.22	\$ 0.01
Weighted average shares	44,239,443	25,149,405	13,149,139
Diluted EPS			
Diluted net income per common share	\$ 0.42	\$ 0.22	
Weighted average shares	44,348,950	25,478,336	

(1) For the year ended December 31, 2006, the Diluted EPS is equal to the Basic EPS.

	Three Months Ended December 31,	
	2008	2007
Net revenues	\$ 33,449,739	\$ 26,893,586
Cost of net revenues	(6,460,230)	(5,903,630)
Gross profit	26,989,509	20,989,956
Operating expenses:		
Product and technology development	(2,089,803)	(1,212,344)
Sales and marketing	(9,070,276)	(7,969,681)
General and administrative	(4,671,508)	(4,253,290)
Compensation Cost related to acquisitions	--	--
Total operating expenses	(15,831,587)	(13,435,315)
Income from operations	11,157,922	7,554,641
Other income (expenses):		
Interest income and other financial gains	472,317	737,196
Interest expense and other financial charge	(4,988,757)	(1,049,625)
Foreign currency loss	4,158,793	(1,299,995)
Other income (expenses), net	31,286	--
Net income before income / asset tax expense	10,831,561	5,942,217

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Income / asset tax expense	(2,910,464)	(619,824)
	-----	-----
Net income	\$ 7,921,097	\$ 5,322,393
	=====	=====
Accretion of preferred stock	--	(61,860)
	-----	-----
Net income available to common shareholders	\$ 7,921,097	\$ 5,260,533
	=====	=====

	Three Months Ended December 31,	
	-----	-----
	2008	2007
	-----	-----
Basic EPS		
Basic net income per share	\$ 0.18	\$ 0.13
	=====	=====
Weighted average shares	44,264,906	41,226,563
	=====	=====
Diluted EPS		
Diluted net income per common share	\$ 0.18	\$ 0.13
	=====	=====
Weighted average shares	44,369,635	41,375,907
	=====	=====

Consolidated statements of cash flows

	Year Ended December 31,		
	2008	2007	2006
	-----	-----	-----
Cash flows from operations:			
Net income	\$ 18,811,661	\$ 9,692,940	\$ 1,072,083
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,335,673	2,307,649	2,016,939
Foreign currency gains	(7,827,112)	--	--
Interest expense	300,368	--	96,833
Realized gains on investments	(1,232,036)	(845,398)	(184,094)
Unrealized losses (gains) on investments	57,293	(228,877)	(46,926)
Stock-based compensation expense - stock options	4,719	15,477	33,223
Stock-based compensation expense - restricted			

shares	105,560	15,966	--
Stock-based compensation			
LTRP	839,303	--	--
Change in fair value of warrants	--	3,045,992	1,269,377
Deferred income taxes	446,287	(198,368)	(1,291,549)
Changes in assets and liabilities, excluding the effect of acquisitions:			
Accounts receivable	4,026,218	(736,431)	403,075
Funds receivable from customers	26,573,209	(15,517,486)	(6,026,226)
Prepaid expenses	(153,582)	56,399	(207,130)
Other assets	(1,415,575)	(967,264)	167,593
Accounts payable and accrued expenses	10,610,141	4,282,955	4,651,264
Funds payable to customers	2,294,847	5,423,976	4,704,108
Provisions	(1,277,664)	(274,101)	(559,734)
Other liabilities	(952,169)	689,154	59,518
Net cash provided by operating activities	54,547,141	6,762,583	6,158,354
	-----	-----	-----
Cash flows from investing activities:			
Purchase of investments	(110,056,368)	(75,267,070)	(4,944,956)
Proceeds from sale and maturity of investments	116,574,567	29,765,780	2,184,822
Payment for businesses acquired, net of cash acquired	(39,181,473)	--	--
Purchase of intangible assets	(58,238)	(28,748)	(346,365)
Purchases of property and equipment	(4,904,991)	(3,058,813)	(2,097,555)
	-----	-----	-----
Net cash used in investing activities	(37,626,503)	(48,588,851)	(5,204,054)
	-----	-----	-----
Cash flows from financing activities:			
Increase in short term debt	--	8,883,104	--
Decrease in short term debt	(9,137,223)	--	(2,058)
Loans paid	--	(9,000,000)	(3,000,000)
Repurchase of Treasury Stock	(2,598,223)	--	--
Stock options exercised	83,089	38,576	7,107
Exercise of warrants	--	749,991	--
Issuance of common stock	--	49,573,239	--
Net cash (used in) provided by financing activities	(11,652,357)	50,244,910	(2,994,951)
	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(3,471,576)	115,738	203,840
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents	1,796,705	8,534,380	(1,836,811)
Cash and cash equivalents,			

beginning of the year	15,677,407	7,143,027	8,979,838
	-----	-----	-----
Cash and cash equivalents, end of the year	\$ 17,474,112	\$ 15,677,407	\$ 7,143,027
	=====	=====	=====

Consolidated statements of cash flows

	Year Ended December 31,		
	2008	2007	2006
	-----	-----	-----
Supplemental cash flow information:			
Cash paid for interest	\$ 7,138,402	\$ 1,572,909	\$ 851,667
Cash paid for income taxes	7,921,206	3,864,908	1,916,975
Non-cash financing activities:			
Accretion of preferred stock	\$ --	\$ 309,299	\$ 494,878
Conversion of mandatorily redeemable convertible preferred stock into common stock	--	64,385,844	--
Reclassifications of warrants	--	4,636,456	--
Acquisition of DeRemate and Classified Media Group:			
Cash and cash equivalents	\$ 691,632	\$ --	\$ --
Funds receivable from customers	117,473	--	--
Accounts receivable	6,569,098	--	--
Tax credits	604,419	--	--
Other current assets	918,856	--	--
Non current assets	504,927	--	--
	-----	-----	-----
Total assets acquired	9,406,405	--	--
	-----	-----	-----
Accounts payable and accrued expenses	4,578,830	--	--
Funds payable to customers	146,191	--	--
Taxes payable	1,204,479	--	--
Social security payable	395,112	--	--
Other liabilities	1,590,371	--	--
Non current liabilities	14,000	--	--
Provisions	1,548,391	--	--
	-----	-----	-----
Total liabilities assumed	9,477,374	--	--
	-----	-----	-----
Net assets acquired	(70,969)	--	--
	-----	-----	-----
Goodwill	52,638,036	--	--
Trademarks	5,622,188	--	--
Customer lists	1,227,600	--	--
Non compete agreement	573,484	--	--
Deferred income tax			

on intangible assets	(2,598,145)	--	--
Total purchase price	57,392,194	--	--
Cash and cash equivalents acquired	(691,632)	--	--
Payment for businesses acquired, net of cash acquired	\$ 39,181,473	\$ --	\$ --
Seller financing for DeRemate business acquisition	\$ 17,519,088	\$ --	\$ --

The following tables summarize the financial results of our reporting segments

	Year Ended December 31, 2008			
	Marketplaces			
	Brazil	Argentina	Mexico	Venezuela
Net revenues	\$ 50,509,927	\$ 18,254,621	\$ 12,473,883	\$ 21,972,235
Direct costs	(32,367,689)	(8,710,260)	(7,909,615)	(11,455,690)
Direct contribution	18,142,238	9,544,361	4,564,268	10,516,545
Operating expenses and indirect costs of net revenues				
Income from operations				
Other income (expenses):				
Interest income				
Interest expense and other financial results				
Foreign exchange				
Other expenses, net				
Net Income before Income Tax				

Year Ended December 31, 2008

	Marketplaces			
	Other Countries	Total	Payments	Consolidated
Net revenues	\$ 6,369,110	\$ 109,579,776	\$ 27,442,844	\$ 137,022,620
Direct costs	(4,184,086)	(64,627,340)	(16,125,594)	(80,752,934)
Direct contribution	2,185,024	44,952,435	11,317,250	56,269,686
Operating expenses and indirect costs of net revenues				(18,745,754)
Income from operations				37,523,932
Other income (expenses):				
Interest income				1,822,385
Interest expense and other financial results				(8,442,427)
Foreign exchange				(1,531,144)
Other expenses, net				73,160
Net Income before Income Tax				\$ 29,445,906

Year Ended December 31, 2007

	Marketplaces			
	Brazil	Argentina	Mexico	Venezuela
Net revenues	\$ 37,560,419	\$ 11,342,792	\$ 9,628,121	\$ 7,084,995
Direct costs	(24,079,798)	(5,657,006)	(6,339,762)	(2,713,470)
Direct contribution	13,480,621	5,685,786	3,288,359	4,371,525
Operating expenses				

and indirect
costs of net
revenues
Income from
operations

Other income
(expenses):
Interest
income
Interest
expense and
other
financial
results
Foreign
exchange
Other
expenses,
net

Net Income
before income
/ asset tax
expense

Year Ended December 31, 2007

	Marketplaces			
	Other Countries	Total	Payments	Consolidated
Net revenues	\$ 3,901,190	\$ 69,517,517	\$15,608,824	\$ 85,126,341
Direct costs	(3,434,102)	(42,224,138)	\$(10,509,002)	(52,733,140)
Direct contribution	467,088	27,293,379	5,099,822	32,393,201
Operating expenses and indirect costs of net revenues				(10,731,381)
Income from operations				21,661,820
Other income (expenses):				
Interest income				1,609,403
Interest expense and other financial results				(2,737,901)

Foreign exchange	(3,106,515)
Other expenses, net	(3,006,416)

Net Income before income / asset tax expense	\$ 14,420,391
	=====

Three Months Ended December 31, 2008

	Marketplaces			
	Brazil	Argentina	Mexico	Venezuela
	-----	-----	-----	-----
Net revenues	\$ 10,062,014	\$ 5,070,476	\$ 2,864,378	\$ 6,390,457
Direct costs	(6,127,876)	(2,325,166)	(1,678,670)	(3,314,515)
	-----	-----	-----	-----
Direct contribution	3,934,138	2,745,310	1,185,708	3,075,942
Operating expenses and indirect costs of net revenues				
Income from operations				
Other income (expenses):				
Interest income				
Interest expense and other financial results				
Foreign exchange				
Other expenses, net				
Net Income before Income Tax				

Three Months Ended December 31, 2008

Marketplaces

	Other Countries	Total	Payments	Consolidated
Net revenues	\$ 1,659,115	\$ 26,046,440	\$ 7,403,299	\$ 33,449,739
Direct costs	(1,241,169)	(14,687,396)	(3,311,230)	(17,998,626)
Direct contribution	417,946	11,359,044	4,092,069	15,451,113
Operating expenses and indirect costs of net revenues				(4,293,191)
Income from operations				11,157,922
Other income (expenses):				
Interest income				472,317
Interest expense and other financial results				(4,988,756)
Foreign exchange				4,158,793
Other expenses, net				31,286
Net Income before Income Tax				\$ 10,831,562

Three Months Ended December 31, 2007

	Marketplaces			
	Brazil	Argentina	Mexico	Venezuela
Net revenues	\$ 11,253,902	\$ 3,482,976	\$ 2,710,341	\$ 2,403,038
Direct costs	(6,972,636)	(1,669,608)	(1,841,322)	(860,120)
Direct contribution	4,281,266	1,813,368	869,019	1,542,918
Operating expenses and indirect costs of net revenues				
Income from				

operations

Other income
(expenses):
Interest
income
Interest
expense and
other
financial
results
Foreign
exchange
Other
expenses,
net

Net Income
before Income
Tax

Three Months Ended December 31, 2007

	Marketplaces			
	Other Countries	Total	Payments	Consolidated
Net revenues	\$ 1,243,193	\$ 21,093,450	\$ 5,800,136	\$ 26,893,586
Direct costs	(975,378)	(12,319,064)	(3,735,078)	(16,054,142)
Direct contribution	267,815	8,774,386	2,065,058	10,839,444
Operating expenses and indirect costs of net revenues				(3,542,217)
Income from operations				7,297,227
Other income (expenses):				
Interest income				737,196
Interest expense and other financial results				(792,212)
Foreign exchange Other expenses,				(1,299,994)

net	--

Net Income	
before Income	
Tax	\$ 5,942,217
	=====

Non-GAAP Measures of Financial Performance

This press release includes certain non-GAAP financial measures as defined under Securities and Exchange Commission (SEC) Rules to supplement the company's consolidated financial statements presented in accordance with generally accepted accounting principles, or GAAP.

These measures are not in accordance with, or an alternative to, measures prepared in accordance with GAAP and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with MercadoLibre's results of operations as the corresponding GAAP measures.

Reconciliation to the most comparable GAAP measure of all non-GAAP financial measures included in this press release can be found in the tables included at the end of this press release.

These non-GAAP measures are provided to enhance investors overall understanding of the company's current financial performance. Specifically, the company believes the non-GAAP measures provide useful information to both management and investors by excluding certain non-recurring compensation expenses and unusual foreign currency effects that may not be indicative of its core operating results, thereby enhancing an investor's ability to make period over period comparisons of the company's results. The company believes the inclusion of these non-GAAP measures provides an element of consistency in the company's financial reporting and uses these measures in internal budgets and models and in determining executive compensation benchmarks.

EBITDA is a common financial measure defined by MercadoLibre as income from operations plus depreciation and amortization.

Free cash flow is defined by MercadoLibre as net cash provided by operating activities less property, plant and equipment investments.

In this press release MercadoLibre also includes each of income from operations, net income, earnings per basic and diluted share, EBITDA, blended and effective tax rates and certain margin percentages for the year and quarter ended December 31, 2008 after excluding (or adding back) the following charges required by GAAP:

Compensation Costs Related to Acquisitions: This amount relates to the purchase price of the shares of CMG and its subsidiaries. Under EITF 95-8 "Accounting for Contingent Consideration Paid to the Shareholders of an Acquired Enterprise in a Purchase Business Combination", we have recognized a contingent consideration paid to former shareholders as compensation for services. Total compensation paid in cash amounts to \$1,919,870, for the year ended December 31, 2008. This compensation was paid out in the second quarter of 2008. The following tables show a reconciliation of this exclusion from the GAAP measures to the non GAAP measures.

Long term retention plan compensation: On August 8, 2008, the Board of Directors approved a long-term employee retention program for certain executives based on 2008 performance that will be payable 50% in cash and 50% in MercadoLibre common stock, in addition to their annual salary and bonus. Payments will be made during the first quarter on an annual basis according to the following vesting schedule: year 1 (2009): 17%, year 2 (2010): 22%, year 3 (2011): 27%, year 4 (2012): 34%. The cost for each year is accrued in the full fiscal year immediately preceding the payment date according to the same payment schedule. For example, 17% of the cost of the program was taken by MercadoLibre in 2008.

The US GAAP compensation cost is recognized in accordance with the graded-vesting attribution method and is accrued up to each payment day. The non-GAAP measures for 2008 were calculated based on the simple vesting schedule described above, in which 17% of the cost of the plan vests during the first year. The following tables show a reconciliation of this cost from the GAAP measures to the non-GAAP measures.

Venezuelan foreign currency re-measurement effect: This amount relates to re-measurement of assets and liabilities in U.S. dollars in the Venezuelan statutory Financial Statements. Based on paragraph 27 of FAS 52 "Foreign Currency Translation", the Venezuelan subsidiaries have re-measured the assets and liabilities outstanding at December 31, 2008 in U.S. dollar balances at the parallel exchange rate and translated them to the official exchange rate. The following tables exclude the

plan compensation net of tax effect	407,747	--	188,867	--
Venezuelan foreign currency re-measurement effect	(2,390,963)	--	(3,292,033)	--
Compensation costs related to acquisitions	1,919,870	--	--	--

Non-GAAP net income	\$ 18,748,317	\$ 9,692,940	\$ 4,817,932	\$ 5,322,393

Basic net income per common share:	\$ 0.43	\$ 0.22	\$ 0.18	\$ 0.13

Non-GAAP basic net income per common share:	\$ 0.42		\$ 0.11	

Shares used in basic net income per share calculation:	44,239,443	25,149,405	44,264,906	41,226,563

Diluted net income per common share	\$ 0.42	\$ 0.22	\$ 0.18	\$ 0.13

Non-GAAP diluted net income per common share:	\$ 0.42		\$ 0.11	

Shares used in diluted net income per share calculation:	44,348,950	25,478,336	44,369,635	41,375,907

Year Ended Dec. 31,		Three Months Ended Dec. 31,		

	2008	2007	2008	2007
Income and asset tax expense	\$ 10,634,243	\$ 4,727,451	\$ 2,910,464	\$ 619,824
Income taxes related with long term retention plan compensation	68,061	--	36,536	--
Income taxes related with Venezuelan foreign currency effects	(1,231,708)	--	(1,695,896)	--
Non-GAAP income and asset tax expense	\$ 9,470,596	\$ 4,727,451	\$ 1,251,104	\$ 619,824
Income before income taxes	\$ 29,445,906	\$ 14,420,391	\$ 10,831,561	\$ 5,942,217
Long term retention plan compensation	475,808	--	255,416	--
Venezuelan foreign currency re-measurement effect	(3,622,671)	--	(4,987,928)	--
Compensation costs related to acquisitions	1,919,870	--	--	--
Non-GAAP income before income taxes	\$ 28,218,913	\$ 14,420,391	\$ 6,099,049	\$ 5,942,217
Blended tax rate (1)	36.1%	32.8%	26.9%	10.4%
Non-GAAP Blended tax rate (1)	33.6%	32.8%	20.5%	10.4%
Effective tax rate (2)(3)	27.7%	33.2%	9.17%	20.4%
Non-GAAP Effective tax rate (2)(3)	29.1%		16.9%	

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- 1) Blended tax rate defined as income and asset tax expense as a percentage of income before income and asset tax
 - 2) Effective income tax rate defined as the provision for income taxes as a percentage of income before income tax
 - 3) The effective tax rate does not include the effect of the Mexican Tax call Impuesto Empresarial a Tasa Unica (IETU)

	----- Year Ended Dec. 31, -----	
	2008	2007

Net cash provided by operating activities	\$ 54,547,141	\$ 6,762,583
Compensation costs related to acquisitions	1,919,870	--

Non-GAAP net cash provided by operating activities	\$ 56,467,011	\$ 6,762,583

Net cash used in investing activities	\$(37,626,503)	\$(48,588,851)
Purchase of intangible assets	(1,919,870)	--

Non-GAAP net cash used in investing activities	\$(39,546,373)	\$(48,588,851)

	----- Year Ended Dec. 31, -----	
	2008	2007

Net cash provided by operating activities	\$ 54,547,141	\$ 6,762,583
Less: Purchase of property and equipment, net	\$ (4,904,991)	\$ (3,058,813)

Free cash flow	\$ 49,642,150	\$ 3,703,769

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