MERCADOLIBRE 2Q16 EARNINGS CONFERENCE CALL SCRIPT

Date: August 4th, 2016

Part I: Introduction and Disclaimer – Investor Relations

Hello everyone, and welcome to the MercadoLibre earnings conference call for the quarter ended June 30th, 2016. I am Federico Sandler, Head of Investor Relations for MercadoLibre. Our senior manager presenting today is Pedro Arnt, Chief Financial Officer. Additionally, Marcos Galperin, Chief Executive Officer, and Osvaldo Giménez, Executive VP of Payments will be available during today's Q&A session. This conference call is also being broadcasted over the Internet and is available through the investor relations section of our website.

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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 2016 earnings press release available on our investor relations website.

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Now let me turn the call over to Pedro.

Part II: Overview & Financial Results – Pedro Arnt

Thanks Federico, welcome everyone to our second quarter conference call for 2016.

I'd like to start the call by saying that the second quarter of 2016 was one of our strongest quarters ever. Not only have we maintained high growth rates on key operational and financial metrics by executing well, but we are also pleased to report that our enhanced marketplace vision continues to consolidate in our larger markets, and, perhaps more importantly, is starting to materialize outside of those main geographies. The incremental adoption of our suite of solutions that make buying, selling, collecting and paying online easier, beyond Argentina and Brazil, is resulting in acceleration of our business performance in countries like Mexico and Colombia as well.

With that headline as context, let me now walk you through some of our key high level operational metrics, from a consolidated perspective:

For the second quarter of 2016:

- Items sold growth accelerated to 45% year over year, reaching 43.7 million units sold, and recording the highest growth since 2009.
- Gross merchandise volume reached $2 billion dollars, and excluding our Venezuelan operations, grew 57% on an FX neutral basis.
- Total payment transactions grew 76% to 32 million.
- Total payment volume doubled on an FX neutral basis, reaching $1.8 billion dollars and represented over 90% of our Gross Merchandise Volume for the quarter.
- And finally, registered users were up 27% year on year, after we added 7.1 million new users during the quarter.

As we look forward to the rest of the year, we believe that this quarter's results confirm the sustained momentum of our business, pointing a clear path for our company through the remainder of 2016: continuing to execute on our vision that a marketplace with deeply integrated payments, credit, shipping and fulfillment solutions generates a virtuous cycle of volume growth, improved user engagement, and opportunities to then port those marketplace solutions off-marketplace, turning them into vibrant stand alone businesses. This is what we will be investing in, and focusing on.

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Moving on to some more granular metrics, Brazilian GMV accelerated on an FX neutral basis to a robust 64% vs. 61% in the first quarter of 2016. Units sold in Brazil also accelerated over ten percentage points to 57% up from 46% the prior quarter. Argentina also delivered strong results. Items sold in the country continue to grow at a solid 46% year on year rate, while GMV growth on an FX neutral basis local currency was 69%.

Our Mexican operation was one of the highlights of the quarter. Units sold grew to a multi-year high of 32%, accelerating from 17% last quarter. Revenues in local currency grew 35% year on year, almost 15 percentage points above its three-year compounded annual growth rate. Colombia is also delivering solid results. Units sold grew 26% vs. 21% during the first quarter of 2016, and on an FX neutral basis revenues grew 55%, one of the highest growth rates on record.

Product selection also continues to deepen as our efforts in simplifying our pricing structure combined with the rollout of our freemium strategy into other countries continues to increase supply. The number of live listings being offered in MercadoLibre accelerated for the second consecutive quarter to 73%, reaching 63 million listings.

We continue to make strides on the user engagement front as well. We've successfully continued to stimulate demand and provide vibrancy across our marketplaces. As a result, unique buyers have accelerated for the third consecutive quarter to 26% year on year, while new buyers also accelerated their growth rate for the second consecutive quarter. Also encouraging is the fact that these cohorts of new buyers, who have typically had a first purchase on MercadoLibre that already includes our integrated payments and shipping solutions are showing higher repeat usage rates, net promoter scores, and, consequently, lifetime value metrics.

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Another area of strategic focus for us is the advance of our mobile platform. Penetration of mobile as a percentage of our gross merchandise volume increased 10 percentage points in the last year alone. Mobile remains accretive to the platform as well, as new registrations from either mobile or web apps continue to grow its mix of our total new users registering on the site. Finally, we are pleased to report that on an FX neutral basis, mobile GMV grew 113% year on year during the second quarter.

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MercadoPago had another outstanding quarter, and hit important milestones. Exiting the quarter, on platform penetration reached 75% vs. 57% a year ago, mainly as a result of the success we've had in initiatives that promote the pace of adoption of our payments solution on our platforms with a strong development there in Mexico and Argentina. MercadoPago on platform penetration doubled from where it was a year ago in Mexico, reaching 60%, while Argentina increased almost 20 percentage points during the same period to 72%. Colombia and Chile are delivering promising results as well with penetration reaching 44% and 24% respectively.

Our merchant service business continues to fire on all cylinders as well, as the second quarter was the fifth consecutive quarter of triple digit growth in that revenue line. As one of the fastest growing segments within MELI, FX neutral revenues grew on a consolidated basis

102% year on year, as we continue to execute well on initiatives such as open platform integrations, special dates, and commercial efforts. In line with that, our Mobile POS initiative in Brazil is exceeding expectations in terms of share of Total Payment Volume being transacted off platform through those devices, and we expect to launch those initiatives in Mexico and Argentina during the second half of the year.

Lastly, during the month of June, we fully launched our MercadoPago payments solution in Peru. We expect this launch to serve as a powerful tool for users in that country to reduce friction and increase engagement within our ecosystem, while at the same time onboarding merchants who conduct e-commerce outside our marketplace.

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Shipping continues to play an ever important role in growing engagement metrics and is a key element of our enhanced marketplace vision. As MercadoEnvíos gains adoption in markets beyond Brazil, units shipped grew 104% year on year to 20.3 million units. Colombia was a highlight in this segment, as adoption is already at ¼ of shipped items within only a year of launch, and is showing world class service levels in terms of average delivery times. Additionally, MercadoEnvíos in Chile is showing encouraging advances in terms of penetration and adoption after its launch during the first quarter of this year.

Argentina also continues to make strides in our ongoing efforts to improve the shipping offering and experience. Within only nine months of official launch, our cross docking partners already account for close to 10% of items shipped on our platform in the country. This contributes to reignite growth of overall shipping penetration, as these operations improve the overall experience, as they allow us greater control over not only the shipping, but also the picking and handling of these orders. As a consequence, shipping adoption in Argentina has gained 7 percentage points in the last year, reaching 31% of units sold.

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Continuing on to our advertising efforts, we remain enthusiastic and encouraged by the progress we have achieved on this front. Our Product ads solution, that has found formats that seamlessly integrate advertising into our mobile and web properties, continues to deliver a superior advertising solution. These new ad formats continue to provide improved click through rates to our advertisers without negatively affecting conversion rates of our core marketplace. Additionally, during this quarter, we have seen confirmation that we are successfully transitioning these new formats onto mobile use cases as well. Mobile Product ads in particular were a highlight, as this advertising solution already represents 50% of total advertising revenues.

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Finally, our focus in developing a differentiated customer service experience continues to deliver positive results as well. With our investments and pace of execution in the area we saw NPS rise once again, and now, contact rates are also falling to record low levels as customers are requiring less and less assistance, a positive sign that transactions are increasingly occurring with absolutely no hick-ups for our users.

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As I have just outlined, the performance of key indicators of our business continue to show strength, giving us confidence that we are adequately managing our financial model, and allocating capital in the correct manner. Going forward, we will continue to invest in this disciplined-yet-aggressive manner behind initiatives that we believe have the potential to solidify our competitive position, allow us to gain market share, grow user engagement and satisfaction, and keep us at the cusp of technological innovation. These are the elements we believe will be the key to our long term success.

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So now, let's now take a quick look at our bottom line results and margin structures as we do every quarter. Greater detail can be found in the accompanying presentation to these prepared remarks.

On an FX neutral basis, marketplace & non marketplace revenue showed solid growth. Total MELI Marketplace revenues grew 67% year on year, and have been growing north of 50% for the past 11 quarters. Non marketplace revenues grew 82%, the 8th quarter of year on year growth above 70%.

Excluding Venezuela on an FX neutral basis, total revenues grew by a solid 68% year on year. In USD revenues grew by an equally robust 29%, the highest rate of growth on multiyear high unit volume sales. Mexico's performance is worth noting here as well, as marketplace local currency revenue accelerated to the highest level in 4 years to 30% YoY.

As mentioned earlier, non-marketplace revenues continued to outperform during the quarter. Main contributors to growth in order of relevance, came from the following initiatives

- MercadoPago processing growing at 102% year on year in constant currency.
- Financing Fees accelerating in local currencies to 74% year on year aided by the continued adoption of interest free listings.
- Shipping Revenues accelerating to 101% year on year as adoption of our shipping solution in countries beyond Brazil continues to scale.
- And finally, advertising revenues contributed to higher non marketplace revenue growth as well, growing at 124% year on year on an FX neutral basis.

Aggregating marketplace and non-marketplace revenue growth resulted in net revenues of $200 million dollars, a growth of 73% year over year on an FX neutral basis, and the first quarter ever where we hit the $200M dollar mark! On a country by country basis, marketplace and non-marketplace revenue growth for the second quarter, on an FX neutral basis was the following: Argentina 77% and 110%, Brazil 53% and 72%, Mexico 30% and 43%, Colombia 51% and 60%.

Gross profit for the second quarter of 2016 was $126.3 million. Gross profit margin was 63.3%, compared to 67.4% in the second quarter of 2015 and 64.8% during the first quarter. The 350 bps of margin contraction are explained by increases in processing fees and sales taxes as MercadoPago and MercadoEnvíos gain share of revenues, as well as costs related to sales of our Mobile POS payment devices. The remaining 50 bps of margin contraction are attributable to investments in strengthening our customer service operations and and hosting and cloud services fees.

Moving on to OPEX, and before giving out the specific details, a note on Venezuela during the quarter. The country had strong currency devaluation, as the SIMADI exchange rate increased from 273 BsF per US Dollar to 628 BsF per US Dollar, a 57% decline. As a result of this, and taking our traditionally prudent approach, we recorded a $16.9 million dollar loss in the quarter that includes an impairment charge on long lived assets (primarily real estate) of $13.7 million dollars, and a foreign exchange loss of $4.9 million dollars, partially offset by deferred income tax gains of $1.7 million dollars.

Regardless of these charges, we feel bottom line results were robust. Total operating expenses ascended to $94.1 million dollars, up 35.7% from last year's second quarter on an as reported basis.

Breaking down OPEX lines, results were the following:

- Sales & Marketing grew less than revenues, at 21% year on year to $35.3 million dollars, or 17.7% of revenues.
- Product Development Expenses, a key area of investment for us also grew less than revenues, at 23% to $24.2 million dollars, representing 12.1% of revenues.
- General & Administrative expenses totaled $34.6 million dollars, a 68% increase including the impact of the Venezuelan write off, representing 17.3% of revenues.
    - Within this G&A number, operating expenses related to the Venezuelan impairment were 13.7 million.

Consequently, on an as reported basis, operating income for the quarter was $32.2 million dollars, down 7.1% versus last year.

Below operating income we incurred a $6.6 million dollar loss in financial expenses mostly corresponding to interest accrual on the convertible bond we issued in mid 2014.

Interest income was $8 million dollars, up 75% year on year explained by improving yields on locally invested cash positions and increases in interest rates.

Further down, our forex line was negative $5.4 million, mainly due to the depreciation of our net monetary asset position in local currency in Venezuela.

Income tax expense was $12.4 million dollars during the quarter, yielding a blended tax rate for the period of 44%. Excluding the impact of the Venezuelan impairments on G&A, forex and tax, the blended tax rate for the second quarter would have been 30%.

As a result of all this, as reported Net income came in at $15.9 million dollars or 7.9% of revenues in the second quarter, resulting in basic net income per common share of 36 cents.

Before I wrap up, let me break down for you what the results would have looked like, excluding the impact of the Venezuelan write offs that occurred during the quarter: operating income would have increased 33% to 45.9 million dollars, representing 23% of revenues, versus 22.4% a year ago, and 19.3% during the first quarter of 2016. Net income would have been $32.7 million dollars, a margin of 16.4%, and an earnings per share of 74 cents, vs 12.6% and 44 cents a year ago respectively.

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Purchases of property and equipment, intangible assets, advances for fixed assets and payments for businesses acquired, net of cash acquired totaled $27.6 million dollars during the quarter. For the period ended on June 30th, therefore, free cash flow, was $29.0 million dollars.

And now, wrapping up, we declared our quarterly dividend of $6.6 million dollars, or 15 cents per share, payable on October 14th, 2016 to shareholders of record as of the close of the close of business on September 30, 2016.

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This concludes our financial review and operational metrics overview for the quarter. We strongly believe the results validate that Mercado Libre is on the forefront of innovation when it comes to delivering world class technology solutions in commerce, and they also give us the determination that we can continue to execute well when it comes to meeting the demands that our increasingly sophisticated user base requires. We'll continue working with a balanced and disciplined approach to scaling the business for the long term, while also trying to capitalizing to the fullest on the strong secular trends our region and industry offers.

And now, we'd like to take your questions…