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, 2019

-OR-

☐ **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 001-33647

MercadoLibre, Inc.
(Exact name of Registrant as specified in its Charter)

Delaware	98-0212790
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Arias 3751, 7th Floor
Buenos Aires, Argentina, C1430CRG
(Address of registrant's principal executive offices)

(+5411) 4640-8000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 requirements 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, 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 ☒
Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value per share	MELI	Nasdaq Global Select Market

APPLICABLE ONLY TO CORPORATE ISSUERS:
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
49,318,513 shares of the issuer's common stock, $0.001 par value, outstanding as of May 1, 2019.

MERCADOLIBRE, INC.
INDEX TO FORM 10-Q

MercadoLibre, Inc.
Interim Condensed Consolidated Financial Statements
as of March 31, 2019 and December 31, 2018
and for the three-month periods
ended March 31, 2019 and 2018

MercadoLibre, Inc.
Interim Condensed Consolidated Balance Sheets
As of March 31, 2019 and December 31, 2018
(In thousands of U.S. dollars, except par value)
(Unaudited)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 1,295,886	$ 440,332
Restricted cash and cash equivalents	10,375	24,363
Short-term investments (238,029 and 284,317 held in guarantee)	1,648,457	461,541
Accounts receivable, net	34,524	35,153
Credit cards receivable, net	308,468	360,298
Loans receivable, net	134,640	95,778
Prepaid expenses	24,132	27,477
Inventory	3,003	4,612
Other assets	60,968	61,569
Total current assets	3,520,453	1,511,123
Non-current assets:		
Long-term investments	275,432	276,136
Property and equipment, net	188,956	165,614
Operating lease right-of-use assets	153,499	—
Goodwill	89,827	88,883
Intangible assets, net	17,683	18,581
Deferred tax assets	160,846	141,438
Other assets	41,464	37,744
Total non-current assets	927,707	728,396
Total assets	$ 4,448,160	$ 2,239,519
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 246,767	$ 266,759
Funds payable to customers	680,746	640,954
Salaries and social security payable	76,123	60,406
Taxes payable	34,414	31,058
Loans payable and other financial liabilities	141,162	132,949
Operating lease liabilities	12,585	—
Other liabilities	56,418	34,098
Total current liabilities	1,248,215	1,166,224
Non-current liabilities:		
Salaries and social security payable	31,827	23,161
Loans payable and other financial liabilities	602,061	602,228
Operating lease liabilities	143,047	—
Deferred tax liabilities	97,006	91,698
Other liabilities	13,258	19,508
Total non-current liabilities	887,199	736,595
Total liabilities	$ 2,135,414	$ 1,902,819
Redeemable convertible preferred stock, $0.001 par value, 40,000,000 shares authorized, 100,000 shares issued and outstanding at March 31, 2019 (Note 10)	$ 98,688	$ —
Equity		
Common stock, $0.001 par value, 110,000,000 shares authorized, 49,318,498 and 45,202,859 shares issued and outstanding at March 31, 2019 and December 31, 2018	$ 49	$ 45
Additional paid-in capital	2,097,142	224,800
Retained earnings	509,455	503,432
Accumulated other comprehensive loss	(392,588)	(391,577)
Total Equity	2,214,058	336,700
Total Liabilities, Redeemable convertible preferred stock and Equity	$ 4,448,160	$ 2,239,519

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

MercadoLibre, Inc.
Interim Condensed Consolidated Statements of Income
For the three-month periods ended March 31, 2019 and 2018
(In thousands of U.S. dollars, except for share data)
(Unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Net revenues	$ 473,770	$ 320,976
Cost of net revenues	(236,766)	(158,218)
Gross profit	237,004	162,758
Operating expenses:		
Product and technology development	(52,369)	(38,396)
Sales and marketing	(130,676)	(110,723)
General and administrative	(43,820)	(43,058)
Total operating expenses	(226,865)	(192,177)
Income (loss) from operations	10,139	(29,419)
Other income (expenses):		
Interest income and other financial gains	24,444	9,195
Interest expense and other financial losses	(15,559)	(10,734)
Foreign currency (losses) gains	(3,669)	5,601
Net income (loss) before income tax (expense) gain	15,355	(25,357)
Income tax (expense) gain	(3,491)	12,438
Net income (loss)	$ 11,864	$ (12,919)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Basic EPS		
Basic net income (loss)		
Available to shareholders per common share	$ 0.13	$ (0.29)
Weighted average of outstanding common shares	45,980,255	44,157,364
Diluted EPS		
Diluted net income (loss)		
Available to shareholders per common share	$ 0.13	$ (0.29)
Weighted average of outstanding common shares	45,980,255	44,157,364

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

[Table of Contents](#)

MercadoLibre, Inc.
Interim Condensed Consolidated Statements of Comprehensive Income
For the three-month periods ended March 31, 2019 and 2018
(In thousands of U.S. dollars)
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
Net income (loss)	$ 11,864	$ (12,919)
Other comprehensive income (loss), net of income tax:		
Currency translation adjustment	(294)	(15,573)
Unrealized net gains (losses) on available for sale investments	2,012	(24)
Less: Reclassification adjustment for gains from accumulated other comprehensive income	2,729	796
Net change in accumulated other comprehensive loss, net of income tax	(1,011)	(16,393)
Total Comprehensive income (loss)	$ 10,853	$ (29,312)

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

MercadoLibre, Inc.
Interim Condensed Consolidated Statements of Equity
For the three-month periods ended March 31, 2019 and 2018
(In thousands of U.S. dollars)
(Unaudited)

	Common stock		Additional paid-in capital	Retained Earnings	Accumulated other comprehensive loss	Total Equity
	Shares	Amount				
Balance as of December 31, 2018	45,203	$ 45	$ 224,800	$ 503,432	$ (391,577)	$ 336,700
Common Stock issued	4,116	4	1,866,496	—	—	1,866,500
Exercise of convertible notes	—	—	2	—	—	2
Unwind Capped Call	—	—	3	—	—	3
Net income	—	—	—	11,864	—	11,864
Amortization of Preferred Stock discount	—	—	5,841	(5,841)	—	—
Other comprehensive loss	—	—	—	—	(1,011)	(1,011)
Balance as of March 31, 2019	49,319	$ 49	$ 2,097,142	$ 509,455	$ (392,588)	$ 2,214,058

	Common stock		Additional paid-in capital	Retained Earnings	Accumulated other comprehensive loss	Total Equity
	Shares	Amount				
Balance as of December 31, 2017	44,157	$ 44	$ 70,661	$ 537,925	$ (282,851)	$ 325,779
Capped Call	—	—	(45,692)	—	—	(45,692)
Changes in accounting Standards	—	—	—	2,092	—	2,092
Net loss	—	—	—	(12,919)	—	(12,919)
Other comprehensive loss	—	—	—	—	(16,393)	(16,393)
Balance as of March 31, 2018	44,157	$ 44	$ 24,969	$ 527,098	$ (299,244)	$ 252,867

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

MercadoLibre, Inc.
Interim Condensed Consolidated Statements of Cash Flow
For the three-month periods ended March 31, 2019 and 2018
(In thousands of U.S. dollars)
(Unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash flows from operations:		
Net income (loss)	$ 11,864	$ (12,919)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Unrealized devaluation loss, net	1,886	—
Depreciation and amortization	15,694	11,084
Accrued interest	(8,699)	(4,447)
Non cash interest and convertible notes amortization of debt discount and amortization of debt issuance costs	3,018	7,063
LTRP accrued compensation	13,441	15,737
Deferred income taxes	(14,456)	(30,601)
Changes in assets and liabilities:		
Accounts receivable	337	(9,347)
Credit card receivables	35,893	(33,870)
Prepaid expenses	3,316	(16,164)
Inventory	1,652	(872)
Other assets	(5,085)	(13,009)
Accounts payable and accrued expenses	(491)	22,773
Funds payable to customers	63,730	20,613
Other liabilities	12,735	3,041
Interest received from investments	3,536	3,912
Net cash provided by (used in) operating activities	138,371	(37,006)
Cash flows from investing activities:		
Purchase of investments	(1,624,226)	(632,734)
Proceeds from sale and maturity of investments	439,712	683,909
Purchases of intangible assets	(34)	(97)
Advance for property and equipment	—	(3,390)
Changes in principal of loans receivable, net	(42,609)	(52,243)
Purchases of property and equipment	(32,928)	(19,542)
Net cash used in investing activities	(1,260,085)	(24,097)
Cash flows from financing activities:		
Purchase of convertible note capped call	—	(45,692)
Proceeds from loans payable and other financial liabilities	33,977	80,925
Payments on loans payable and other financing liabilities	(23,816)	(4,583)
Payment of finance lease obligations	(662)	—
Dividends paid	—	(6,624)
Proceeds from issuance of convertible redeemable preferred stock, net	98,688	—
Proceeds from issuance of common stock, net	1,866,500	—
Net cash provided by financing activities	1,974,687	24,026
Effect of exchange rate changes on cash, cash equivalents, restricted cash and cash equivalents	(11,407)	(772)
Net increase (decrease) in cash, cash equivalents, restricted cash and cash equivalents	841,566	(37,849)
Cash, cash equivalents, restricted cash and cash equivalents, beginning of the period	$ 464,695	$ 388,260
Cash, cash equivalents, restricted cash and cash equivalents, end of the period	$ 1,306,261	$ 350,411

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

1. Nature of Business

MercadoLibre, Inc. ("MercadoLibre" or the "Company") was incorporated in the state of Delaware, in the United States of America in October 1999. MercadoLibre is the largest online commerce ecosystem in Latin America, serving as an integrated regional platform and as a provider of the necessary online and technology-based tools that allow businesses and individuals to trade products and services in the region. The Company enables commerce through its marketplace platform (including online classifieds for motor vehicles, vessels, aircraft, services and real estate), which allows users to buy and sell in most of Latin America.

Through Mercado Pago, the Company's FinTech solution, MercadoLibre enables individuals and businesses to send and receive online payments; through Mercado Envios, MercadoLibre facilitates the shipping of goods from sellers to buyers; through our advertising products, MercadoLibre facilitates advertising services for large retailers and brands to promote their product and services on the web; through MercadoShops, MercadoLibre allows users to set-up, manage, and promote their own on-line web-stores under a subscription-based business model; through MercadoCredito, MercadoLibre extends loans to certain merchants and consumers; and through MercadoFondo, MercadoLibre allows users to invest funds deposited in their Mercado Pago accounts. In addition, MercadoLibre develops and sells software enterprise solutions to e-commerce business clients in Brazil.

As of March 31, 2019, MercadoLibre, through its wholly-owned subsidiaries, operated online ecommerce platforms directed towards Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Peru, Mexico, Panama, Honduras, Nicaragua, El Salvador, Uruguay, Bolivia, Guatemala, Paraguay and Venezuela. Additionally, MercadoLibre operates an online payments solution in Argentina, Brazil, Mexico, Colombia, Chile, Peru and Uruguay. It also offers a shipping solution directed towards Argentina, Brazil, Mexico, Colombia, Chile and Uruguay. In addition, the Company operates a real estate classified platform that covers some areas of State of Florida, in the United States of America.

2. Summary of significant accounting policies

Basis of presentation

The accompanying unaudited interim condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) and include the accounts of the Company, its wholly-owned subsidiaries and consolidated Variable Interest Entities ("VIE"). These interim condensed consolidated financial statements are stated in U.S. dollars, except where otherwise indicated. Intercompany transactions and balances with subsidiaries have been eliminated for consolidation purposes.

Substantially all net revenues, cost of net revenues and operating expenses are generated in the Company's foreign operations. Long-lived assets, intangible assets and goodwill located in the foreign jurisdictions totaled $294,120 thousands and $270,073 thousands as of March 31, 2019 and December 31, 2018, respectively.

These interim condensed consolidated financial statements reflect the Company's consolidated financial position as of March 31, 2019 and December 31, 2018. These financial statements include the Company's consolidated statements of income, comprehensive income, equity and of cash flows for the three-month periods ended March 31, 2019 and 2018. These interim condensed consolidated financial statements include all normal recurring adjustments that Management believes are necessary to fairly state the Company's financial position, operating results and cash flows.

Because all of the disclosures required by U.S. GAAP for annual consolidated financial statements are not included herein, these unaudited interim condensed financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended December 31, 2018, contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC"). The condensed consolidated statements of income, comprehensive income, equity and cash flows for the periods presented herein are not necessarily indicative of results expected for any future period. For a more detailed discussion of the Company's significant accounting policies, see note 2 to the financial statements in the Company's Form 10-K for the year ended December 31, 2018. During the three-month period ended March 31, 2019, there were no material updates made to the Company's significant accounting policies, except for the adoption of ASC 842 and the investments fair value option as of January 1, 2019. See Note 2 to these interim condensed consolidated financial statements for more details.

Cash and cash equivalents

Cash, cash equivalents and restricted cash and cash equivalents of $1,306,261 thousands and $464,695 thousands as reported in the consolidated statements of cash flow as of March 31, 2019 and December 31, 2018, respectively, is the sum of $1,295,886 thousands and $10,375 thousands as of March 31, 2019 and the sum of $440,332 thousands and $24,363 thousands as of December 31, 2018 shown in lines Cash and cash equivalents and Restricted cash and cash equivalents of the consolidated balance sheet.

Revenue recognition

Revenue recognition criteria for the services mentioned above are described in note 2 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. Receivables represent amounts invoiced and revenue recognized prior to invoicing when the Company has satisfied the performance obligation and has the unconditional right to payment. The allowance for doubtful accounts, loans receivable and chargebacks is estimated based upon our assessment of various factors including historical experience, the age of the accounts receivable balances, current economic conditions and other factors that may affect our customers' ability to pay. The allowance for doubtful accounts, loans receivable and chargebacks was $26,783 thousands and $23,411 thousands as of March 31, 2019 and December 31, 2018, respectively.

Deferred revenue consists of fees received related to unsatisfied performance obligations at the end of the period in accordance with ASC 606. Due to the generally short-term duration of contracts, the majority of the performance obligations are satisfied in the following reporting period. Deferred revenue as of December 31, 2018 and 2017 was $5,918 thousands and $6,116 thousands, respectively, of which $3,188 thousands and $4,316 thousands were recognized as revenue during the three-month periods ended March 31, 2019 and 2018, respectively.

As of March 31, 2019, total deferred revenue was $5,958 thousands, mainly due to fees related to listing and optional feature services billed and loyalty programs that are expected to be recognized as revenue in the coming months.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities in the consolidated balance sheets. ROU assets represent the Company's right to use an underlying asset for the lease term, which is a non-monetary asset, and lease liabilities represent the Company's obligation to make lease payments arising from the lease, which is a monetary liability. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Company uses incremental borrowing rates based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease prepaid payments made. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

According to transition guidance, finance leases that existed at December 31, 2018 are included in property and equipment, and loans payable and other financial liabilities in the consolidated balance sheets.

Foreign currency translation

All of the Company's consolidated foreign operations use the local currency as their functional currency, except for Argentina, which has used the U.S. dollar as its functional currency since July 1, 2018, as described below. Accordingly, the foreign subsidiaries with local currency as functional currency translate assets and liabilities from their local currencies into U.S. dollars by using year-end exchange rates while income and expense accounts are translated at the average monthly rates in effect during the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of the transaction are used. The resulting translation adjustment is recorded as a component of other comprehensive income (loss).

Argentine currency status

As of July 1, 2018, the Company transitioned its Argentinian operations to highly inflationary status in accordance with U.S. GAAP, and changed the functional currency for Argentine subsidiaries from Argentine Pesos to U.S. dollars, which is the functional currency of their immediate parent company.

Pursuant to the change in the functional currency, monetary assets and liabilities are remeasured at closing exchange rate, and non-monetary assets, revenues and expenses are remeasured at the rate prevailing on the date of the respective transaction. The effect of the re measurement is recognized as foreign currency (losses) gains.

Argentina is the second largest principal market of the Company's business, as measured by net revenue (see Note 5 – Segment Reporting). The economic environment in Argentina has been volatile with weak economic conditions, devaluation of local currency, high interest rates, high level of inflation and a large public deficit which led Argentina to request financial assistance from the International Monetary Fund.

Income tax

The Company is subject to U.S. and foreign income taxes. The Company accounts for income taxes following the liability method of accounting which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred tax assets are also recognized for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets or liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded when, based on the available evidence, it is more likely than not that all or a portion of the Company's deferred tax assets will not be realized. The Company's income tax expense consists of taxes currently payable, if any, plus the change during the period in the Company's deferred tax assets and liabilities.

On August 17, 2011, the Argentine government issued a new software development law and on September 9, 2013 the Argentine government issued a regulatory decree establishing the requirements to become a beneficiary of the new software development law, including a requirement to comply with annual incremental ratios related to exports of services and research and development. The new law will expire on December 31, 2019.

The Argentine Industry Secretary approved the Company's application for eligibility under the law for the Company's Argentine subsidiary, Mercadolibre S.R.L. As a result, the Company's Argentine subsidiary has been granted a tax holiday retroactive from September 18, 2014. A portion of the benefits obtained is a 60% relief of total income tax related to software development activities and a 70% relief of payroll taxes related to software development activities.

As a result of the Company's eligibility under the new law, it recorded an income tax benefit of $3,319 thousands and $7,299 thousands during the three-month periods ended March 31, 2019 and 2018, respectively. Aggregate per share effect of the Argentine tax holiday amounted to $0.07 and $0.17 for the three-month periods ended March 31, 2019 and 2018, respectively. Furthermore, the Company recorded a labor cost benefit of $2,396 thousands and $2,016 thousands during the three-month periods ended March 31, 2019 and 2018, respectively. Additionally, $400 thousands and $652 thousands were accrued to pay software development law audit fees during the first quarter of 2019 and 2018, respectively.

Redeemable Convertible Preferred Stock

On March 29, 2019 an affiliate of Dragoneer Investment Group purchased, in a private placement, 100,000 shares of perpetual convertible preferred stock designated as Series A Preferred Stock, par value $0.001 per share (the "Preferred Stock"), of the Company for $100 million in the aggregate.

The Company determined that the shares of Preferred Stock should be classified as mezzanine equity upon their issuance since they are contingently redeemable as explained in Note 10. The Company also determined that there is a beneficial conversion feature of $5,841 thousands attributable to the Preferred Stock because the initial conversion price was lower than the fair value of MercadoLibre's common stock on March 29, 2019 (the commitment date). The beneficial conversion feature was fully amortized at issuance, increasing the Preferred Stock's carrying amount, since the shares of Preferred Stock are perpetual and the holders of Preferred Stock have the right to convert immediately.

In addition, the Company determined that there were no embedded derivatives requiring bifurcation.

Fair value option applied to certain financial instruments

Under ASC 825, U.S. GAAP provides an option to elect fair value with impact on the statement of income as an alternative measurement for certain financial instruments and other items on the balance sheet.

The Company has elected to measure certain financial assets at fair value with impact on the statement of income from January 1, 2019 for several reasons including to avoid the mismatch generated by the recognition of certain linked instruments / transactions, separately, in consolidated statement of income and consolidated statement of other comprehensive income and to better reflect the financial model applied for selected instruments.

The Company's election of the fair value option applies to the: i) Brazilian federal government bonds and ii) U.S. treasury notes. As result of the election of the fair value option, the Company recognized gains in interest income and other financial gains of $3,048 thousands for the period ended March 31, 2019.

Accumulated other comprehensive loss

The following table sets forth the Company's accumulated other comprehensive loss as of March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
	(In thousands)	
Accumulated other comprehensive loss:		
Foreign currency translation	$ (394,600)	$ (394,306)
Unrealized gains on investments	2,025	3,345
Estimated tax loss on unrealized gains on investments	(13)	(616)
	$ (392,588)	$ (391,577)

The following tables summarize the changes in accumulated balances of other comprehensive loss for the three-month period ended March 31, 2019:

	Unrealized (Losses) Gains on Investments	Foreign Currency Translation	Estimated tax (expense) benefit	Total
		(In thousands)		
Balances as of December 31, 2018	$ 3,345	$ (394,306)	$ (616)	$ (391,577)
Other comprehensive income (loss) before reclassifications	2,025	(294)	(13)	1,718
Amount of loss (gain) reclassified from accumulated other comprehensive loss	(3,345)	—	616	(2,729)
Net current period other comprehensive income (loss)	(1,320)	(294)	603	(1,011)
Ending balance	$ 2,025	$ (394,600)	$ (13)	$ (392,588)

Details about Accumulated Other Comprehensive Loss Components	Amount of (Loss) Gain Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Statement of Income
	(In thousands)	
Unrealized gains on investments	$ 3,345	Interest income and other financial gains
Estimated tax gain on unrealized losses on investments	(616)	Income tax loss
Total reclassifications for the period	$ 2,729	Total, net of income taxes

Use of estimates

The preparation of interim condensed consolidated financial statements in conformity with U.S. GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, accounting for allowances for doubtful accounts and chargeback provisions, allowance for loans receivables, recoverability of goodwill, intangible assets with indefinite useful lives and tax loss carryforwards, impairment of short-term and long-term investments, impairment of long-lived assets, compensation costs relating to the Company's long term retention plan, fair value of convertible debt, fair value of investments, recognition of income taxes and contingencies and determination of the incremental borrowing rate at commencement date of lease operating agreements. Actual results could differ from those estimates.

Recently Adopted Accounting Standards

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases under current U.S. GAAP. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Under the new standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The guidance permits the use of a modified retrospective approach, which requires an entity to recognize and measure leases existing at, or entered into after, the beginning of the earliest comparative period presented. Alternatively, the guidance permits a "Comparatives Under 840 Option" that changes the date of initial application to the beginning of the period of adoption. The Company elected the Comparatives Under 840 Option in which it must apply ASC 840 to all comparative periods, including disclosures, and there were no effects of applying ASC 842 as a cumulative-effect adjustment to retained earnings as of January 1, 2019. The Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows to carryforward the historical lease classification. In addition, the Company elected certain practical expedients and accounting policies including the lessee practical expedient to not separate lease components. The Company also made an accounting policy election to keep leases with an initial term of 12 months or less off of the balance sheet. The Company recognizes those lease payments in the Consolidated Statements of Income on a straight-line basis over the lease term.

The standard had a material impact on the Company's consolidated balance sheets. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for existing finance leases remains substantially unchanged.

Recently issued accounting pronouncements not yet adopted

On June 16, 2016 the FASB issued the ASU 2016-13 "Financial Instruments-Credit Losses (Topic 326): Measurement of credit losses on financial instruments". This update amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, this update eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. For available for sale debt securities, credit losses should be measured in a manner similar to current GAAP, however this topic will require that credit losses be presented as an allowance rather than as a write-down. The new standard is effective for fiscal years beginning after December 15, 2019. The Company is assessing the effects that the adoption of this accounting pronouncement may have on its financial statements.

On August 28, 2018 the FASB issued the ASU 2018-13 "Fair value measurement (Topic 820): Disclosure Framework—Changes to the disclosure requirements for fair value measurement". This update modified the disclosure requirements on fair value measurements based on concepts in the FASB Concepts Statement. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

On August 29, 2018 the FASB issued the ASU 2018-15 "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40)". The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The amendments require an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is assessing the effects that the adoption of this accounting pronouncement may have on its financial statements.

3. Net income (loss) per share

Basic earnings per share for the Company's common stock is computed by dividing, net income (loss) available to common shareholders attributable to common stock for the period by the weighted average number of common shares outstanding during the period.

On June 30, 2014, the Company issued $330 million of 2.25% Convertible Senior Notes due 2019 and on August 24, 2018 and August 31, 2018 the Company issued an aggregate principal amount of $880 million of 2.00% Convertible Senior Notes due 2028 (see Note 9 to these interim condensed consolidated financial statements). Additionally, on March 29, 2019 the Company issued Preferred Stock (see Note 2 and Note 10 to these interim condensed consolidated financial statements). The conversion of these notes and the Preferred Stock are included in the calculation for diluted earnings per share utilizing the "if converted" method. Accordingly, conversion of these Notes and the redeemable convertible preferred stock are not assumed for purposes of computing diluted earnings per share if the effect is antidilutive.

The denominator for diluted net income (loss) per share for the three-month periods ended March 31, 2019 and 2018 does not include any effect from the 2019 Notes Capped Call Transactions (as defined in Note 9) or the 2028 Notes Capped Call Transactions because it would be antidilutive. In the event of conversion of any or all of the 2019 Notes or the 2028 Notes, the shares that would be delivered to the Company under the Capped Call Transactions (as defined in Note 9) are designed to partially neutralize the dilutive effect of the shares that the Company would issue under the Notes. See Note 9 to these interim condensed consolidated financial statements and Note 17 of the financial statements as of December 31, 2018 on Form 10-K for more details. For the three-month periods ended March 31, 2019 and 2018, the effects of the Capped Call Transactions would have been antidilutive and, as a consequence, they were not factored into the calculation of diluted earnings per share.

Net income (loss) per share of common stock is as follows for the three-month periods ended March 31, 2019 and 2018:

	Three Months Ended March 2019,			
	2019		2018	
	(In thousands)			
	Basic	Diluted	Basic	Diluted
Net income (loss) per common share	$ 0.13	$ 0.13	$ (0.29)	$ (0.29)
Numerator:				
Net income (loss)	$ 11,864	$ 11,864	$ (12,919)	$ (12,919)
Amortization of redeemable convertible preferred stock	(5,841)	(5,841)	—	—
Net income (loss) corresponding to common stock	$ 6,023	$ 6,023	$ (12,919)	$ (12,919)
Denominator:				
Weighted average of common stock outstanding for Basic earnings per share	45,980,255	—	44,157,364	—
Adjusted weighted average of common stock outstanding for Diluted earnings per share	—	45,980,255	—	44,157,364

Table of Contents

4. Goodwill and intangible assets

The composition of goodwill and intangible assets is as follows:

	March 31, 2019	December 31, 2018
	(In thousands)	
Goodwill	$ 89,827	$ 88,883
Intangible assets with indefinite lives		
- Trademarks	8,733	8,584
Amortizable intangible assets		
- Licenses and others	5,445	5,406
- Non-compete agreement	2,786	3,028
- Customer list	14,844	14,897
- Trademarks	4,676	4,565
Total intangible assets	$ 36,484	$ 36,480
Accumulated amortization	(18,801)	(17,899)
Total intangible assets, net	$ 17,683	$ 18,581

Goodwill

The changes in the carrying amount of goodwill for the three-month period ended March 31, 2019 and the year ended December 31, 2018 are as follows:

	Period ended March 31, 2019						
	Brazil	Argentina	Mexico	Chile	Colombia	Other Countries	Total
	(In thousands)						
Balance, beginning of the period	$ 30,069	$ 6,946	$ 31,340	$ 16,014	$ 3,339	$ 1,175	$ 88,883
Purchase price allocation adjustments	—	45	—	—	—	—	45
Effect of exchange rates changes	(145)	—	567	392	76	9	899
Balance, end of the period	$ 29,924	$ 6,991	$ 31,907	$ 16,406	$ 3,415	$ 1,184	$ 89,827

	Year ended December 31, 2018						
	Brazil	Argentina	Mexico	Chile	Colombia	Other Countries	Total
	(In thousands)						
Balance, beginning of the year	$ 32,492	$ 5,761	$ 30,396	$ 18,805	$ 3,632	$ 1,193	$ 92,279
- Business acquisitions	3,110	3,175	543	61	80	53	7,022
- Effect of exchange rates changes	(5,533)	(1,990)	401	(2,852)	(373)	(71)	(10,418)
Balance, end of the year	$ 30,069	$ 6,946	$ 31,340	$ 16,014	$ 3,339	$ 1,175	$ 88,883

Intangible assets with definite useful life

Intangible assets with definite useful life are comprised of customer lists, non-compete and non-solicitation agreements, acquired software licenses, and other acquired intangible assets including developed technologies and trademarks. Aggregate amortization expense for intangible assets totaled $1,230 thousands and $1,672 thousands for the three-month periods ended March 31, 2019 and 2018, respectively.

The following table summarizes the remaining amortization of intangible assets (in thousands of U.S. dollars) with definite useful life as of March 31, 2019:

For year ended 12/31/2019	$	2,720
For year ended 12/31/2020		2,383
For year ended 12/31/2021		1,815
For year ended 12/31/2022		1,083
Thereafter		949
	$	8,950

5. Segment reporting

Reporting segments are based upon the Company's internal organizational structure, the manner in which the Company's operations are managed and resources are assigned, the criteria used by Management to evaluate the Company's performance, the availability of separate financial information and overall materiality considerations.

Segment reporting is based on geography as the main basis of segment breakdown in accordance with the criteria used for evaluation of the Company's performance as determined by Management. The Company's segments include Brazil, Argentina, Mexico and other countries (which includes Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Honduras, Nicaragua, El Salvador, Bolivia, Guatemala, Panama, Paraguay, Peru, Uruguay and the United States of America).

Direct contribution consists of net revenues from external customers less direct costs, which include costs of net revenues, product and technology development expenses, sales and marketing expenses and general and administrative expenses over which segment managers have direct discretionary control, such as advertising and marketing programs, customer support expenses, allowances for doubtful accounts, payroll and third-party fees. All corporate related costs have been excluded from the Company's direct contribution.

Expenses over which segment managers do not currently have discretionary control, such as certain technology and general and administrative costs are monitored by Management through shared cost centers and are not evaluated in the measurement of segment performance.

The following tables summarize the financial performance of the Company's reporting segments:

	Three Months Ended March 31, 2019				
	Brazil	Argentina	Mexico	Other Countries	Total
			(In thousands)		
Net revenues	$ 302,384	$ 93,776	$ 54,561	$ 23,049	$ 473,770
Direct costs	(225,343)	(67,492)	(65,585)	(20,447)	(378,867)
Direct contribution	77,041	26,284	(11,024)	2,602	94,903
Operating expenses and indirect costs of net revenues					(84,764)
Income from operations					10,139
Other income (expenses):					
Interest income and other financial gains					24,444
Interest expense and other financial losses					(15,559)
Foreign currency losses					(3,669)
Net income before income tax expense					$ 15,355

	Three Months Ended March 31, 2018				
	Brazil	Argentina	Mexico	Other Countries	Total
			(In thousands)		
Net revenues	$ 184,155	$ 101,939	$ 17,065	$ 17,817	$ 320,976
Direct costs	(176,980)	(57,295)	(26,323)	(17,272)	(277,870)
Direct contribution	7,175	44,644	(9,258)	545	43,106
Operating expenses and indirect costs of net revenues					(72,525)
Loss from operations					(29,419)
Other income (expenses):					
Interest income and other financial gains					9,195
Interest expense and other financial losses					(10,734)
Foreign currency gains					5,601
Net loss before income tax gains					$ (25,357)

The following table summarizes the allocation of property and equipment, net based on geography:

	March 31, 2019	December 31, 2018
	(In thousands)	
US property and equipment, net	$ 2,313	$ 2,959
Other countries		
Argentina	74,070	58,358
Brazil	83,717	78,227
Mexico	19,372	16,497
Other countries	9,484	9,573
	$ 186,643	$ 162,655
Total property and equipment, net	$ 188,956	$ 165,614

The following table summarizes the allocation of the goodwill and intangible assets based on geography:

	March 31, 2019	December 31, 2018
	(In thousands)	
US intangible assets	$ 33	$ 46
Other countries goodwill and intangible assets		
Argentina	8,607	9,050
Brazil	31,746	32,955
Mexico	36,222	35,993
Chile	25,678	24,638
Other countries	5,224	4,782
	$ 107,477	$ 107,418
Total goodwill and intangible assets	$ 107,510	$ 107,464

Consolidated net revenues by similar products and services for the three-month periods ended March 31, 2019 and 2018 were as follows:

	Three months Ended March 31,	
Consolidated Net Revenues	2019	2018
	(In thousands)	
Enhanced Marketplace (*)	$ 253,035	$ 140,695
Non-marketplace (**) (***)	220,735	180,281
Total	$ 473,770	$ 320,976

(*) Includes Final Value Fees and Shipping fees.
(**) Includes, among other things, Ad Sales, Classified Fees, Payment Fees and other ancillary services.
(***) Includes $186,965 thousands and $144,763 thousands of Payment Fees for the three-month periods ended March 31, 2019 and 2018, respectively.

6. Fair value measurement of assets and liabilities

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 and December 31, 2018:

Description	Balances as of March 31, 2019	Quoted Prices in active markets for identical Assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)	Balances as of December 31, 2018	Quoted Prices in active markets for identical Assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
				(In thousands)				
Assets								
Cash and Cash Equivalents:								
Money Market Funds	$ 239,269	$ 239,269	$ —	$ —	$ 179,252	$ 179,252	$ —	$ —
Restricted Cash and cash equivalents:								
Money Market Funds	9,556	9,556	—		24,363	24,363	—	—
Investments:								
Sovereign Debt Securities (Central Bank of Brazil mandatory guarantee)	238,029	238,029	—	—	284,317	284,317	—	—
Sovereign Debt Securities	1,344,778	1,344,778	—	—	429,602	429,602	—	—
Corporate Debt Securities	255	245	10	—	262	237	25	—
Total Financial Assets	$ 1,831,887	$ 1,831,877	$ 10	$ —	$ 917,796	$ 917,771	$ 25	$ —
Liabilities:								
Contingent considerations	$ 2,170	$ —	$ —	$ 2,170	$ 2,097	$ —	$ —	$ 2,097
Long-term retention plan	53,422	—	53,422	—	42,625	—	42,625	—
Total Financial Liabilities	$ 55,592	$ —	$ 53,422	$ 2,170	$ 44,722	$ —	$ 42,625	$ 2,097

As of March 31, 2019 and December 31, 2018, the Company's financial assets valued at fair value consisted of assets valued using i) Level 1 inputs: unadjusted quoted prices in active markets (Level 1 instrument valuations are obtained from observable inputs that reflect quoted prices (unadjusted) for identical assets in active markets); and ii) Level 2 inputs: obtained from readily-available pricing sources for comparable instruments as well as instruments with inactive markets at the measurement date.

As of March 31, 2019 and December 31, 2018, the Company's liabilities were valued at fair value using Level 2 inputs and level 3 inputs (valuations based on unobservable inputs reflecting Company assumptions). Fair value of contingent considerations are determined based on the probability of achievement of the performance targets arising from each acquisition, as well as the Company's historical experience with similar arrangements. During the three-month period ended March 31, 2019, the Company assumed contingent considerations for an amount of $2,170 thousands.

The unrealized net gains or losses on short-term and long-term investments are reported as a component of other comprehensive income. The Company does not anticipate any significant realized losses associated with those investments in excess of the Company's historical cost.

As of March 31, 2019 and December 31, 2018, the carrying value of the Company's financial assets and liabilities measured at amortized cost approximated their fair value mainly because of their short-term maturity. These assets and liabilities included cash, cash equivalents, restricted cash and cash equivalents and short-term investments (excluding money markets funds and corporate debt security), accounts receivable, credit cards receivable, loans receivable, funds payable to customers, other assets, accounts payable, 2019 Notes (liability component), salaries and social security payable (excluding variable LTRP), taxes payable, provisions and other liabilities (excluding contingent considerations). The estimated fair value of the 2028 Notes (liability component), which is based on Level 2 inputs, is $593,905 thousands and was determined based on market interest rates. The rest of the loans payable and other financial liabilities and operating lease liabilities approximate their fair value because the effective interest rates are not materially different from market interest rates.

The following table summarizes the fair value level for those financial assets and liabilities of the Company measured at amortized cost as of March 31, 2019 and December 31, 2018:

	Balances as of March 31, 2019	Significant other observable inputs (Level 2)	Balances as of December 31, 2018	Significant other observable inputs (Level 2)
	(In thousands)			
Assets				
Time Deposits	$ 337,637	$ 337,637	$ 20,056	$ 20,056
Accounts receivable	34,524	34,524	35,153	35,153
Credit Cards receivable	308,468	308,468	360,298	360,298
Loans receivable, net	134,640	134,640	95,778	95,778
Other assets	105,622	105,622	102,753	102,753
Total Assets	$ 920,891	$ 920,891	$ 614,038	$ 614,038
Liabilities				
Accounts payable and accrued expenses	$ 246,767	$ 246,767	$ 266,759	$ 266,759
Funds payable to customers	680,746	680,746	640,954	640,954
Salaries and social security payable	54,528	54,528	40,942	40,942
Taxes payable	34,414	34,414	31,058	31,058
Operating lease liabilities	155,632	155,632	—	—
Loans payable and other financial liabilities (*)	743,223	784,182	735,177	735,177
Other liabilities	67,506	67,506	51,509	51,509
Total Liabilities	$ 1,982,816	$ 2,023,775	$ 1,766,399	$ 1,766,399

(*) The fair value of the 2019 Notes and the 2028 Notes (including the equity component) are disclosed in Note 9.

As of March 31, 2019 and December 31, 2018, the Company held no direct investments in auction rate securities and does not have any non-financial assets or liabilities measured at fair value.

As of March 31, 2019 and December 31, 2018, the fair value of money market funds, short and long-term investments classified as available for sale securities are as follows:

	March 31, 2019				
	Cost	Gross Unrealized Gains (1)	Gross Unrealized Losses (1)	Financial Gains	Estimated Fair Value
	(In thousands)				
Cash and cash equivalents					
Money Market Funds	$ 239,269	$ —	$ —	$ —	$ 239,269
Total Cash and cash equivalents	$ 239,269	$ —	$ —	$ —	$ 239,269
Restricted cash and cash equivalents					
Money Market Funds	$ 9,556	$ —	$ —	$ —	$ 9,556
Total Restricted cash and cash equivalents	$ 9,556	$ —	$ —	$ —	$ 9,556
Short-term investments					
Sovereign Debt Securities (Central Bank of Brazil mandatory guarantee) (*)	$ 236,309	$ —	$ —	$ 1,720	$ 238,029
Sovereign Debt Securities (**)	1,071,309	98	—	1,327	1,072,734
Corporate Debt Securities	57	—	—	—	57
Total Short-term investments	$ 1,307,675	$ 98	$ —	$ 3,047	$ 1,310,820
Long-term investments					
Sovereign Debt Securities	$ 270,206	$ 1,837	$ —	$ 1	$ 272,044
Corporate Debt Securities	197	2	(1)	—	198
Total Long-term investments	$ 270,403	$ 1,839	$ (1)	$ 1	$ 272,242
Total	$ 1,826,903	$ 1,937	$ (1)	$ 3,048	$ 1,831,887

(1) Unrealized gains (losses) from securities are attributable to market price movements, net foreign exchange losses and foreign currency translation. Management does not believe any remaining significant unrealized losses represent other-than-temporary impairments based on the evaluation of available evidence including the credit rating of the investments, as of March 31, 2019 and December 31, 2018.
(*) Brazilian government bonds measured at fair value with impact on the consolidated statement of income for the application of the fair value option. (See Note 2 – Investments fair value option)
(**) Includes $806,087 thousands of U.S treasury notes measured at fair value with impact on the consolidated statement of income for the application of the fair value option. (See Note 2 – Investments fair value option)

	December 31, 2018			
	Cost	Gross Unrealized Gains[(1)]	Gross Unrealized Losses[(1)]	Estimated Fair Value
		(In thousands)		
Cash and cash equivalents				
Money Market Funds	$ 179,252	$ —	$ —	$ 179,252
Total Cash and cash equivalents	$ 179,252	$ —	$ —	$ 179,252
Restricted Cash and cash equivalents				
Money Market Funds	$ 24,363	$ —	$ —	$ 24,363
Total Restricted Cash and cash equivalents	$ 24,363	$ —	$ —	$ 24,363
Short-term investments				
Sovereign Debt Securities (Central Bank of Brazil mandatory guarantee)	$ 282,752	$ 1,565	$ —	$ 284,317
Sovereign Debt Securities	156,910	237	—	157,147
Corporate Debt Securities	21	—	—	21
Total Short-term investments	$ 439,683	$ 1,802	$ —	$ 441,485
Long-term investments				
Sovereign Debt Securities	$ 271,024	$ 1,431	$ —	$ 272,455
Corporate Debt Securities	244	—	(3)	241
Total Long-term investments	$ 271,268	$ 1,431	$ (3)	$ 272,696
Total	$ 914,566	$ 3,233	$ (3)	$ 917,796

(1) Unrealized gains (losses) from securities are attributable to market price movements, net foreign exchange losses and foreign currency translation. Management does not believe any remaining significant unrealized losses represent other-than-temporary impairments based on the evaluation of available evidence including the credit rating of the investments, as of March 31, 2019 and December 31, 2018.

The material portion of the Sovereign Debt Securities consists of U.S. Treasury Notes, which carry no significant risk.

Sovereign Debt Securities (Central Bank of Brazil mandatory guarantee)

On November 1, 2018, the Company obtained the approval from the Central Bank of Brazil to operate as an authorized payment institution. With the authorization, MercadoPago in Brazil is subject to the supervision of the Central Bank of Brazil and must fully comply with all the obligations established in the current regulation. Among other obligations, the regulation requires authorized payment institutions to hold the balance available in the payment institution account in either in a specific account of Central Bank of Brazil that does not pay interest or in Brazilian federal government bonds registered with the “Sistema Especial de Liquidacao e Custodia”. The percentage of the electronic currency that must be deposited was 100% and 80% as of March 31, 2019 and December 31, 2018, respectively. As of March 31, 2019 and December 31, 2018 and in accordance with the regulation, the Company held $238,029 thousands and $284,317 thousands deposited in Brazilian federal government bonds, respectively, as mandatory guarantee.

As of March 31, 2019, the estimated fair values (in thousands of U.S. dollars) of money market funds and short-term and long-term investments classified by their effective maturities are as follows:

One year or less	1,559,645
One year to two years	272,020
Two years to three years	133
Three years to four years	43
Four years to five years	46
Total	$ 1,831,887

7. Commitments and Contingencies

Litigation and Other Legal Matters

The Company is subject to certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings. The Company accrues liabilities when it considers probable that future costs will be incurred and such costs can be reasonably estimated. Proceeding-related liabilities are based on developments to date and historical information related to actions filed against the Company. As of March 31, 2019, the Company had accounted for estimated liabilities involving proceeding-related contingencies and other estimated contingencies of $4,782 thousands to cover legal actions against the Company in which its Management has assessed the likelihood of a final adverse outcome as probable. Expected legal costs related to litigations are accrued when the legal service is actually provided.

In addition, as of March 31, 2019 the Company and its subsidiaries are subject to certain legal actions considered by the Company's Management and its legal counsels to be reasonably possible for an estimated aggregate amount up to $12,561 thousands. No loss amounts have been accrued for such reasonably possible legal actions.

Other third parties have from time to time claimed, and others may claim in the future, that the Company was responsible for fraud committed against them, or that the Company has infringed their intellectual property rights. The underlying laws with respect to the potential liability of online intermediaries like the Company are unclear in the jurisdictions where the Company operates. Management believes that additional lawsuits alleging that the Company has violated copyright or trademark laws will be filed against the Company in the future.

Intellectual property and regulatory claims, whether meritorious or not, are time consuming and costly to resolve, require significant amounts of management time, could require expensive changes in the Company's methods of doing business, or could require the Company to enter into costly royalty or licensing agreements. The Company may be subject to patent disputes, and be subject to patent infringement claims as the Company's services expand in scope and complexity. In particular, the Company may face additional patent infringement claims involving various aspects of the payments businesses.

From time to time, the Company is involved in other disputes or regulatory inquiries that arise in the ordinary course of business. The number and significance of these disputes and inquiries are increasing as the Company's business expands and the Company grows larger.

Buyer protection program

The Company provides consumers with a buyer protection program ("BPP") for all transactions completed through the Company's online payment solution ("Mercado Pago"). This program is designed to protect buyers in the Marketplace from losses due primarily to fraud or counterparty non-performance. The Company's BPP provides protection to consumers by reimbursing them for the total value of a purchased item and the value of any shipping service paid if it does not arrive or does not match the seller's description. The Company is entitled to recover from the third-party carrier companies performing the shipping service certain amounts paid under the BPP. Furthermore, in some specific circumstances (i.e. Black Friday, Hot Sale), the Company enters into insurance contracts with third-party insurance companies in order to cover contingencies that may arise from the BPP.

The maximum potential exposure under this program is estimated to be the volume of payments on the Marketplace, for which claims may be made under the terms and conditions of the Company's BPP. Based on historical losses to date, the Company does not believe that the maximum potential exposure is representative of the actual potential exposure. The Company records a liability with respect to losses under this program when they are probable and the amount can be reasonably estimated.

As of March 31, 2019 and December 31, 2018, Management's estimate of the maximum potential exposure related to the Company's buyer protection program is $993,500 thousands and $988,664 thousands, respectively, for which the Company recorded an allowance of $4,670 thousands and $4,146 thousands, respectively.

Loans payable and other financial liabilities

During the last quarter of 2018, the Company, through its Chilean subsidiary, obtained two lines of credit from Scotiabank Chile denominated in Chilean Pesos, to be applied to working capital needs. As of March 31, 2019, the amount outstanding under these lines of credit is $4,424 thousands and $2,949 thousands with maturity in April 2019 (renewed upon maturity) and both bear interest at a fixed rate of 3.72%. In addition, the Chilean subsidiary, obtained two lines of credit from Banco de Chile denominated in Chilean pesos, to be applied to working capital needs. As of March 31, 2019, the amount outstanding under these lines of credit is $8,869 thousands and $7,376 thousands with maturity in April 2019 (renewed upon maturity) and both bear interest at a fixed rate of 3.60% per annum. Lastly, the Chilean subsidiary obtained an unsecured line of credit from Banco de Chile denominated in local currency for an amount of $1,494 thousands which bears interest at a fixed rate of 3.65% per annum.

During the first quarter of 2019, the Company, through its Argentine subsidiary obtained two lines of credit from Citibank, N.A, denominated in local currency, to be applied to working capital needs. As of March 31, 2019, the amount outstanding under these lines of credit is $12,066 thousands and $12,053 thousands with maturity in April 2019 and bears interest at a fixed rate of 37.75% and 40.50% per annum, respectively. These lines of credit were fully paid off upon maturity. In addition, the Argentine subsidiary obtained an unsecured line of credit denominated in local currency for an amount of $3,121 thousands which bears interest at a fixed rate of 55.50% per annum. This line of credit was fully paid off as of May 3, 2019.

As of March 31, 2019 the Company, through its Mexican subsidiary, had three finance leases contracts related to facilities for its fulfillment center. The outstanding amount is $5,458 thousands which bears interest at a fixed rate of 6.39% per annum with maturity within the next 5.25 years, $1,089 thousands which bears interest at a fixed rate of 9.00% per annum with maturity within the next 4.0 years and $177 thousands which bears interest at a fixed rate of 9.90% per annum with maturity within the next year.

During the first quarter of 2019, the Company, through its Uruguayan subsidiary obtained a line of credit from Citibank, N.A, denominated in local currency, to be applied to working capital needs. As of March 31, 2019, the amount outstanding under this line of credit is $898 thousands with maturity in April, 2019 and bears interest at a fixed rate of 9.11% per annum. In addition, the Uruguayan subsidiary obtained an unsecured line of credit denominated in local currency for an amount of $10,195 thousands which bears interest at a fixed rate of 9.11% per annum.

See Notes 9 and 11 to these interim condensed consolidated financial statements for details regarding the Company's 2019 Notes and 2028 Notes and collateralized debt securitization transactions, respectively.

8. Long term retention plan ("LTRP")

The following table summarizes the 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 long term retention plan accrued compensation expense for the three-month periods ended March 31, 2019 and 2018, which are payable in cash according to the decisions made by the Board of Directors:

	Three Months Ended March 31,	
	2019	2018
	(In thousands)	
LTRP 2010	—	53
LTRP 2011	55	663
LTRP 2012	559	1,125
LTRP 2013	193	1,749
LTRP 2014	1,220	2,084
LTRP 2015	1,982	2,815
LTRP 2016	3,038	3,908
LTRP 2017	2,813	3,340
LTRP 2018	1,455	—
LTRP 2019	2,126	—
Total LTRP	$ 13,441	$ 15,737

9. Convertible Senior Notes

2.00% Convertible Senior Notes Due 2028

On August 24, 2018, the Company issued $800,000 thousands of 2.00% Convertible Senior Notes due 2028 and issued an additional $80,000 thousand of notes on August 31, 2018 pursuant to the partial exercise of the initial purchasers' option to purchase such additional notes, for an aggregate principal amount of $880,000 thousands of 2.00% Convertible Senior Notes due 2028 (collectively, the "2028 Notes"). The 2028 Notes are unsecured, unsubordinated obligations of the Company, which pay interest in cash semi-annually, on February 15 and August 15 of each year, at a rate of 2.00% per annum. The 2028 Notes will mature on August 15, 2028 unless earlier redeemed, repurchased or converted in accordance with their terms prior to such date. The 2028 Notes may be converted, under specific conditions, based on an initial conversion rate of 2.2553 shares of common stock per $1,000 principal amount of the 2028 Notes (equivalent to an initial conversion price of $443.40 per share of common stock), subject to adjustment as described in the indenture governing the 2028 Notes. For additional information regarding the 2028 Notes please refer to Note 2 and Note 17 to the audited consolidated financial statements for the year ended December 31, 2018, contained in the Company's Annual Report on Form 10-K filed with the SEC.

In connection with the issuance of the 2028 Notes, the Company paid $91,784 thousands and $11,472 thousands (including transaction expenses) in August 2018 and November 2018, respectively, to enter into the 2028 Notes Capped Call Transactions with certain financial institutions. The 2028 Notes Capped Call Transactions are expected generally to reduce the potential dilution upon conversion of the 2028 Notes in the event that the market price of the Company's common stock is greater than the strike price of the 2028 Notes Capped Call Transactions. The cost of the 2028 Notes Capped Call Transactions is included as a net reduction to additional paid-in capital in the stockholders' equity section of the consolidated balance sheets.

The total estimated fair value of the 2028 Notes was $1,181,391 thousands and $787,266 thousands as of March 31, 2019 and December 31, 2018, respectively. The fair value was determined based on the closing trading price per $100 principal amount of the 2028 Notes as of the last day of trading for the period. The Company considered the fair value of the 2028 Notes as of March 31, 2019 and December 31, 2018 to be a Level 2 measurement. The fair value of the 2028 Notes is primarily affected by the trading price of our common stock and market interest rates. Based on the $507.7 closing price of the Company's common stock on March 31, 2019, the if-converted value of the 2028 Notes exceeded their principal amount by $127,673 thousands.

The following table presents the carrying amounts of the liability and equity components related to the 2028 Notes as of March 31, 2019:

	March 31, 2019	December 31, 2018
	(In thousands)	
Amount of the equity component (1)	$ 327,305	$ 327,305
2.00% Convertible Senior Notes due 2028	$ 880,000	$ 880,000
Unamortized debt discount (2)	(319,466)	(325,783)
Unamortized transaction costs related to the debt component	(9,837)	(9,958)
Contractual coupon interest accrual	10,609	5,867
Contractual coupon interest payment	(8,360)	—
Net carrying amount	$ 552,946	$ 550,126

(1) Net of $6,163 thousands of transaction costs related to the equity component of the 2028 Notes.
(2) As of March 31, 2019, the remaining period over which the unamortized debt discount will be amortized is 9.5 years.

The following table presents the interest expense for the contractual interest, the accretion of debt discount and the amortization of debt issuance costs:

	Three month periods ended March 31, 2019
	(In thousands)
Contractual coupon interest expense	$ 4,742
Amortization of debt discount	6,317
Amortization of debt issuance costs	121
Total interest expense related to the 2028 Notes	$ 11,180

2.25% Convertible Senior Notes Due 2019

On June 30, 2014, the Company issued $330,000 thousands of 2.25% Convertible Senior Notes due 2019 (the "2019 Notes"). The 2019 Notes are unsecured, unsubordinated obligations of the Company, which pay interest in cash semi-annually, on January 1 and July 1, at a rate of 2.25% per annum. The 2019 Notes will mature on July 1, 2019 unless earlier repurchased or converted in accordance with their terms prior to such date. The 2019 Notes may be converted, under specific conditions, based on an initial conversion rate of 7.9353 shares of common stock per $1,000 principal amount of the 2019 Notes (equivalent to an initial conversion price of $126.02 per share of common stock), subject to adjustment as described in the indenture governing the 2019 Notes. For additional information regarding the 2019 Notes please refer to Note 2 and Note 17 to the audited consolidated financial statements for the year ended December 31, 2018, contained in the Company's Annual Report on Form 10-K filed with the SEC.

In connection with the issuance of the 2019 Notes, the Company paid $19,668 thousands, $67,308 thousands and $45,692 thousands (including transaction expenses) in June 2014, September 2017 and March 2018, respectively, to enter into capped call transactions with respect to shares of the common stock (the "2019 Notes Capped Call Transactions" and together with the 2028 Notes Capped Call Transactions, the "Capped Call Transactions"), with certain financial institutions. The 2019 Notes Capped Call Transactions are expected generally to reduce the potential dilution upon conversion of the 2019 Notes in the event that the market price of the common stock is greater than the strike price of the 2019 Notes Capped Call Transactions. The cost of the 2019 Notes Capped Call Transactions is included as a net reduction to additional paid-in capital in the stockholders' equity section of the consolidated balance sheets.

On August 24, 2018, the Company used a portion of the net proceeds from the 2028 Notes to repurchase or exchange and retire $263,724 thousands principal amount of its outstanding 2019 Notes. The consideration paid included $348,123 thousands in cash and 1,044,298 shares of the Company's common stock. Additionally, the Company entered into agreements with certain financial institutions who were counterparties to the existing 2019 Notes Capped Call Transactions entered into in June 2014 and September 2017 to terminate a portion of those transactions, in each case, in a notional amount corresponding to the amount of 2019 Notes repurchased or exchanged and retired. In connection with the termination of existing 2019 Capped Call Transactions and the related unwinding of the existing hedge position, the Company received from certain financial institutions the amount of $121,703 thousands and $14,405 thousands in August 2018 and November 2018, respectively.

During the period from October 1, 2016 through March 31, 2019, 291 Notes were converted for a total amount of $291 thousands. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock, at the Company's election. The intention of the Company is to share-settle the excess conversion value due upon conversion of the 2019 Notes.

From April 1, 2019 to the date of issuance of these interim condensed consolidated financial statements, additional conversion requests for 2 Notes were made.

The total estimated fair value of the 2019 Notes was $264,992 thousands and $150,572 thousands as of March 31, 2019 and December 31, 2018, respectively. The fair value was determined based on the closing trading price per $100 principal amount of the 2019 Notes as of the last day of trading for the period. The Company considered the fair value of the 2019 Notes as of March 31, 2019 and December 31, 2018 to be a Level 2 measurement. The fair value of the 2019 Notes is primarily affected by the trading price of our common stock and market interest rates. Based on the $507.7 closing price of the Company's common stock on March 31, 2019, the if-converted value of the 2019 Notes exceeded their principal amount by $199,868 thousands.

The following table presents the carrying amounts of the liability and equity components related to the 2019 Notes as of March 31, 2019 and December 31, 2018:

	March 31, 2019	December 31, 2018
	(In thousands)	
Amount of the equity component (1)	$ 9,196	$ 9,196
2.25% Convertible Senior Notes due 2019	$ 65,985	$ 65,987
Unamortized debt discount (2)	(532)	(1,063)
Unamortized transaction costs related to the debt component	(88)	(176)
Contractual coupon interest accrual	373	5,447
Contractual coupon interest payment	—	(5,447)
Net carrying amount	$ 65,738	$ 64,748

(1) Net of $236 thousands of transaction costs related to the equity component of the 2019 Notes.
(2) As of March 31, 2019, the remaining period over which the unamortized debt discount will be amortized is 0.25 years.

The following table presents the interest expense for the contractual interest, the accretion of debt discount and the amortization of debt issuance costs:

	Three month periods ended March 31,	
	2019	2018
	(In thousands)	(In thousands)
Contractual coupon interest expense	$ 373	$ 1,856
Amortization of debt discount	531	2,508
Amortization of debt issuance costs	88	399
Total interest expense related to the 2019 Notes	$ 992	$ 4,763

10. Equity Offerings

On March 15, 2019, the Company closed a public equity offering of approximately $1,150,000 thousands of common stock at a public offering price of $480 per share (the "Offering"). Pursuant to the Offering, the Company issued 2,395,834 shares of common stock, par value $0.001 per share (the "Common Stock") which includes the exercise in full of the underwriters' option to purchase $150 million of additional shares of common stock.

In addition, on March 15, 2019 the Company closed its $750,000 thousands concurrent private placement of common stock to PayPal, Inc ("PayPal"). PayPal purchased 1,719,790 shares of Common Stock at a price of $436.10 per share.

On March 29, 2019, in a separate private placement, an affiliate of Dragoneer Investment Group purchased 100,000 shares of perpetual convertible preferred stock designated as Series A Perpetual Preferred Stock, par value $0.001 per share of the Company for $100,000 thousands in the aggregate. The Preferred Stock is a class of equity security that ranks senior to the Common Stock with respect to dividend rights or rights upon liquidation.

Each share of Preferred Stock has a stated value of $1,000, is entitled to a cash dividend of 4% per annum, and is convertible into shares of the Company's Common Stock at an initial conversion price of $479.71 (subject to adjustment). The Company may require the conversion of any or all of the Preferred Stock beginning on March 29, 2023 if certain conditions set forth in the Certificate of Designation are met. The Company may redeem any or all of the Preferred Stock for cash, shares of its Common Stock or a combination thereof (at its election, subject to certain conditions) at any time beginning on March 29, 2026 for a percentage of the stated value of each share of Preferred Stock, plus any accrued and unpaid dividends at such time. On March 15, 2026, September 15, 2026 and March 15, 2027, the holders of the Preferred Stock shall have the right to redeem all of the outstanding shares of Preferred Stock for cash, shares of the Company's Common Stock or a combination thereof (at the Company's election, subject to certain conditions) to be determined by the formula set forth in the Certificate of Designation. Upon the occurrence of a change of control, the holders will have the right to redeem their shares of Preferred Stock for cash at a price set forth in the Certificate of Designation. The holders of the Preferred Stock have the right to vote on matters submitted to a vote of the holders of Common Stock on an as-converted basis unless required by applicable law.

In the aggregate, the Company raised funds in the amount of $1,965,188 thousands net of issuance costs paid in the amount of $34,812 thousands.

11. Securitization Transactions

The process of securitization consists of the issuance of securities collateralized by a pool of assets through a special purpose entity, often under a VIE.

The Company securitizes financial assets associated with its loan receivables portfolio. The Company's securitization transactions typically involve the legal transfer of financial assets to bankruptcy remote special purpose entities ("SPEs") or the acquisition of loans receivable portfolios through SPEs. The Company generally retains economic interests in the collateralized securitization transactions, which are retained in the form of subordinated interests. For accounting purposes, the Company is precluded from recording the transfers of assets in securitization transactions as sales or is required to consolidate the SPE.

The Company securitizes certain loan receivables through Brazilian and Argentine SPEs, formed to securitize loan receivables provided by the Company to its users or purchased from financial institutions that grant loans to the Company's users through Mercado Pago. According to the SPE contracts, the Company has determined that it has both the power to direct the activities of the entity that most significantly impact the entity's performance and the obligation to absorb losses or the right to receive benefits of the entity that could be significant because it retains the equity certificates of participation, and would therefore also be consolidated. When the Company controls the vehicle, it accounts the securitization transactions as if they were secured financing and therefore the assets, liabilities, and related results are consolidated in its financial statements.

As of March 31, 2019, the carrying value of the Brazilian collateralized debt was $46,687 thousands, composed of: 1) $15,568 thousands, which bears interest at a rate of Brazilian DI plus 3.5% per annum for a term of 36 months, due in June 2021 and 2) $31,119 thousands, which bears interest at a rate of Brazilian DI plus 3.25% per annum for a term of 30 months, due in May 2021. The carrying value of the Argentine collateralized debt was $7,582 thousands, composed of: 1) $5,593 thousands bearing interest at a variable rate equivalent to the BADLAR rate plus 200 basis points with a minimum 33% and a maximum 48% nominal rate per annum for a term of 8 months, due in October 2019 and 2) $1,989 thousands bearing interest at a variable rate equivalent to the BADLAR rate plus 200 basis points with a minimum 30% and a maximum 45% nominal rate per annum for a term of 12 months, due in July 2019. This secured debt is issued by the SPEs and includes collateralized securities used to fund MercadoCredito business. The third-party investors in the securitization transactions have legal recourse only to the assets securing the debt and do not have recourse to the Company. Additionally, the cash flows generated by the SPEs are restricted to the payment of amounts due to third-party investors, but the Company retains the right to residual cash flows.

The assets and liabilities of the SPEs are included in the Company's interim condensed consolidated financial statements as of March 31, 2019 as follows:

	March 31, 2019 (in thousands)	December 31, 2018 (in thousands)
Assets		
Current assets:		
Restricted cash and cash equivalents	$ 10,375	$ 24,363
Loans receivable, net	70,757	51,471
Total current assets	81,132	75,834
Total assets	**$ 81,132**	**$ 75,834**
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 103	$ 113
Loans payable and other financial liabilities	8,089	7,539
Total current liabilities	8,192	7,652
Non-current liabilities:		
Loans payable and other financial liabilities	46,180	46,441
Total non-current liabilities	46,180	46,441
Total liabilities	**$ 54,372**	**$ 54,093**

Table of Contents

12. Leases

The Company leases certain fulfillment centers and office space in the various countries in which it operates. The lease agreements do not contain any residual value guarantees or material restrictive covenants.

Supplemental balance sheet information related to leases was as follows (in thousands):

		March 31, 2019
Operating Leases		
Operating lease right-of-use assets	$	153,499
Operating lease liabilities	$	155,632
Finance Leases		
Property and equipment, at cost		9,119
Accumulated depreciation		(284)
Property and equipment, net	$	8,835
Loans payable and other financial liabilities	$	6,724

The following table summarizes the weighted average remaining lease term and the weighted average incremental borrowing rate for operating and finance leases at March 31, 2019:

Weighted average remaining lease term	
Operating leases	9 Years
Finance leases	5 Years
Weighted average discount rate	
Operating leases	10.44 %
Finance leases	6.91 %

The components of lease expense were as follows (in thousands):

		March 31, 2019
Operating lease cost	$	6,477
Finance lease cost:		
Depreciation of property and equipment		235
Interest on lease liabilities		152
Total finance lease cost	$	387

Supplemental cash flow information related to leases was as follows (in thousands):

	Three months ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 4,124
Financing cash flows from finance leases	662
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 35,926
Finance leases	177

The following table summarizes the fixed, future minimum rental payments, excluding variable costs, which are discounted by the Company's incremental borrowing rates to calculate the lease liabilities for the operating and finance leases (in thousands):

Year Ending March 31,	Operating Leases	Finance Leases
One year or less	$ 26,507	$ 1,905
One year to two years	27,364	1,719
Two years to three years	26,469	1,719
Three years to four years	25,383	1,719
Four years to five years	23,826	1,399
Thereafter	112,956	359
Total lease payments	$ 242,505	$ 8,820
Less imputed interest	(86,873)	(2,096)
Total	$ 155,632	$ 6,724

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

Cautionary Statement Regarding Forward-Looking Statements

Any statements made or implied in this report that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements within the meaning of Section 27 A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and should be evaluated as such. The words "anticipate," "believe," "expect," "intend," "plan," "estimate," "target," "project," "should," "may," "could," "will" and similar words and expressions are intended to identify forward-looking statements. Forward-looking statements generally relate to information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, future economic, political and social conditions in the countries in which we operate and their possible impact on our business, and the effects of future regulation and the effects of competition. Such forward-looking statements reflect, among other things, our current expectations, plans, projections and strategies, anticipated financial results, future events and financial trends affecting our business, all of which are subject to known and unknown risks, uncertainties and other important factors (in addition to those discussed elsewhere in this report) that may cause our actual results to differ materially from those expressed or implied by these forward-looking statements. These risks and uncertainties include, among other things:

- our expectations regarding the continued growth of online commerce and Internet usage in Latin America;
- our ability to expand our operations and adapt to rapidly changing technologies;
- our ability to attract new customers, retain existing customers and increase revenues;
- the impact of government and central bank regulations on our business;
- litigation and legal liability;
- systems interruptions or failures;
- our ability to attract and retain qualified personnel;
- consumer trends;
- security breaches and illegal uses of our services;
- competition;
- reliance on third-party service providers;
- enforcement of intellectual property rights;
- seasonal fluctuations; and
- political, social and economic conditions in Latin America.

Many of these risks are beyond our ability to control or predict. New risk factors emerge from time to time and it is not possible for Management to predict all such risk factors, nor can it assess the impact of all such risk factors on our company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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 our forward-looking statements. These statements are not guarantees of future performance. They are subject to future events, risks and uncertainties–many of which are beyond our control– as well as potentially inaccurate assumptions that could cause actual results to differ materially from our expectations and projections. Some of the material risks and uncertainties that could cause actual results to differ materially from our expectations and projections are described in "Item 1A — Risk Factors" in Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018 filed with the Securities and Exchange Commission ("SEC") on February 28, 2019, as updated by those in other reports we file from time to time with the SEC.

You should read that information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report, our unaudited interim condensed consolidated financial statements and related notes in Item 1 of Part I of this report and our audited consolidated financial statements and related notes in Item 8 of Part II of our Annual Report on Form 10-K for the year ended December 31, 2018. We note such information for investors as permitted by the Private Securities Litigation Reform Act of 1995. There also may be other factors that we cannot anticipate or that are not described in this report, generally because they are unknown to us or we do not perceive them to be material that could cause results to differ materially from our expectations.

Forward-looking statements speak only as of the date they are made, and we do not undertake to update these forward-looking statements except as may be required by law. You are advised, however, to review any further disclosures we make on related subjects in our periodic filings with the SEC.

The discussion and analysis of our financial condition and results of operations has been organized to present the following:

- a brief overview of our company;
- a discussion of our principal trends and results of operations for the three-month periods ended March 31, 2019 and 2018;
- a review of our financial presentation and accounting policies, including our critical accounting policies;
- a discussion of the principal factors that influence our results of operations, financial condition and liquidity;
- a discussion of our liquidity and capital resources and a discussion of our capital expenditures;
- a description of our non-GAAP financial measures; and
- a discussion of the market risks that we face.

Other Information

We routinely post important information for investors on our Investor Relations website, http://investor.mercadolibre.com. We use this website as a means of disclosing material, non-public information and for complying with our disclosure obligations under SEC Regulation FD (Fair Disclosure). Accordingly, investors should monitor our Investor Relations website, in addition to following our press releases, SEC filings, public conference calls and webcasts. The information contained on, or that may be accessed through, our website is not incorporated by reference into, and is not a part of, this report.

Business Overview

MercadoLibre, Inc. (together with its subsidiaries "us", "we", "our" or the "Company") is the largest online commerce ecosystem in Latin America. Our platform is designed to provide users with a complete portfolio of services to facilitate commercial transactions. We are a market leader in e-commerce in each of Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Peru, Uruguay and Venezuela, based on the number of unique visitors and page views. We also operate online commerce platforms in the Dominican Republic, Honduras, Nicaragua, El Salvador, Panama, Bolivia, Guatemala and Paraguay.

Through our platform, we provide buyers and sellers with a robust environment that fosters the development of a large e-commerce community in Latin America, a region with a population of over 644 million people and with one of the fastest-growing Internet penetration rates in the world. We believe that we offer technological and commercial solutions that address the distinctive cultural and geographic challenges of operating an online commerce platform in Latin America.

We offer our users an ecosystem of six integrated e-commerce services: the MercadoLibre Marketplace, the Mercado Pago FinTech platform, the Mercado Envios logistics service, the MercadoLibre Classifieds service, the MercadoLibre advertising solution and the MercadoShops online webstores solution.

The MercadoLibre Marketplace, which we sometimes refer to as our marketplace, is a fully-automated, topically-arranged and user-friendly online commerce platform, which can be accessed through our website and mobile app. This platform enables both businesses and individuals to list merchandise and conduct sales and purchases online.

Mercado Pago is our financial technology (FinTech) solution, designed to facilitate transactions both on and off our marketplaces by providing a mechanism that allows our users to securely, easily and promptly send and receive payments online. Outside of our marketplaces, Mercado Pago allows merchants to process transactions via their websites and mobile apps, as well as in their brick-and-mortar stores through QR codes and mobile points of sale ("MPOS") devices. It also enables users to easily transfer money to each other. Through MercadoFondo, our asset management product, our users are able to invest the stored balance from their Mercado Pago account at competitive rates and in a simple way. MercadoCredito, our lending solution, allows us to finance merchants' working capital needs and consumers' purchases.

To further enhance our suite of e-commerce services, we launched the Mercado Envios shipping program in Brazil, Argentina, Mexico, Colombia, Chile and Uruguay. Through Mercado Envios, we offer a cost-efficient way to utilize our existing distribution chain to fulfill sales on our platform. Sellers that opt into the program are able to offer a uniform and seamlessly integrated shipping experience to their buyers at competitive prices. As of March 31, 2019, we also offer free shipping to buyers in Brazil, Argentina, Mexico, Chile and Colombia.

Through MercadoLibre Classifieds, our online classified listing service, our users can also list and purchase motor vehicles, real estate and services in the countries where we operate. Classifieds listings differ from Marketplace listings as they only charge optional placement fees and not final value fees. Our classifieds pages are also a major source of traffic to our platform, benefitting both the Enhanced Marketplace and non-Marketplace businesses.

Furthermore, we developed our MercadoLibre advertising platform to enable businesses to promote their products and services on the Internet. Through this platform, MercadoLibre's sellers and large advertisers are able to display ads on our webpages.

Additionally, through MercadoShops, our online store solution, users can set-up, manage and promote their own online store. These stores are hosted by MercadoLibre and offer integration with the marketplace, and payment and advertising services we offer. Users can pay monthly subscriptions for enhanced functionality and value added services on their store.

Reporting Segments and Geographic Information

Our segment reporting is based on geography, which is the current criterion our Management uses to evaluate our segment performance. Our geographic segments are Brazil, Argentina, Mexico and Other Countries (including Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Panama, Peru, Bolivia, Honduras, Nicaragua, El Salvador, Guatemala, Paraguay, Uruguay and the United States of America (through real estate classifieds in the State of Florida only)). Although we discuss long-term trends in our business, it is our policy not to provide earnings guidance in the traditional sense. We believe that uncertain conditions make the forecasting of near-term results difficult. Further, we seek to make decisions focused primarily on the long-term welfare of our company and believe focusing on short-term earnings does not best serve the interests of our stockholders. We believe that execution of key strategic initiatives as well as our expectations for long-term growth in our markets will best create stockholder value. A long-term focus may make it more difficult for industry analysts and the market to evaluate the value of our company, which could reduce the value of our common stock or permit competitors with short-term tactics to grow more rapidly than us. We, therefore, encourage potential investors to consider this strategy before making an investment in our common stock.

The following table sets forth the percentage of our consolidated net revenues by segment for the three-month periods ended March 31, 2019 and 2018:

	Three-month Periods Ended March 31,	
(% of total consolidated net revenues) (*) (**)	**2019**	**2018**
Brazil	63.8 %	57.4 %
Argentina	19.8	31.8
Mexico	11.5	5.3
Other Countries	4.9	5.6

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table. The table above may not total due to rounding.
(**) The amount incurred in shipping subsidies are netted from revenues, when we act as an agent, was $74.0 million and $112.5 million for the three-month periods ended March 31, 2019 and 2018, respectively.

The following table summarizes the changes in our net revenues by segment for the three-month periods ended March 31, 2019 and 2018:

	Three-month Periods Ended March 31,		Change from 2018 to 2019 (*) (**)	
	2019	**2018**	**in Dollars**	**in %**
	(in millions, except percentages)			
Net Revenues:				
Brazil	$ 302.4	$ 184.2	$ 118.2	64.2 %
Argentina	93.8	101.9	(8.2)	(8.0)
Mexico	54.6	17.1	37.5	219.7
Other Countries	23.0	17.8	5.2	29.4
Total Net Revenues	$ 473.8	$ 321.0	$ 152.8	47.6 %

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table. The table above may not total due to rounding.
(**) The amount incurred in shipping subsidies are netted from revenues, when we act as an agent, was $74.0 million and $112.5 million for the three-month periods ended March 31, 2019 and 2018, respectively.

Recent Developments

Equity offering

On March 15, 2019, we closed a public equity offering of approximately $1,150 million of common stock at a public offering price of $480 per share (the "Offering"). Pursuant to the Offering, we issued 2,395,834 shares of common stock, par value $0.001 per share (the "Common Stock") which includes the exercise in full of the underwriters' option to purchase $150 million of additional shares of Common Stock.

In addition, on March 15, 2019 we closed our $750 million concurrent private placement of common stock to PayPal, Inc. (PayPal). Based on the securities purchase agreement, PayPal purchased 1,719,790 shares of Common Stock at a price of $436.10 per share.

On March 29, 2019, in a separate private placement, an affiliate of Dragoneer Investment Group purchased 100,000 shares of perpetual convertible preferred stock designated as Series A Perpetual Preferred Stock, par value $0.001 per share (the "Preferred Stock"), for $100 million in the aggregate.

In the aggregate, we raised funds in the amount of $1,965.2 million net of issuance costs paid in the amount of $34.8 million.

Please see note 10 to our unaudited condensed consolidated financial statements for additional information regarding our equity offering.

Description of Line Items

Net revenues

We recognize revenues in each of our four geographical reporting segments. Within each of our segments, the services we provide generally fall into two distinct revenue streams: "Enhanced Marketplace" and "Non-Marketplace".

The following table summarizes our consolidated net revenues by revenue stream for the three-month periods ended March 31, 2019 and 2018:

Consolidated net revenues by revenue stream	Three-month Periods Ended March 31, (*) 2019	2018
	(in millions)	
Enhanced Marketplace (**)	$ 253.0	$ 140.7
Non-Marketplace (***) (****)	220.7	180.3
Total	$ 473.8	$ 321.0

(*) The table above may not total due to rounding.
(**) Includes final value fees and shipping fees. The amount incurred in shipping subsidies are netted from revenues when we act as an agent, was $74.0 million and $112.5 million for the three-month periods ended March 31, 2019 and 2018, respectively.
(***) Includes, among other things, ad sales, classified fees, payment fees and other ancillary services.
(****) Includes $187.0 million and $144.8 million of Payment Fees for the three-month periods ended March 31, 2019 and 2018, respectively.

Revenues from Enhanced Marketplace transactions are mainly generated from final value fees and shipping fees net of the third-party carrier costs.

Final value fees represent a percentage of the sale value that is charged to the seller once an item is successfully sold. Shipping revenues are generated when a buyer elects to receive an item through our shipping service net of the third-party carrier costs.

Revenues for Non-Marketplace services are generated from:

- payments fees;
- classifieds fees;
- ad sales up-front fees; and
- fees from other ancillary businesses.

Non-Marketplace revenues also come from our Mercado Pago FinTech solution, where we generate payment fees attributable to:

- commissions representing a percentage of the payment volume processed that are charged to sellers in connection with off Marketplace-platform transactions;
- commissions from additional fees we charge when a buyer elects to pay in installments through our Mercado Pago platform, for transactions that occur either on or off our Marketplace platform;
- commissions from additional fees we charge when our sellers elect to withdraw cash;
- interest, cash advances and fees from merchant and consumer credits granted under our MercadoCredito solution; and
- revenues from the sale of mobile points of sale products.

Through our classifieds offerings of motor vehicles, vessels, aircraft, real estate and services, we generate revenues from up-front fees for all classifieds offerings. We charge additional fees to sellers who opt to give their listings greater exposure throughout our websites.

Our Advertising revenues are generated by selling either display product and/or text link ads throughout our websites.

When more than one service is included in one single arrangement with the same customer, we recognize revenue according to multiple element arrangements accounting, distinguishing between each of the services provided and allocating revenues based on their respective estimated selling prices.

We have a highly fragmented customer revenue base given the large numbers of sellers and buyers who use our platforms. For the three-month periods ended March 31, 2019 and 2018, no single customer accounted for more than 5.0% of our net revenues.

Our MercadoLibre Marketplace is available in 18 countries (Argentina, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Mexico, Panama, Peru, Uruguay, Venezuela (deconsolidated as of December 1, 2017), Bolivia, Honduras, Nicaragua, Salvador, Guatemala and Paraguay), and Mercado Pago is available in 7 countries (Argentina, Brazil, Chile, Peru, Colombia, Mexico and Uruguay). Additionally, Mercado Envios is available in 6 countries (Argentina, Brazil, Mexico, Colombia, Chile and Uruguay). The functional currency for each country's operations is the country's local currency, except for Argentina where the functional currency was the U.S. dollar due to Argentina's status as highly inflationary economy. See—"Critical accounting policies and estimates—Foreign Currency Translation" included below and Note 2 to our unaudited interim condensed consolidated financial statements for highly inflationary economy details. Our net revenues are generated in multiple foreign currencies and then translated into U.S. dollars at the average monthly exchange rate.

Our subsidiaries in Brazil, Argentina and Colombia are subject to certain taxes on revenues which are classified as a cost of net revenues. These taxes represented 8.5% of net revenues for the three-month period ended March 31, 2019, as compared to 9.3% for the same period in 2018.

Cost of net revenues

Cost of net revenues primarily represents bank and credit card processing charges for transactions and fees paid with credit cards and other payment methods, fraud prevention fees, certain taxes on revenues, certain taxes on bank transactions, cost of mobile point of sale products sold, hosting and site operation fees, compensation for customer support personnel, ISP connectivity charges, depreciation and amortization, shipping operation costs (including warehousing costs) and other operating costs.

Product and technology development expenses

Our product and technology development related expenses consist primarily of compensation for our engineering and web-development staff, depreciation and amortization costs related to product and technology development, telecommunications costs and payments to third-party suppliers who provide technology maintenance services to us.

Sales and marketing expenses

Our sales and marketing expenses consist primarily of costs related to marketing our platforms through online and offline advertising and agreements with portals and search engines, charges related to our buyer protection programs, the salaries of employees involved in these activities, chargebacks related to our Mercado Pago operations, bad debt charges, public relations costs, marketing activities for our users and depreciation and amortization costs.

We carry out the majority of our marketing efforts on the Internet. We enter into agreements with portals, search engines, social networks, ad networks and other sites in order to attract Internet users to the MercadoLibre Marketplace and convert them into registered users and active traders on our platform.

We also work intensively on attracting, developing and growing our seller community through our customer support efforts. We have dedicated professionals in most of our operations that work with sellers through trade show participation, seminars and meetings to provide them with important tools and skills to become effective sellers on our platform.

General and administrative expenses

Our general and administrative expenses consist primarily of salaries for management and administrative staff, compensation of outside directors, long term retention plan compensation, expenses for legal, audit and other professional services, insurance expenses, office space rental expenses, travel and business expenses, as well as depreciation and amortization costs. Our general and administrative expenses include the costs of the following areas: general management, finance, administration, accounting, legal and human resources.

Other income (expenses), net

Other income (expenses) consists primarily of interest income derived from our investments and cash equivalents, interest expense related to financial liabilities and foreign currency gains or losses.

Income tax

We are subject to federal and state taxes in the United States, as well as foreign taxes in the multiple jurisdictions where we operate. Our tax obligations consist of current and deferred income taxes incurred in these jurisdictions. We account for income taxes following the liability method of accounting. A valuation allowance is recorded when, based on the available evidence, it is more likely than not that all or a portion of our deferred tax assets will not be realized. Therefore, our income tax expense consists of taxes currently payable, if any (given that in certain jurisdictions we still have net operating loss carry-forwards), plus the change in our deferred tax assets and liabilities during each period.

Critical Accounting Policies and Estimates

The preparation of our unaudited interim condensed consolidated financial statements and related notes requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We have based our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our Management has discussed the development, selection and disclosure of these estimates with our audit committee and our board of directors. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our interim condensed consolidated financial statements. We believe that the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our interim condensed consolidated financial statements.

There have been no significant changes in our critical accounting policies, Management estimates or accounting policies since the year ended December 31, 2018 and disclosed in the Form 10-K, see Item – “Critical Accounting Policies”, other than those discussed in Note 2 of our unaudited interim condensed consolidated financial statements in connection with the adoption of ASC 842 – New leasing accounting standard as of January 1, 2019 and the fair value option applied to certain financial instruments.

Results of operations for the three-month period ended March 31, 2019 compared to the three-month periods ended March 31, 2018

The selected financial data for the three-month periods ended March 31, 2019 and 2018 discussed herein is derived from our unaudited interim condensed consolidated financial statements included in Item 1 of Part I of this report. These statements include all normal recurring adjustments that Management believes are necessary to fairly state our financial position, results of operations and cash flows. The results of operations for the three-month periods ended March 31, 2019 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2019 or for any other period.

Statement of income data

(In millions)	Three-month Period Ended March 31, 2019 (*)	2018 (*)
	(Unaudited)	
Net revenues (**)	$ 473.8	$ 321.0
Cost of net revenues	(236.8)	(158.2)
Gross profit	237.0	162.8
Operating expenses:		
Product and technology development	(52.4)	(38.4)
Sales and marketing	(130.7)	(110.7)
General and administrative	(43.8)	(43.1)
Total operating expenses	(226.9)	(192.2)
Income/(loss) from operations	10.1	(29.4)
Other income (expenses):		
Interest income and other financial gains	24.4	9.2
Interest expense and other financial losses	(15.6)	(10.7)
Foreign currency (loss)/gain	(3.7)	5.6
Net income/(loss) before income tax (expense)/gain	15.4	(25.4)
Income tax (expense)/gain	(3.5)	12.4
Net income/(loss)	$ 11.9	$ (12.9)

(*) The table above may not total due to rounding.
(**) The amount incurred in shipping subsidies are netted from revenues, when we act as an agent, was $74.0 million and $112.5 million for the three-month periods ended March 31, 2019 and 2018, respectively.

Principal trends in results of operations

Growth in net revenues

Since our inception, we have consistently generated revenue growth from both our Enhanced Marketplace and Non-Marketplace revenue streams, driven by the strong growth of our key operational metrics. Our net revenues grew 47.6% in the three-month period ended March 31, 2019 as compared to the same period in 2018. Our net revenues grew as a result of increases in local currency gross merchandise volume in Argentina, Brazil and Mexico of 69.6%, 17.9% and 48.0%, respectively and a 35.1% increase in our total payment volume in the three-month period ended March 31, 2019 as compared to the same period in 2018. Additionally, our growth in net revenues was boosted by the decrease in our shipping subsidies, which are netted from net revenues when we act as an agent, from $112.5 million to $74.0 million in the three-month period ended March 31, 2018 as compared to the same period in 2019, respectively and the effect of the flat fee for those transactions related to low gross merchandise volume in Brazil. Finally, our growth in net revenues were partially offset by the devaluation of the Argentine Peso and Brazilian Reais of approximately 53.5% and 14.7%, as of March 31, 2019 compared to March 31, 2018, respectively.

We believe that our growth in net revenues should continue in the future. However, despite this positive historical trend, the current weak macro-economic environment in certain countries in Latin America, coupled with devaluations of certain local currencies in those countries versus the U.S. dollar and high interest rates in those countries could cause a decline in year-over-year net revenues, particularly as measured in U.S. dollars. Moreover, in the future, net revenues could decline if we continue offering free shipping and the costs of providing the service grow faster than our sales.

Gross profit margins

During the past two years, our business has experienced decreasing gross profit margins, defined as total net revenues minus total cost of net revenues, as a percentage of net revenues.

Our gross profit margins were 50.0% and 50.7% for the three-month periods ended March 31, 2019 and 2018, respectively. The decrease in our gross profit margins resulted primarily from increases in components of cost of net revenues, each as described below:

(i) An increase in shipping operating costs of $31.7 million for the three-month period ended March 31, 2019, as compared with the same period in 2018, mainly related to shipping operating costs, including warehousing expenses.

(ii) Higher penetration of our payments and shipping solution, particularly in our Argentine, Brazilian and Mexican marketplaces. For the three-month period ended March 31, 2019, total volume of payments on our marketplace represented 93.8% of our total GMV (excluding motor vehicles, vessels, aircraft, real estate and services); as compared to 89.9%, for the three-month period ended March 31, 2018. Additionally, for the three-month period ended March 31, 2019, the total number of items shipped through our shipping solution represented 81.3%, of our total number of successful items sold in the countries where our shipping solution is available, as compared to 71.3%, for the three-month period ended March 31, 2018. Transactions that include such services intrinsically incur incremental costs such as collection fees, which result in lower gross profit margins as compared to other services we offer. In addition, our revenues are typically disclosed net of third party provider costs while sales taxes are paid on the gross amount of revenues, thus, decreasing our gross profit margins in terms of revenues. For the three-month period ended March 31, 2019, collection fees increased $15.7 million, as compared to the same period in 2018. For the three-month period ended March 31, 2019, sales tax increased $10.2 million, as compared to the same period in 2018.

(iii) Increased other payment costs of $7.2 million for the three-month period ended March 31, 2019, as compared to the same period in 2018, mainly related to higher MercadoPago transactional expenses.

(iv) Increased cost of products sold of $4.8 million for the three-month period ended March 31, 2019, as compared to the same period in 2018, related to a higher volumes of mobile point of sale devices sold in Brazil, Argentina and Mexico. This increase generated lower profit margins.

(v) Increased customer support costs of $4.7 million for the three-month period ended March 31, 2019, as compared with the same period in 2018, mainly as a consequence of an increase in salaries and wages. The number of customer support employees was 2,943 as of March 31, 2019 as compared to 2,651 as of March 31, 2018.

(vi) Increased hosting costs of $3.7 million for the three-month period ended March 31, 2019, as compared to the same period in 2018.

In the future, gross profit margins could continue to decline if we continue to offer free shipping and the penetration of our payment solution and our shipping service grows faster than our marketplace sales.

Operating income/(loss) margins

For the three-month period ended March 31, 2019 as compared to the same period in 2018, our operating income/(loss) margin increased from a negative margin of 9.2% to a positive margin of 2.1%, mainly as a consequence of the explained increase in net revenues above and a decrease in sales and marketing expenses, calculated as a percentage of net revenues.

We anticipate that as we continue to invest in product development, sales and marketing and human resources in order to promote our services and capture the long-term business opportunity offered by the Internet in Latin America, it will be increasingly difficult to maintain our operating margins, and we may even could experience decreases in our operating margins.

Other Data

(in millions)	Three-month Periods Ended March 31, 2019	Three-month Periods Ended March 31, 2018
Number of confirmed registered users at end of period [1]	280.1	223.1
Number of confirmed new registered users during period [2]	12.3	11.2
Gross merchandise volume [3]	$ 3,087.8	$ 3,126.4
Number of successful items sold [4]	82.8	80.1
Number of successful items shipped [5]	62.4	52.5
Total payment volume [6]	$ 5,639.1	$ 4,175.3
Total volume of payments on marketplace [7]	$ 2,896.1	$ 2,809.5
Total payment transactions [8]	143.9	74.3
Unique buyers [9]	18.8	17.0
Unique sellers [10]	4.2	5.0
Capital expenditures	$ 33.0	$ 23.0
Depreciation and amortization	$ 15.7	$ 11.1

(1) Measure of the cumulative number of users who have registered on the MercadoLibre Marketplace and confirmed their registration, excluding Classifieds users.
(2) Measure of the number of new users who have registered on the MercadoLibre Marketplace and confirmed their registration, excluding Classifieds users.
(3) Measure of the total U.S. dollar sum of all transactions completed through the MercadoLibre Marketplace, excluding Classifieds transactions.
(4) Measure of the number of items that were sold/purchased through the MercadoLibre Marketplace, excluding Classifieds items.
(5) Measure of the number of items that were shipped through our shipping service.
(6) Measure of the total U.S. dollar sum of all transactions paid for using Mercado Pago, including marketplace and non-marketplace transactions.
(7) Measure of the total U.S. dollar sum of all marketplace transactions paid for using Mercado Pago, excluding shipping and financing fees.
(8) Measure of the number of all transactions paid for using Mercado Pago.
(9) New or existing users with at least one purchase made in the period, including Classifieds users.
(10) New or existing users with at least one new listing in the period, including Classifieds users.

Net revenues

	Three-month Periods Ended March 31,		Change from 2018 to 2019 (*)	
	2019	2018	in Dollars	in %
	(in millions, except percentages)			
Total Net Revenues (**)	$ 473.8	$ 321.0	$ 152.8	47.6%
As a percentage of net revenues (*)	100.0%	100.0%		

(*) Percentages have been calculated using whole-dollar amounts rather than rounded amounts that appear in the table. The table above may not total due to rounding.
(**) The amount incurred in shipping subsidies are netted from revenues, when we act as an agent, was $74.0 million and $112.5 million for the three-month periods ended March 31, 2019 and 2018, respectively.

Our net revenues grew 47.6% in the three-month period ended March 31, 2019 as compared to the same period in 2018. The increase in net revenues was primarily attributable to increases in the enhanced marketplace transactions volume related to an increase in local currency gross merchandise volume in Argentina, Brazil and Mexico of 69.6%, 17.9% and 48.0%, respectively. In addition, the increase in net revenues was attributable to:

a) A decrease of $38.5 million, or a 34% decrease, in our shipping subsidies, netted from revenues, during the three month period ended March 31, 2019 as compared to the same period in 2018; and

b) An increase of $35.7 million related to flat fee in Brazilian segment for those transactions with a low gross merchandise volume value.

The 22.4% increase in our non-marketplace revenues from $180.3 million for the three-month period ended March 31, 2018 compared to $220.7 million for the three-month period ended March 31, 2019, is mainly generated by a 35.1% increase in our total payment volume, mainly associated to off-platform transactions.

The increase in our net revenues was partially offset by the devaluation of the Argentine Peso and Brazilian Reais by approximately 53.5% and 14.7%, respectively, as of March 31, 2019 as compared to March 31, 2018.

Consolidated Net Revenues by revenue stream	Three-month Periods Ended March 31, 2019	2018	Change from 2018 to 2019 (***) in Dollars	in %
	(in millions, except percentages)			
Brazil				
Enhanced Marketplace	$ 157.8	$ 71.4	$ 86.3	120.8%
Non-Marketplace	144.6	112.7	31.9	28.3%
	302.4	184.2	118.2	64.2%
Argentina				
Enhanced Marketplace	$ 42.0	$ 52.1	$ (10.1)	-19.3%
Non-Marketplace	51.8	49.8	1.9	3.8%
	93.8	101.9	(8.2)	-8.0%
Mexico				
Enhanced Marketplace	$ 42.5	$ 10.0	$ 32.5	324.2%
Non-Marketplace	12.0	7.0	5.0	71.0%
	54.6	17.1	37.5	219.7%
Other countries				
Enhanced Marketplace	$ 10.7	$ 7.1	$ 3.6	50.6%
Non-Marketplace	12.3	10.7	1.6	15.2%
	23.0	17.8	5.2	29.4%
Consolidated				
Enhanced Marketplace (*)	253.0	140.7	112.3	79.8%
Non-Marketplace (**)	220.7	180.3	40.5	22.4%
Total	$ 473.8	$ 321.0	$ 152.8	47.6%

(*) The amount incurred in shipping subsidies are netted from revenues, when we act as an agent, was $74.0 million and $112.5 million for the three-month periods ended March 31, 2019 and 2018, respectively.
(**) Includes, among other things, payment fees, ad sales, classified fees and other ancillary services.
(***) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table. The table above may not total due to rounding.

Brazil

Enhanced Marketplace revenues in Brazil increased 120.8% in the three-month period ended March 31, 2019 as compared to the same period in 2018. This increase was primarily a consequence of i) a 17.9% increase in local currency gross merchandise volume; ii) a decrease of $35.9 million in shipping subsidies related to our free shipping initiative, which is presented netted from revenues when we act as an agent and iii) the implementation of a flat fee for those transactions related to low gross merchandise volume. The increase was partially offset by a 14.7% devaluation of the local currency. Non-Marketplace revenues grew 28.3%, a $31.9 million increase, during the same period, mainly driven by a 144.4% increase in the off-platform payments volume, partially offset by the devaluation of the Brazilian Reais.

Argentina

Enhanced Marketplace revenues in Argentina decreased 19.3% in the three-month period ended March 31, 2019 as compared to the same period in 2018. The decrease was primarily a consequence of i) a 53.5% devaluation of the local currency and ii) an increase of $5.1 million in shipping subsidies related to our free shipping initiative, which is presented netted from revenues when we act as an agent. This decrease was partially offset by a 69.6% increase in local currency gross merchandise volume. Non-Marketplace revenues grew 3.8%, a $1.9 million increase, during the same period, mainly driven by a 83.1% increase in the off-platform payments volume, partially offset by the devaluation of the local currency.

Mexico

Enhanced Marketplace revenues in Mexico increased 324.2% in the three-month period ended March 31, 2019, as compared to the same period in 2018, mainly due to i) the effect of not netting from revenues the shipping costs related to certain shipping services given that we started acting as principal as of November 2018 and ii) a 48.0% increase in local currency gross merchandise volume. Non-Marketplace revenues grew 71.0%, a $5.0 million increase, during the same period, mainly driven by increases in the volume of off-platform payments transactions.

The following table sets forth our total net revenues and the sequential quarterly growth of these net revenues for the periods described below:

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(in millions, except percentages) (*)			
2019				
Net revenues (**)	$ 473.8	n/a	n/a	n/a
Percent change from prior quarter	11%			
2018				
Net revenues (**)	$ 321.0	$ 335.4	$ 355.3	$ 428.0
Percent change from prior quarter	-10%	4%	6%	20%

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table.
(**) The amount incurred in shipping subsidies, which are netted from revenues, when we act as an agent, was $74.0 million and $112.5 million for the three-month periods ended March 31, 2019 and 2018, respectively.

The following table sets forth the growth in net revenues in local currencies for the three-month period ended March 31, 2019 as compared to the same period in 2018:

(% of revenue growth in Local Currency) (*) (**)	Three-month period
Brazil	91.1%
Argentina	82.6%
Mexico	227.3%
Other Countries	43.9%
Total Consolidated	92.9%

(*) The local currency revenue growth was calculated by using the average monthly exchange rates for each month during 2018 and applying them to the corresponding months in 2019, so as to calculate what our financial results would have been had exchange rates remained stable from one year to the next. See also “Non-GAAP Financial Measures” section below for details on FX neutral measures.
(**) The amount incurred in shipping subsidies, which are netted from revenues, when we act as an agent, was $74.0 million and $112.5 million for the three-month periods ended March 31, 2019 and 2018, respectively.

In Argentina, the increase in local currency growth is due to an increase in our Argentine transactions volume and our shipped items volume, increases in our Mercado Pago transactions and a high level of inflation.

In Mexico and Brazil, the increase in local currency growth is a consequence of an increase of our Marketplace transactions volumes and increases in our Mercado Pago transactions and shipped items volumes.

Cost of net revenues

	Three-month Periods Ended March 31,		Change from 2018 to 2019 (*)	
	2019	2018	in Dollars	in %
	(in millions, except percentages)			
Total cost of net revenues	$ 236.8	$ 158.2	$ 78.5	49.6%
As a percentage of net revenues (*)	50.0%	49.3%		

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table. The table above may not total due to rounding.

For the three-month period ended March 31, 2019 as compared to the same period of 2018, the increase of $78.5 million in cost of net revenues was primarily attributable to: i) a $31.7 million increase in shipping carrier and operating costs; ii) an increase in collection fees of $15.7 million, which was mainly attributable to our Argentine and Brazilian operations as a result of the higher transactions volume of Mercado Pago in those countries and higher off-platform transactions; iii) an increase in sales taxes of

$10.2 million, mainly related to the growth of our Argentine and Brazilian operations; iv) an increase in cost of products sold of $4.8 million attributable to higher volumes of mobile point of sale devices sold in Brazil, Argentina and Mexico; v) a $4.7 million increase in customer support costs mainly as a consequence of higher salaries and wages due to new hirings and vi) an increase in hosting expenses of $3.7 million.

Product and technology development expenses

	Three-month Periods Ended March 31,		Change from 2018 to 2019 (*)	
	2019	2018	in Dollars	in %
	(in millions, except percentages)			
Product and technology development	$ 52.4	$ 38.4	$ 14.0	36.4%
As a percentage of net revenues (*)	11.1%	12.0%		

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table. The table above may not total due to rounding.

For the three-month period ended March 31, 2019, the increase in product and technology development expenses as compared to the same period in 2018 amounted to $14.0 million. This increase was primarily attributable to: i) an increase in other product and technology development expenses of $7.0 million primarily related to certain taxes and withholdings; ii) a $3.9 million increase in salaries and wages; iii) a $1.4 million increase in maintenance expenses; and iv) a $1.1 million increase in depreciation and amortization.

We believe product development is one of our key competitive advantages and intend to continue to invest in hiring engineers to meet the increasingly sophisticated product expectations of our customer base.

Sales and marketing expenses

	Three-month Periods Ended March 31,		Change from 2018 to 2019 (*)	
	2019	2018	in Dollars	in %
	(in millions, except percentages)			
Sales and marketing	$ 130.7	$ 110.7	$ 20.0	18.0%
As a percentage of net revenues (*)	27.6%	34.5%		

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table. The table above may not total due to rounding.

For the three-month period ended March 31, 2019, the $20.0 million increase in sales and marketing expenses as compared to the same period in 2018 was primarily attributable to: i) an increase of $8.0 million in online and offline marketing expenses mainly in Brazil, Mexico and Argentina; ii) a $3.9 million increase in our buyer protection program expenses, mainly in Brazil; iii) a $3.9 increase in chargebacks from credit cards due to the increase in our MercadoPago transactions volume and iv) a $2.5 million increase in salaries and wages.

General and administrative expenses

	Three-month Periods Ended March 31,		Change from 2018 to 2019 (*)	
	2019	2018	in Dollars	in %
	(in millions, except percentages)			
General and administrative	$ 43.8	$ 43.1	$ 0.8	1.8%
As a percentage of net revenues (*)	9.2%	13.4%		

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table. The table above may not total due to rounding.

For the three-month period ended March 31, 2019, the $0.8 million increase in general and administrative expenses as compared to the same period in 2018 was primarily attributable to a $4.3 million increase other general and administrative expenses mainly related to certain taxes and withholdings. This increase was partially offset by a decrease of $3.6 million in salaries and wages, mainly related to devaluation of Argentine Peso and Brazilian Reais.

Other income (expense), net

	Three-month Periods Ended March 31,		Change from 2018 to 2019 (*)	
	2019	2018	in Dollars	in %
	(in millions, except percentages)			
Other income (expense), net	$ 5.2	$ 4.1	$ 1.2	28.4%
As a percentage of net revenues (*)	1.1%	1.3%		

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table. The table above may not total due to rounding.

For the three-month period ended March 31, 2019, the $1.2 million increase in other income (expense), net as compared to the same period in 2018 was primarily attributable to a $15.2 million increase in interest income from our financial investments as a result of a higher float in Argentina and Brazil and the proceeds of the 2028 Notes, which generated more invested volume and interest gain. This increase was partially offset by: i) a higher foreign exchange loss of $9.3 million and ii) an increase of $4.8 million in financial expenses, mainly attributable to financial interest related to the 2028 Notes.

Income tax

	Three-month Periods Ended March		Change from 2018 to 2019 (*)	
	2019	2018	in Dollars	in %
	(in millions, except percentages)			
Income tax (expense)/gain	$ (3.5)	$ 12.4	$ (15.9)	-128.1%
As a percentage of net revenues (*)	-0.7%	3.9%		

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table. The table above may not total due to rounding.

During the three-month period ended March 31, 2019 as compared to the same period in 2018, income tax expense increased by $15.9 million mainly as a consequence of pre-tax gains in Brazil (resulting primarily from lower free shipping subsidies) compared to the pre-tax losses recorded in Brazil during 2018 (as a result mainly of higher operating and shipping costs during 2018).

Our blended tax rate is defined as income tax (expense)/gain as a percentage of income/(loss) before income tax. Our effective income tax rate is defined as the provision for income taxes payable as a percentage of income/(loss) before income tax. The effective income tax rate excludes the effects of the deferred income tax, and complementary income tax.

The following table summarizes our blended and effective tax rates for the three-month periods ended March 31, 2019 and 2018:

	Three-month Periods Ended March 31,	
	2019	2018
Blended tax rate	22.7%	49.1%
Effective tax rate	113.6%	-71.6%

Our blended tax rate for the three-month period ended March 31, 2019 decreased as compared to the same period in 2018 mainly due to the effect of the compensation during the first quarter of 2018 between pre-tax losses and gains which generated a reduction of our interim consolidated pre-tax result and a higher blended tax rate also due to the combination of different tax rates. This effect did not take place in 2019, where we had pre-tax gains at consolidated level that were taxable at lower tax rate, mainly due to the benefits of Argentine software development law.

Our effective tax rate for the three-month period ended March 31, 2019 increased as compared to the same period in 2018 mainly due to the combined effect of the increase in our pre-tax losses for Mexico at the segment level and the provision for income tax corresponding to certain subsidiaries with pre-tax gains. Additionally, during the first quarter of 2018, Brazil had pre-tax losses at the segment level but also provision for income tax corresponding to certain subsidiaries with pre-tax gains and during the first quarter of 2019, Brazil had pre-tax gains at the segment level, increasing its effective tax rate.

The following table sets forth our effective income tax rate on a segment basis for the three-month periods ended March 31, 2019 and 2018:

	Three-month Periods Ended March 31,	
	2019	2018
Effective tax rate by country		
Argentina	33.3%	30.5%
Brazil	32.9%	-19.0%
Mexico	-1.5%	-0.9%

The increase in the effective income tax rate in our Argentine subsidiaries during the three-month period ended March 31, 2019 as compared to the same period in 2018 was mainly related to lower pre-tax gains and higher non-deductible expenses, mainly associated to the functional currency change related to our Argentine operations in the first quarter of 2019.

For information regarding the benefits granted to the Company under the software development law, please see Note 2 to our interim unaudited condensed consolidated financial statements.

The increase in our Brazilian effective income tax rate, which was negative for the three-month period ended March 31, 2018 as compared to the same period in 2019, was mainly related to pre-tax gains during first quarter of 2019. During the first quarter of 2018, the effective tax rate in Brazil was lower and negative because of pre-tax losses (as a result of a decrease in net revenues because of the increase in our shipping subsidies described above) without any corresponding impact in our provision for income taxes.

The decrease in our Mexican negative effective income tax rate for the three-month period ended March 31, 2019 as compared to the same period in 2018 was mainly related to the combined effect of the increase in our pre-tax losses in Mexico at the segment level (as a result of an increase in our shipping subsidies described above) and the provision for income tax corresponding to certain subsidiaries with pre-tax gains.

Segment information

(In millions, except for percentages)	Three-month Period Ended March 31, 2019 (*)				
	Brazil	Argentina	Mexico	Other Countries	Total
Net revenues	$ 302.4	$ 93.8	$ 54.6	$ 23.0	$ 473.8
Direct costs	$ (225.3)	$ (67.5)	$ (65.6)	$ (20.4)	$ (378.9)
Direct contribution	77.0	26.3	(11.0)	2.6	94.9
Margin	25.5%	28.0%	-20.2%	11.3%	20.0%

	Three-month Period Ended March 31, 2018 (*)				
	Brazil	Argentina	Mexico	Other Countries	Total
Net revenues	$ 184.2	$ 101.9	$ 17.1	$ 17.8	$ 321.0
Direct costs	$ (177.0)	$ (57.3)	$ (26.3)	$ (17.3)	$ (277.9)
Direct contribution	7.2	44.6	(9.3)	0.5	43.1
Margin	3.9%	43.8%	-54.3%	3.1%	13.4%

	Change from the Three-month Period Ended March 31, 2018 to March 31, 2019 (*)				
	Brazil	Argentina	Mexico	Other Countries	Total
Net revenues					
in Dollars	$ 118.2	$ (8.2)	$ 37.5	$ 5.2	$ 152.8
in %	64.2%	-8.0%	219.7%	29.4%	47.6%
Direct costs					
in Dollars	$ (48.4)	$ (10.2)	$ (39.3)	$ (3.2)	$ (101.0)
in %	27.3%	17.8%	149.2%	18.4%	36.3%
Direct contribution					
in Dollars	$ 69.9	$ (18.4)	$ (1.8)	$ 2.1	$ 51.8
in %	973.8%	-41.1%	19.1%	376.8%	120.2%

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table. The table above may not total due to rounding.

Net revenues

Net revenues for the three-month period ended March 31, 2019 as compared to the same period in 2018 are described above in "Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Net revenues".

Direct costs

Brazil

For the three-month period ended March 31, 2019 as compared to the same period in 2018, direct costs increased by 27.3%, mainly driven by: i) a 40.8% increase in cost of net revenues, mainly attributable to an increase in collection fees as a consequence of higher transactions volume of our Mercado Pago business, shipping operating costs, sales tax and salaries and wages related to customer service; ii) a 11.9% increase in sales and marketing expenses, mainly due to an increase in online and offline marketing expenses, buyer protection program expenses, bad debt expenses, salaries and wages and chargebacks from credit cards due to the increase in our Mercado Pago transaction volume; iii) a 28.0% increase in product and technology development expenses, mainly due to an increase in depreciation and amortization expenses and salaries and wages and; iv) a 6.3% increase in general and administrative expenses, mainly attributable to an increase in tax and other fees and other general and administrative expenses.

Argentina

For the three-month period ended March 31, 2019 as compared to the same period in 2018, direct costs increased by 17.8%, mainly driven by: i) a 20.3% increase in cost of net revenues, mainly attributable to an increase in cost of products sold as a consequence of higher volume of mobile point of sale devices, salaries and wages related to customer service and other payments costs and ii) a 9.3% increase in sales and marketing expenses, mainly due to an increase in buyer protection program expenses, chargebacks from credit cards and salaries and wages.

Mexico

For the three-month period ended March 31, 2019 as compared to the same period in 2018, direct costs increased by 149.2%, mainly driven by: i) a 316.3% increase in cost of net revenues, mainly attributable to an increase in shipping operating costs, collection fees due to higher Mercado Pago penetration, customer support costs and cost of products sold as a consequence of higher volume of mobile point of sale devices; ii) a 51.1% increase in sales and marketing expenses, mainly due to increases in online and offline marketing expenses, buyer protection program expenses, chargebacks from credit cards due to the increase in our Mercado Pago volume and salaries and wages; iii) a 133.3% increase in general and administrative expenses mainly due to a increase in salaries and wages and other general and administrative expenses and iv) a 83.2% increase in product and technology development expenses, mainly attributable to depreciation and amortization and salaries and wages.

Liquidity and Capital Resources

Our main cash requirement has been working capital to fund Mercado Pago financing operations. We also require cash for capital expenditures relating to technology infrastructure, software applications, office space, business acquisitions, to fund our credit business, to build out our logistics capacity and the interest payments on our issued convertible notes.

Since our inception, we have funded our operations primarily through contributions received from our stockholders during the first two years of operations, from funds raised during our initial public offering, and from cash generated from our operations. We issued the 2019 Notes and 2028 Notes for net proceeds of approximately $321.7 million and $864.6 million, respectively. We have funded Mercado Pago mainly by discounting credit card receivables and credit lines.

Additionally, we continue funding our MercadoCredito business through securitization of certain loan receivables through SPEs created in Brazil and Argentina, formed to securitize loan receivables provided by us to our users. We will be using this alternative funding as the MercadoCredito business requires financing to develop and improve its operations. Please refer to Note 11 of our unaudited interim condensed consolidated financial statements for further detail on securitization transactions.

Finally, we issued common and preferred stock in the securities offerings that closed on March 15, 2019 and March 29, 2019, respectively, for net aggregate proceeds of approximately $2,000 million, which are intended to be used to fund the growth of our payment initiatives, build out our logistics capacity, drive the adoption of these services and for general corporate purposes. Please see note 10 to our unaudited condensed consolidated financial statements for additional information regarding our equity offerings.

As of March 31, 2019, our main source of liquidity, amounting to $2,706.3 million of cash and cash equivalents and short-term investments which excludes a $238.0 million investment related to the Central Bank of Brazil Mandatory Guarantee, and $275.4 million of long-term investments, consists of cash generated from operations, proceeds from loans, from the issuance of the 2019 Notes and the 2028 Notes and proceeds from the issuance of common and preferred stock. We consider our long-term investments as part of our liquidity because long-term investments are comprised of available-for-sale securities classified as long-term as a consequence of their contractual maturities.

The significant components of our working capital are cash and cash equivalents, restricted cash and cash equivalents, short-term investments, accounts receivable, loans receivable, accounts payable and accrued expenses, funds receivable from and payable to Mercado Pago users, and short-term debt.

As of March 31, 2019, cash and investments of our non-U.S. subsidiaries amounted to $875.1 million, a 27.1% of our consolidated cash, restricted cash and cash equivalents and investments, and our non-U.S. dollar-denominated cash and investments amounted to approximately 23.7% of our consolidated cash and investments. Our non-U.S. dollar-denominated cash and investments are located primarily in Brazil.

In the event we change the way we manage our business, our working capital needs could be funded, as in the past, through a combination of the sale of credit card coupons to financial institutions, cash advances from our business and securitization of financial assets through a special purpose vehicle, such as a trust.

The following table presents our cash flows from operating activities, investing activities and financing activities for the three-month periods ended March 31, 2019 and 2018:

(In millions)	Three-month Periods Ended March 31, (*) 2019	2018
Net cash provided by (used in):		
Operating activities	$ 138.4	$ (37.0)
Investing activities	(1,260.1)	(24.1)
Financing activities	1,974.7	24.0
Effect of exchange rates on cash and cash equivalents	(11.4)	(0.8)
Net increase/(decrease) in cash and cash equivalents	$ 841.6	$ (37.8)

(*) The table above may not total due to rounding.

Net cash provided by/(used in) operating activities

Cash provided by/(used in) operating activities consists of net income adjusted for certain non-cash items, and the effect of changes in working capital and other activities:

	Three-month Periods Ended March 31, (*)		Change from 2018 to 2019 (*)	
	2019	2018	in Dollars	in %
	(in millions, except percentages)			
Net Cash provided by/(used in):				
Operating activities	$ 138.4	$ (37.0)	$ 175.4	473.9%

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table. The table above may not total due to rounding.

The $175.4 million increase in net cash provided by operating activities during the three-month period ended March 31, 2019, as compared to the same period in 2018, was primarily driven by a $69.8 million increase caused by a reduction in credit card receivables, a $43.1 million increase in funds payable to customers, a $24.8 million increase in our net income, a $19.5 million increase caused by a reduction in prepaid expenses and a $9.7 million increase in other liabilities.

Net cash used in investing activities

	Three-month Periods Ended March 31, (*)		Change from 2018 to 2019 (*)	
	2019	2018	in Dollars	in %
	(in millions, except percentages)			
Net Cash used in:				
Investing activities	$ (1,260.1)	$ (24.1)	$ (1,236.0)	-5129.2%

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table. The table above may not total due to rounding.

Net cash used in investing activities in the three-month period ended March 31, 2019 resulted mainly from purchases of investments of $1,624.2 million, which was partially offset by proceeds from the sale and maturity of investments of $439.7 million, as part of our financial strategy. We used $42.6 million in principal of loans receivable granted to merchants and consumers under our MercadoCredito solution; and $32.9 million in the purchase of property and equipment (mainly in information technology in Argentina, Brazil and the United States).

Net cash provided by financing activities

	Three-month Periods Ended March 31, (*)		Change from 2018 to 2019 (*)	
	2019	2018	in Dollars	in %
	(in millions, except percentages)			
Net Cash provided by:				
Financing activities	$ 1,974.7	$ 24.0	$ 1,950.7	8119.0%

(*) Percentages have been calculated using whole-dollar amounts rather than the rounded amounts that appear in the table. The table above may not total due to rounding.

For the three-month period ended March 31, 2019, the $1,950.7 million increase in net cash provided by financing activities was mainly derived from $1,866.5 million in proceeds from the issuance of Common Stock, $98.7 million in proceeds from issuance of Preferred Stock.

In the event that we decide to pursue strategic acquisitions in the future, we may fund them with available cash, third-party debt financing, or by raising equity capital, as market conditions allow.

Debt

Convertible Senior Notes

On August 24, 2018, we issued $800 million of 2.00% Convertible Senior Notes due 2028 and on August 31, 2018 we issued an additional $80 million of notes pursuant to the partial exercise of the initial purchasers' option to purchase such additional notes, resulting in an aggregate principal amount of $880 million of 2.00% Convertible Senior Notes due 2028. The 2028 Notes are unsecured, unsubordinated obligations of us, which pay interest in cash semi-annually, on February 15 and August 15, at a rate of 2.00% per annum. The 2028 Notes will mature on August 15, 2028 unless earlier repurchased or converted in accordance with their terms prior to such date. The 2028 Notes may be converted, under specific conditions, based on an initial conversion rate of 2.2553 shares of common stock per $1,000 principal amount of the 2028 Notes (equivalent to an initial conversion price of $443.40 per share of common stock), subject to adjustment as described in the indenture governing the 2028 Notes.

On June 30, 2014, we issued $330 million of 2.25% convertible senior notes due 2019 (the "2019 Notes"). The 2019 Notes are unsecured, unsubordinated obligations of the Company, which pay interest in cash semi-annually, on January 1 and July 1 of each year, at a rate of 2.25% per annum. The 2019 Notes will mature on July 1, 2019 unless earlier repurchased or converted in accordance with their terms prior to such date. The 2019 Notes may be converted, under specific conditions, based on an initial conversion rate of 7.9353 shares of common stock per $1,000 principal amount of the 2019 Notes (equivalent to an initial conversion price of $126.02 per share of common stock), subject to adjustment as described in the indenture governing the Notes.

Please refer to note 9 to our unaudited interim condensed consolidated financial statements for additional information regarding the 2019 Notes, the 2028 Notes and the related capped call transactions.

Mercado Pago Funding

During 2019, we, through our subsidiaries, continued obtaining certain lines of credit in Argentina, Chile and Uruguay primarily to fund the Mercado Pago business. Additionally, we started to securitize certain loan receivables through its Argentine and Brazilian SPEs, formed to securitize loan receivables provided by us to our users. Please refer to Note 11 to our interim unaudited condensed consolidated financial statements for additional detail.

Capital expenditures

Our capital expenditures (composed of our payments for property and equipment (as fulfillment centers), intangible assets and acquired businesses) for the three-month periods ended March 31, 2019 and 2018 amounted to $33.0 million and $23.0 million, respectively.

During the three-month period ended March 31, 2019, we invested $12.2 million in information technology in Brazil, Argentina and Mexico, and $12.1 million in our Argentine, Brazilian and Mexican offices.

We are continually increasing our level of investment in hardware and software licenses necessary to improve and update our platform's technology and computer software developed internally. We anticipate continued investments in capital expenditures related to information technology in the future as we strive to maintain our position in the Latin American e-commerce market.

We believe that our existing cash and cash equivalents, including the sale of credit card receivables and cash generated from operations will be sufficient to fund our operating activities, property and equipment expenditures and to pay or repay obligations going forward.

Off-balance sheet arrangements

As of March 31, 2019, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

Recently issued accounting pronouncements

See Item 1 of Part I, "Unaudited Interim Condensed Consolidated Financial Statements-Note 2-Summary of significant accounting policies- Recently Adopted Accounting Standards and Recently issued accounting pronouncements not yet adopted."

Non-GAAP Financial Measures

To supplement our consolidated financial statements presented in accordance with U.S. GAAP, we use foreign exchange ("FX") neutral measures as a non-GAAP measure.

This non-GAAP measure should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP and may be different from non-GAAP measures used by other companies. In addition, this non-GAAP measure is 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 our results of operations as determined in accordance with U.S. GAAP. This non-GAAP financial measure should only be used to evaluate our results of operations in conjunction with the most comparable U.S. GAAP financial measures.

Reconciliation of this non-GAAP financial measure to the most comparable U.S. GAAP financial measure can be found in the table included in this quarterly report.

We believe that reconciliation of FX neutral measures to the most directly comparable GAAP measure provides investors an overall understanding of our current financial performance and its prospects for the future. Specifically, we believe this FX neutral non-GAAP measure provide useful information to both Management and investors by excluding the foreign currency exchange rate impact that may not be indicative of our core operating results and business outlook.

The FX neutral measures were calculated by using the average monthly exchange rates for each month during 2018 and applying them to the corresponding months in 2019, so as to calculate what our results would have been if exchange rates remained stable from one year to the next. The table below excludes intercompany allocation FX effects. Finally, this measures does not include any other macroeconomic effect such as local currency inflation effects, the impact on impairment calculations or any price adjustment to compensate local currency inflation or devaluations.

The following table sets forth the FX neutral measures related to our reported results of the operations for the three-month periods ended March 31, 2019:

	Three-month Periods Ended March 31, (*)					
	As reported			FX Neutral Measures	As reported	
(In millions, except percentages)	2019	2018	Percentage Change	2019	2018	Percentage Change
	(Unaudited)			(Unaudited)		
Net revenues	$ 473.8	$ 321.0	47.6%	$ 619.2	$ 321.0	92.9%
Cost of net revenues	(236.8)	(158.2)	49.6%	(317.1)	(158.2)	100.4%
Gross profit	237.0	162.8	45.6%	302.2	162.8	85.7%
Operating expenses	(226.9)	(192.2)	18.1%	(332.9)	(192.2)	73.3%
Income (Loss) from operations	10.1	(29.4)	-134.5%	(30.8)	(29.4)	4.6%

(*) The table above may not total due to rounding.

The table above shows a loss from operations on an FX neutral basis mainly as result of a 53.5% Argentine local currency devaluation as of March 31, 2019 compared to March 31, 2018, which has a strong impact if we estimate our Argentine operating expenses on an FX neutral basis.

Item 3 — Qualitative and Quantitative Disclosure About Market Risk

We are exposed to market risks arising from our business operations. These market risks arise mainly from the possibility that changes in interest rates and the U.S. dollar exchange rate with local currencies, particularly the Brazilian Reais and Argentine Peso due to Brazil's and Argentine's respective share of our revenues, may affect the value of our financial assets and liabilities.

Foreign currencies

We have significant operations internationally that are denominated in foreign currencies, primarily the Brazilian Reais, Argentine Peso, Mexican Peso, Colombian Peso and Chilean Peso, subjecting us to foreign currency risk which may adversely impact our financial results. We transact business in various foreign currencies and have significant international revenues and costs. In addition, we charge our international subsidiaries for their use of intellectual property and technology and for certain corporate services. Our cash flows, results of operations and certain of our intercompany balances that are exposed to foreign exchange rate fluctuations may differ materially from expectations and we may record significant gains or losses due to foreign currency fluctuations and related hedging activities.

As of March 31, 2019, we hold cash and cash equivalents in local currencies in our subsidiaries, and have receivables denominated in local currencies in all of our operations. Our subsidiaries generate revenues and incur most of their expenses in the respective local currencies of the countries in which they operate. As a result, our subsidiaries use their local currency as their functional currency except for our Argentine subsidiaries whose functional currency is the U.S. dollar due to the inflationary environment. As of March 31, 2019, the total cash and cash equivalents denominated in foreign currencies totaled $306.2 million, short-term investments denominated in foreign currencies totaled $422.3 million and accounts receivable, credit cards receivable and loans receivable in foreign currencies totaled $342.7 million. As of March 31, 2019, we had no long-term investments denominated in foreign currencies. To manage exchange rate risk, our treasury policy is to transfer most cash and cash equivalents in excess of working capital requirements into U.S. dollar-denominated accounts in the United States. As of March 31, 2019, our U.S. dollar-denominated cash and cash equivalents and short-term investments totaled $2,226.2 million and our U.S. dollar-denominated long-term investments totaled $275.4 million.

For the three-month period ended March 31, 2019, we had a consolidated loss on foreign currency of $3.7 million primarily as a result of a $3.5 million loss arising from the strengthening of the U.S. dollar over our Argentine Peso net asset position in Argentina.

The following table sets forth the percentage of consolidated net revenues by segment for the three-month periods ended March 31, 2019 and 2018:

	Three-month Periods Ended March 31,	
(% of total consolidated net revenues) (*) (**)	**2019**	**2018**
Brazil	63.8 %	57.4 %
Argentina	19.8	31.8
Mexico	11.5	5.3
Other Countries	4.9	5.6

(*) Percentages have been calculated using whole-dollar amounts.
(**)The amount incurred in shipping subsidies, which are netted from revenues, when we act as an agent, was $74.0 million and $112.5 million for the three-month periods ended March 31, 2019 and 2018, respectively.

Table of Contents

Foreign Currency Sensitivity Analysis

The table below shows the impact on our net revenues, expenses, other expenses and income tax, net income and equity for a positive and a negative 10% fluctuation on all the foreign currencies to which we are exposed to for the three-month period ended March 31, 2019:

Foreign Currency Sensitivity Analysis (*)

(In millions)	-10% (1)	Actual	+10% (2)
Net revenues	$ 526.4	$ 473.8	$ 430.7
Expenses	(515.2)	(463.6)	(421.4)
Income from operations	11.2	10.1	9.3
Other expenses and income tax related to P&L items	6.6	5.4	4.4
Foreign Currency impact related to the remeasurement of our Net Asset position	(4.1)	(3.7)	(3.3)
Net Income	13.7	11.9	10.4
Total Shareholders' Equity	$ 2,551.3	$ 2,214.1	$ 2,366.9

(1) Appreciation of the subsidiaries' local currency against U.S. Dollar
(2) Depreciation of the subsidiaries' local currency against U.S. Dollar
(*) The table above may not total due to rounding.

The table above shows an increase in our net income when the U.S. dollar weakens against foreign currencies because of the net negative impact of the re-measurement of our net asset position in U.S. dollars and the increase in our income from operations and other expenses, net and income tax lines related to the translation effect. Similarly, the table above shows a decrease in our net income when the U.S. dollar strengthens against foreign currencies because the re-measurement of our net asset position in U.S. dollars has a lesser impact than the decrease in our loss from operations and other expenses, net and income tax lines related to the translation effect.

Argentine Segment

In accordance with U.S. GAAP, we have classified our Argentine operations as highly inflationary since July 1, 2018, using the U.S. dollar as the functional currency for purposes of reporting our financial statements. Therefore, no translation effect has been accounted for in other comprehensive income related to our Argentine operations since July 1, 2018.

As of March 31, 2019, the Argentine Peso exchange rate against the U.S. dollar was 43.35.

Had a hypothetical devaluation of 10% of the Argentine Peso against the U.S. dollar occurred on March 31, 2019, the reported net asset in our Argentine subsidiaries would have recorded a foreign exchange loss amounting to approximately $1.7 million in our Argentine subsidiaries.

Brazilian Segment

As of March 31, 2019, the Brazilian Reais exchange rate against the U.S. dollar was 3.90.

Had a hypothetical devaluation of 10% of the Brazilian Reais against the U.S. dollar occurred on March 31, 2019, the reported net assets in our Brazilian subsidiaries would have decreased by approximately $30.9 million with the related impact in Other Comprehensive Income. Additionally, we would have recorded a foreign exchange gain amounting to approximately $2.4 million in our Brazilian subsidiaries.

Interest

Our earnings and cash flows are also affected by changes in interest rates. These changes could have an impact on the interest rates that financial institutions charge us prior to the time we sell our Mercado Pago receivables. As of March 31, 2019, Mercado Pago's receivables totaled $308.5 million. Interest rate fluctuations could also impact interest earned through our MercadoCredito solution. As of March 31, 2019, loans granted under our MercadoCredito solution totaled $134.6 million. Interest rate fluctuations could also negatively affect certain of our fixed rate and floating rate investments comprised primarily of time deposits, money market funds, investment grade corporate debt securities and sovereign debt securities. Investments in both fixed rate and floating rate interest earning products carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than predicted if interest rates fall.

Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes. As of March 31, 2019, the average duration of our available for sale securities, defined as the approximate percentage change in price for a 100-basis-point change in yield, was 0.8%. If interest rates were to instantaneously increase (decrease) by 100 basis points, the fair market value of our available for sale securities as of March 31, 2019 could decrease (increase) by approximately $10.0 million.

As of March 31, 2019, our short-term investments amounted to $1,648.5 million and our long-term investments amounted to $275.4 million. These investments, except for the $238.0 million investment related to the Central Bank of Brazil Mandatory Guarantee, can be readily converted at any time into cash or into securities with a shorter remaining time to maturity. We determine the appropriate classification of our investments at the time of purchase and re-evaluate such designations as of each balance sheet date.

Equity Price Risk

Our board of directors adopted the 2011 and 2012 long-term retention plans (the "2011 and 2012 LTRPs", respectively), under which certain eligible employees receive awards ("LTRP Awards"), which are payable as follows:

- eligible employees will receive a fixed payment equal to 6.25% of his or her LTRP Award under the 2011, and/or 2012 LTRP, respectively, once a year for a period of eight years. The 2011 LTRP awards began paying out starting in 2012 and the 2012 LTRP Awards starting in 2013(the "2011 or 2012 Annual Fixed Payment", respectively); and
- on each date we pay the respective Annual Fixed Payment to an eligible employee, he or she will also receive a payment (the "2011 or 2012 Variable Payment", respectively) equal to the product of (i) 6.25% of the applicable 2011 and/or 2012 LTRP Award and (ii) the quotient of (a) divided by (b), where (a), the numerator, equals the Applicable Year Stock Price (as defined below) and (b), the denominator, equals the 2010 (with respect to the 2011 LTRP) and 2011 (with respect to the 2012 LTRP) Stock Price, ($65.41 and $77.77 for the 2011 and 2012 LTRP, respectively, which was the average closing price of the Company's common stock on the NASDAQ Global Select Market during the final 60 trading days of 2010 and 2011, respectively. The "Applicable Year Stock Price" equals the average closing price of the Company's common stock on the NASDAQ Global Select Market during the final 60 trading days of the year preceding the applicable payment date.

Our board of directors, upon the recommendation of the compensation committee, approved the 2013, 2014, 2015, 2016, 2017, and 2018 Long Term Retention Plan (the "2013, 2014, 2015, 2016, 2017 and 2018 LTRPs"), respectively.

In order to receive an award under the 2013, 2014, 2015, 2016, 2017 and/or 2018 LTRP, each eligible employee must satisfy the performance conditions established by the Board of Directors for such employee. If these conditions are satisfied, the eligible employee will, subject to his or her continued employment as of each applicable payment date, receive the full amount of his or her 2013, 2014, 2015, 2016, 2017, and/or 2018 LTRP award, payable as follows:

- the eligible employee will receive a fixed payment, equal to 8.333% of his or her 2013, 2014, 2015, 2016, 2017, and/or 2018 LTRP bonus once a year for a period of six years starting in March 2014, 2015, 2016, 2017, and/or 2018 respectively (the "2013, 2014, 2015, 2016, 2017, or 2018 Annual Fixed Payment", respectively); and
- on each date we pay the Annual Fixed Payment to an eligible employee, he or she will also receive a payment (the "2013, 2014, 2015, 2016, 2017, or 2018 Variable Payment", respectively) equal to the product of (i) 8.333% of the applicable 2013, 2014, 2015, 2016, 2017, and/or 2018 LTRP award and (ii) the quotient of (a) divided by (b), where (a), the numerator, equals the Applicable Year Stock Price (as defined below) and (b), the denominator, equals the 2012 (with respect to the 2013 LTRP), 2013 (with respect to the 2014 LTRP), 2014 (with respect to the 2015 LTRP), 2015 (with respect to the 2016 LTRP), 2016 (with respect to the 2017 LTRP) and 2017 (with respect to the 2018 LTRP) Stock Price, defined as $79.57, $118.48, $127.29, $111.02, $164.17, $270.84 and $322.91 for the 2013, 2014, 2015, 2016, 2017 and 2018 LTRP, respectively, which was the average closing price of our common stock on the NASDAQ Global Select Market during the final 60 trading days of 2012, 2013, 2014, 2015, 2016 and 2017, respectively. The "Applicable Year Stock Price" shall equal the average closing price of our common stock on the NASDAQ Global Select Market during the final 60 trading days of the year preceding the applicable payment date.

Our board of directors, upon the recommendation of the compensation committee, approved the 2019 Long Term Retention Plan (the "2019 LTRP"). In order to receive the full target award under the 2019 LTRP, each eligible employee must remain employed as of each applicable payment date. The 2019 LTRP award is payable as follows:

- the eligible employee will receive 8.333% of his or her 2019 LTRP bonus once a year for a period of six years starting in March 2020 (the "2019 Annual Fixed Payment"); and
- on each date we pay the Annual Fixed Payment to an eligible employee, he or she will also receive a payment (the "2019 Variable Payment" equal to the product of (i) 8.333% of the 2019 LTRP award and (ii) the quotient of (a) divided by (b), where (a), the numerator, equals the Applicable Year Stock Price (as defined below) and (b), the denominator, equals the average closing price of our common stock on the NASDAQ Global Select Market during the final 60 trading days of 2019. The "Applicable Year Stock Price" shall equal the average closing price of our common stock on the NASDAQ Global Select Market during the final 60 trading days of the year preceding the applicable payment date.

At March 31, 2019, the total contractual obligation fair value of our 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 LTRP Variable Payment obligation amounted to $106.0 million. As of March 31, 2019, the accrued liability related to the 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 Variable Payment of the LTRP included in Salaries and Social security payable in our condensed consolidated balance sheet amounted to $53.4 million. The following table shows a sensitivity analysis of the risk associated with our total contractual obligation fair value related to the 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 LTRP Variable Payment if our common stock price per share were to increase or decrease by up to 40%:

	As of March 31, 2019	
(In thousands, except equity price) Change in equity price in percentage	**MercadoLibre, Inc Equity Price**	**2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 LTRP Variable contractual obligation**
40%	560.52	148,353
30%	520.48	137,757
20%	480.44	127,160
10%	440.41	116,563
Static(*)	400.37	105,967
-10%	360.33	95,370
-20%	320.30	84,773
-30%	280.26	74,177
-40%	240.22	63,580

(*) Average closing stock price for the last 60 trading days of the closing date.

Item 4 — Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our Management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of disclosure controls and procedures

Based on the evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) required by Exchange Act Rules 13a-15(b) or 15d-15(b), our chief executive officer and our chief financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the three-month period ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1 — Legal Proceedings

See Item 1 of Part I, "Financial Statements—Note 7 Commitments and Contingencies—Litigation and other Legal Matters."

Item 1A — Risk Factors

As of March 31, 2019, there have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Item 6 — Exhibits

The information set forth under "Index to Exhibits" below is incorporated herein by reference.

MercadoLibre, Inc.

INDEX TO EXHIBITS

3.1	Registrant's Amended and Restated Certificate of Incorporation. (1)
3.2	Registrant's Amended and Restated Bylaws. (1)
3.3	Registrant's Certificate of Designation of Series A Perpetual Preferred Stock. (2)
4.1	Form of Specimen Certificate for the Registrant's Common Stock. (3)
4.2	Indenture with respect to the Registrant's 2.25% Convertible Senior Notes due 2019, dated as of June 30, 2014, between the Registrant and Wilmington Trust, National Association, as trustee. (4)
4.3	Indenture with respect to the Registrant's 2.00% Convertible Senior Notes due 2028, dated as of August 24, 2018, between the Registrant and Wilmington Trust, National Association, as trustee. (5)
10.1	Amended 2018 Long-Term Retention Plan *
10.2	2019 Long-Term Retention Plan *
10.3	Securities Purchase Agreement, dated as of March 11, 2019, by and between MercadoLibre, Inc. and PayPal, Inc. (6)
10.4	Securities Purchase Agreement, dated as of March 11, 2019, by and between MercadoLibre, Inc. and Merlin DF Holdings, LP. (6)
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase

* Filed or furnished herewith, as applicable.
(1) Incorporated by reference to the Registration Statement on Form S-1 filed on May 11, 2007.
(2) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on March 29, 2019.
(3) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008 filed on February 27, 2009.
(4) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on June 30, 2014.
(5) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on August 24, 2018.
(6) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on March 13, 2019.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERCADOLIBRE, INC.
Registrant

Date: May 3, 2019.

By: /s/ Marcos Galperin
Marcos Galperin
President and Chief Executive Officer

By: /s/ Pedro Arnt
Pedro Arnt
Executive Vice President and Chief Financial Officer

MERCADOLIBRE, INC. 2018 LONG TERM RETENTION PROGRAM

Effective as of January 1, 2018

Contents

MercadoLibre, Inc. 2018 Long Term Retention Program

MERCADOLIBRE, INC. 2018 LONG TERM RETENTION PROGRAM

Article 1. Purpose

The MercadoLibre, Inc. 2018 Long Term Retention Program (the "Plan") is effective as of January 1, 2018. The principal purpose of the Plan is to assist the Company in the retention of key employees that have valuable industry experience and developed competencies by rewarding Participants in relation to their individual results and their contributions to the organization, as well as overall Company goals and performance.

Article 2. Definitions

When used in the Plan, the following terms shall have the meanings set forth below:

"**Affiliate**" means with respect to any Person, a Person that controls, is controlled by, or is under common control with such Person (it being understood, that a Person shall be deemed to "control" another Person, for purposes of this definition, if such Person directly or indirectly has the power to direct or cause the direction of the management and policies of such other Person, whether through holding ownership interests in such other Person, through agreements or otherwise, and that direct or indirect ownership of ten percent (10%) or more of the voting interests of another Person shall always be deemed to constitute "control").

"**Award**" means any Fixed Award or any Variable Award.

"**Award Committee**" means (i) with respect to all Eligible Employees, the Compensation Committee of the Board, or such other committee that the Board appoints to administer this Plan, which shall have general administrative authority concerning the Plan, and (ii) with respect to Eligible Employees who are not executive officers of the Company, the Company's Chief Executive Officer, each of which shall, subject to Article 7, have the authority and discretion to resolve any and all terms and conditions of any Awards and disputes concerning the Plan and any Awards hereunder.

"**Board**" means the board of directors of the Company.

"**Cause**" means "cause" or a similar term set forth in the Participant's employment agreement with the Company or, if no such agreement is then in effect, shall mean (A) the Participant's material disregard of his responsibilities, authorities, powers, functions or duties or failure to act, (B) repeated or material negligence or misconduct by the Participant in the performance of his duties, (C) appropriation (or attempted appropriation) of a business opportunity of the Company, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Company, (D) the commission by the Participant of any act of fraud, theft or financial dishonesty with respect to the Company, or any felony or criminal act involving moral turpitude or dishonesty on the part of the Participant, (E) the Participant's habitual drunkenness or excessive absenteeism not related to sickness, and/or (F) the material breach by the Participant of any provision of his employment agreement that is not cured by the Participant within thirty (30) days after written notice of breach has been delivered to the Participant by the Company, unless such breach is incapable of cure (in which case the Participant shall not be entitled to an opportunity to cure), in each case of clauses (A) through (F) above, as determined by the Board in good faith.

"**Change in Control**" shall mean a change in control of the Company which will be deemed to have occurred after the date hereof if:

(a) any "person" as such term is used in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, is or becomes the beneficial owner, as such term is defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of securities of the Company representing at least fifty percent (50%) of the combined voting power or Shares of the Company; provided, however, that such term shall not include (A) the Company or any of its subsidiaries, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, (D) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of the Company's Shares, or (E) any person or group as used in Rule 13d-1(b) under the Exchange Act;

(b) there is consummated a merger or consolidation of the Company or any of its direct or indirect subsidiaries with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) more than fifty percent (50%) of the combined voting power and Shares of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(c) there is completed a sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect, including a liquidation) other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, more than fifty percent (50%) of the combined voting power and Shares of which is owned by shareholders of the Company in substantially the same proportions as their ownership of the Shares of the Company immediately prior to such sale.

"**Company**" means MercadoLibre, Inc. and its consolidated subsidiaries, and MercadoLibre, Inc.'s successors or assigns.

"**Covered Termination**" means (i) a termination of a Participant's employment by the Company without Cause and for a reason other than the Participant's death or disability (as determined under Article 6(a)) or (ii) a Participant's resignation from the Company with Good Reason).

"**Eligible Employee**" means an individual who is designated by the Award Committee as eligible for this Plan and who is employed by the Company as determined by the Award Committee.

"**Fixed Award**" means a specified cash award, calculated in accordance with Article 5, payable to a Participant under this Plan for services provided to the Company in 2018, as determined by the Award Committee from time to time in its sole discretion. Fixed Award payments shall be contingent on the attainment of one or more Performance Goals. The timing and conditions of the payment of the Fixed Award are subject to the terms and conditions of the Plan and, subject to Article 7 of the Plan, any other terms and conditions determined by the Award Committee to be appropriate. The Fixed Award may, but is not required to, be evidenced by a separate agreement executed by the Participant.

"**Good Reason**" means (i) a material diminution in the Participant's duties, functions and responsibilities to the Company without the Participant's consent or the Company preventing the Participant from fulfilling or exercising the Participant's materials duties, functions and responsibilities to the Company without the Participant's consent; (ii) a material reduction in the Participant's base salary or bonus opportunity or (iii) a requirement that the Participant relocate the Participant's employment more than fifty (50) miles from the location of the Participant's principal office without the consent of the Participant. A Participant's resignation shall not be a resignation with Good Reason unless the Participant gives the Company written notice (delivered within thirty (30) days after the Participant knows of the event, action, etc. that the Participant asserts constitutes Good Reason), the event, action, etc. that the Participant asserts constitutes Good Reason is not cured, to the reasonable satisfaction of the Participant, within thirty (30) days after such notice and the Participant resigns effective not later than thirty (30) days after the expiration of such cure period.

"**Market Value**" of a Share, as of any date, means (i) the average closing sale price of one Share as reported on a national stock exchange, including, but not limited to, the NASDAQ Global Market (a "National Stock Exchange") during the sixty (60) trading day period (or such shorter period as the Shares are so listed) ending on the last trading day immediately preceding such date; (ii) if the Shares are not listed for trading on a National Stock Exchange during any day in that sixty (60) trading day period but are quoted on the Over-the-Counter-Bulletin Board (the "OTCBB"), the mean between the closing bid and closing asked prices for the Shares as quoted on the OTCBB during the sixty (60) trading day period (or such shorter period as the Shares are so quoted) ending on the last trading day immediately preceding such date, (iii) if the Shares are not listed for trading on a National Stock Exchange or quoted on the OTCBB during any day in that sixty (60) trading day period and the Shares were last traded on a National Stock Exchange, the average closing sale price of one Share as reported on the National Stock Exchange during the ninety (90) trading day period ending on the last day the Shares were listed for trading on such Exchange or (iv) if the Shares are not listed for trading on a National Stock Exchange or quoted on the OTCBB during any day in that sixty (60) trading day period and the Shares were last traded on the OTCBB, the mean between the closing bid and closing asked prices for the Shares as quoted on the OTCBB during the ninety (90) trading day period ending on the last day the Shares were quoted on the OTCBB. For purposes of calculating the benefits and valuing Shares for the single cash payment payable within fifteen (15) days after a Change in Control, the term "Market Value" means the amount determined under the preceding sentence determined as of the date on which the Change in Control occurs. For purposes of calculating benefits and valuing Shares for other payments payable after a Change of Control, the term "Market Value" means, (x) in the event the Company is not the surviving entity in the Change in Control, the amount determined under the first sentence of this paragraph and determined as of the date on which the Change in Control occurs, or, (y) in the event the Company is the surviving entity in the Change in Control, the greater of (A) the amount determined under the first sentence of this paragraph and determined as of the date the benefit is a payable (*e.g.*, as of March 31 of the appropriate year or the date of a Participant's Covered Termination, as applicable) or (B) the amount determined under the first sentence of this paragraph and determined as of the date on which the Change in Control occurs.

"**MercadoLibre Business**" means any activities directly or indirectly related to Online Transactional Platforms, Online Classified Advertisements and/or Payment Platforms.

"**Minimum Eligibility Conditions**" means the minimum conditions established by the Award Committee and approved by the Board that a Participant must meet in order to be eligible to receive payments under any Award hereunder.

"**Online Classified Advertisements**" means listings of goods, products or services on Internet sites, which listings (1) serve the same purpose as the listings appearing in the classifieds section of printed newspapers, (2) include direct contact information of the seller via telephone, e-mail or any offline method, which contact information is readily and continuously available to any visitor without restriction or special action required from the visitor, or provide for a method to contact the seller so that the seller may then respond providing direct contact information, and (3) are on Internet sites the operator or administrator of which does not (x) play any role in consummating the transaction to which the listing relates, or (y) provide any information (other than contact information) to the seller regarding the potential buyer or interested party, or otherwise serve as middle-man between a potential buyer and seller (other than for the limited purposes expressly set forth in this paragraph), or (z) charge any fee or commission for such transaction (including, without limitation, any fees for completion of transactions and/or fees based on number of users contacting another user) other than a listing fee, which is a fee for placing the listing on the website and is chargeable before or at the time such listing appears. Examples of Online Classifieds Advertisements include Craigslist.com, Kijiji.com, and olx.com.

"**Online Transactional Platforms**" means online transactional platforms or similar as determined by the Award Committee including, but not limited to, (a) any online platform offering a wide variety of product lines and/or services, operating in a manner similar to Amazon.com or Submarino.com as of the date hereof and/or (b) online transactional marketplaces located on websites in which sellers and potential buyers transact for any kinds of goods and/or services, which goods and/or services are displayed on such website, and in which the sellers' and potential buyers' initial contact can only be made through such website (for purposes of initial contact, direct contact information of another user is not made available to users, in accordance with the terms of use of such website), such as eBay.com, MercadoLibre.com, DeRemate.com, etc. (and any such domain name with country suffixes).

"**Participant**" means an Eligible Employee who is designated as eligible to receive an Award for services provided in 2018. The designation of an individual as a Participant under this Plan shall not provide the individual with any rights to any future participation for any subsequent long term retention plans that may be adopted by the Company in future years but, subject to the terms of the Plan, an individual shall remain a Participant for purposes of receiving a payment of an Award until such individual ceases to be an Eligible Employee.

"**Payments Platforms**" means websites or platforms enabling the sending, receipt, holding and/or transfer of money from one user to another user through an account that is funded by, among other things, traditional payment methods and then used to transact with another user electronically, such as PayPal.com, MercadoPago.com, or Dineromail.com (and any such domain name with country suffixes).

"**Performance Goals**" means any goals, metrics or other performance measures of the Company in 2018 that is established for a Participant, the attainment of which will result in an Award becoming payable to the Participant, subject to the terms of the Plan. It is currently anticipated that Performance Goals generally will be based on pre-set goals for financial and operational performance of the Company.

"**Person**" means and includes a natural person, a corporation, an association, a partnership, a limited liability company, a trust, a joint venture, an unincorporated organization or any other similar entity or a governmental or quasi-governmental body.

"**Shares**" means shares of common stock of the Company, $0.001 par value per share.

"**Territory**" means the United States of America and each country and territory in Latin America and the Caribbean, including, without limitation, Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Uruguay, and Venezuela.

"**Variable Award** " means a specified cash award, calculated in accordance with Article 5, payable to a Participant under this Plan for services provided to the Company in 2018, as determined by the Award Committee from time to time in its sole discretion. Variable award payments hereunder shall be contingent on the attainment of one or more Performance Goals. The timing and conditions of the payment of the Variable Award are subject to the terms and conditions of the Plan and any other terms and conditions determined by the Award Committee to be appropriate in accordance with Article 7 of the Plan. The Variable Award may, but is not required to, be evidenced by a separate agreement executed by the Participant.

Article 3. Participation; Performance Goals and Award Opportunities

The amount of the Awards for each Plan Participant and the Performance Goals applicable to such Awards will be established by the Award Committee and communicated to each Plan Participant. The amount of each Award may be different for each Participant or levels of Participants as determined by the Award Committee.

The amount of each Award shall be enumerated as a specified amount, calculated in accordance with Article 5 hereof, of United States dollars, unless the Award Committee determines the amount of any such Award in a local currency. The amount of each Award, to the extent it becomes payable, shall be paid in the form of cash only.

Article 4. Review of Participant's Performance

Performance Goals will generally be set and determined for the 2018 calendar year by the Award Committee. The Award Committee, with input from the Company officer responsible for each Participant, will evaluate such Participant's performance relative to the Performance Goals.

Article 5. <u>Payment of Awards</u>

(a) If a Participant does not satisfy the Minimum Eligibility Conditions, then any Award granted to such Participant and subject to such Minimum Eligibility Conditions shall be forfeited, and shall not become payable to such Participant under this Plan. If the Participant meets the Minimum Eligibility Conditions, then any Award granted to such Participant and subject to such Minimum Eligibility Conditions shall become payable to the Participant in accordance with and subject to the terms of this Article 5 and Article 6.

Subject to the following paragraphs and Article 6, only if the Participant is employed as an Eligible Employee on the date each portion of the Fixed and the Variable Awards, as applicable, are to be paid to such Participant, any such Awards shall be payable as follows:

If a Participant has been granted a Fixed Award:

(1) Sixteen and two-thirds percent (16.66%) of such Fixed Award shall be payable to the Participant on or about March 31 of each calendar year for a period of six (6) years starting in 2019; and

If a Participant has been granted a Variable Award:

(2) the Participant shall receive on or about March 31 of each calendar year for a period of six (6) years starting in 2019, a Variable Award payment equal in value to the product of (i) multiplied by (ii), where (i) equals sixteen and two-thirds percent (16.66%) of the Variable Award and (ii) equals the quotient of (a) divided by (b), where (a), the numerator, equals the Market Value as of the applicable payment date and (b), the denominator, equals $270.84 (the average closing price of the Company's common stock on the NASDAQ Global Market during the final sixty (60) trading days of 2017).

(b) Notwithstanding anything in the Plan or any other agreement entered into in connection with or pursuant to the Plan:

(1) Each Participant who is employed by the Company on the date a Change in Control occurs shall be vested in the right to receive fifty percent (50%) of the Award payments scheduled to be paid thereafter.

(2) As soon as practicable after the date a Change in Control occurs, but in no event more than fifteen (15) days after the date a Change in Control occurs, each Participant described in clause (1) of this paragraph shall receive a single cash payment equal to fifty percent (50%) of the Award payments scheduled to be paid after the Change in Control (based on the Market Value on the date the Change in Control occurs).

(3) Each Award payment scheduled to be paid after the Change in Control shall be reduced by fifty percent (50%), *i.e.*, to reflect the single cash payment under clause (2) of this paragraph, and shall continue to be paid on each March 31 in accordance with the preceding paragraph, subject to the Participant's continued employment; provided, however, that if a Participant described in clause (1) of this paragraph experiences a Covered Termination on or after Change in Control, then any Award payments scheduled to be paid after the Covered Termination shall be paid in a single cash payment (based on the Market Value on the date of the Covered Termination) within fifteen (15) days after the Covered Termination.

(c) Notwithstanding anything in the Plan or any agreement entered into in connection with or pursuant to the Plan:

(1)The portion of any Award under this Plan that was forfeited or forfeitable upon the Participant's Covered Termination before a Change in Control shall be reinstated (or if not yet forfeited, retained) as of the date of the Change in Control if such date is not more than one hundred and twenty (120) days after the date of the Covered Termination.

(2) As soon as practicable after the date a Change in Control occurs, but in no event more than fifteen (15) days after the date a Change in Control occurs, each Participant described in clause (1) of this paragraph shall receive a single cash payment equal to one hundred percent (100%) of the Award payments scheduled to be paid after the date of the Participant's Covered Termination. With respect to any Award payment originally scheduled to have been paid before the date of the Change in Control, the amount of such payment will be based on the Market Value on the date of the Covered Termination. With respect to any Award payments scheduled to be paid on or after the Change in Control, the amount of such payment will be based on the Market Value on the date the Change in Control occurs.

(d) Notwithstanding anything in the Plan or any other agreement entered into in connection with or pursuant to the Plan:

(1) If any portion of an Award received or to be received by a Participant (either alone or together with other payments or benefits which such Participant received or realized or is then entitled to receive or realize from the Company under any other plan, program, arrangement or agreement in connection with a Change in Control or a Participant's termination of employment) (all such payments and benefits, being hereinafter referred to as the "Total Payments") would be subject (in whole or part), to any excise tax imposed under section 4999 of the Internal Revenue Code of 1986 (the "Code", and such excise tax, the "Excise Tax"), then, after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in any other plan, program, arrangement or agreement, the Company will reduce the payment of the Award to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax (but in no event to less than zero); <u>provided</u>, <u>however</u>, that the Award will only be reduced if (i) the net amount of any Total Payments, as so reduced (and after subtracting the net amount of United States federal, state, municipal and local income taxes on such reduced Total Payments and after taking into account the phase out, if any, of itemized deductions and personal exemptions attributable to such reduced Total Payments), is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state, municipal and local income taxes on such Total Payments and the amount of Excise Tax to which the Participant would be subject in respect of such unreduced Total Payments and after taking into account the phase out, if any, of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

(2) If (A) any portion of the Total Payments other than an Award (the "Other Payments") is required to be reduced pursuant to a provision substantially similar to this Article 5.5(d), (B) any portion of an Award is required to be reduced pursuant to this Article 5.5(d); and (C) there is no other provision in any other plan, program, arrangement or agreement governing the payment of the Other Payments which dictates the order of the reduction in the Other Payments, then the Total Payments will be reduced in the following order: (i) payments that are payable in cash that are valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first; (ii) payments and benefits due in respect of any equity valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; (iii) payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with amounts that are payable last reduced first, will next be reduced; (iv) payments and benefits due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; and (v) all other non-cash benefits not otherwise described in clauses (ii) or (iv) will be next reduced pro-rata. Any reductions made pursuant to each of clauses (i)-(v) above will be made in the following manner: first, a pro-rata reduction of cash payment and payments and benefits due in respect of any equity not subject to section 409A of the Code, and second, a pro-rata reduction of cash payments and payments and benefits due in respect of any equity subject to section 409A of the Code as deferred compensation.

(3) For purposes of determining whether and the extent to which the Award will be subject to the Excise Tax and the amount of such Excise Tax: (i) no portion of the Award the receipt or enjoyment of which the Participant shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code will be taken into account; and (ii) no portion of the Award will be taken into account which, in the opinion of the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Award will be taken into account which constitutes reasonable compensation for services actually rendered, within the meaning of section

280G(b)(4)(B) of the Code, in excess of the Base Amount (as defined in section 280G(b)(3) of the Code) allocable to such reasonable compensation.

(4)The fact that the Participant's right to payments or benefits may be reduced by reason of the limitations contained in this Article 5.5 will not of itself limit or otherwise affect any other rights of the Participant under the Plan. The Participant and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Award.

Article 6. Termination of Employment; Forfeitures

(a) Except as provided in Article 5 with respect to a Covered Termination within one hundred and twenty (120) days before a Change in Control or a Covered Termination on or after a Change in Control, participation in the Plan shall cease immediately upon a Participant's retirement, resignation or termination of employment as an Eligible Employee for any reason (with or without Cause), or if determined by the Award Committee, upon the Participant's death or disability. Disability will be determined under the Company's long term disability plan, if any, or upon receipt of a letter of determination or similar of the Participant's complete disability by the applicable governmental authority under local applicable law, which complete disability entitles the Participant to disability payments under local law.

(b) In the event that:

(1) while the Participant is employed by the Company, he or she engages in, directly or indirectly, any other business or activity that could materially or adversely affect the Company's business or his or her ability to perform his or her duties for the Company, including, but not limited to, any activities adversely affecting the MercadoLibre Business anywhere in the Territory;

(2) while the Participant is employed by the Company or during the one-year period following the termination of the Participant's employment for any reason, he or she directly or indirectly, on his or her own behalf or on behalf of another Person or entity, hires or solicits for hire any employees of the Company or its Affiliates or in any manner attempts to influence or induce any employee of the Company or its Affiliates to leave their employment; or

(3) while the Participant is employed by the Company or during the one-year period following the termination of the Participant's employment for any reason, he or she alone (or in association with any other Person) directly or indirectly, in any capacity, owns, operates, manages, controls, engages in, invests in, becomes employed by, acts as a consultant or advisor to, or provides services for, or otherwise assists any other Person in activities that are competitive with the MercadoLibre Business anywhere in the Territory,

he or she will automatically forfeit any and all benefits received under the Plan and any and all benefits which the Participant may otherwise be entitled to receive under the Plan. If the Participant terminates employment with the Company for any reason (with or without Cause) and he or she alone (or in association with any other Person) takes any of the action set forth in subparagraph (1), (2) or (3) above, the Participant will be required to immediately, and in no event more than five (5) days following the termination of the Participant's employment, return all amounts which the Participant has received under the terms of the Plan (the "Recovery Amount"), and the Participant and the Company hereby agree to the following, notwithstanding any Plan provision to the contrary:

(i) that the Company may withhold all or a portion of the Recovery Amount from any salary, wages or other amounts due to the Participant from the Company; and

(ii) in addition to the Recovery Amount, the Company may also recover any fees incurred by the Company in seeking to collect the Recovery Amount, including, but not limited to, the Company's reasonable attorneys' fees.

Notwithstanding the foregoing, ownership of less than five percent (5%) of the outstanding capital stock of any Person whose securities are registered under the Securities Exchange Act of 1934, as amended, in and of itself shall not be cause for automatic forfeiture under Article 6(b)(3), whether or not the subject Person is competitive with the Company.

(c) Except as provided in Article 5 with respect to a Covered Termination within one hundred and twenty (120) days before a Change in Control or a Covered Termination on or after a Change in Control, the portion of any Award under this Plan that has not been actually paid to the Participant prior to the date of such resignation or other termination of employment shall be forfeited, except that the Award Committee, in its discretion, may pay all or part of the amount that remains payable under an Award upon the disability or death of the Participant in accordance with such rules or procedures established by the Award Committee provided, however, that any amount of the Award payment that the Award Committee determines to pay shall be paid no later than March 15 of the year following the year that the Participant's employment ends on account of disability or death. Notwithstanding any provision of the Plan to the contrary, any Award paid to the Participant shall be subject to recovery by the Company in the event that the Participant is terminated for Cause and shall, to the extent permitted by law, be subject to recovery from any amounts owed by the Company to the Participant, including, but not limited to, offsetting any amounts owed under the Plan to the Company against any amounts otherwise owed to the Participant by the Company.

(d) If the Award Committee decides to pay all or part of an Award after the death of a Participant in accordance with this Article 6, the Participant may designate in writing one or more persons ("beneficiary") to receive any unpaid portion of the Participant's Award upon the death of the Participant. By similar action, the Participant may designate a change of beneficiary at any time, which change shall be effective only upon receipt by the Award Committee of said notice. The last such designation form filed with the Award Committee prior to the Participant's death shall control. The Award Committee may establish a form or other requirements for such designation. If the Participant designates his spouse as a beneficiary, the divorce of Participant shall automatically revoke that designation of his spouse as beneficiary except to the extent otherwise provided in a subsequent beneficiary designation filed by the Participant with the Award Committee. In the absence of a written designation, or in the event the Participant dies without a beneficiary surviving him, any amount which would otherwise be payable on account of his death shall be paid to the surviving spouse of the Participant or if none, to the Participant's estate. A beneficiary of a Participant shall have no interest or rights hereunder during the lifetime of the Participant.

Article 7. Administrative Provisions

(a) The Plan was approved by the Board on June 28, 2018 to be effective as of January 1, 2018 for all services provided by Participants in 2018.

(b) Unless the Board provides otherwise, the Plan shall be administered and interpreted by the Award Committee, which has been provided absolute authority hereunder to administer the Plan, subject to the limitation on the authority of the Chief Executive Officer set forth in the definition of Award Committee above. The Board and its members, the members of the Award Committee and any other individual who may, from time to time, have been delegated responsibility with respect to the administration of this Plan (collectively, "Authorized Persons"), shall have the full authority, discretion and power necessary or desirable to administer and interpret this Plan, in accordance with the Plan terms. Benefits under the Plan shall be payable only if the Authorized Persons in their respective sole and absolute discretion determine that any such benefits are properly payable under the Plan. Without in any way limiting the foregoing, all Authorized Persons shall have complete authority, sole discretion and power to: (i) determine the Participants; (ii) determine the Performance Goals applicable to each Participant, as well as the relative weighting of each such Performance Goals to determine eligibility for payment of an Award hereunder; (iii) evaluate and determine the performance of Participants; (iv) determine the amount of the Award for each Participant; (v) interpret the provisions of this Plan and any other documentation used in connection with this Plan, including documentation specifying individual Participant Performance Goals, Award opportunities and the like and to waive any Minimum Eligibility Conditions; (vi) establish and interpret rules, regulations and procedures (written or by practice) for the administration of the Plan; and (vii) make all other determinations and take all other actions necessary or desirable for the administration or interpretation of this Plan. The express grant in the Plan of any specific power to Authorized Persons shall not be construed as limiting any power or authority of such Authorized Person. All actions, decisions and interpretations of the Authorized Persons shall be final, conclusive and binding on all parties. All expenses of administering the Plan shall be borne by the Company.

(c) Nothing in this Plan shall be deemed by implication, action or otherwise to constitute a contract of employment or otherwise to impose any limitation on any right of the Company to terminate a Participant's employment at any time for any or no reason.

(d) A Participant shall have no right to anticipate, alienate, sell, transfer, assign, pledge or encumber any right to receive any Award made under the Plan, nor will any Participant have any lien on any assets of the Company by reason of any Award made under the Plan.

(e) The Company shall have the right to deduct or withhold, or require a Participant to remit to the Company, any taxes required by law to be withheld from Awards made under this Plan.

(f) The Plan may be amended, suspended or terminated at any time and from time to time, by action of the Board or the Award Committee, but in any event, the Plan will be terminated no later than upon the last date the Company pays all Participants any and all amounts that may due under the Plan and no amounts remain due and payable under the Plan to any person as determined by Award Committee. The preceding sentence to the contrary notwithstanding, on and after a Change in Control, no amendment, suspension or termination of the Plan that adversely affects the rights of a Participant (or the beneficiary of a deceased Participant who has not received payment of an amount approved by the Award Committee under Article 6), shall be effective without the written consent of that Participant or beneficiary.

(g) The adoption of the Plan does not imply any commitment to continue to maintain the Plan, or any modified version of the Plan, or any other plan for incentive compensation for such Participant for any period of time. Neither the adoption of this Plan, its operation, nor any documents describing or referring to this Plan (or any part thereof) shall confer upon any employee any right to continue in the employ of the Company or in any way affect any right and power of the Company to terminate the employment of any employee at any time without assigning a reason therefor.

(h) This Plan, insofar as it provides for Awards, shall be unfunded, and the Company shall not be required to segregate any assets that may at any time be represented by Awards under the Plan. Any liability of the Company to any person with respect to any Awards under this Plan shall be based solely upon any contractual obligations which may be created pursuant to this Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

(i) In order to be effective, any amendment of this Plan or any Award must be in writing and made by the Award Committee. No oral statement, representation, written presentation or the like shall have the effect of amending or modifying this Plan or any Award, or otherwise have any binding effect on the Company, the Board, the Chief Executive, the Award Committee or any individual who has been delegated authority to administer this Plan.

(j) The Plan shall be construed in accordance with and governed by the substantive laws of the State of Delaware, without regard to principles of conflicts of law.

(k) In case any provision of the Plan shall be held illegal or void, such illegality or invalidity shall not affect the remaining provisions of this Plan, but shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provisions had never been inserted herein.

(l) Except for their own gross negligence or gross misconduct regarding the performance of the duties specifically assigned to them under, or their willful breach of the terms of this Plan, the Company (and its affiliates), Board and its members, the Award Committee and its members, and any other entity or individual administering any aspect of this Plan shall be held harmless by the Participants and their respective representatives, heirs, successors, and assigns, against liability or losses occurring by reason of any act or omission under the Plan.

(m) Should the Company effect one or more stock dividends, stock splits, subdivisions or consolidations of Shares or other similar changes in capitalization, then the terms of outstanding Awards shall be adjusted as the Award Committee shall determine to be equitably required. Any determination made under this Article 7(m) by the Award Committee shall be final and conclusive. The issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, Awards.

Executed on the 28th day of June, 2018 to be effective as of the 1st day of January, 2018, as amended on March 30, 2019.

MercadoLibre, Inc.

By:

MERCADOLIBRE, INC. 2019 LONG TERM RETENTION PROGRAM

Effective as of January 1, 2019

Contents

MercadoLibre, Inc. 2019 Long Term Retention Program

MERCADOLIBRE, INC. 2019 LONG TERM RETENTION PROGRAM

Article 1. Purpose

The MercadoLibre, Inc. 2019 Long Term Retention Program (the "Plan") is effective as of January 1, 2019. The principal purpose of the Plan is to assist the Company in the retention of key employees that have valuable industry experience and developed competencies by rewarding Participants in relation to their individual results and their contributions to the organization, as well as overall Company goals and performance.

Article 2. Definitions

When used in the Plan, the following terms shall have the meanings set forth below:

"Affiliate" means with respect to any Person, a Person that controls, is controlled by, or is under common control with such Person (it being understood, that a Person shall be deemed to "control" another Person, for purposes of this definition, if such Person directly or indirectly has the power to direct or cause the direction of the management and policies of such other Person, whether through holding ownership interests in such other Person, through agreements or otherwise, and that direct or indirect ownership of ten percent (10%) or more of the voting interests of another Person shall always be deemed to constitute "control").

"Award" means a cash bonus to be paid to a Participant, subject to the terms and conditions of this Plan, for services provided to the Company.

"Award Committee" means (i) with respect to all Eligible Employees, the Compensation Committee of the Board, or such other committee that the Board appoints to administer this Plan, which shall have general administrative authority concerning the Plan, and (ii) with respect to Eligible Employees who are not executive officers of the Company, the Company's Chief Executive Officer, each of which shall, subject to Article 6, have the authority and discretion to resolve any and all terms and conditions of any Awards and disputes concerning the Plan and any Awards hereunder.

"Board" means the board of directors of the Company.

"Cause" means "cause" or a similar term set forth in the Participant's employment agreement with the Company or, if no such agreement is then in effect, shall mean (A) the Participant's material disregard of his responsibilities, authorities, powers, functions or duties or failure to act, (B) repeated or material negligence or misconduct by the Participant in the performance of his duties, (C) appropriation (or attempted appropriation) of a business opportunity of the Company, including attempting to secure or securing any personal profit in connection with any transaction entered into on behalf of the Company, (D) the commission by the Participant of any act of fraud, theft or financial dishonesty with respect to the Company, or any felony or criminal act involving moral turpitude or dishonesty on the part of the Participant, (E) the Participant's habitual drunkenness or excessive absenteeism not related to sickness, and/or (F) the material breach by the Participant of any provision of his employment agreement that is not cured by the Participant within thirty (30) days after written notice of breach has been delivered to the Participant by the Company, unless such breach is incapable of cure (in which case the Participant shall not be entitled to an opportunity to cure), in each case of clauses (A) through (F) above, as determined by the Board in good faith.

"Change in Control" shall mean a change in control of the Company which will be deemed to have occurred after the date hereof if:

(a) any "person" as such term is used in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, is or becomes the beneficial owner, as such term is defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of securities of the Company representing at least fifty percent (50%) of the combined voting power or Shares of the Company; provided, however, that such term shall not include (A) the Company or any of its subsidiaries, (B) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its affiliates, (C) an underwriter temporarily holding securities pursuant to an offering of such securities, (D) any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of the Company's Shares, or (E) any person or group as used in Rule 13d-1(b) under the Exchange Act;

(b) there is consummated a merger or consolidation of the Company or any of its direct or indirect subsidiaries with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) more than fifty percent (50%) of the combined voting power and Shares of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(c) there is completed a sale or disposition by the Company of all or substantially all of the Company's assets (or any transaction having a similar effect, including a liquidation) other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, more than fifty percent (50%) of the combined voting power and Shares of which is owned by shareholders of the Company in substantially the same proportions as their ownership of the Shares of the Company immediately prior to such sale.

"Company" means MercadoLibre, Inc. and its consolidated subsidiaries, and MercadoLibre, Inc.'s successors or assigns.

"Covered Termination" means (i) a termination of a Participant's employment by the Company without Cause and for a reason other than the Participant's death or disability (as determined under Article 5(a)) or (ii) a Participant's resignation from the Company with Good Reason).

"Eligible Employee" means an individual who is designated by the Award Committee as eligible for this Plan and who is employed by the Company as determined by the Award Committee.

"Good Reason" means (i) a material diminution in the Participant's duties, functions and responsibilities to the Company without the Participant's consent or the Company preventing the Participant from fulfilling or exercising the Participant's materials duties, functions and responsibilities to the Company without the Participant's consent; (ii) a material reduction in the Participant's base salary or bonus opportunity or (iii) a requirement that the Participant relocate the Participant's employment more than fifty (50) miles from the location of the Participant's principal office without the consent of the Participant. A Participant's resignation shall not be a resignation with Good Reason unless the Participant gives the Company written notice (delivered within thirty (30) days after the Participant knows of the event, action, etc. that the Participant asserts constitutes Good Reason), the event, action, etc. that the Participant asserts constitutes Good Reason is not cured, to the reasonable satisfaction of the Participant, within thirty (30) days after such notice and the Participant resigns effective not later than thirty (30) days after the expiration of such cure period.

"Market Value" of a Share, as of any date, means (i) the average closing sale price of one Share as reported on a national stock exchange, including, but not limited to, the NASDAQ Global Market (a "National Stock Exchange") during the sixty (60) trading day period (or such shorter period as the Shares are so listed) ending on the last trading day immediately preceding such date; (ii) if the Shares are not listed for trading on a National Stock Exchange during any day in that sixty (60) trading day period but are quoted on the Over-the-Counter-Bulletin Board (the "OTCBB"), the mean between the closing bid and closing asked prices for the Shares as quoted on the OTCBB during the sixty (60) trading day period (or such shorter period as the Shares are so quoted) ending on the last trading day immediately preceding such date, (iii) if the Shares are not listed for trading on a National Stock Exchange or quoted on the OTCBB during any day in that sixty (60) trading day period and the Shares were last traded on a National Stock Exchange, the average closing sale price of one Share as reported on the National Stock Exchange during the ninety (90) trading day period ending on the last day the Shares were listed for trading on such Exchange or (iv) if the Shares are not listed for trading on a National Stock Exchange or quoted on the OTCBB during any day in that sixty (60) trading day period and the Shares were last traded on the OTCBB, the mean between the closing bid and closing asked prices for the Shares as quoted on the OTCBB during the ninety (90) trading day period ending on the last day the Shares were quoted on the OTCBB.

For purposes of calculating the benefits and valuing Shares for the single cash payment payable within fifteen (15) days after a Change in Control, the term "Market Value" means the amount determined under the preceding sentence determined as of the date on which the Change in Control occurs. For purposes of calculating benefits and valuing Shares for other payments payable after a Change of Control, the term "Market Value" means, (x) in the event the Company is not the surviving entity in the Change in Control, the amount determined under the first sentence of this paragraph and determined as of the date on which the Change in Control occurs, or, (y) in the event the Company is the surviving entity in the Change in Control, the greater of (A) the amount determined under the first sentence of this paragraph and determined as of the date the benefit is a payable (e.g., as of March 31 of the appropriate year or the date of a Participant's Covered Termination, as applicable) or (B) the amount determined under the first sentence of this paragraph and determined as of the date on which the Change in Control occurs.

"MercadoLibre Business" means any activities directly or indirectly related to Online Transactional Platforms, Online Classified Advertisements and/or Payment Platforms.

"Online Classified Advertisements" means listings of goods, products or services on Internet sites, which listings (1) serve the same purpose as the listings appearing in the classifieds section of printed newspapers, (2) include direct contact information of the seller via telephone, e-mail or any offline method, which contact information is readily and continuously available to any visitor without restriction or special action required from the visitor, or provide for a method to contact the seller so that the seller may then respond providing direct contact information, and (3) are on Internet sites the operator or administrator of which does not (x) play any role in consummating the transaction to which the listing relates, or (y) provide any information (other than contact information) to the seller regarding the potential buyer or interested party, or otherwise serve as middle-man between a potential buyer and seller (other than for the limited purposes expressly set forth in this paragraph), or (z) charge any fee or commission for such transaction (including, without limitation, any fees for completion of transactions and/or fees based on number of users contacting another user) other than a listing fee, which is a fee for placing the listing on the website and is chargeable before or at the time such listing appears. Examples of Online Classifieds Advertisements include Craigslist.com, Kijiji.com, and olx.com.

"Online Transactional Platforms" means online transactional platforms or similar as determined by the Award Committee including, but not limited to, (a) any online platform offering a wide variety of product lines and/or services, operating in a manner similar to Amazon.com or Submarino.com as of the date hereof and/or (b) online transactional marketplaces located on websites in which sellers and potential buyers transact for any kinds of goods and/or services, which goods and/or services are displayed on such website, and in which the sellers' and potential buyers' initial contact can only be made through such website (for purposes of initial contact, direct contact information of another user is not made available to users, in accordance with the terms of use of such website), such as eBay.com, MercadoLibre.com, DeRemate.com, etc. (and any such domain name with country suffixes).

"Participant" means an Eligible Employee who is designated as eligible to receive an Award for services provided in 2019. The designation of an individual as a Participant under this Plan shall not provide the individual with any rights to any future participation for any subsequent long term retention plans that may be adopted by the Company in future years but, subject to the terms of the Plan, an individual shall remain a Participant for purposes of receiving a payment of an Award until such individual ceases to be an Eligible Employee.

"Payments Platforms" means websites or platforms enabling the sending, receipt, holding and/or transfer of money from one user to another user through an account that is funded by, among other things, traditional payment methods and then used to transact with another user electronically, such as PayPal.com, MercadoPago.com, or Dineromail.com (and any such domain name with country suffixes).

"Person" means and includes a natural person, a corporation, an association, a partnership, a limited liability company, a trust, a joint venture, an unincorporated organization or any other similar entity or a governmental or quasi-governmental body.

"Shares" means shares of common stock of the Company, $0.001 par value per share.

“Territory” means the United States of America and each country and territory in Latin America and the Caribbean, including, without limitation, Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Uruguay, and Venezuela.

Article 3. Participation and Award Opportunities

The amount of the Award for each Plan Participant will be established by the Award Committee and communicated to each Plan Participant. The amount of each Award may be different for each Participant or levels of Participants as determined by the Award Committee.

The amount of each Award shall be enumerated as a specified amount, calculated in accordance with Article 4 hereof, of United States dollars, unless the Award Committee determines the amount of any such Award in a local currency. The amount of each Award, to the extent it becomes payable, shall be paid in the form of cash only.

Article 4. Payment of Awards

(a) Conditions and Payment.

(1) Any Award granted to a Participant shall be payable to the Participant in accordance with and subject to the terms of this Article 4 and Article 5.

(2) The timing and conditions of the payment of such Award are subject to the terms and conditions of the Plan and, subject to Article 6 of the Plan, any other terms and conditions determined by the Award Committee to be appropriate. Subject to the following paragraphs and Article 5, Participant must be employed as an Eligible Employee on the date each portion Award is to be paid to such Participant. An Award may, but is not required to, be evidenced by a separate agreement executed by the Participant.

(3) Each Participant’s Award shall be payable as follows:

(i) Sixteen and two-thirds percent (16.66%) of half of Participant’s Award shall be payable to the Participant on or about March 31 of each calendar year for a period of six (6) years starting in 2020; and

(ii) the Participant shall receive on or about March 31 of each calendar year for a period of six (6) years starting in 2020, a payment equal in value to the product of (i) multiplied by (ii), where (i) equals sixteen and two-thirds percent (16.66%) of half of Participant’s Award and (ii) equals the quotient of (a) divided by (b), where (a), the numerator, equals the Market Value as of the applicable payment date and (b), the denominator, equals $322.91 (the average closing price of the Company’s common stock on the NASDAQ Global Market during the final sixty (60) trading days of 2018).

(b) Notwithstanding anything in the Plan or any other agreement entered into in connection with or pursuant to the Plan:

(1) Each Participant who is employed by the Company on the date a Change in Control occurs shall be vested in the right to receive fifty percent (50%) of the Award payments scheduled to be paid thereafter.

(2) As soon as practicable after the date a Change in Control occurs, but in no event more than fifteen (15) days after the date a Change in Control occurs, each Participant described in clause (1) of this paragraph shall receive a single cash payment equal to fifty percent (50%) of the Award payments scheduled to be paid after the Change in Control (based on the Market Value on the date the Change in Control occurs).

(3) Each Award payment scheduled to be paid after the Change in Control shall be reduced by fifty percent (50%), i.e., to reflect the single cash payment under clause (2) of this paragraph, and shall continue to be paid on each March 31 in accordance with the preceding paragraph, subject to the Participant's continued employment; provided, however, that if a Participant described in clause (1) of this paragraph experiences a Covered Termination on or after Change in Control, then any Award payments scheduled to be paid after the Covered Termination shall be paid in a single cash payment (based on the Market Value on the date of the Covered Termination) within fifteen (15) days after the Covered Termination.

(c) Notwithstanding anything in the Plan or any agreement entered into in connection with or pursuant to the Plan:

(1) The portion of any Award under this Plan that was forfeited or forfeitable upon the Participant's Covered Termination before a Change in Control shall be reinstated (or if not yet forfeited, retained) as of the date of the Change in Control if such date is not more than one hundred and twenty (120) days after the date of the Covered Termination.

(2) As soon as practicable after the date a Change in Control occurs, but in no event more than fifteen (15) days after the date a Change in Control occurs, each Participant described in clause (1) of this paragraph shall receive a single cash payment equal to one hundred percent (100%) of the Award payments scheduled to be paid after the date of the Participant's Covered Termination. With respect to any Award payment originally scheduled to have been paid before the date of the Change in Control, the amount of such payment will be based on the Market Value on the date of the Covered Termination. With respect to any Award payments scheduled to be paid on or after the Change in Control, the amount of such payment will be based on the Market Value on the date the Change in Control occurs.

(d) Notwithstanding anything in the Plan or any other agreement entered into in connection with or pursuant to the Plan:

(1) If any portion of an Award received or to be received by a Participant (either alone or together with other payments or benefits which such Participant received or realized or is then entitled to receive or realize from the Company under any other plan, program, arrangement or agreement in connection with a Change in Control or a Participant's termination of employment) (all such payments and benefits, being hereinafter referred to as the "Total Payments") would be subject (in whole or part), to any excise tax imposed under section 4999 of the Internal Revenue Code of 1986 (the "Code", and such excise tax, the "Excise Tax"), then, after taking into account any reduction in the Total Payments provided by reason of section 280G of the Code in any other plan, program, arrangement or agreement, the Company will reduce the payment of the Award to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax (but in no event to less than zero); provided, however, that the Award will only be reduced if (i) the net amount of any Total Payments, as so reduced (and after subtracting the net amount of United States federal, state, municipal and local income taxes on such reduced Total Payments and after taking into account the phase out, if any, of itemized deductions and personal exemptions attributable to such reduced Total Payments), is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state, municipal and local income taxes on such Total Payments and the amount of Excise Tax to which the Participant would be subject in respect of such unreduced Total Payments and after taking into account the phase out, if any, of itemized deductions and personal exemptions attributable to such unreduced Total Payments).

(2) If (A) any portion of the Total Payments other than an Award (the "Other Payments") is required to be reduced pursuant to a provision substantially similar to this Article 4(d), (B) any portion of an Award is required to be reduced pursuant to this Article 4(d); and (C) there is no other provision in any other plan, program, arrangement or agreement governing the payment of the Other Payments which dictates the order of the reduction in the Other Payments, then the Total Payments will be reduced in the following order: (i) payments that are payable in cash that are valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first; (ii) payments and benefits due in respect of any equity valued at full value under Treasury Regulation Section 1.280G-1, Q&A 24(a), with the highest values reduced first (as such

values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; (iii) payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with amounts that are payable last reduced first, will next be reduced; (iv) payments and benefits due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; and (v) all other non-cash benefits not otherwise described in clauses (ii) or (iv) will be next reduced pro-rata. Any reductions made pursuant to each of clauses (i)-(v) above will be made in the following manner: first, a pro-rata reduction of cash payment and payments and benefits due in respect of any equity not subject to section 409A of the Code, and second, a pro-rata reduction of cash payments and payments and benefits due in respect of any equity subject to section 409A of the Code as deferred compensation.

(3) For purposes of determining whether and the extent to which the Award will be subject to the Excise Tax and the amount of such Excise Tax: (i) no portion of the Award the receipt or enjoyment of which the Participant shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of section 280G(b) of the Code will be taken into account; and (ii) no portion of the Award will be taken into account which, in the opinion of the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor, does not constitute a "parachute payment" within the meaning of section 280G(b)(2) of the Code (including by reason of section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Award will be taken into account which constitutes reasonable compensation for services actually rendered, within the meaning of section 280G(b)(4)(B) of the Code, in excess of the Base Amount (as defined in section 280G(b)(3) of the Code) allocable to such reasonable compensation.

(4) The fact that the Participant's right to payments or benefits may be reduced by reason of the limitations contained in this Article 4(d)(4) will not of itself limit or otherwise affect any other rights of the Participant under the Plan. The Participant and the Company shall each reasonably cooperate with the other in connection with any administrative or judicial proceedings concerning the existence or amount of liability for Excise Tax with respect to the Award.

Article 5. Termination of Employment; Forfeitures

(a) Except as provided in Article 4 with respect to a Covered Termination within one hundred and twenty (120) days before a Change in Control or a Covered Termination on or after a Change in Control, participation in the Plan shall cease immediately upon a Participant's retirement, resignation or termination of employment as an Eligible Employee for any reason (with or without Cause), or if determined by the Award Committee, upon the Participant's death or disability. Disability will be determined under the Company's long term disability plan, if any, or upon receipt of a letter of determination or similar of the Participant's complete disability by the applicable governmental authority under local applicable law, which complete disability entitles the Participant to disability payments under local law.

(b) In the event that:

(1) while the Participant is employed by the Company, he or she engages in, directly or indirectly, any other business or activity that could materially or adversely affect the Company's business or his or her ability to perform his or her duties for the Company, including, but not limited to, any activities adversely affecting the MercadoLibre Business anywhere in the Territory;

(2) while the Participant is employed by the Company or during the one-year period following the termination of the Participant's employment for any reason, he or she directly or indirectly, on his or her own behalf or on behalf of another Person or entity, hires or solicits for hire any employees of the Company or its Affiliates or in any manner attempts to influence or induce any employee of the Company or its Affiliates to leave their employment; or

(3) while the Participant is employed by the Company or during the one-year period following the termination of the Participant's employment for any reason, he or she alone (or in association with any other Person) directly or indirectly, in any capacity, owns, operates, manages, controls, engages in, invests in, becomes employed by, acts as a consultant or advisor to, or provides services for, or otherwise assists any other Person in activities that are competitive with the MercadoLibre Business anywhere in the Territory,

he or she will automatically forfeit any and all benefits received under the Plan and any and all benefits which the Participant may otherwise be entitled to receive under the Plan. If the Participant terminates employment with the Company for any reason (with or without Cause) and he or she alone (or in association with any other Person) takes any of the action set forth in subparagraph (1), (2) or (3) above, the Participant will be required to immediately, and in no event more than five (5) days following the termination of the Participant's employment, return all amounts which the Participant has received under the terms of the Plan (the "Recovery Amount"), and the Participant and the Company hereby agree to the following, notwithstanding any Plan provision to the contrary:

(i) that the Company may withhold all or a portion of the Recovery Amount from any salary, wages or other amounts due to the Participant from the Company; and

(ii) in addition to the Recovery Amount, the Company may also recover any fees incurred by the Company in seeking to collect the Recovery Amount, including, but not limited to, the Company's reasonable attorneys' fees.

Notwithstanding the foregoing, ownership of less than five percent (5%) of the outstanding capital stock of any Person whose securities are registered under the Securities Exchange Act of 1934, as amended, in and of itself shall not be cause for automatic forfeiture under Article 5(b)(3), whether or not the subject Person is competitive with the Company.

(c) Except as provided in Article 4 with respect to a Covered Termination within one hundred and twenty (120) days before a Change in Control or a Covered Termination on or after a Change in Control, the portion of any Award under this Plan that has not been actually paid to the Participant prior to the date of such resignation or other termination of employment shall be forfeited, except that the Award Committee, in its discretion, may pay all or part of the amount that remains payable under an Award upon the disability or death of the Participant in accordance with such rules or procedures established by the Award Committee provided, however, that any amount of the Award payment that the Award Committee determines to pay shall be paid no later than March 15 of the year following the year that the Participant's employment ends on account of disability or death. Notwithstanding any provision of the Plan to the contrary, any Award paid to the Participant shall be subject to recovery by the Company in the event that the Participant is terminated for Cause and shall, to the extent permitted by law, be subject to recovery from any amounts owed by the Company to the Participant, including, but not limited to, offsetting any amounts owed under the Plan to the Company against any amounts otherwise owed to the Participant by the Company.

(d) If the Award Committee decides to pay all or part of an Award after the death of a Participant in accordance with this Article 5, the Participant may designate in writing one or more persons ("beneficiary") to receive any unpaid portion of the Participant's Award upon the death of the Participant. By similar action, the Participant may designate a change of beneficiary at any time, which change shall be effective only upon receipt by the Award Committee of said notice. The last such designation form filed with the Award Committee prior to the Participant's death shall control. The Award Committee may establish a form or other requirements for such designation. If the Participant designates his spouse as a beneficiary, the divorce of Participant shall automatically revoke that designation of his spouse as beneficiary except to the extent otherwise provided in a subsequent beneficiary designation filed by the Participant with the Award Committee. In the absence of a written designation, or in the event the Participant dies without a beneficiary surviving him, any amount which would otherwise be payable on account of his death shall be paid to the surviving spouse of the Participant or if none, to the Participant's estate. A beneficiary of a Participant shall have no interest or rights hereunder during the lifetime of the Participant.

Article 6. Administrative Provisions

(a) The Plan was approved by the Board on March 29, 2019 to be effective as of January 1, 2019 for all services provided by Participants in 2019.

(b) Unless the Board provides otherwise, the Plan shall be administered and interpreted by the Award Committee, which has been provided absolute authority hereunder to administer the Plan, subject to the limitation on the authority of the Chief Executive Officer set forth in the definition of Award Committee above. The Board and its members, the members of the Award Committee and any other individual who may, from time to time, have been delegated responsibility with respect to the administration of this Plan (collectively, "Authorized Persons"), shall have the full authority, discretion and power necessary or desirable to administer and interpret this Plan, in accordance with the Plan terms. Benefits under the Plan shall be payable only if the Authorized Persons in their respective sole and absolute discretion determine that any such benefits are properly payable under the Plan. Without in any way limiting the foregoing, all Authorized Persons shall have complete authority, sole discretion and power to: (i) determine the Participants; (ii) determine the amount of the Award for each Participant; (iii) interpret the provisions of this Plan and any other documentation used in connection with this Plan, including documentation specifying individual Awards and the like; (iv) establish and interpret rules, regulations and procedures (written or by practice) for the administration of the Plan; and (v) make all other determinations and take all other actions necessary or desirable for the administration or interpretation of this Plan. The express grant in the Plan of any specific power to Authorized Persons shall not be construed as limiting any power or authority of such Authorized Person. All actions, decisions and interpretations of the Authorized Persons shall be final, conclusive and binding on all parties. All expenses of administering the Plan shall be borne by the Company.

(c) Nothing in this Plan shall be deemed by implication, action or otherwise to constitute a contract of employment or otherwise to impose any limitation on any right of the Company to terminate a Participant's employment at any time for any or no reason.

(d) A Participant shall have no right to anticipate, alienate, sell, transfer, assign, pledge or encumber any right to receive any Award made under the Plan, nor will any Participant have any lien on any assets of the Company by reason of any Award made under the Plan.

(e) The Company shall have the right to deduct or withhold, or require a Participant to remit to the Company, any taxes required by law to be withheld from Awards made under this Plan.

(f) The Plan may be amended, suspended or terminated at any time and from time to time, by action of the Board or the Award Committee, but in any event, the Plan will be terminated no later than upon the last date the Company pays all Participants any and all amounts that may due under the Plan and no amounts remain due and payable under the Plan to any person as determined by Award Committee. The preceding sentence to the contrary notwithstanding, on and after a Change in Control, no amendment, suspension or termination of the Plan that adversely affects the rights of a Participant (or the beneficiary of a deceased Participant who has not received payment of an amount approved by the Award Committee under Article 5), shall be effective without the written consent of that Participant or beneficiary.

(g) The adoption of the Plan does not imply any commitment to continue to maintain the Plan, or any modified version of the Plan, or any other plan for incentive compensation for such Participant for any period of time. Neither the adoption of this Plan, its operation, nor any documents describing or referring to this Plan (or any part thereof) shall confer upon any employee any right to continue in the employ of the Company or in any way affect any right and power of the Company to terminate the employment of any employee at any time without assigning a reason therefor.

(h) This Plan, insofar as it provides for Awards, shall be unfunded, and the Company shall not be required to segregate any assets that may at any time be represented by Awards under the Plan. Any liability of the Company to any person with respect to any Awards under this Plan shall be based solely upon any contractual obligations which may be created pursuant to this Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

(i) In order to be effective, any amendment of this Plan or any Award must be in writing and made by the Award Committee. No oral statement, representation, written presentation or the like shall have the effect of amending or modifying this Plan or any Award, or otherwise have any binding effect on the Company, the Board, the Chief Executive, the Award Committee or any individual who has been delegated authority to administer this Plan.

(j) The Plan shall be construed in accordance with and governed by the substantive laws of the State of Delaware, without regard to principles of conflicts of law.

(k) In case any provision of the Plan shall be held illegal or void, such illegality or invalidity shall not affect the remaining provisions of this Plan, but shall be fully severable, and the Plan shall be construed and enforced as if said illegal or invalid provisions had never been inserted herein.

(l) Except for their own gross negligence or gross misconduct regarding the performance of the duties specifically assigned to them under, or their willful breach of the terms of this Plan, the Company (and its affiliates), Board and its members, the Award Committee and its members, and any other entity or individual administering any aspect of this Plan shall be held harmless by the Participants and their respective representatives, heirs, successors, and assigns, against liability or losses occurring by reason of any act or omission under the Plan.

(m) Should the Company effect one or more stock dividends, stock splits, subdivisions or consolidations of Shares or other similar changes in capitalization, then the terms of outstanding Awards shall be adjusted as the Award Committee shall determine to be equitably required. Any determination made under this Article 6(m) by the Award Committee shall be final and conclusive. The issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, Awards.

Executed on the 29th day of March, 2019 to be effective as of the 1st day of January, 2019.

MercadoLibre, Inc.

By:

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Marcos Galperin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MercadoLibre, Inc. (the "registrant");

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 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 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 registrant's Board of Directors (or persons performing the equivalent function):

(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.

May 3, 2019

/s/ Marcos Galperin

Marcos Galperin
President and Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Pedro Arnt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MercadoLibre, Inc. (the "registrant");

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 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 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 registrant's Board of Directors (or persons performing the equivalent function):

(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.

May 3, 2019

/s/ Pedro Arnt

Pedro Arnt
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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 on Form 10-Q of MercadoLibre, Inc. (the "Company") for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marcos Galperin, Chief Executive Officer of the Company, certify, 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, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Marcos Galperin
Marcos Galperin
President and Chief Executive Officer
(Principal Executive Officer)

May 3, 2019

The foregoing certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

**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 on Form 10-Q of MercadoLibre, Inc. (the "Company") for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Pedro Arnt, Chief Financial Officer of the Company, certify, 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, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Pedro Arnt
Pedro Arnt
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

May 3, 2019

The foregoing certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.