



MercadoLibre, Inc. Reports Financial Results for Second Quarter 2010

** Q2'10 net revenues increase 28.4% year-over-year to \$52.5 million. In local currencies, net revenues increase 38.5% year-over-year*

** Q2'10 net income increases by 74.8% year-over-year to \$11.7 million. In local currencies, net income increases by 94.7% year-over-year*

** Items sold during Q2'10 increase by 33.7% year-over-year to 9.2 million*

** Total payment transactions during Q2'10 increase by 91.2% year-over-year to 1.3 million*

BUENOS AIRES, Argentina, Aug. 4, 2010 (GLOBE NEWSWIRE) -- MercadoLibre, Inc. (Nasdaq:MELI) (<http://www.mercadolibre.com>), Latin America's leading e-commerce technology company, today reported financial results for the second quarter ended June 30, 2010.

Marcos Galperin, President and Chief Executive Officer of MercadoLibre, Inc., commented, "We are pleased with our strong second quarter results, as we continued to build on the positive momentum that we have gained in the business over the recent time frame. During the quarter, we continued to focus on our product and usability initiatives, which are targeted at enhancing overall user experience and driving our top-line growth. Additionally, we continue to experience strong secular growth trends within the industry and believe that these trends will provide ample opportunity for MercadoLibre to maintain a strong growth trajectory for the foreseeable future."

Second Quarter 2010 Financial Results Summary

MercadoLibre reported consolidated net revenues for the three months ended June 30, 2010 of \$52.5 million, representing 28.4% year-over-year growth in U.S. dollars and 38.5% year-over-year growth in local currencies. In local currencies, Marketplace revenue grew 37.3% year-over-year while Payments revenue grew 42.5% year-over-year. In U.S. dollars, Marketplace revenue grew 19.9% to \$37.2 million in the second quarter of 2010 from \$31.0 million in the second quarter of 2009. In U.S. dollars, Payments revenue grew 54.9% to \$15.3 million from \$9.9 million in the prior year period.

Items sold on MercadoLibre grew 33.7% to 9.2 million while total Payments transactions going through MercadoPago grew 91.2% to 1.3 million when compared to the second quarter of 2009. In local currencies, gross merchandise volume and total payments volume grew 35.4% and 73.8% year-over-year, respectively. In U.S. dollars, gross merchandise volume for the quarter grew 22.4% year-over-year to \$798.1 million, while total payment volume grew 85.7% year-over-year to \$147.8 million.

Gross profit grew 27.2% to \$41.1 million from \$32.3 million in the prior year quarter. The second quarter 2010 gross profit margin was 78.3% compared to 79.0% for the second quarter of 2009. The slight decrease in gross profit margin was the result of higher growth in our lower margin Payments business, which grew to 29.2% of net revenues in the second quarter of 2010 from 24.2% in the prior year period.

Income from operations grew 51.6% to \$18.8 million in the second quarter of 2010 compared to \$12.4 million in the second quarter of 2009. Operating income margin for the second quarter of 2010 was 35.8%, representing an increase from 30.3% for the prior year period.

Net income for the three-month period ended June 30, 2010 was \$11.7 million, representing 74.8% growth in U.S. dollars and 94.7% growth in local currencies. Net income margin was 22.2% for the second quarter of 2010, compared to 16.3% for the same period last year. Earnings per share for the second quarter of 2010 were \$0.26 compared to \$0.15 for the prior year quarter.

The following table summarizes certain key performance metrics for the three months ended June 30, 2009 and 2010.

| Three month ended June 30, (in millions) | 2009 | 2010 | %YOY |
|---|----------|----------|-------|
| Total confirmed registered users at the end of period | 37.8 | 47.4 | 25.5% |
| New confirmed registered users during the period | 2.1 | 2.5 | 18.4% |
| Gross merchandise volume | \$ 651.9 | \$ 798.1 | 22.4% |
| Successful items sold | 6.9 | 9.2 | 33.7% |
| Total payments volume | \$ 79.6 | \$ 147.8 | 85.7% |
| Total payments transactions | 0.7 | 1.3 | 91.2% |

* Gross merchandise volume and total payments volume grew 35.4% and 73.8% in local currencies year-over-year, respectively.

Conference Call and Webcast

MercadoLibre will host a conference call and audio webcast on August 4, 2010 at 4:30 p.m. Eastern Time. The conference call may be accessed by dialing (970) 315-0420 (Conference ID 89670721) and requesting inclusion in the call for MercadoLibre. The live conference call can also be accessed via audio webcast at the investor relations section of the Company's website, at <http://investor.mercadolibre.com>. An archive of the webcast will be available for one week following the conclusion of the conference call.

Definition of Selected Operational Metrics

Total confirmed registered users – Measure of the cumulative number of users who have registered on the MercadoLibre Marketplace and confirmed their registration.

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

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

Items sold (Successful items sold) – Measure of the number of items sold/purchased through the MercadoLibre Marketplace.

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

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

Gross profit margin – Defined as gross profit as percentage of net revenues.

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

Net Income margin – Defined as net income as a percentage of net revenues.

Local currency metric growth – Calculated by applying the average 2009 monthly exchange rates for each month of the period during 2009 to the results during the corresponding months in 2010, so as to calculate what the growth would have been had exchange rates been the same throughout both periods.

About MercadoLibre

Founded in 1999, MercadoLibre is Latin America's leading e-commerce technology company. Through its primary platforms, MercadoLibre.com and MercadoPago.com, it provides solutions to individuals and companies buying, selling, advertising, and paying for goods online.

MercadoLibre.com serves millions of users and creates a market for a wide variety of goods and services in an easy, safe and efficient way. The site is among the top 50 in the world in terms of page views and is the leading retail platform in unique visitors in each country in which it operates according to metrics provided by comScore Networks.

MercadoLibre maintains a leadership position in 12 Latin American countries. The Company listed on NASDAQ (Nasdaq:MELI) following its initial public offering in 2007.

For more information about the company visit: <http://investor.mercadolibre.com>

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

Forward-Looking Statements

Any statements contained in this press release that are not statements of historical fact, including statements about the company's beliefs and expectations, are forward-looking statements and should be evaluated as such. Such forward-looking statements reflect, among other things, the company's current expectations, plans, projections and strategies, anticipated financial results, future events and financial trends affecting the company's business, all of which are subject to known or unknown risk and uncertainties that may cause the company's actual results to differ materially from those expressed or implied by these forward-looking statements, including general market conditions, adverse changes in the company's markets as well as those risks and uncertainties included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the company's Annual Report on Form 10-K for the year ended December 31, 2009 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, which are on file with the SEC and is available on the SEC website at www.sec.gov. Additional information will also be set forth in the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, which it expects to file with the SEC in August 2010. All information provided in this release and in the attachments is as of August 4, 2010 and MercadoLibre undertakes no duty to update this information. Because of the risks, uncertainties and assumptions, investors should not place undue reliance on any forward-looking statements.

Consolidated balance sheets

| | June 30, 2010 | December 31, 2009 |
|---|------------------|----------------------|
| Assets | (Unaudited) | (Audited) |
| Current assets: | | |
| Cash and cash equivalents | \$ 31,568,720 | \$ 49,803,402 |
| Short-term investments | 11,279,620 | 14,580,185 |
| Accounts receivable, net | 8,996,944 | 4,868,377 |
| Funds receivable from customers | 3,406,625 | 3,785,802 |
| Prepaid expenses | 506,921 | 547,138 |
| Deferred tax assets | 6,606,413 | 5,481,182 |
| Other assets | 4,919,156 | 3,068,930 |
| Total current assets | 67,284,399 | 82,135,016 |
| Non-current assets: | | |
| Long-term investments | 66,112,729 | 26,627,357 |
| Property and equipment, net | 7,689,100 | 5,948,276 |
| Goodwill and intangible assets, net | 62,932,379 | 64,338,564 |
| Deferred tax assets | 4,053,741 | 2,897,492 |
| Other assets | 569,382 | 667,944 |
| Total non-current assets | 141,357,331 | 100,479,633 |
| Total assets | \$ 208,641,730 | \$ 182,614,649 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 13,779,597 | \$ 11,599,634 |
| Funds payable to customers | 36,017,695 | 31,453,410 |
| Payroll and social security payable | 7,110,417 | 7,428,340 |
| Taxes payable | 8,560,306 | 6,797,516 |
| Loans payable and other financial liabilities | 56,121 | 3,213,992 |
| Total current liabilities | 65,524,136 | 60,492,892 |
| Non-current liabilities: | | |
| Payroll and social security payable | 1,730,748 | 1,355,006 |
| Loans payable and other financial liabilities | 161,008 | -- |

| | | |
|-------------------------------|----------------------|----------------------|
| Deferred tax liabilities | 6,413,934 | 5,170,799 |
| Other liabilities | <u>1,090,392</u> | <u>1,402,715</u> |
| Total non-current liabilities | 9,396,082 | 7,928,520 |
| Total liabilities | <u>\$ 74,920,218</u> | <u>\$ 68,421,412</u> |

Shareholders' equity:

| | | |
|--|-----------------------|-----------------------|
| Common stock, \$0.001 par value, 110,000,000 shares authorized, 44,128,876 and 44,120,269 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively | \$ 44,129 | \$ 44,120 |
| Additional paid-in capital | 120,375,178 | 120,257,998 |
| Retained earnings | 38,951,100 | 17,656,537 |
| Accumulated other comprehensive loss | <u>(25,648,895)</u> | <u>(23,765,418)</u> |
| Total shareholders' equity | <u>133,721,512</u> | <u>114,193,237</u> |
| Total liabilities and shareholders' equity | <u>\$ 208,641,730</u> | <u>\$ 182,614,649</u> |

Consolidated statements of income

| | <u>Six Months Ended June 30, 2010</u> | | <u>Three Months Ended June 30,</u> | |
|--|---------------------------------------|----------------------|------------------------------------|---------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| | <u>(Unaudited)</u> | | <u>(Unaudited)</u> | |
| Net revenues | \$ 98,448,105 | \$ 73,224,300 | \$ 52,510,331 | \$ 40,901,799 |
| Cost of net revenues | <u>(21,304,611)</u> | <u>(15,229,463)</u> | <u>(11,411,561)</u> | <u>(8,595,477)</u> |
| Gross profit | 77,143,494 | 57,994,837 | 41,098,770 | 32,306,322 |
| Operating expenses: | | | | |
| Product and technology development | (7,201,240) | (5,720,625) | (3,976,466) | (3,087,206) |
| Sales and marketing | (22,581,944) | (20,293,461) | (11,473,145) | (10,077,284) |
| General and administrative | <u>(13,041,477)</u> | <u>(12,800,984)</u> | <u>(6,834,592)</u> | <u>(6,729,609)</u> |
| Total operating expenses | <u>(42,824,661)</u> | <u>(38,815,070)</u> | <u>(22,284,203)</u> | <u>(19,894,099)</u> |
| Income from operations | <u>34,318,833</u> | <u>19,179,767</u> | <u>18,814,567</u> | <u>12,412,223</u> |
| Other income (expenses): | | | | |
| Interest income and other financial gains | 1,711,529 | 1,531,837 | 917,388 | 602,174 |
| Interest expense and other financial charges | (6,351,339) | (5,844,773) | (3,355,921) | (3,334,589) |
| Foreign currency gains / (loss) | <u>361,494</u> | <u>529,213</u> | <u>(35,478)</u> | <u>(1,346,273)</u> |
| Net income before income / asset tax expense | <u>30,040,517</u> | <u>15,396,044</u> | <u>16,340,556</u> | <u>8,333,535</u> |
| Income / asset tax expense | <u>(8,745,954)</u> | <u>(3,325,089)</u> | <u>(4,666,593)</u> | <u>(1,653,756)</u> |
| Net income | <u>\$ 21,294,563</u> | <u>\$ 12,070,955</u> | <u>\$ 11,673,963</u> | <u>\$ 6,679,779</u> |

| | <u>Six Months Ended June 30, 2010</u> | | <u>Three Months Ended June 30,</u> | |
|-----------------------------------|---------------------------------------|-------------------|------------------------------------|-------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| | <u>(Unaudited)</u> | | <u>(Unaudited)</u> | |
| Basic EPS | | | | |
| Basic net income per common share | <u>\$ 0.48</u> | <u>\$ 0.27</u> | <u>\$ 0.26</u> | <u>\$ 0.15</u> |
| Weighted average shares | <u>44,117,364</u> | <u>44,074,462</u> | <u>44,121,087</u> | <u>44,078,235</u> |

Diluted EPS

| | | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Diluted net income per common share | <u>\$ 0.48</u> | <u>\$ 0.27</u> | <u>\$ 0.26</u> | <u>\$ 0.15</u> |
| Weighted average shares | <u>44,142,829</u> | <u>44,127,208</u> | <u>44,145,255</u> | <u>44,132,204</u> |

Consolidated statements of cash flows

| | Six Months Ended June 30, | |
|---|----------------------------------|----------------------|
| | 2010 | 2009 |
| | (Unaudited) | |
| Cash flows from operations: | | |
| Net income | \$ 21,294,563 | \$ 12,070,955 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,187,353 | 1,945,382 |
| Interest expense | -- | 345,224 |
| Accrued interest | (37,763) | (141,103) |
| Stock-based compensation expense - stock options | 121 | 871 |
| Stock-based compensation expense - restricted shares | 37,696 | 121,646 |
| LTRP accrued compensation | 1,515,662 | 1,352,977 |
| Deferred income taxes | (1,099,249) | 194,139 |
| Changes in assets and liabilities, excluding the effect of acquisitions: | | |
| Accounts receivable | (4,578,556) | (1,275,237) |
| Funds receivable from customers | 247,441 | 627,999 |
| Prepaid expenses | 51,734 | (102,699) |
| Other assets | (1,735,721) | (3,740,274) |
| Accounts payable and accrued expenses | 5,249,442 | (2,685,895) |
| Funds payable to customers | 4,738,946 | 4,905,107 |
| Other liabilities | <u>(1,779,899)</u> | <u>(592,641)</u> |
| Net cash provided by operating activities | <u>26,091,770</u> | <u>13,026,451</u> |
| Cash flows from investing activities: | | |
| Purchase of investments | (64,252,379) | (37,897,661) |
| Proceeds from sale and maturity of investments | 26,860,341 | 31,886,495 |
| Purchases of intangible assets | (12,733) | (953,164) |
| Purchases of property and equipment | <u>(3,906,287)</u> | <u>(2,182,358)</u> |
| Net cash used in investing activities | <u>(41,311,058)</u> | <u>(9,146,688)</u> |
| Cash flows from financing activities: | | |
| Decrease in short term debt | (2,993,985) | (3,193,705) |
| Stock options exercised | <u>5,449</u> | <u>4,004</u> |
| Net cash used in financing activities | <u>(2,988,536)</u> | <u>(3,189,701)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(26,858)</u> | <u>1,210,727</u> |
| Net decrease in cash and cash equivalents | (18,234,682) | 1,900,789 |
| Cash and cash equivalents, beginning of the period | <u>49,803,402</u> | <u>17,474,112</u> |
| Cash and cash equivalents, end of the period | <u>\$ 31,568,720</u> | <u>\$ 19,374,901</u> |

Six Months Ended June 30,

| | |
|-------------|-------------|
| <u>2010</u> | <u>2009</u> |
|-------------|-------------|

(Unaudited)

Supplemental cash flow information:

| | | |
|----------------------------|---------------|--------------|
| Cash paid for interest | \$ 5,753,706 | \$ 5,005,815 |
| Cash paid for income taxes | \$ 10,377,362 | \$ 3,453,738 |

Financial results of reporting segments
Three Months Ended June 30, 2010

| | Marketplaces | | | | | Total | Payments | Consolidated |
|---|---------------|--------------|--------------|--------------|-----------------|---------------|---------------|----------------------|
| | Brazil | Argentina | Mexico | Venezuela | Other Countries | | | |
| Net revenues | \$ 18,491,273 | \$ 7,085,111 | \$ 4,222,333 | \$ 4,296,698 | \$ 3,090,698 | \$ 37,186,113 | \$ 15,324,218 | \$ 52,510,331 |
| Direct costs | (9,998,604) | (2,721,948) | (2,275,528) | (1,958,045) | (1,672,057) | (18,626,182) | (8,816,732) | (27,442,914) |
| Direct contribution | 8,492,669 | 4,363,163 | 1,946,805 | 2,338,653 | 1,418,641 | 18,559,931 | 6,507,486 | 25,067,417 |
| Operating expenses and indirect costs of net revenues | | | | | | | | (6,252,851) |
| Income from operations | | | | | | | | 18,814,566 |
| Other income (expenses): | | | | | | | | |
| Interest income and other financial gains | | | | | | | | 917,388 |
| Interest expense and other financial results | | | | | | | | (3,355,921) |
| Foreign currency losses | | | | | | | | (35,478) |
| Net income before income / asset tax expense | | | | | | | | <u>\$ 16,340,555</u> |

Three Months Ended June 30, 2009

| | Marketplaces | | | | | Total | Payments | Consolidated |
|---|---------------|--------------|--------------|--------------|-----------------|---------------|--------------|---------------------|
| | Brazil | Argentina | Mexico | Venezuela | Other Countries | | | |
| Net revenues | \$ 12,603,535 | \$ 5,549,031 | \$ 3,307,428 | \$ 7,301,807 | \$ 2,248,759 | \$ 31,010,561 | \$ 9,891,238 | \$ 40,901,799 |
| Direct costs | (7,627,345) | (2,262,079) | (1,867,423) | (3,443,906) | (1,326,640) | (16,527,392) | (5,431,796) | (21,959,188) |
| Direct contribution | 4,976,190 | 3,286,952 | 1,440,005 | 3,857,901 | 922,120 | 14,483,169 | 4,459,442 | 18,942,611 |
| Operating expenses and indirect costs of net revenues | | | | | | | | (6,530,388) |
| Income from operations | | | | | | | | 12,412,223 |
| Other income (expenses): | | | | | | | | |
| Interest income and other financial gains | | | | | | | | 602,174 |
| Interest expense and other financial results | | | | | | | | (3,334,589) |
| Foreign currency losses | | | | | | | | (1,346,273) |
| Net income before income / asset tax expense | | | | | | | | <u>\$ 8,333,535</u> |

Six Months Ended June 30, 2010
Marketplaces

| | <u>Brazil</u> | <u>Argentina</u> | <u>Mexico</u> | <u>Venezuela</u> | <u>Other Countries</u> | <u>Total</u> | <u>Payments</u> | <u>Consolidated</u> |
|---|---------------------|--------------------|--------------------|--------------------|------------------------|---------------------|---------------------|----------------------|
| Net revenues | \$ 34,178,717 | \$ 13,807,332 | \$ 8,238,513 | \$ 7,623,631 | \$ 6,332,924 | \$ 70,181,117 | \$ 28,266,988 | \$ 98,448,105 |
| Direct costs | <u>(19,190,574)</u> | <u>(5,319,510)</u> | <u>(4,544,501)</u> | <u>(3,689,720)</u> | <u>(3,340,795)</u> | <u>(36,085,100)</u> | <u>(16,603,996)</u> | <u>(52,689,096)</u> |
| Direct contribution | 14,988,143 | 8,487,822 | 3,694,012 | 3,933,911 | 2,992,129 | 34,096,017 | 11,662,992 | 45,759,009 |
| Operating expenses and indirect costs of net revenues | | | | | | | | <u>(11,440,176)</u> |
| Income from operations | | | | | | | | <u>34,318,833</u> |
| Other income (expenses): | | | | | | | | |
| Interest income and other financial gains | | | | | | | | 1,711,529 |
| Interest expense and other financial results | | | | | | | | <u>(6,351,339)</u> |
| Foreign currency gains | | | | | | | | <u>361,494</u> |
| Net income before income / asset tax expense | | | | | | | | <u>\$ 30,040,517</u> |

Six Months Ended June 30, 2009

| | <u>Marketplaces</u> | | | | | | | |
|---|---------------------|--------------------|--------------------|--------------------|------------------------|---------------------|--------------------|----------------------|
| | <u>Brazil</u> | <u>Argentina</u> | <u>Mexico</u> | <u>Venezuela</u> | <u>Other Countries</u> | <u>Total</u> | <u>Payments</u> | <u>Consolidated</u> |
| Net revenues | \$ 22,481,733 | \$ 10,514,908 | \$ 6,176,350 | \$ 13,667,627 | \$ 4,123,864 | \$ 56,964,482 | \$ 16,259,818 | \$ 73,224,300 |
| Direct costs | <u>(14,233,003)</u> | <u>(4,438,834)</u> | <u>(3,664,417)</u> | <u>(7,099,420)</u> | <u>(2,529,675)</u> | <u>(31,965,349)</u> | <u>(9,513,002)</u> | <u>(41,478,351)</u> |
| Direct contribution | 8,248,730 | 6,076,074 | 2,511,933 | 6,568,207 | 1,594,190 | 24,999,133 | 6,746,815 | 31,745,949 |
| Operating expenses and indirect costs of net revenues | | | | | | | | <u>(12,566,182)</u> |
| Income from operations | | | | | | | | <u>19,179,767</u> |
| Other income (expenses): | | | | | | | | |
| Interest income and other financial gains | | | | | | | | 1,531,837 |
| Interest expense and other financial results | | | | | | | | <u>(5,844,773)</u> |
| Foreign currency gains | | | | | | | | <u>529,213</u> |
| Net income before income / asset tax expense | | | | | | | | <u>\$ 15,396,044</u> |

Non-GAAP Measures of Financial Performance

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

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

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

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

In this press release MercadoLibre also includes each of net income, earnings per basic and diluted share, blended and effective tax rates and certain margin percentages for the three and six-month periods ended June 30, 2010 and 2009 after excluding (or adding back) the following charges required by GAAP:

Long term retention plan compensation

(a) On August 8, 2008, the Board of Directors approved a long-term employee retention program (the 2008 LTRP) for certain executives based on 2008 performance that will be payable 50% in cash and 50% in MercadoLibre common stock, in addition to their annual salary and bonus. Payments will be made during the first quarter on an annual basis according to the following vesting schedule: year 1 (2009): 17%, year 2 (2010): 22%, year 3 (2011): 27%, year 4 (2012): 34%.

(b) On June 10, 2009 the Board of Directors approved a long-term employee retention (the 2009 LTRP) program for certain executives based on 2009 performance. If earned, payments to eligible employees under the 2009 LTRP will be in addition to payments of base salary and cash bonus, if earned, made to these employees. In order to receive an award under the 2009 LTRP, each eligible employee must satisfy the performance conditions established by the board of directors for him or her. 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 2009 LTRP bonus, payable as follows: (I) the eligible employee will receive a fixed cash payment equal to 6.25% of his or her 2009 LTRP bonus once a year during eight years starting in 2010 (the "2009 Fixed Payment"); and (II) on each date the company pays the Fixed Payment to an eligible employee, he or she will also receive a cash payment (the "2009 Variable Payment") equal to the product of (i) 6.25% of the applicable 2009 LTRP bonus 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 2008 Stock Price, defined as \$13.81, which was the average closing price of the Company's common stock on the NASDAQ Global Market during the final 60 trading days of 2008. The "Applicable Year Stock Price" shall equal the average closing price of the Company's common stock on the NASDAQ Global Market during the final 60 trading days of the year preceding the applicable payment date.

(c) On June 25, 2010, the board of directors adopted the 2010 Long Term Retention Plan (the "2010 LTRP"). If earned, payments to eligible employees under the 2010 LTRP will be in addition to payments of base salary and cash bonus, the latter if earned, made to these employees. In order to receive an award under the 2010 LTRP, each eligible employee must satisfy the performance conditions established by the board of directors for him or her. 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 2010 LTRP bonus, payable as follows: (I) the eligible employee will receive a fixed cash payment equal to 6.25% of his or her 2010 LTRP bonus once a year for a period of eight years starting in 2011 (the "2010 Annual Fixed Payment"); and (II) on each date we pay the Annual Fixed Payment to an eligible employee, he or she will also receive a cash payment (the "2010 Variable Payment") equal to the product of (i) 6.25% of the applicable 2010 LTRP bonus 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 2009 Stock Price, defined as \$45.75, which was the average closing price of our common stock on the NASDAQ Global Market during the final 60 trading days of 2009. The "Applicable Year Stock Price" shall equal the average closing price of our common stock on the NASDAQ Global Market during the final 60 trading days of the year preceding the applicable payment date.

For the 2008 LTRP and the Variable Payment of the 2009 and 2010 LTRP, the U.S. GAAP compensation cost is recognized in accordance with the graded-vesting attribution method and is accrued up to each payment day. For the Fixed Payment of the 2009 and 2010 LTRP, the compensation cost is recognized in a straight-line basis. The non-GAAP measures were calculated with the cost for each period being accrued in the full fiscal year immediately preceding the payment date according to the same payment schedule in which 27% and 22% of the cost of the 2008 LTRP plan vests during the three and six-months periods ended June 30 2010 and 2009 respectively, and 12.5% of the cost of the 2009 and 2010 LTRP vests during the three- and six-month periods ended June 30, 2010 and 2009. The following tables show a reconciliation of this cost from the GAAP measures to the non-GAAP measures.

Venezuelan foreign currency re-measurement effect

In the comparative period this amount relates to re-measurement of assets and liabilities in U.S. dollars in the Venezuelan statutory Financial Statements. Until September 30, 2009, the Venezuelan subsidiaries have re-measured the assets and liabilities outstanding in U.S. dollar balances at the parallel exchange rate and translated them to the official exchange rate. Starting in the fourth quarter of 2009, as a result of the changes in facts and circumstances that affect the Company's ability to convert currency for dividends remittances using the official exchange rate in Venezuela, the Venezuelan subsidiaries assets, liabilities, income and expense accounts have been translated using the parallel exchange rate, for that reason there is no

longer a mismatch between the re-measurement exchange rate and the translation exchange rate. The following tables exclude the foreign currency re-measurement effect generated in the three and six-month periods ended June 30, 2009 from applying different exchange rates in order to facilitate comparisons to present quarter figures, and to highlight this exchange rate matter.

Reconciliation of certain Non-GAAP financial measures to the most comparable GAAP financial measures

| | <u>Six Months Ended June 30,</u> | | <u>Three Months Ended June 30,</u> | |
|---|----------------------------------|----------------------|------------------------------------|---------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Net income | \$ 21,294,563 | \$ 12,070,955 | \$ 11,673,963 | \$ 6,679,779 |
| Long term retention plan compensation net of tax effect | 368,145 | 280,057 | 246,165 | 158,407 |
| Venezuelan foreign currency re-measurement effect | -- | (2,494,032) | -- | (1,446,108) |
| Non-GAAP net income | <u>\$ 21,662,708</u> | <u>\$ 9,856,980</u> | <u>\$ 11,920,128</u> | <u>\$ 5,392,078</u> |
| Basic net income per common share: | <u>\$ 0.48</u> | <u>\$ 0.27</u> | <u>\$ 0.26</u> | <u>\$ 0.15</u> |
| Non-GAAP basic net income per common share: | <u>\$ 0.49</u> | <u>\$ 0.22</u> | <u>\$ 0.27</u> | <u>\$ 0.12</u> |
| Shares used in basic net income per share calculation: | <u>44,117,364</u> | <u>44,074,462</u> | <u>44,121,087</u> | <u>44,078,235</u> |
| Diluted net income per common share | <u>\$ 0.48</u> | <u>\$ 0.27</u> | <u>\$ 0.26</u> | <u>\$ 0.15</u> |
| Non-GAAP diluted net income per common share: | <u>\$ 0.49</u> | <u>\$ 0.22</u> | <u>\$ 0.27</u> | <u>\$ 0.12</u> |
| Shares used in diluted net income per share calculation: | <u>44,142,829</u> | <u>44,127,208</u> | <u>44,145,255</u> | <u>44,132,204</u> |
| | | | | |
| | <u>Six Months Ended June 30,</u> | | <u>Three Months Ended June 30,</u> | |
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Income and asset tax expense | \$ 8,745,954 | \$ 3,325,089 | \$ 4,666,593 | \$ 1,653,756 |
| Income taxes related with long term retention plan compensation | 157,515 | 123,650 | 126,934 | 97,087 |
| Income taxes related with Venezuelan foreign currency effects | -- | (1,284,804) | -- | (744,963) |
| Non-GAAP income and asset tax expense | <u>\$ 8,903,469</u> | <u>\$ 2,163,935</u> | <u>\$ 4,793,527</u> | <u>\$ 1,005,880</u> |
| Income before income taxes | \$ 30,040,517 | \$ 15,396,044 | \$ 16,340,556 | \$ 8,333,535 |
| Long term retention plan compensation | 525,660 | 403,707 | 373,099 | 255,494 |
| Venezuelan foreign currency re-measurement effect | -- | (3,778,836) | -- | (2,191,072) |
| Non-GAAP income before income taxes | <u>\$ 30,566,177</u> | <u>\$ 12,020,915</u> | <u>\$ 16,713,655</u> | <u>\$ 6,397,957</u> |
| Blended tax rate (1) | <u>29.1%</u> | <u>21.6%</u> | <u>28.6%</u> | <u>19.8%</u> |
| Non-GAAP Blended tax rate (1) | <u>29.1%</u> | <u>18.0%</u> | <u>28.7%</u> | <u>15.7%</u> |

| | | | | |
|-------------------------------------|-------|-------|-------|-------|
| Effective tax rate (2) (3) | 34.3% | 19.1% | 28.4% | 20.0% |
| Non-GAAP Effective tax rate (2) (3) | 34.1% | 25.3% | 28.4% | 27.5% |

1 - Blended tax rate defined as income and asset tax expense as a percentage of income before income and asset tax.

2 - Effective income tax rate defined as the provision for income taxes (net of charges related to dividend distribution from foreign subsidiaries which are offset with domestic foreign tax credits) as a percentage of income before income tax.

3 - The effective tax rate does not include the effect of the Mexican Tax call Impuesto Empresarial a Tasa Unica (IETU).

| | Six Months Ended June 30, | | Three Months Ended June 30, | |
|------------------------------|---------------------------|---------------|-----------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| Net revenue | \$ 98,448,105 | \$ 73,224,300 | \$ 52,510,331 | \$ 40,901,798 |
| GAAP | | | | |
| Net Income | \$ 21,294,563 | \$ 12,070,955 | \$ 11,673,963 | \$ 6,679,779 |
| Earnings per share (basic) | \$ 0.48 | \$ 0.27 | \$ 0.26 | \$ 0.15 |
| Earnings per share (diluted) | \$ 0.48 | \$ 0.27 | \$ 0.26 | \$ 0.15 |
| Non-GAAP | | | | |
| Net Income | \$ 21,662,708 | \$ 9,856,980 | \$ 11,920,128 | \$ 5,392,078 |
| Earnings per share (basic) | \$ 0.49 | \$ 0.22 | \$ 0.27 | \$ 0.12 |
| Earnings per share (diluted) | \$ 0.49 | \$ 0.22 | \$ 0.27 | \$ 0.12 |

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